

Southern Natural Gas would mount effective lobbying efforts on behalf of the all-Alaska gas pipeline route. The same witnesses also indicated that the conditional promise of delivery of the royalty gas would help to build "constituencies" favorable to the state's cause.

In regard to "lobbying efforts", no standard exists in the contracts to measure suitable performance by the buyers. The contracts state only that the buyers must "actively support" an all-Alaska route or the route chosen by the State. Despite extensive questioning, no statement of projected lobbying expenditures or activities was ever provided. Even assuming that conditional commitment of the gas would provide sufficient incentive to Tenneco (buyer of 50 per cent of the state's royalty share) and Southern (buyer of 25 per cent) to pull all stops on behalf of the all-Alaska line, there is no basis for assuming that El Paso needs the additional incentive of 25 per cent of Alaska's royalty gas in order to work on behalf of its own proposal.

Moreover, the committee believes there is some risk that the political mood of the country towards the petroleum industry, of which our buyers are considered by the public to be a part, will make the "lobbying efforts" of the buyers more of a liability than an asset to the state's cause. In securing lobbying efforts, the committee is of the opinion that the better method by far is to support direct lobbying

efforts by Alaskans for an Alaskan cause, as was done during the Statehood battle and in securing passage of the Alaska Native Claims Settlement Act.

In weighing the claim of the buyers that conditional commitment of our royalty gas will build meaningful constituencies in 42 states, the committee compared the relative magnitude of the quantities of royalty gas sold to the respective buyers to the total 1975 annual gas consumption by the 42 states. Alaska's royalty share accounts for a miniscule percentage of the total needs of these 42 states. For example, Tenneco's annual share of Alaska's royalty gas would amount to only 3.5 per cent of Tenneco's total 1975 sales, and only 0.35 per cent of total 1975 consumption in Tenneco's 25-state market area.

Moreover, in view of the fact that federal legislation will control where gas flows in a time of gas shortage (as is the case presently in the gas-short areas of the United States), there is no reason to believe that commitment under these contracts will have anything to do with where gas flows in the event of future shortages.

In determining what the state gets for sure under these contracts, it is the opinion of the committee that at best, the state receives an absentee lobbying effort having minimal impact, and at worst, a scheme which engenders general disfavor. ~~The implied threat to our sister states that~~

~~failing to secure the desired choice of pipeline routes, the State of Alaska will withhold all of its royalty gas from use in the lower 48 states regardless of whether in-state uses for the gas have been developed could have an adverse impact on the potential leaders we wish to persuade.~~ Testimony before the committee suggested that the threat of withholding royalty gas will not be viewed as credible, but to the extent such a threat is taken seriously, it may prove harmful to our cause on this issue, and perhaps on others of equal or greater importance before Congress.

Legislators must in the final analysis draw their own conclusions as to the political impact of these contracts. Each legislator should, however, be aware of the costs of the contracts to the state.

One principal cost of these contracts to the state is the risk of not being able to take back our own royalty gas for in-state use once gas is flowing out of the state. Despite the artful drafting of the contracts, there is, in the opinion of the committee, a substantial ambiguity as to how surplus will be determined at the time the state desires to use the gas. An opinion by Legislative counsel (attached hereto) states that "...an argument could be made that the determination [of surplus] made to support this sale is the sole determination allowed." While this argument would probably not prevail, according to the opinion, "the con-

tract is not fully clear on this point: leaving room for substantial disagreement at a future time." This ambiguity would not exist if the state were given sole discretion to determine at any time in the future what gas is surplus.

Under one provision of the contracts, the state is given sole discretion in determining whether the buyer can recoup from other Alaskan gas fields one-and-one-half times the amount of natural gas the state takes back for in-state use. The committee suggests that this same standard should also clearly apply to the initial decision by the state to take back its gas for in-state use.

At the very minimum, it should be made clear in these sales agreements that surplus must be determined solely on circumstances which exist at the time the state wishes to take the gas back and not by any estimates of state needs contained in state reports issued before the sale. As trustees of resources belonging to the people of Alaska, public officials should not take the chance of committing gas which is not surplus to the future needs of the state.

Another cost to the state is the loss of flexibility in dealing with other potential buyers of the state's royalty gas. Several other companies and the State of California submitted interesting offers, but were unwilling to include a provision for support of an all-Alaska gas pipeline. The state also loses the opportunity to secure future siting of

petrochemical industries based on present commitments of gas.

Recent F.P.C. decisions have disapproved the practice of charging gas customers for advance payments to gas producers for gas not yet produced. Nothing in these decisions rules out a cash advance payment made at the time of initial delivery from being charged to gas users. Moreover, advance payments made from surplus or borrowed capital would be chargeable to the end users of the gas at the time of delivery. The present contracts, however, rule out such cash advances.

In committing 100 per cent of the daily production of the state's royalty gas for up to 20 years, the state could lose the ability to leverage a higher price under these present contract provisions by sales to other buyers. Further, it has been calculated by assigning the state a discount factor of 10 per cent per year that the most profitable production period for the gas is from 1991 to 2010.*

Consultants Carl Swanson and Rush Moody conceded in their testimony that there is a possibility that under continued regulation by the F.P.C., contracts entered into at this time might be given unfavorable gas price treatment

* Interim Report and Testimony Submitted to Joint Gas Pipeline Committee, Public Hearings February 17 - 20, 1976, p. 79.

by the F.P.C. or Congress under a contract vintaging price regulation. This was one concern expressed by the producers of the 7/8's of the Prudhoe field and one of the reasons given by the producers to the F.P.C. for not entering into firm contracts for sale of their 7/8's share.

Another concern of the producers is that the gas bring a sufficient price under either regulation or deregulation to justify an early sale. If projected costs of whatever gas pipeline is certified were only half as inaccurate as those for the oil pipeline, a situation could evolve in which the well-head value of the gas would be so adversely affected that the state would derive little benefit from the interstate sale of its gas under these contracts.

The uncertainty of the well-head price of the gas at the time of completion of the delivery system is predicted is probably a primary reason for reluctance of the producers to enter into contracts at this time. The contracts do allow the state the best price obtainable by the producers for the sale of their Prudhoe gas, but the strong possibility must be considered that the most economic use of the state's gas (and that of the producers) may be to continue, after completion of a gas line, to re-inject the gas into the reservoir to maximize recovery and daily flow of oil.

Recognizing that although there is reason to believe that under present conditions, some of the above-mentioned

contracts benefits were difficult to obtain, a future contract which does not have political support as its principal goal could contain some of these benefits.

The assumption that only the El Paso or Alcan proposals would give the state an opportunity for in-state use of the gas may be questionable. Present or future market prices may not reflect the full economic cost to the state of not having the gas. A line to carry the state's royalty share (and later perhaps a portion of producer gas) to Fairbanks or to tidewater has not yet been given the serious consideration it deserves.

The question of the effect of 2.0 to 2.4 billion cubic feet per day production of gas on the oil reservoir is one to which no satisfactory answer has been given. The committee does foresee some risk in committing on a daily flow basis 100 per cent of the state's royalty gas to a pipeline which even now is economic only under a daily flow of at least 2.0 billion cubic feet. If, after the financing and construction of that pipeline, the state must defend the decision of the Conservation Committee to curb or end gas production, these contracts may weaken the state's power to restrict the flow of gas from the state. It should be recognized, therefore, that the legal and political challenges to the Conservation Committee's decision by gas purchasers, transmission companies and the American consumer will be

formidable.* The commitment of gas under these contracts may prejudice the state's defense.

All of the foregoing cost considerations cast doubt on the advisability of committing gas for export from the state in order to gain marginal political leverage in the gas pipeline routing decision. If in the opinion of individual legislators, these cost considerations are outweighed by the likelihood that commitment of the gas will have some favorable effect, the committee strongly recommends that 100 per cent of the state's royalty gas not be committed. The sale of 25 per cent of the royalty share to El Paso makes little sense even under the political objectives of building "constituencies" and "lobbying efforts" for the El Paso line. In addition, approval of any or all of the proposed contracts should be done only after the method of determining what is surplus to the intra-state domestic and industrial needs of the State of Alaska is clarified in the contracts.

The entire basis for a sale under these contracts is the belief of the buyers and of the people these buyers are to lobby that the state really will have no significant in-state use for its gas. Despite the take-back provisions and protestations to the contrart, the state has weakened its case for taking back its royalty gas by committing all of

* The committee strongly urges revision of the conservation statutes to anticipate future challenges by defining economic as well as physical waste and assuring that procedural due process and accountability of the committee members are provided for.

it.

Dr. Tussing, Mr. Jefferson Barry and others have testified that regardless of the primary political objective of these contracts, it is advisable not to commit what amounts to 100 per cent of the production of royalty gas for at least 20 years. Reduction of the amount of production of royalty gas for export can be accomplished by amending the contracts or by disapproving one of the sales agreements.

The foregoing report does not attempt to list all possible costs of the gas sales agreements, but only those costs which are now apparent. Each legislator must make his or her own determination as to whether political support gained by these conditional sales constitutes a wise use of the state's natural resources.

Rep. Clark Gruening, Chairman
House Special Committee on the
Sale of Royalty Gas

STATE OF ALASKA THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y. STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-2200

MEMORANDUM

February 16, 1977

SUBJECT: Gas Sales Agreement
TO: Representative Clark Gruening
FROM: Billy G. Berrier *BGB*
Director, Legal Services Division

You have requested that I review the Royalty Gas Sales Agreement for legal form and freedom from ambiguity. There are major areas that appear to be problems from this limited approach.

The pricing problem has been extensively dealt with in the opinion of Rush Moody, Jr. of the firm Vinson, Elkins, Searls, Connally & Smith.

I do find a substantial ambiguity in the gas reduction clauses. The material clause reads:

"3.5 The reservation of gas by Seller by way of its exercising its rights of gas reductions pursuant to Sections 3.3 and 3.4 hereof shall be for the sole purpose of Seller meeting the intrastate domestic and industrial needs of the State of Alaska including the right to exchange reserved gas for other natural gas produced or delivered into Alaska, provided such exchanged gas is used for the sole purpose of meeting the intrastate domestic and industrial needs of the State of Alaska. However, this provision shall not limit the right to export from the State any products manufactured from said gas." (emphasis added)

This clause is controlled by Sec. 1.11 of definitions which reads:

"1.11 The term "domestic and industrial needs of the State of Alaska" shall mean those present and projected residential, commercial and industrial uses for gas within Alaska as determined by the Alaska Royalty Oil and Gas Development Advisory Board in accordance with AS 38.05.183(d)."

However, in Sec. 3.7(a) relating to the buy-back rights of the Buyer a broader reference is apparently made. This section, in material part reads:

"3.7(a) Should Seller, through the exercise of its rights under Sections 3.3 and 3.4, in fact diminish the volume of gas otherwise available to Buyer hereunder and should Seller during the term of this Agreement and five (5) years thereafter have additional royalty gas which in Seller's sole discretion is surplus to the intrastate domestic and industrial needs of the State of Alaska, and will be transported by the Pipeline, Seller shall offer to sell to Buyer under the provisions of this Agreement, except as to price and term, ratably with other eligible purchasers of Seller's royalty gas from the leases identified in Exhibit A such additional royalty gas equivalent to Seller's prior reductions under Sections 3.3 and 3.4." (emphasis added)

This language is also used in Sec. 3.7(b) with only a slight variant, that section reading:

"3.7(b) In addition to the right granted Buyer under Subsection 3.7(a) and after all eligible purchasers of royalty gas from the leases identified in Exhibit A have had an opportunity to exercise such right, Seller grants to Buyer the right of first refusal to purchase additional royalty gas from Seller to the extent of one-half (1/2) times the volume that Seller's exercise of its rights under Sections 3.3 and 3.4 in fact diminishes the amount of gas Buyer otherwise would have purchased and received hereunder. Such right is granted during the term of this agreement and five (5) years thereafter. This right of first refusal shall apply to royalty gas which becomes available to Seller and which in Seller's sole discretion is determined to be surplus to the intrastate domestic and industrial needs of the State of Alaska. This right of first refusal applies only to gas which will be transported by the Pipeline." (emphasis added)

The net effect of Sec. 3.5 and definition 1.11 is that the gas reductions the state may order is that not found surplus to needs under AS 38.05.183(d) which reads:

"(d) Oil or gas taken in kind by the state as its royalty share may not be sold or otherwise disposed of for export from the state until the commissioner with the approval of the Alaska Royalty Oil and Gas Development Advisory Board determines that the royalty in kind

Representative Clark Gruening
February 16, 1977
Page #3

oil or gas is surplus to the present and projected intrastate domestic and industrial needs. The commissioner shall make public, in writing, the specific findings and reasons on which his determination is based and shall, within 10 days of the convening of a regular session of the legislature, submit a report showing the immediate and long-range domestic and industrial needs of the state for oil and gas and an analysis of how these needs are to be met."

It is my understanding that a determination required under this subsection has been made in connection with the sale.

Under Sec. 3.3 of the contract of the state is given the right to reduce the quantity of royalty gas available for sale and delivery by percentage varying with time but the reduction must be pursuant to the limitation in Sec. 3.5. I find the mechanics of this obscure.

Apparently a determination would be made that certain royalty in kind gas is surplus to the present and projected intrastate domestic and industrial need. All royalty gas remaining would be for domestic and industrial needs of the state and, subject to the percentages set out in the contract, the state would have the right to reduce the quantity of royalty gas available for sale and delivery by that amount.

This determination could apparently be made at least annually on a continuing basis but an argument could be made that the determination made to support this sale is the sole determination allowed. The argument would be that the reservation in Sec. 3.5 is deliberately narrow in order to limit the reservation of gas to that which the board initially determined to be not surplus to present and projected needs so that if the projected needs do in fact materialize a take-back can take place, while broader discretion was allowed in Sec. 3.7 to cover the possibility that projected needs may not materialize in the future.

In my opinion this argument even if fully developed would not prevail and that the contract would be construed to allow future determination since that interpretation is much more consistent with the entire contract. Unfortunately, the contract is not fully clear on this point leaving room for substantial disagreement at a future time.

BGB:smh

SCOMM

#21:4

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.

(CONFORMED)

See P19-20

PRELIMINARY GAS AGREEMENT

BETWEEN

BP OIL CORPORATION (SELLER)

AND

COLUMBIA GAS TRANSMISSION CORPORATION (BUYER)

Dated as of August 3, 1971

PRELIMINARY GAS AGREEMENT

between

BP OIL CORPORATION (SELLER)

and

COLUMBIA GAS TRANSMISSION CORPORATION (BUYER)

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EXHIBITS

Exhibit A - List of Leases

Exhibit B - Form of Gas Purchase and Sales Agreement

PRELIMINARY GAS AGREEMENT

This Agreement has been made and entered into as of the 3rd day of August, 1971, by and between BP OIL CORPORATION, a Delaware corporation (hereinafter referred to as "Seller"), and COLUMBIA GAS TRANSMISSION CORPORATION, a Delaware corporation (hereinafter referred to as "Buyer") to evidence the understandings between the parties hereinafter set forth.

BACKGROUND FACTS

Seller is the owner of the entire working interests in the Leases (and the lands covered thereby in the Prudhoe Bay Area, Alaska), heretofore issued by the State of Alaska, listed and described in Exhibit A attached hereto, which working interests are, however, subject to a certain Net Profits Royalty Interest which is referred to later herein.

A number of wells drilled by the Seller and others on the Leases and in the vicinity thereof have established the existence of a major oil and gas field in the Prudhoe Bay Area of Alaska.

Certain groups (one being called the "Northwest Project Study Group" of which The Standard Oil Company, an Ohio corporation, the indirect parent of Seller, is a member and another being called the "North Trunk Study Group" of which an affiliate of Buyer is a member) are engaged in detailed evaluation studies as to the feasibility, physically and economically, of constructing and operating a large diameter Gas Pipeline for the transportation of gas

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from the Prudhoe Bay Area, Alaska. Until such time as the studies are completed and a decision shall have been made by some group to construct such a pipeline with the requisite governmental approvals and/or consents and until such a pipeline is completed, no facilities will be available for transporting the gas from the Prudhoe Bay Area to a market, and hence production of gas in marketable volume cannot be achieved for quite some time.

While ordinarily gas purchase and sales agreements are entered into when gas is actually available for delivery or when its availability is fairly imminent, in this instance, however, Seller and Buyer are each desirous of obtaining the right, under certain conditions hereinafter set forth, to require the other to enter into negotiations for the execution of a definitive Gas Purchase and Sales Agreement well in advance of the time gas from the Prudhoe Bay Area can be transported to market. Many of the provisions of such an Agreement have already been agreed upon between the parties hereto and are set forth in the form of a Gas Purchase and Sales Agreement attached hereto as Exhibit B.

The negotiations above referred to will relate primarily to the price, or the method of determining the price, per Mcf, to be paid by Buyer to Seller for gas of suitable quality delivered in the field where produced, although, depending upon circumstances in the field at the time the gas actually becomes available for delivery by Seller to Buyer, some of the other terms of Exhibit B may require modification by mutual agreement.

It is the desire of the Seller to be assured that in the executed Gas Purchase and Sales Agreement, the Seller will receive for gas sold and delivered thereunder, from time to time, a price per Mcf at least as high as the highest price being paid, or to be paid, at the time of such deliveries for gas of similar quality being purchased in the same field in comparable quantities by the Buyer or by other gas purchasers from other producers and/or from the Seller. It is the intent of Buyer that such assurance be given.

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NOW, THEREFORE, in consideration of the foregoing and the mutual covenants hereinafter set forth, Seller and Buyer have agreed and do by these presents agree as follows:

1. Definitions. The definitions of particular words or phrases set forth in the form of Gas Purchase and Sales Agreement attached hereto as Exhibit B and made a part hereof shall apply to the same words or phrases when used herein. Additionally, the following words or phrases shall have the following meanings:

(a) "Exhibit A" shall mean the schedule or list of leases attached to this Agreement and marked "Exhibit A."

(b) "Exhibit B" shall mean the form of Gas Purchase and Sales Agreement attached to this Agreement and marked "Exhibit B."

(c) "Permo-Triassic Formation" shall mean the identifiable formation or stratum which, based on presently available data, is known to underlay at varying depths and/or in varying thicknesses

a portion of the lands covered by the leases, and which for reference purposes only was found in the Arco-Humble Prudhoe Bay State No. 1 Well on land covered by the State of Alaska Lease No. AML-28303 between the depths of 9117 feet below Kelly Rushing and the top of the carbonate formation at 9795 feet below Kelly Rushing as measured by Schlumberger Dual Induction Laterolog, Run 4, dated February 8, 1968, and Run 5, dated March 9, 1968.

(d) "lease" shall mean any one of the oil and gas leases listed and described in Exhibit A, and "Leases" shall mean all thereof, but in each case only in so far and only to the extent that it or they pertain to the production of gas from the Permian-Triassic Formation.

(e) "Net Profits Royalty Interest" shall mean the Net Profits Royalty Interest which was conveyed by Seller to BP Alaska, Inc. (herein called "BP Alaska") by instrument dated August 1, 1969, a copy of which has been furnished to Buyer.

(f) "Agreement for Sale and Purchase of Crude Oil" shall mean the Agreement entered into by Seller with Buyer as of August 3, 1971. Such Agreement is hereinafter referred to as the "Crude Oil Sales Agreement."

(g) "Operating Agreement" shall mean the Agreement dated August 1, 1969, between Seller and BP Alaska, a copy of which has been furnished to the Buyer.

(n) "Gas Pipeline" means a pipeline for the transportation of gas from the Prudhoe Bay Field, Alaska, to other points in Alaska, and/or to points in Canada and/or to the boundary between Canada and the lower forty-eight states of the United States, and/or to a point or points in the lower forty-eight states of the United States, of sufficient size and throughput capacity to be able to transport from the Prudhoe Bay Field substantially all of the gas which may hereafter be produced and saved for sale from the lands in the Prudhoe Bay Field.

(i) "Unit Agreement" refers to any agreement under which the working interests or other mineral interests of the Seller in some or all of the Leases are unitized with other working interests and other mineral interests in the Prudhoe Bay Area, Alaska, for the production of oil and gas, and shall mean any Unit Agreement or Agreements executed for that purpose and the Unit Operating Agreement or Agreements relating to the Unit or Units.

(j) "Gas Reserve" of the Seller which is to be dedicated under the Gas Purchase and Sales Agreement shall mean gas capable of being economically produced and saved from the gas in place under the Leases ("recoverable gas"), excluding, however, any gas which -

(i) the Seller or any operator of the Leases or of any unit of which the Leases, or any of them,

are a part may use in conformity with good field practices for drilling and production operations for the recovery of oil and gas (including but not limited to gas injection, gas lift, secondary recovery, pressure maintenance, and cycling operations), and/or which Seller or any such operator may supply for similar purposes to the owner or operator of leases in the Alaska North Slope but not within a unit embracing all or some of Seller's Leases, and/or which Seller or any such operator may supply to the owner or owners (or the operator) of an electric power plant for the generation of electric power;

- (ii) may be flared under conditions and within limits permitted by law in the operation of the field;
- (iii) BP Alaska as owner of the Net Profits Royalty Interest may elect to take in kind from time to time, and gas which BP Alaska under the Operating Agreement may be entitled to receive by way of recoupment of costs in consequence of a Sole Account Operation under Section 10.3 of said Operating Agreement and/or which BP Alaska may be entitled to in consequence of any relinquishment, assignment or conveyance of interests by Seller to BP Alaska under Section 10.4 of said Operating Agreement;
- (iv) Seller or the operator of the Leases or of any unit of which the Leases, or any of them, may be a part, shall furnish to the operator of any crude oil pipeline or the operator of any gas pipeline constructed for the movement of crude oil and gas, respectively, from the Alaska North Slope to a destination in Alaska, Canada or any of the lower forty-eight states of the United States, for use and consumption in the operation of such pipeline or pipelines;
- (v) Seller or the operator of the Leases or of any unit of which the Leases, or any of them, may be a part, may deem it advisable to supply, or may be directed by any governmental agency of the State of Alaska to supply, for distribution to domestic consumers and industrial users in any city, village, community or other area of the State of Alaska;

(vi) may be lost or consumed in any processing operations of the kind described in Section 2.2.3 of Exhibit B; and

(vii) the State of Alaska as the owner of the lessor's royalty may elect to take in kind.

If under any Unit Agreement embracing any of the Leases (or portions thereof) there shall be allocated to Seller a percentage of the gas to be produced by the Unit greater than the ratio which the recoverable gas in place under such Leases (or the portions thereof) bears to the total recoverable gas in place under all of the lands embraced in the Unit, the excess gas reserves and the daily quantities attributable thereto to which Seller will be entitled arising from such difference in percentage, except as provided in Paragraph 2, shall not be subject to this Agreement or to the Gas Purchase and Sales Agreement, and in such case the exclusions referred to in clauses (i) through (vii) of this subparagraph (j) shall be allocated proportionately between the gas produced from the Unit and to which Buyer will be entitled and the gas produced from the Unit but to which, by reason of this provision, Buyer will not be entitled.

2. Possible Reductions in Dedicated Gas Reserves. In addition to the exclusions and/or reductions listed in Paragraph 1 (j) above, the Gas Reserves to be dedicated under the Gas Purchase and Sales Agreement shall be subject to further reduction in the event of the following contingencies and to the extent indicated with respect to each:

(a) During the period prior to the execution of the Gas Purchase and Sales Agreement contemplated hereby, or if any Gas Purchase and Sales Agreement entered into pursuant to this Agreement shall terminate or be terminated under any provisions contained therein or under any of the provisions of this Agreement, then during the period between the effective date of such termination and the date of the execution between the parties hereto of a new or substitute Gas Purchase and Sales Agreement, the Seller shall have and hereby reserves the right to sell and convey to a purchaser or purchasers or sublease to a sublessee or sublessees, in one or more transactions, up to 17% of its present working interests in any one or more or all of the Leases free and clear, in each case, of this Agreement, and in such event this Agreement, and the Gas Purchase and Sales Agreement, when executed, shall have no application to the interests so sold and conveyed or the interests acquired by the sublessee or sublessees; provided, however, that the gas, if any, which Seller has a right to take in kind under any sublease shall remain subject to this Agreement and that Seller shall use its best efforts to cause the purchaser(s) and/or sublessee(s) to dedicate to the Buyer the gas included in the interests so sold and conveyed or subleased. If the Seller is unable to obtain for the Buyer and from the purchaser(s) and/or sublessee(s) of the

interests so sold and conveyed or subleased by Seller an agreement on their part to dedicate and sell to Buyer the gas to which they will be entitled, then Seller agrees to dedicate to the Buyer under and in pursuance of the terms of the Gas Purchase and Sales Agreement a quantity of gas in addition to that then otherwise dedicated equal to the lesser of (i) the quantity which the purchaser(s) and/or sublessee(s) may be entitled to receive from the leases by reason of the sale and conveyance or sublease, or (ii) the quantity of "excess gas," if any, arising from the difference in percentage referred to in the last paragraph of Paragraph 1 (j) hereof. For the purposes of this subparagraph, the existence on the date of the execution of the Gas Purchase and Sales Agreement of an executory contract for any such permitted sale, conveyance or sublease by Seller, shall be deemed to be a transaction completed prior to the date of the execution of the Gas Purchase and Sales Agreement, even though the transaction may actually be consummated subsequently. In the event Seller elects to sell, convey or sublease any of its interests pursuant to this reservation, the exclusion referred to in clauses (i) through (vii) of Paragraph 1 (j) above shall be allocated proportionately between the interests disposed of by Seller and those retained by Seller.

(b) Seller reserves the right to take in kind and cause to be transported from the Prudhoe Bay Field for its own use and/or to sell to or exchange with others in the Field or at some destination point or points other than in the Field, an aggregate quantity of 150 billion cubic feet of gas from the Gas Reserve (as defined in Paragraph 1 (j) hereof) to be dedicated to the Gas Purchase and Sales Agreement; provided, however, that if the commencement of deliveries of gas from the Leases to a Gas Pipeline is delayed until some date subsequent to December 31, 1975, the 150 billion cubic feet of gas above reserved to Seller shall be reduced by the product resulting from multiplying 1.25 billion cubic feet by the number of full calendar months subsequent to December 31, 1975, that commencement of such deliveries of gas shall be delayed. Seller shall have the right to take the gas reserved under this Paragraph 2 (b) at a rate not exceeding 15 billion cubic feet in any calendar year (adjusted proportionately for fractional calendar years) beginning January 1, 1976 and ending December 31, 1985.

Any portion of the gas reserved to the Seller under this Paragraph 2 (b) and permitted to be taken by the Seller in any calendar year in accordance with the foregoing, which is produced but not taken by the Seller in such calendar year shall be delivered by Seller to Buyer and purchased by Buyer in accordance with the

terms and provisions of the Gas Purchase and Sales Agreement as the same may be in effect between the parties during such period. If during any calendar year (or fractional calendar year) Seller shall exercise its right to take gas under and in accordance with the provisions of this Paragraph 2 (b) then Seller agrees that it will thereafter dedicate to the Buyer under and in pursuance of the Gas Purchase and Sales Agreement, and make available for delivery to the Buyer, a quantity of gas in addition to that which would otherwise have been available to the Buyer as dedicated gas, a quantity of gas equal to the lesser of (i) the aggregate of the quantities so taken by Seller under this Paragraph 2 (b) or (ii) the quantity of "excess gas," if any, arising from time to time after the first such taking by the Seller, from the difference in percentage referred to in the last paragraph of Paragraph 1 (j) hereof, remaining after subtracting from such quantity of "excess gas" that portion thereof, if any, which Seller is required to dedicate to the Buyer under the provisions of the preceding Paragraph 2 (a) hereof.

Advance payment

(c) If the Advance Payment received by the Seller under the Crude Oil Sales Agreement shall be less than \$200,000,000 because of the restrictions or limitations affecting the right of the Seller to request an installment of the Advance Payment or because of the failure of the Buyer to make an installment payment on

account of the Advance Payment in accordance with a Certificate in proper form and timely submitted by the Seller to Buyer pursuant to the terms and conditions of the Crude Oil Sales Agreement, then, in either such case, the Gas Reserve which the Buyer would have been entitled to receive under subparagraphs 1 (j), 2 (a) and 2 (b) hereof, shall be reduced to a quantity equal to the product of multiplying (i) the Gas Reserve which Buyer would otherwise have been so entitled to receive by (ii) a fraction whose numerator is the total of the Advance Payment made to Seller under the Crude Oil Sales Agreement and whose denominator is \$200,000,000.

The form of Gas Purchase and Sales Agreement attached hereto as Exhibit B shall be appropriately amended prior to its execution to include provisions relative to the possible reductions (and the actual reductions, if any, which may have been effected by events occurring prior to such execution) in the Gas Reserves contemplated by subparagraphs (a), (b) and (c) of this Paragraph 2.

3. Rights Granted. The parties hereby agree that in the event of the fulfillment of the conditions set forth in Paragraph 4 below either Seller or Buyer may require the other to enter into negotiations for the completion of a Gas Purchase and Sales Agreement substantially in the form of Exhibit B with respect to the Gas Reserves provided herein to be dedicated to said Gas Purchase and Sales Agreement, but (i) with the inclusion of an acceptable pricing provision to be arrived at by the parties jointly by adherence to

Drawn out

the principles herein set forth, and (ii) such changes or modifications in the terms set forth in Exhibit B as may be necessary to make them consistent with the pricing provision, and with the planned operation of the field.

4. Exercise of Rights. The rights granted in the preceding Paragraph 3 may be exercised by the giving of written notice by either party to the other requesting that negotiations be commenced for the completion and execution of the Gas Purchase and Sales Agreement. Such a written notice may be given only after both of the following conditions exist:

(a) There shall have been issued either

(i) to the participants in the Trans Alaska Pipeline System (or their agent) a right-of-way permit, acceptable to them, by the United States Department of the Interior for the construction of a crude oil pipeline from the Prudhoe Bay Area of the North Slope of Alaska to Valdez, Alaska and such other approvals, permits, licenses and/or certificates, acceptable to them, by such federal, state and local agencies having jurisdiction as such participants may deem adequate and sufficient to warrant the commencement of construction of such crude oil pipeline; or

(ii) to the aforesaid participants (or their agent) or some other financially responsible group by the United States Department of the Interior, a right-of-way permit, acceptable to such participants or group, as the case may be, for the construction of the United States portion of an alternate crude oil pipeline for the moving of crude oil from the Prudhoe Bay Area of the North Slope of Alaska to a destination in the lower forty-eight states of the United States or to a destination from which the crude oil can be transported year-round by tanker to one or more of the lower forty-eight states of the United States, and such other approvals, permits, licenses and/or certificates, acceptable to such participants or group, as the case may be, by such federal, state or local agencies having jurisdiction, and if such alternate pipeline shall be partly in Canada, by any Dominion or Provincial agencies having jurisdiction as

oil {
Trans-Alaska
route
or
Canadian
route

?

such participants or group, as the case may be, may deem adequate and sufficient to warrant the commencement of construction of such alternate crude oil pipeline;

and there shall not be in effect any order, writ, judgment, decree, determination or award of any court or administrative or regulatory agency (federal, state or local) enjoining (either temporarily or permanently) the construction or the continuation of construction of such crude oil pipeline.

(b) A determination shall have been made by a group of participants in a project (whether or not the Seller or the Buyer or an affiliate of either of them, is a member of such group) to construct a Gas Pipeline and such group shall have fixed a target date for the filing of an application or applications for the requisite approvals, permits and certifications by governmental agencies having jurisdiction for the construction and operation of such Gas Pipeline, and the public announcement by such group of such determination and such target date.

*Gas
only requires 1 co.
to determine and
file - not
route documents.*

If and when the conditions referred to in the preceding subparagraphs (a) and (b) have been fulfilled then either party hereunder may give written notice, not earlier than seven (7) months prior to the target date referred to in subparagraph (b) above and not later than five (5) months prior to such target date, provided, however, that such notice may be given immediately if the announcement is made less than five (5) months prior to

the target date, requesting the commencement of negotiations for the completion of the Gas Purchase and Sales Agreement.

If written notice shall have been given by either party to the other, in accordance with the foregoing, of its desire to enter into negotiations for the completion of the Gas Purchase and Sales Agreement such negotiations shall be entered into promptly and shall be carried on in accordance with the procedures and principles set forth in Paragraphs 5 and 6 hereof.

If, within the time or times specified in Paragraph 6 hereof for the carrying on of such negotiations, the parties shall have agreed upon a pricing provision to be included in the Gas Purchase and Sales Agreement and shall have agreed upon such other changes and modifications as may be required in Exhibit B to make the other terms and provisions of Exhibit B consistent with the pricing provision and with the planned operation of the field, and if by the time such negotiations are concluded the owners of a majority of the gas reserves in the field or the owners of a majority of any Unit or Units embracing substantially all of the Gas Reserves of Seller, shall have determined to produce for sale, and sell, their gas upon the commencement of the regular operation of the Gas Pipeline, then the Gas Purchase and Sales Agreement set forth in Exhibit B shall be promptly executed; provided, however, if the Gas Pipeline will not be a common carrier pipeline (as such term is used in the U. S.) and the following condition has not been fulfilled at the time of execution:

(c) it is established by the Buyer, to the satisfaction of the Seller, that the Buyer will, by contractual arrangements or otherwise, be able to utilize sufficient of the total throughput capacity of the Gas Pipeline to transport from the Prudhoe Bay Area all, or substantially all, of the gas which will be produced daily and/or monthly from the Gas Reserves to be dedicated under the Gas Purchase and Sales Agreement;

then the Gas Purchase and Sales Agreement shall provide:

- allow any not*
- (i) that Seller may on written notice to the Buyer, terminate said Agreement and this Agreement if the condition in Paragraph 4 (c) above has not been fulfilled within sixty (60) days from and after the date on which the permanent certificates of public convenience and necessity have been issued by the appropriate governmental agencies in the United States, and the equivalent thereof by the appropriate governmental agencies in Canada, for the construction and operation of a Gas Pipeline; provided, however, that if on such said date of issuance there is pending another proceeding before the appropriate governmental agencies for approval of the construction and operation of a second Gas Pipeline in addition to the one for which the aforesaid permanent certificates were issued, and if Buyer is a party to such proceeding and establishes to the satisfaction of the Seller that the condition in Paragraph 4 (c) above will be fulfilled by means of such second Gas Pipeline if permanent certificates are issued by the appropriate governmental agencies for the construction and operation of such second Gas Pipeline, then Seller may terminate said Agreement and this Agreement, by written notice to the Buyer only upon and after the earlier to occur of the following contingencies and dates: (x) upon and after the entry of a final order or orders in the proceeding involving such second Gas Pipeline by the governmental agencies or agency before which the same was pending disapproving the construction and operation thereof and/or denying the issuance of the requisite certificates for such construction and operation, or (y) one hundred and eighty (180) days

after the date of issuance of the permanent certificates by the appropriate governmental agencies for the construction and operation of the first Gas Pipeline (regardless of whether a proceeding shall be then still pending before appropriate governmental agencies for the construction and operation of a second Gas Pipeline), and

- (ii) that, if on the earliest date as of and after which Seller would be entitled under the preceding clause (i) to terminate the Gas Purchase and Sales Agreement, Buyer shall have an assured right by contractual arrangements or otherwise to utilize a Gas Pipeline for the transportation of daily and/or monthly quantities of gas less than the quantity specified in Paragraph 4 (c) above (i.e., all or substantially all of the gas which will be produced daily and/or monthly from the Gas Reserves to be dedicated under the Gas Purchase and Sales Agreement), then Seller may not terminate the Gas Purchase and Sales Agreement in its entirety as contemplated by the preceding clause (i) but the parties hereby agree that the said Gas Purchase and Sales Agreement shall be amended to apply only to the quantities of gas thereafter produced daily and/or monthly from the Gas Reserves of the Seller as shall equal the daily and/or monthly quantities of gas as to which on the aforesaid date Buyer has such assured right to utilize a Gas Pipeline for the transportation of Seller's gas, and Buyer's rights thereafter to purchase under the Gas Purchase and Sales Agreement any daily and/or monthly quantities of gas produced from the Gas Reserves in excess of the aforesaid amount shall cease and terminate. In such an event Seller shall be free to enter into negotiations with others for the sale to them of any part or all of such excess daily and/or monthly gas production.

10/6/59
Buyer agrees that it will actively participate in any appropriate governmental agency proceeding for the authorization to construct and operate a Gas Pipeline in order to have capacity to transport Seller's Gas Reserves covered by this Agreement.

5. Principles for Negotiation of Price Provisions. If and when written notice is given by either Buyer or Seller to the other in accordance

with the preceding Paragraph 4, Seller and Buyer shall promptly enter into negotiations for the completion and execution of the Gas Purchase and Sales Agreement. These negotiations will involve principally the consideration of, and the reaching of an agreement with respect to, an appropriate provision for the pricing of the gas to be sold to Buyer. At the commencement of negotiations Seller will furnish to Buyer estimates of the total gas reserves of Seller, the portion thereof which will be available to Buyer, the average daily quantity of gas which should be available to the Buyer at the commencement of deliveries and the approximate date of the commencement of deliveries (if it is anticipated that such date will be subsequent to the commencement of operation of the Gas Pipeline). At the request of Buyer, Seller will also furnish the factual information referred to in Section 3.4 of Exhibit B. In the course of such negotiations the following general principles shall be adhered to by the parties:

(a) The price provision shall relate to the determination of a price per Mcf to be paid by Buyer to Seller from time to time for gas delivered in the field where produced.

(b) The parties shall undertake to determine and fix an initial field price per Mcf of gas as of the date when, at the time of such determination, the parties reasonably expect delivery of gas in the field. In such determination of the initial field price consideration will be given to such information as may be available at the time with respect to prices for gas of similar quality to be delivered in the same field in comparable quantities, being paid or

offered by Buyer to other gas producers in the same field or being paid or offered by other gas purchasers to the Seller or to other gas producers in the same field and to such other relevant information as may be available. As stated earlier herein, it is the desire of the Seller to obtain and the intent of the Buyer to pay for gas delivered from time to time by Seller to Buyer a price per Mcf at least as high as the highest price being paid or offered at the time of each delivery by Seller for gas produced in the same field.

(c) The price provision to be agreed upon by the parties in addition to fixing an initial price per Mcf shall provide for:

- Quality*
- (i) Upward and downward adjustments to the initial price or the price in effect from time to time for deviations in the Btu content of the gas.
 - (ii) An adjustment upward of the initial price, and of the price in effect from time to time, if necessary, so that the price payable by the Buyer will equal any higher price approved or established by the Federal Power Commission for gas produced in the Prudhoe Bay Area, including a guideline price, an in-line and/or area price, whichever is applicable. The Seller shall give the Buyer not less than sixty (60) days written notice of a requested upward adjustment pursuant to this clause which shall become effective on the first day of a calendar month to be specified in such written notice.
 - (iii) Options to the Seller to become effective at the date of the commencement of the deliveries of gas under the Gas Purchase and Sales Agreement and at the expiration of each five (5) year anniversary date of the commencement of such deliveries, to request a price redetermination. Such request may be made by the Seller to the Buyer in writing either prior to or within sixty (60) days after each of such dates. If such written request is made, the Buyer shall promptly enter into negotiations with the Seller for

the making of such redetermination. The object of such redetermination will be to establish a redetermined price equal to the highest price then being paid by anyone for gas of similar quality produced and delivered in comparable quantities, in the same area. Such redetermined price shall become effective as of the first day of the calendar month next succeeding that in which such redetermination is made.

(iv) Periodic stated price escalations.

- (v) An undertaking by the Buyer, if lawful, to pay the Seller for gas delivered in the field a price per Mcf at least equal to the highest price then being paid either by the Buyer or by any other purchaser, for gas of similar quality delivered in comparable quantities in the same field. In the event that such a clause, if initially contained in the Gas Purchase and Sales Agreement would be disapproved by the Federal Power Commission in the light of its then existing announced policy or published rules and regulations it will be omitted, but if such a clause should thereafter become lawful or be permitted under any newly announced policy or any new rules and regulations of the Federal Power Commission the parties hereunder agree that the Gas Purchase and Sales Agreement as previously executed shall be immediately amended to incorporate such a clause as a part thereof.

6. Period of Price Provision Negotiation. The price provision negotiations provided for in Paragraph 5 hereof shall be carried on by the parties, unless a definitive agreement is reached by the parties within a shorter period, for a period of ninety (90) days after the date of delivery of the written notice referred to in Paragraph 4 hereof; provided, however, that such period shall be subject to extension or contraction as follows:

- (a) If at the expiration of the first eighty (80) days of the negotiation period it is evident that there is little likelihood of a definitive agreement being reached by the parties by the ninetieth day, either party may give written notice to the other

party at least five (5) days prior to said ninetieth day requesting an extension of the negotiating period for another thirty (30) days, i.e., to a total of one hundred and twenty (120) days. If such written notice shall have been given then the negotiating period shall be extended for such additional thirty (30) days during which the parties shall continue good faith efforts to arrive at an agreement with respect to a pricing provision for the Gas Purchase and Sales Agreement. The negotiating period shall be subject to extensions or contractions as may be mutually agreed upon consistent with the announcement date, target date and the giving of notice provided for in Paragraph 4.

(b) If, prior to the expiration of the period of negotiations, the Seller and Buyer arrive at a definitive price provision, the Gas Purchase and Sales Agreement shall be completed by the inclusion of such price provision and the inclusion, if circumstances then require, of the provisions described in Paragraph 4 above, and with such further modifications and changes as may be required in order to make the remaining provisions of the Gas Purchase and Sales Agreement consistent with the price provision and with the planned operation of the field. The execution and delivery of the Gas Purchase and Sales Agreement shall be in accordance with the provisions of Paragraph 4.

(c) If within the period of negotiations provided for in this Paragraph 6 the parties are unable to arrive at a definitive price provision and to agree upon such other inclusions, modifications and changes in Exhibit B as are referred to in Paragraph 4 above, this Preliminary Gas Agreement shall terminate for all purposes.

7. Renegotiation of Gas Purchase and Sales Agreement. If the definitive Gas Purchase and Sales Agreement contemplated hereby is finalized and executed by the parties at a time when adequate and reliable information as to the prices, if any, then being paid or offered by other gas purchasers for gas being produced, or to be produced, in the Prudhoe Bay Area and/or the delivery conditions which will be applicable to such gas, is not available to the parties hereto (and the parties so agree in writing that adequate and reliable information is not available), then the following provisions shall apply:

(a) The executed Gas Purchase and Sales Agreement shall not be filed with the Federal Power Commission by either party hereto, without the written consent of the other party, unless and until gas producers in the Prudhoe Bay Field controlling a majority of the gas reserves, other than the Gas Reserve of Seller, shall have entered into contracts for the sale of their gas and the pricing provisions in such contracts become known to the parties hereto.

(b) Pending the filing of the Gas Purchase and Sales Agreement with the Federal Power Commission the parties hereto agree to

*Don't produce gas
will offer seller to.*

furnish to each other promptly any information obtained by them with respect to gas purchase offers being made, or gas contracts entered into, by other gas purchasers with other producers of gas in the Prudhoe Bay Field. During such period, also, Buyer will promptly advise Seller of the terms and conditions of any gas contracts entered into, or offers made for the purchase of gas, by Buyer to any other producers in the Prudhoe Bay Field.

(c) If and when Seller obtains reliable information with respect to higher prices for gas in the Prudhoe Bay Field being paid or offered by Buyer or other gas purchasers to Seller or other gas producers and/or the delivery conditions applicable to such gas are more favorable than those set forth in the Gas Purchase and Sales Agreement, Seller shall have the right, which may be exercised by written notice to Buyer from time to time prior to the filing of the Gas Purchase and Sales Agreement with the Federal Power Commission and during such further period as the rules of the Federal Power Commission permit of the withdrawal of a gas contract previously filed and not yet approved or the submission of a new gas contract in substitution, to require the Buyer to negotiate with respect to the price and/or delivery provisions initially contained in the Gas Purchase and Sales Agreement to the end that a new or substitute agreement will be executed providing in effect for the payment by Buyer to Seller

*Seller
right to renegotiate
for higher prices if
other sellers selling
higher*

of a price per Mcf of gas at least equal to the highest price then being paid or offered to producers of gas in the Prudhoe Bay Field, and/or containing provisions with respect to delivery pressure, the removal of carbon dioxide and water vapor and other conditions of delivery comparable to those contained in any gas purchase agreements or offers then being made or tendered by Buyer or by other gas purchasers to gas producers in the area to the end that the delivery conditions in the Gas Purchase and Sales Agreement will be compatible with the field operations.

The parties will cooperate in filing such new agreement with the Federal Power Commission or in substituting such new agreement for the one previously filed and in endeavoring to obtain the approval of such new agreement by the Federal Power Commission.

8. Substantially Uniform Price Condition Determined by Federal

Power Commission. If a Gas Purchase and Sales Agreement is executed by the parties and is filed with the Federal Power Commission and if Seller obtains from the Federal Power Commission a certificate of public convenience and necessity for the sale to Buyer of gas from Seller's gas reserve which contains a price provision no different (when all such price provisions are adjusted to a common basis by giving effect to Btu content, pressure and other delivery conditions) from those contained in certificates of public convenience and necessity issued to other producers for sales of gas from the Prudhoe Bay Field and which are acceptable to such other producers, Seller, notwithstanding

the provisions of Paragraph 9.1 of Exhibit B, will accept its certificate and, if and when a Gas Pipeline begins regular operations, will commence sales to Buyer under and in accordance with the Gas Purchase and Sales Agreement at the conditioned price.

9. Termination of Gas Purchase and Sales Agreement. In addition to any provisions herein or in Exhibit B relating to the termination of the Gas Purchase and Sales Agreement, it is hereby further agreed by and between the parties hereto that the Gas Purchase and Sales Agreement previously entered into may be terminated by either party hereto by written notice to the other party in the event of the happening of any of the following contingencies:

(a) If no application utilizing the Gas Purchase and Sales Agreement is filed with the Federal Power Commission and/or any appropriate Canadian governmental agency within six (6) months after the Gas Purchase and Sales Agreement is signed, for authority to construct and operate a gas pipeline.

(b) If an application of the kind referred to in subparagraph (a) above is filed within the said six (6) months but is later denied by final order of the Federal Power Commission and/or the Canadian governmental agency with which it has been filed and if, at the expiration of one hundred and twenty (120) days after such denial, no new similar application is then pending before the Federal Power Commission and/or any Canadian governmental agency. If a new

similar application is then pending, the later denial of that application shall constitute the contingency provided by this subparagraph (b).

(c) The Gas Purchase and Sales Agreement is not filed with the Federal Power Commission for approval of its provisions relating to price, delivery conditions and other matters covered therein within six (6) months after the Gas Purchase and Sales Agreement has been filed with the Federal Power Commission in connection with the application described in subparagraph (a) above.

(d) The Gas Purchase and Sales Agreement is filed within the aforesaid period but is disapproved by final order of the Federal Power Commission and no appeal from the order of disapproval is filed within sixty (60) days after the entry of the order of disapproval.

(e) If and when the proposed construction of the Gas Pipeline as contemplated in Paragraph 4 hereof shall be abandoned.

10. Negotiation of New Gas Purchase and Sales Agreement. If a Gas Purchase and Sales Agreement entered into pursuant hereto is terminated in accordance with Paragraph 9 of this Agreement or Section 9 of Exhibit B hereof (or the corresponding provision contained in the Gas Purchase and Sales Agreement actually executed by the parties hereto) either Buyer or Seller, at any time prior to the termination of this Preliminary Gas Agreement, shall, subject to the conditions of Paragraph 4 hereof, be entitled to give the

other written notice requesting that negotiations be entered into for a new Gas Purchase and Sales Agreement and the parties shall thereafter proceed in accordance with Paragraphs 5 and 6 hereof to negotiate and to attempt to finalize such new Gas Purchase and Sales Agreement.

11. Confidentiality. Neither party hereto shall without the written consent of the other party disclose the details of this Preliminary Gas Agreement to any outside party or parties. The parties hereto further agree that until such time as any Gas Purchase and Sales Agreement, in final form, is executed by the parties hereto and filed with the Federal Power Commission no details with respect to such Gas Purchase and Sales Agreement will be given by either party to any outside parties or to any newspaper or trade publication, except with the consent of the other party.

12. Termination of this Agreement. Unless some other termination date, or some other contingency for the termination of this Agreement, shall be mutually agreed upon by the parties hereto, this Preliminary Gas Agreement will expire:

(a) In the event of the occurrence of any contingency for such termination set forth in Paragraphs 4 and 6 hereof; otherwise

(b) Upon the date of commencement of on-site construction of a Gas Pipeline, or on December 31, 1990, whichever date is earlier, if no definitive Gas Purchase and Sales Agreement has been executed by the parties hereto prior to such date; provided, however, that if on such date negotiations between the parties hereto for the

execution of a definitive Gas Purchase and Sales Agreement shall be in progress then this Agreement shall remain in effect until such negotiations are discontinued without agreement having been reached by the parties.

If, pursuant to this Agreement, the parties shall enter into a definitive Gas Purchase and Sales Agreement, then this Agreement shall continue in effect so far as concerns those rights, obligations and undertakings of either or both of the parties hereto which are subject to exercise, or which are required to be fulfilled and performed hereunder, subsequent to the execution of such Gas Purchase and Sales Agreement.

13. Notices. Any notice or communication required or permitted to be given hereunder shall be given in writing, delivered to or sent by U. S. Mail, postage prepaid, or by prepaid telegram, addressed to the following addresses:

To Seller: Midland Building, Cleveland, Ohio 44115
Attention: President

To Buyer: 20 Montchanin Road, Wilmington, Delaware 19807
Attention: President

or to such other address or to the attention of such other person as hereafter may be designated in writing by the applicable party by notice to the other as herein provided, and shall be deemed given as of the date of receipt.

14. Entire Agreement. This instrument and the Exhibits hereto attached represent the entire agreement between the parties relative to the transactions provided for herein, and may be amended or modified only by a written instrument duly executed by the parties hereto.

15. Governing Law. This Agreement, and the construction and interpretation thereof, shall be governed by the laws of the State of Ohio.

16. Headings. Paragraph headings used in this instrument are for convenience only and shall not affect the construction of this Agreement.

17. Assignability. This Agreement may not be assigned by either party hereto without the written consent of the other party, except to a wholly-owned subsidiary or to its direct or indirect parent or to another wholly-owned subsidiary of its direct or indirect parent or to a successor corporation resulting from a merger of such party into or with any one or more of the previously listed corporations to which an assignment is permitted; provided, however, that, if while this Agreement is in effect, Seller shall assign, transfer and convey in one transaction or in successive transactions, all or part of its leasehold interests in one or more of the Leases or a right or rights constituting a charge upon its working interests in any one or more of the Leases (other than the 17% permitted to be sold and conveyed, or subleased by Seller free and clear of this Agreement and the Gas Purchase and Sales Agreement under Paragraph 2 hereof), any such assignment, transfer and conveyance shall be made expressly subject to this Agreement in respect of the interest or interests or right or rights so assigned, transferred or conveyed, and Seller shall assign and transfer to the purchaser thereof a corresponding portion of Seller's rights hereunder and shall obligate the purchaser to expressly assume such of the obligations of the Seller under this Agreement as shall be proportionate to the interests of Seller so assigned, transferred and conveyed.

IN WITNESS WHEREOF, the parties hereto have caused these presents
to be executed as of the day and year first above written.

BP OIL CORPORATION

By J. L. Ross
Vice President

By A. P. Mekedis
Assistant Secretary
SELLER

COLUMBIA GAS TRANSMISSION CORPORATION

By Fred W. Batten
President
BUYER

EXHIBIT A

Attached To and Made a Part of a Preliminary Gas Agreement dated as of the 3rd day of August, 1971, Between BP Oil Corporation, a Delaware Corporation ("Seller") and Columbia Gas Transmission Corporation, a Delaware Corporation ("Buyer") with Respect to Certain Gas Produced and Saved from the Interests of BP Oil Corporation Under the Leases Described Herein Covering Lands in the State of Alaska.

In the following description of each Lease —

(a) BP Oil Corporation's interest is stated as a percentage of the total leasehold working interests before deducting Lessor's royalties or the Net Profits Royalty Interest of BP Alaska, Inc.

(b) Each Lease reserves to the State of Alaska a one-eighth royalty in the Hydrocarbons produced and saved.

(c) All of the Leases are subject to a Net Profits Royalty Interest conveyed by BP Oil Corporation to BP Alaska, Inc. by a conveyance dated August 1, 1969.

(d) All leases are subject to the rights of BP Alaska, Inc. under an Operating Agreement entered into by BP Oil Corporation and BP Alaska, Inc., dated August 1, 1969.

<u>Lease Serial No.</u>	<u>Legal Description</u>	<u>Gross Acres</u>	<u>BP Oil Working Interest</u>
ADL-28260	Secs. 1, 2, 11, 12 T11N-R12E-UM	2,560	100%
ADL-28277	Secs. 25, 26, 35, 36 T12N-R13E-UM	2,560	100%
ADL-28278	Secs. 27, 28, 33, 34 T12N-R13E-UM	2,560	100%
ADL-28279	Secs. 29, 30, 31, 32 T12N-R13E-UM	2,459	100%
ADL-28280	Secs. 1, 2, 11, 12 T11N-R13E-UM	2,560	100%
ADL-28281	Secs. 3, 4, 9, 10 T11N-R13E-UM	2,560	100%
ADL-28282	Secs. 5, 6, 7, 8 T11N-R13E-UM	2,469	100%
ADL-28283	Secs. 17, 18, 19, 20 T11N-R13E-UM	2,480	100%
ADL-28284	Secs. 15, 16, 21, 22 T11N-R13E-UM	2,560	100%
ADL-28285	Secs. 13, 14, 23, 24 T11N-R13E-UM	2,560	100%
ADL-28286	Secs. 25, 26, 35, 36 T11N-R13E-UM	2,560	100%

<u>Lease Serial No.</u>	<u>Legal Description</u>	<u>Gross Acres</u>	<u>RP OR Working Interest</u>
ADL-28287	Secs. 27, 28, 33, 34 T11N-R13E-UM	2,560	100%
ADL-28305	Secs. 17, 18, 19, 20 T11N-R14E-UM	2,480	100%
ADL-28309	Secs. 27, 28, 33, 34 T11N-R14E-UM	2,560	100%
ADL-28310	Secs. 29, 30, 31, 32 T11N-R14E-UM	2,491	100%
ADL-28311	Secs. 1, 2, 11, 12 T10N-R14E-UM	2,560	100%
ADL-28312	Secs. 3, 4, 9, 10 T10N-R14E-UM	2,560	100%
ADL-28315	Secs. 13, 14, 23, 24 T10N-R14E-UM	2,560	100%
ADL-28320	Secs. 1, 2, 11, 12 T11N-R15E-UM	2,560	100%
ADL-28330	Secs. 17, 18, 19, 20 T10N-R15E-UM	2,512	100%
ADL-28331	Secs. 15, 16, 21, 22 T10N-R15E-UM	2,560	100%
ADL-28333	Secs. 25, 26, 35, 36 T10N-R15E-UM	2,560	100%
ADL-28335	Secs. 29, 30, 31, 32 T10N-R15E-UM	2,523	100%
ADL-28337	Secs. 3, 4, 9, 10 T11N-R16E-UM	2,560	100%
ADL-28338	Secs. 5, 6, 7, 8 T11N-R16E-UM	2,469	100%
ADL-28339	Secs. 17, 18, 19, 20 T11N-R16E-UM	2,480	100%
ADL-28340	Secs. 15, 16, 21, 22 T11N-R16E-UM	2,560	100%
ADL-28341	Secs. 13, 14, 23, 24 T11N-R16E-UM	2,560	100%
ADL-28342	Secs. 27, 28, 33, 34 T11N-R16E-UM	2,560	100%
ADL-28343	Secs. 29, 30, 31, 32 T11N-R16E-UM	2,491	100%
ADL-28348	Secs. 27, 28, 33, 34 T10N-R16E-UM	2,560	100%

<u>Lease Serial No.</u>	<u>Legal Description</u>	<u>Gross Acres</u>	<u>BP OR Working Interest</u>
ADL-28349	Secs. 29, 30, 31, 32 T10N-R16E-UM	2,523	100%
ADL-34625	Secs. 13, 14, 23, 24 T12N-R15E-UM	2,560	100%
ADL-34630	Secs. 25, 26, 35, 36 T12N-R15E-UM	2,560	100%
ADL-34633	Secs. 25, 26, 35, 36 T12N-R16E-UM	2,560	100%
ADL-34634	Secs. 27, 28, 33, 34 T12N-R16E-UM	2,560	100%
ADL-34635	Secs. 29, 30, 31, 32 T12N-R16E-UM	2,459	100%
ADL-34636	Secs. 1, 2, 11, 12 T11N-R16E-UM	2,560	100%
	TOTAL ACREAGE	<u>96,396</u>	

EXHIBIT B

Attached to and Made a Part of a Preliminary Gas Agreement dated as of the 3rd day of August, 1971, Between BP Oil Corporation, a Delaware Corporation ("Seller") and Columbia Gas Transmission Corporation, a Delaware Corporation ("Buyer").

GAS PURCHASE AND SALES AGREEMENT

BETWEEN

BP OIL CORPORATION (SELLER)

AND

COLUMBIA GAS TRANSMISSION CORPORATION (BUYER)

Dated _____

Prudhoe Bay Field
North Slope Area
State of Alaska

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EXHIBIT Y. DESCRIPTION OF LEASES

GAS PURCHASE AND SALES AGREEMENT

THIS AGREEMENT, made and entered into as of the ____ day of _____, 19__, by and between BP OIL CORPORATION, a Delaware corporation, hereinafter referred to as "Seller", and COLUMBIA GAS TRANSMISSION CORPORATION, a Delaware corporation, hereinafter referred to as "Buyer",

W I T N E S S E T H:

WHEREAS, Buyer desires to purchase gas from Seller in the amounts, in the manner and subject to the terms and conditions provided in this contract (which shall include the General Terms and Conditions attached hereto as Exhibit X, and all other Exhibits hereinafter referred to), and has made arrangements to receive and transport the gas deliverable hereunder:

NOW, THEREFORE, in consideration of the premises and the covenants set forth in this contract, the parties hereto have mutually covenanted and agreed, and do hereby mutually covenant and agree as follows:

SECTION 1. COMMITMENT OF GAS RESERVES

1.1 Seller represents that it is the owner of certain interests in oil and gas leases in the Prudhoe Bay Field, North Slope Area, State of Alaska, which leases are described in the schedule marked Exhibit Y, attached hereto and made a part hereof. Such leases are covered hereby insofar and only insofar as said leases pertain to Seller's gas and gas rights in the Permian-Triassic Formation, as more fully described in Exhibit Y. Seller represents that none of the leases are subject to any commitment of Seller in conflict with this contract and that Seller desires to sell gas to Buyer under the terms and conditions hereof.

1.2 Seller, subject to all of the terms and conditions of this contract, hereby commits to the performance of this contract Seller's interest in the gas underlying the leases and in the formation covered by this contract, and will make available for sale and delivery to Buyer at the points of delivery over the term of this contract all gas produced and saved from such formation which is attributable to such leases less the volumes produced and saved from such leases which are reserved by Seller in Section 2 hereof.

1.3 Seller will proceed with diligence in the performance of any and all acts required for the delivery in accordance herewith of the volumes of gas provided for herein by Seller for the account of Buyer; provided, however, that nothing herein shall be construed to require Seller to produce any well or wells in a manner which would not constitute good operating practice, nor shall Seller be obligated to drill additional wells, or to deepen or rework any existing wells, or to take any action which is in conflict with the plan of operation of a Unit or Units comprising all or a part of the leases committed hereto.

1.4 Seller will not sell to any other party or parties gas committed to Buyer hereunder during the term hereof without the written consent of Buyer.

SECTION 2. RESERVATIONS OF SELLER

2.1 Seller shall not be obligated to deliver to Buyer from the leases committed to this agreement volumes of gas in excess of that which can be legally produced in paying quantities without damage to the wells or reservoirs, and in accordance with good engineering practices, less the volumes excepted and reserved to Seller.

2.2 Seller expressly reserves with respect to the leases covered by this contract the following prior rights, together with sufficient gas to satisfy the same:

2.2.1 To operate Seller's properties free from any control by Buyer in such manner as Seller, in Seller's sole discretion, may deem advisable, including without limitation the right, but never the obligation, to drill new wells, to repair and rework old wells, to renew or extend, in whole or in part, any lease covered hereby.

2.2.2 To abandon any well or surrender any lease, in whole or in part, when no longer deemed by Seller to be capable of producing gas in paying quantities under normal methods of operation; provided, however, that, in the event Seller should terminate or surrender any lease described in Exhibit Y hereof, written notice shall be given to Buyer within thirty (30) days thereafter; provided further, however, that Seller shall not be liable if through inadvertence or mistake Seller fails to give such notice.

2.2.3 To process or cause to be processed the gas, prior and/or subsequent to delivery, for the recovery of helium and liquid and liquefiable hydrocarbons other than methane, except such minimum quantities

of methane as must necessarily be removed in such processing (including the right to use the gas for fuel in the operation of any plant in which the gas is processed), and the right to the shrinkage in volumes caused by rights reserved to Seller herein; provided that in the exercise of such rights, Seller does not in any way interfere with the delivery of gas to Buyer in the quantity and of the quality provided for herein and does not reduce the total heating value thereof below 1,000 Btu per cubic foot; provided further, that Seller shall not process the gas subsequent to delivery except at such point (including without limitation points on Buyer's transmission lines within its market area) and on such terms and conditions as Buyer may consent to, which consent shall not be unreasonably withheld.

2.2.4 To exclude from dedication and delivery to Buyer any gas which:

- (i) the Seller or any operator of the leases or any unit of which the leases, or any of them, are a part, may use in conformity with good field practices for drilling and production operations for the recovery of oil and gas (including but not limited to gas injection, gas lift, secondary recovery, pressure maintenance, and cycling operations), and/or which Seller or any such operator may supply for similar purposes to the owner or operator of leases in the Alaska North Slope, but not within a unit embracing all or some of Seller's leases, and/or which Seller or any such operator may supply to the owner or owners (or the operator) of an electric power plant for the generation of electric power;
- (ii) may be flared under conditions and within limits permitted by law in the operation of the field;
- (iii) BP Alaska, Inc. as owner of the Net Profits Royalty Interest (conveyed by Seller to BP Alaska, Inc. by instrument dated August 1, 1969) may elect to take in kind from time to time, and gas which BP Alaska, Inc. under the Operating Agreement (dated August 1, 1969, between Seller and BP Alaska, Inc.) may be entitled to receive by way of recoupment of costs in consequence of a sole account operation under Section 10.3 of said Operating Agreement and/or which BP Alaska, Inc. may be entitled to in consequence of any relinquishment, assignment or conveyance of interests by Seller to BP Alaska, Inc. under Section 10.4 of said Operating Agreement;

(iv) Seller or the operator of the leases or of any unit of which the leases, or any of them, are a part, shall furnish to the operator of any crude oil pipeline or the operator of any gas pipeline constructed for the movement of crude oil and gas, respectively, from the Alaska North Slope to a destination in Alaska, Canada or any of the lower 48 states of the United States, for use and consumption in the operation of such pipeline or pipelines;

(v) Seller or the operator of the leases or of any unit of which the leases, or any of them, may be a part, may deem it advisable to supply, or may be directed by any governmental agency of the State of Alaska to supply, for distribution to domestic consumers and industrial users in any city, village, community or other area in the State of Alaska;

(vi) the State of Alaska as the owner of the lessor's royalty may elect to take in kind from time to time.

2.2.5 To pool, combine or unitize any of Seller's interest in the leases covered hereby with other properties of Seller and of others in the same field, and to alter such pooling, combination or units in any of which events this contract will cover Seller's interest in the units and gas attributable thereto to the extent that Seller's interest is derived from or through the leases covered hereby, subject to the following:

If under any Unit Agreement embracing any of the leases (or any portions thereof) there shall be allocated to Seller a percentage of the gas to be produced by the unit greater than the ratio which the recoverable gas in place under such leases (or the portions thereof) bears to the total recoverable gas in place under all of the lands embraced in the unit, the excess gas reserves and daily quantities attributable thereto to which Seller will be entitled arising from such difference in percentage shall not be subject to this Gas Purchase and Sales Agreement, and in such case the exclusions referred to in clauses (i) through (vi) of Paragraph 2.2.4 above and any gas lost or consumed in any processing operations of the kind described in Paragraph 2.2.3 above shall be allocated proportionately between the gas produced from the unit and to which Buyer will be entitled and the gas produced from the unit but to

which, by reason of this provision, Buyer will not be entitled. Buyer hereby agrees that it will, upon request of Seller, support Seller in any application necessary to effectuate this Paragraph 2.2.5 before the Federal Power Commission and/or any other regulatory agencies having jurisdiction. ←

Seller shall give notice in writing to Buyer of the formation of any such unit and of any change in Seller's interest therein which is attributable to the leases covered hereby within thirty (30) days after such occurrence.

SECTION 3. QUANTITY

3.1 It is contemplated that Seller will have approximately _____ Mcf of gas per day available for delivery hereunder on the date of first delivery and that such quantity may be increased thereafter to approximately _____ Mcf of gas per day.

3.2 Subject to the provisions of this contract, commencing on the date of first delivery and thereafter, Seller will sell and deliver to Buyer, and Buyer will purchase and take from Seller, on each day during the term hereof, the volumes of gas that are produced and available for delivery each day from the leases covered hereby, other than the volumes of gas reserved by Seller in Section 2 hereof. Seller will give or cause to be given, to Buyer reasonable notice in the event that Seller desires at any time to materially increase or decrease the quantity of gas deliverable hereunder. Seller shall, commensurate with good production and operating practices and in accordance with proper conservation measures, endeavor to so operate its wells and facilities so that gas to be received therefrom pursuant hereto shall be available to Buyer at as uniform rates of flow and operating conditions as possible throughout each month during the term hereof; provided, however, nothing contained herein shall obligate Seller to operate its wells and facilities contrary to the operations of any unit containing all or a part of the leases committed hereto.

3.3 Upon receipt by Buyer of notice from Seller that Seller and others producing gas from the formation containing Seller's gas propose to increase on a long term basis the volume of gas that will be available for delivery from such formation, if such increase is substantially in excess of the estimate provided for above, Buyer will cooperate with Seller and others involved in determining the feasibility of increasing the amount of capacity available to transport gas produced from such formation and to increase the

amount of such capacity, if feasible. Upon completion of the steps necessary to provide such an increase in capacity, Buyer's and Seller's maximum daily sales and purchase obligations hereunder will increase to equal Seller's share in the increased production from such formation which is covered hereby that can be transported.

7. If the Buyer declines to proceed as provided in the above paragraph, or if at any time Buyer declines or is unable, for reasons other than force majeure, to purchase Seller's share of the total field or unit gas produced and made available for sale and which is committed to this contract, so as to purchase Seller's gas on a ratable basis with other producers in the Prudhoe Bay Field and to prevent the drainage of Seller's reserves, then and in such event Buyer shall, upon request by Seller, release from this contract such portion of Seller's gas reserves and accompanying daily gas volumes as is necessary to equalize withdrawals and prevent drainage of Seller's reserves. It is hereby agreed that any gas so released shall be available for sale by Seller to third parties.

3.4 Upon request by Buyer, Seller shall furnish to Buyer such factual information as Seller may possess with respect to its wells and acreage covered by this contract, including copies of any electric logs, core analyses, geological, engineering and production data, and any and all basic information in connection with such wells. This shall not apply to information held confidential by Seller.

3.5 Seller will furnish Buyer each month with copies of all production, well test, completion and recompletion reports filed by Seller with any regulatory body covering the leases which are committed to this agreement.

SECTION 4. PRICE

(To Be Negotiated)

Notwithstanding any provision of this contract to the contrary, if, in order to comply with or by reason of any present or future law or rule, regulation or order of any governmental officials or bodies having jurisdiction, the basis or method of measurement of gas delivered hereunder is changed, then the price per Mcf for gas purchased hereunder shall be adjusted to compensate for the change in the basis or method of measurement, to the end that the total amount of money payable for volumes of gas purchased according to the measurement provisions set forth herein shall remain unaffected by such change of basis or method of measurement.

SECTION 5. TAXES

5.1 Any valid sales, transaction, occupation, service, production, severance, gathering, transmission, export or excise tax, assessment or fee levied, assessed or fixed by the United States or any state or other governmental authority, and taxes of a similar nature or equivalent in effect (not including income, excess profits, capital stock, franchise or general property taxes), in addition to or greater than those being actually levied, assessed or fixed as of the date of this contract, in respect of or applicable to the gas delivered by Seller to Buyer under this contract, and which Seller may be liable for either directly or indirectly through any obligation to reimburse others, are hereinafter collectively referred to as an "additional tax". There shall be added to the price set forth in Section 4 hereof, so long as the additional valid tax shall be in effect, an amount per Mcf sufficient to reimburse Seller for such additional tax.

5.2 Seller will bill Buyer for amounts paid by Seller which are reimbursable under this Section on the same monthly, quarterly or other periodic basis as that established by law for the payment of such reimbursable taxes.

SECTION 6. DELIVERY POINT

6.1 The points of delivery of the gas delivered and sold hereunder, at which point ownership and control of the gas sold hereunder shall pass from Seller to Buyer, shall be at the intake side of a measuring station installed or caused to be installed by Buyer at such point as Buyer and Seller may mutually designate and agree upon on or in the immediate vicinity of the lands which are covered by the oil and gas leases described in Exhibit Y hereto.

6.2 Seller shall make reports, or cause reports to be made to Buyer's dispatcher, as often as may be necessary in practice, of the pressure at which the gas is being delivered hereunder and the rate of such deliveries. Seller shall have agents or employees available at reasonable times to receive from such dispatcher advices and requests for changes in the rates of delivery of gas hereunder as required by Buyer from time to time.

6.3 Except as otherwise specifically provided herein, as between the parties hereto, Seller shall be deemed to be in control and possession of the gas delivered hereunder, shall be responsible for, and shall indemnify Buyer against, any damage or injury caused thereby, until the same shall have been delivered to or for the account of Buyer at the point of delivery, after which Buyer shall be deemed to be in possession and control thereof, shall be responsible for, and shall indemnify Seller against, any damage or injury caused thereby.

SECTION 7. DELIVERY PRESSURE

All gas sold and delivered hereunder shall be delivered at the delivery point specified in Section 6 at such pressure as Buyer may require for delivery into the pipeline, but not in excess of 1,200 psig.

SECTION 8. TERM

8.1 This contract shall become effective upon the execution hereof and shall continue and remain in force and effect for the life of the leases covered hereby; provided that if, prior to the expiration of the term hereof, the volumes of gas available for delivery hereunder shall be so reduced that further production of gas for delivery hereunder, including operation of compressors, would no longer be profitable for Seller or that further operation of the facilities used to transport such gas by or for the account of Buyer would no longer be profitable to Buyer, then the party for whom continued operation under this contract is no longer profitable may give notice to the other, which notice shall give the reason for such non-profitability and on the ninetieth day after the giving of such notice this contract shall terminate unless the parties agree to extend the term hereof prior to the end of such ninety (90) day period.

SECTION 9. CERTIFICATES OF PUBLIC CONVENIENCE AND
NECESSITY AND CONSTRUCTION OF FACILITIES

9.1 Both Seller and Buyer will file or cause to be filed with the Federal Power Commission and any other regulatory body or bodies having jurisdiction, such applications for certificates of public convenience and necessity or other approvals and consents as are required by law in connection herewith. Such applications will be prosecuted with diligence. If any such certificate or approval is refused by or is unsatisfactory to the party obtaining it, then such party may cancel and terminate this contract by giving notice to the other party within thirty (30) days after the issuance of the order refusing or granting such certificate or approval, and if either party so terminates this contract, then the respective obligations of the parties to sell and buy gas hereunder shall be of no force and effect from the date of such termination.

9.2 Upon the issuance and acceptance of the necessary certificates, Buyer will proceed with due diligence to cause to be installed the facilities necessary to receive deliveries of gas hereunder, and Seller will use due diligence to install and place in operation, or cause to be installed and placed in operation, the necessary facilities for the delivery of gas hereunder at the applicable delivery point above specified. When, in accordance with this Section, the necessary steps have been taken by Buyer to receive, and Seller to deliver, gas hereunder, Buyer shall commence taking deliveries.

SECTION 10. MISCELLANEOUS

10.1 No waiver by either party of one or more defaults by the other in the performance of any of the provisions of this contract shall operate or be construed as a waiver of any other or further default or defaults, whether of a like or of a different character.

10.2 This contract shall be binding upon and inure to the benefit of the heirs, legal representatives, successors and assigns of the respective parties hereto and shall be binding upon any purchaser or assignee of Buyer's properties or system and upon any purchaser or assignee of the properties of Seller which are subject to this contract, and Seller and Buyer both agree that no sale or assignment of said properties of Seller or any part thereof or all or substantially all of Buyer's system shall be made unless the purchaser or assignee thereof shall assume and agree to be bound by this contract insofar as the same shall affect and relate to the property or interest sold or conveyed.

10.3 Notwithstanding any other actual or constructive knowledge of or notice to Buyer, no change or division in ownership in this contract by Seller shall be binding upon Buyer for any purpose until after Buyer receives, at the place provided for herein, certified copies of the instrument or instruments constituting or accomplishing the change in ownership from the party acquiring the interest or right in this contract or from Seller.

10.4 All notices, requests, demands, statements and payments provided for in this contract shall be in writing and shall be addressed to the parties as follows:

Seller - Statements and Payments Only:

Other:

Buyer -

or such other address as either party may designate by notice. Routine communications, including monthly statements and payments, shall be considered as duly delivered when mailed by either registered, certified or ordinary mail.

10.5 This agreement, and the construction and interpretation thereof, shall be governed by the laws of the State of Ohio.

10.6 Paragraph headings used in this agreement are for convenience only and shall not affect the construction of this agreement.

10.7 This agreement may be amended or modified only by a written instrument duly executed by the parties hereto.

10.8 Except in the cases for which arbitration is specifically provided herein, if either party shall fail to perform any of the covenants or obligations imposed upon it by this contract (except where such failure

shall be excused under the force majeure provisions hereof), then, and in that event, the other party may, at its option (without waiving any other remedy for breach hereof), by notice in writing specifying wherein the default has occurred, indicate such party's election to terminate the contract by reason thereof. The party in default shall have thirty (30) days from the receipt of such notice to remedy such default and to pay or indemnify the other party for all loss or damage incurred as a result thereof, and upon failure so to do, this contract shall terminate from and after the expiration of such thirty (30) day period. Any such termination shall be an additional remedy and shall not prejudice the right of the party not in default to collect any amounts due it hereunder for any damage or loss suffered by it and shall not waive any other remedy to which the party not in default may be entitled for breach of this contract.

10.9 This contract is executed in five (5) duplicate originals.

IN WITNESS WHEREOF, this instrument is executed as of the day and year first above written.

SELLER:

BP OIL CORPORATION

ATTEST:

Secretary

By _____
President

BUYER:

COLUMBIA GAS TRANSMISSION CORPORATION

ATTEST:

Secretary

By _____
President

STATE OF)
) ss.
COUNTY OF)

This certifies that on this _____ day of _____, 19____,
before me, the undersigned, a Notary Public in and for the above named County
and State personally appeared _____ to me known to be
the identical person who subscribed the name of the maker thereof to the fore-
going instrument as the President, and acknowledged to me that he executed
same as his free and voluntary act and deed, and as the free and voluntary
act and deed of such corporation, for the uses and purposes therein mentioned.

WITNESS my hand and official seal the day and year in this certi-
ficate first above written.

My Commission Expires:

Notary Public

STATE OF)
) ss.
COUNTY OF)

This certifies that on this _____ day of _____, 19____,
before me, the undersigned, a Notary Public in and for the above named County
and State personally appeared _____ to me known to be
the identical person who subscribed the name of the maker thereof to the fore-
going instrument as the President, and acknowledged to me that he executed
same as his free and voluntary act and deed, and as the free and voluntary act
and deed of such corporation, for the uses and purposes therein mentioned.

WITNESS my hand and official seal the day and year in this certificate
first above written.

My Commission Expires:

Notary Public

EXHIBIT X

Attached to and Made a Part of a Gas Purchase and Sales Agreement dated _____, 19____, Between BP Oil Corporation, a Delaware Corporation ("Seller"), and Columbia Transmission Corporation, a Delaware Corporation ("Buyer").

SECTION 11. DEFINITIONS

- 11.1 The term "gas", unless the context otherwise requires, shall include natural gas produced from gas wells, and oil well gas produced with crude oil, or the mixture of hydrocarbon gases that remain after processing natural gas and/or oil well gas.
- 11.2 Unless the context otherwise requires, the term "lease" shall mean Seller's interest in the oil and gas leases, and portions thereof, which are described in Exhibit Y, as to the formation specified in Exhibit Y.
- 11.3 The term "day" shall mean a period of 24 consecutive hours beginning at 8 o'clock a.m., Local Time. The reference date for any day shall be the date of the beginning of such day.
- 11.4 The term "month" shall mean the period beginning at 8 o'clock a.m., Local Time, on the first day of a calendar month and ending at the same time on the first day of the next succeeding calendar month.
- 11.5 The term "contract year" shall mean each successive period of twelve (12) consecutive months beginning on the first day of the month following the month in which deliveries of gas are commenced to Buyer hereunder and any anniversary of such date; provided that the period from the date of first delivery to Buyer hereunder to the first day of the month next following such delivery shall be considered part of the first such contract year.
- 11.6 The term "Mcf" shall mean 1,000 cubic feet of natural gas as determined on the measurement basis set forth in Section 14 of this Exhibit X.
- 11.7 The term "Btu" shall mean British thermal unit.
- 11.8 The term "psia" shall mean pounds per square inch, absolute.

11.9 The term "psig" shall mean pounds per square inch, gauge.

SECTION 12. STATEMENTS AND PAYMENTS

12.1 On or before the 15th day of each month after deliveries of gas are commenced hereunder, Buyer shall render or cause to be rendered to Seller a statement showing the total amount of gas delivered at the point of delivery hereunder during the last preceding month. Within seven (7) days after receipt of such statement from Buyer, Seller will furnish, or cause to be furnished, to Buyer an allocation statement prepared by Seller, or Seller's duly authorized agent, setting forth, with respect to the total volume of gas delivered to Buyer at the common point of measurement of the gas delivered hereunder and other gas delivered there, the portion of such total volume which was delivered by Seller hereunder. Buyer shall be entitled to rely conclusively on the volumes contained in such allocation statement in making payment to Seller for gas delivered hereunder. Buyer shall make payment to Seller on or before the 25th day of each calendar month for all gas delivered during the preceding month; provided, however, that, if an allocation statement is not furnished to Buyer as provided herein, Buyer shall be entitled to withhold payment for gas delivered hereunder until ten (10) days after Buyer shall have been furnished with such allocation statement.

12.2 Each party shall have the right at reasonable times to examine the books, records and charts of the other party to the extent necessary to verify the accuracy of any statement, allocation, charge or computation made pursuant to the provisions of any Section hereof. If any such examination reveals any inaccuracy in such billing theretofore made, the necessary adjustments in such billing and payments shall be promptly made; provided that no adjustments for any billing or payment shall be made after the lapse of three years from the rendition thereof.

SECTION 13. QUALITY OF GAS

13.1 The gas delivered hereunder shall be merchantable natural gas; shall be commercially free from dust, gums, gum-forming constituents, gasoline, water, or any other substance of any kind which may become separated from the gas in the course of pipeline transportation after delivery to Buyer; shall not contain more than six (6) pounds of water per million cubic feet of gas as determined by a dew point apparatus approved by the Bureau of Mines; shall not contain more than one (1) grain of hydrogen sulphide per one hundred cubic feet of gas nor more than twenty (20)

grains of total sulphur per one hundred cubic feet of gas; shall not be more than three percent (3%) by volume of carbon dioxide, more than three percent (3%) by volume of nitrogen nor more than one percent (1%) by volume of oxygen; shall not be at a temperature of more than one hundred and twenty degrees (120°) Fahrenheit nor less than twenty-five degrees (25°) Fahrenheit; and shall have a gross heating value of not less than nine hundred fifty (950) nor more than one thousand one hundred fifty (1150) British thermal units per cubic foot of gas saturated with water vapor at a temperature of sixty degrees (60°) Fahrenheit and at an absolute pressure equivalent to thirty (30) inches of mercury at thirty-two degrees (32°) Fahrenheit.

(This Paragraph 13.1 contemplates delivery to pipeline under conventional conditions; however, if a dense phase pipeline is utilized, or if the plan of field operation and/or plan of pipeline operation results in availability or use of gas of specifications different than that above, then and in such event, this Paragraph 13.1 will have to be changed accordingly.)

13.2 Buyer shall not be obligated to receive and purchase gas hereunder that fails to conform to the foregoing requirements and shall have the right, after giving notice to Seller, to refuse to accept delivery of such gas as long as such gas fails to meet such requirements and shall have the right to cancel this contract if such gas fails to meet such requirements for one hundred eighty (180) days following the date of such notice.

If it is uneconomic for Seller to treat the gas subject to this agreement so it will meet specifications provided herein and if Buyer does not elect to treat such gas, then at any time while Buyer is not taking such gas because it does not meet specifications Buyer shall, upon request by Seller release from the terms of this contract the off-specification gas and the leases attributable thereto.

SECTION 14. MEASUREMENTS

14.1 The volume of gas delivered hereunder shall be measured at the points of delivery with orifice meters and such other equipment and instruments as may be required. Buyer shall install, maintain, and operate, or cause the installation, maintenance and operation of, such measuring equipment without cost to Seller. The measurement equipment so installed shall conform to and shall be operated in accordance with the specifications and recommendations contained in the American Gas Association

publication, Orifice Metering of Natural Gas, Gas Measurement Committee Report No. 3, and in such amendments and revisions thereto and superseding reports thereof as are recommended by such Committee. Such amendments, revisions, and superseding reports shall be effective on the first day of the month following the date that either Buyer or Seller notifies the other that such amendments or revisions shall be adopted.

14.2 Except in the gross heating value determination provided in Section 13.1 of this Exhibit X, one cubic foot of gas shall be that volume of gas contained in one cubic foot of space at a temperature of sixty degrees (60°) Fahrenheit and at a pressure of fourteen and sixty-five hundredths (14.65) pounds per square inch absolute. The volume of gas delivered hereunder shall be computed in accordance with the specifications and recommendations contained in the American Gas Association publication, Orifice Metering of Natural Gas, Gas Measurement Committee Report No. 3, and in such amendments and revisions thereto and superseding reports thereof as are recommended by such Committee, including but not limited to the corrections for Reynolds number, expansion, pressure base, temperature base, flowing temperature, specific gravity, manometer factor, and supercompressibility. Such amendments, revisions, and superseding reports shall be effective the first day of the month following the date that either Buyer or Seller notifies the other that such amendments or revisions shall be adopted. The pressure base shall be fourteen and sixty-five hundredths (14.65) pounds per square inch absolute. The temperature base shall be sixty degrees (60°) Fahrenheit. The atmospheric pressure shall be assumed to be fourteen and seven-tenths (14.7) pounds per square inch absolute. Corrections for Reynolds number, expansion, manometer factor, and supercompressibility or deviation from Boyle's Law shall be made by application of the correction factors or formulas contained in the aforesaid report or amendments thereto. In making the correction for supercompressibility, the mol percent of nitrogen and carbon dioxide will be used. Such mol percent determination shall be made as soon as practicable after deliveries commence hereunder and as may be required from time to time thereafter. Further, as to the correction for supercompressibility, the gas delivered hereunder shall be assumed to deviate from Boyle's Law to an extent agreeable with the American Gas Association tables of Supercompressibility Factors for Natural Gas of pure hydrocarbon composition, as may be hereafter amended or changed, at the specific gravity and flowing temperature hereof, and at the arithmetic average static pressure recorded during periods of gas flow only; provided, however, that the American Gas Association tables for hydrocarbon gases agree within plus or minus 0.2 percent of the Boyle's Law deviation determined by test or calculated from knowledge of the fractional analysis of the gas composition. When the American Gas Association tables are found to not agree within 0.2 percent plus or minus.

of the actual deviation from Boyle's Law within the range of operating pressures and temperatures, Buyer will prepare factor tables that agree with the actual deviation from Boyle's Law, as may be determined by actual test or fractional analysis, with the tables thus prepared being used for volumetric calculation purposes for a period of time not exceeding three (3) months, and such factor tables shall be furnished by Buyer to Seller. Tests shall be conducted upon the commencement of deliveries hereunder and thereafter as herein provided, to determine the actual Boyle's Law deviation, using Bureau of Mines type of test equipment, based upon the original Burnett apparatus described in Research Bulletin 13, Institute of Gas Technology, or by calculation with knowledge of the fractional components of the gaseous composition, using the pseudo critical pressure and temperature of the composition as a base for determining the deviation within the measuring range of pressures and temperatures. Where actual Boyle's Law deviation is found to agree with the American Gas Association factor tables for hydrocarbon gases, within a plus or minus tolerance of 0.2 percent, subsequent tests or determinations to verify the accuracy of the American Gas Association tables will be conducted during each calendar year; provided, however, such determinations will be suspended for an extended and indefinite period of time following any two (2) consecutive determinations that reflect agreement with the American Gas Association tables, unless either Buyer or Seller deem it prudent to redetermine the actual deviation from Boyle's Law upon indication of gas composition changes resulting from changed gas processing methods or changes of gas production sources.

(This Paragraph 14.2 contemplates delivery to a pipeline under conventional conditions; however, if a dense phase pipeline is utilized, this Paragraph 14.2 will have to be changed accordingly.)

14.3 Buyer shall measure or cause the measurement of the flowing temperature, the specific gravity, and the gross heating value of the gas delivered hereunder with such devices as are ordinarily used for such measurements. The flowing temperature of the gas measured shall be determined by recording thermometers. The specific gravity shall be measured once each month, or at longer intervals if deemed necessary by Buyer and Seller, or continuously if Buyer so elects. The gross heating value shall be determined by use of a recording type calorimeter installed by Buyer. If such measurements are not made continuously, the measurement to be used in the computation of the volume for any month shall be the most recent measurement made prior to such month. If such measurements are made continuously, the measurement to be used in the computation of the volume for any day shall be the arithmetical average of the measurements made when gas was being delivered on such day.

14.4 Buyer shall test or cause the testing of the accuracy of the equipment measuring gas delivered hereunder at least once each month or more often if Buyer deems necessary or at such times as Seller may request, provided that Seller may not request such a test more often than once each month. Buyer shall give Seller notice of the time and date when such equipment shall be tested and adjusted and shall permit Seller to observe any such tests or adjustments if Seller is present when such test or adjustments are made.

14.5 If any measuring equipment is found by test to be measuring inaccurately, such equipment shall be adjusted to measure accurately. If, when measuring gas at a flow rate substantially equal to the average of the volumes measured during the thirty (30) days preceding the date of the most recent previous test, the deviation of such measuring equipment from perfect accuracy is not greater than two percent (2%), all measurements by such equipment since the most recent previous test shall be deemed correct. If such deviation is greater than two percent (2%), the volumes delivered during the period that such equipment is known to have been measuring inaccurately or, if such period is unknown, during the last half of the period of time since the most recent previous test shall be determined. When determining the volumes delivered during such periods, due consideration shall be given to the measurement made by any check measurement equipment, installed by Seller, to the extent of the inaccuracy as indicated by calibration tests of the measurement equipment and mathematical calculations, and the volume of gas measured by such equipment under similar conditions when such equipment is known to have been measuring accurately.

14.6 All test data, measurement charts, books of account, and similar records relating to the amount of gas delivered and the amount of gas which Buyer is obligated to purchase hereunder and the amount therefor shall be preserved by Buyer for a period of at least three (3) years and, during such period, shall, at the request of Seller, be made available for inspection by Seller at all reasonable times. Upon request of Seller, Buyer will cause to be submitted to Seller for checking and calculation the records and charts from Buyer's measuring facilities, subject to return by Seller within thirty (30) days after receipt thereof.

SECTION 15. REGULATORY BODIES

15.1 This contract is subject to all present and future valid orders, rules and regulations of any regulatory body having jurisdiction, so long as such orders, rules and regulations shall be in force and effect.

SECTION 16. WARRANTY OF TITLE TO GAS

16.1 Seller warrants title to all hydrocarbon gas sold and delivered hereunder, that such gas is free from liens and adverse claims of every kind, that it has the right to sell all hydrocarbon gas sold hereunder. Seller will pay or cause to be paid, all royalties, taxes and other sums due on production, gathering or handling of the gas delivered by such Seller. Seller will indemnify and save Buyer harmless against all loss, damage and expense of every character on account of adverse claims to the gas delivered by it or of royalties, taxes, payments or other charges thereon applicable before or upon delivery to Buyer. In the event any adverse claim of any kind is asserted with respect to any of said gas or monies due Seller therefor, Buyer may retain as security for the performance of the obligations of Seller, any such monies, up to the amount of claim, without interest, until such claim has been finally determined, or until Seller shall have furnished to Buyer bond or other assurance satisfactory to Buyer, conditioned for the protection of Buyer with respect to such claim.

16.2 If at any time hereafter it shall appear that the ownership or title to all or part of the lands or leases covered by this contract, or the gas produced therefrom, which is committed under this contract, is vested in a party or parties other than Seller, and Seller, after using all reasonable means available to it, shall lose or relinquish title thereto as a result of such defect or failure of title, Seller shall be released from all further obligations hereunder with respect to such lands, leases and the gas produced therefrom as may be affected by such defect or failure of title.

SECTION 17. FORCE MAJEURE

17.1 In the event of either party hereto being rendered unable, wholly or in part, by force majeure, to carry out its obligations under this contract, other than to make payments due hereunder, it is agreed that on such party's giving notice and full particulars of such force majeure in writing, or by telegraph, to the other party as soon as practicable after the occurrence of the cause relied on, then the obligations of the party giving such notice, so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused, but for no longer period, and such cause shall as far as possible be remedied with all reasonable dispatch. It is provided, however, that the obligations of Seller to deliver and Buyer to receive gas on any day or days governed wholly or in part by force majeure shall be the actual quantity of gas, if any, delivered and received on such days.

17.2 The term "force majeure" as employed herein shall mean acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, wars, blockades, military action, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms or storm warnings, crevasses, floods, washouts, arrests and restraints of governments and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, the necessity for testing (as required by law, governmental regulation or for safe operation thereof, in the judgment of the testing party) or making repairs or alterations to machinery or lines of pipe, freezing of wells or lines of pipe, partial or entire failure of wells, inability of any party hereto to obtain necessary materials, supplies or permits due to existing or future rules, regulations, orders, laws or proclamations of governmental authorities (both Federal and State), including both civil and military, any inability on the part of any purchaser or purchasers to receive gas from Buyer by reason of force majeure affecting such purchaser or purchasers, provided that such inability of Buyer to take gas because of force majeure affecting its purchasers shall be fairly apportioned among its various sources of gas supply, and any other causes, whether of the kind herein enumerated or otherwise, not within the control of the party claiming suspension, and which by the exercise of due diligence such party is unable to prevent or overcome; such term shall likewise include (a) in those instances where either party hereto is required to obtain servitudes, right-of-way grants, permits or licenses to enable such party to fulfill its obligations hereunder, the inability of such party in acquiring, at reasonable cost and after the exercise of reasonable diligence, such servitudes, right-of-way grants, permits or licenses, and (b) in those instances where either party hereto is required to furnish materials and supplies for the purpose of constructing or maintaining facilities, or is required to secure permits or permission from any governmental agency to enable such party to fulfill its obligations hereunder, the inability of such party to acquire, or the delays on the part of such party in acquiring, at reasonable cost and after the exercise of reasonable diligence, such materials and supplies, permits and permissions; provided, however, Seller shall have the right but not the obligation to sell on a day to day basis free from this contract any gas which is committed to Buyer hereunder but which Buyer does not take because of force majeure. The word "party" as used in this Section 17.2 shall mean and include any person or persons, corporate or otherwise, with whom Buyer enters into or has agreements for the transportation, for its account, of the gas to be delivered hereunder from the point of delivery hereunder to Buyer's facilities.

17.3 It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the party having the difficulty, and that the above requirement that any force majeure

shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of the opposing party when such course is inadvisable in the discretion of the party having the difficulty.

SECTION 18. ARBITRATION

18.1 Any controversy, except those involving legal questions, between the parties arising under this contract not resolved by agreement shall be determined by a board of arbitration upon notice of submission given either by Buyer or Seller, which request shall also name one (1) arbitrator. The party receiving such notice shall, within twenty (20) days thereafter, by notice to the other, name the second arbitrator, or failing so to do, the party giving notice of submission shall name the second. The two (2) arbitrators so appointed shall name the third, or failing so to do within twenty (20) days, the third arbitrator may be appointed by the person who is at the time the senior (in service) judge of the United States District Court for that District of Alaska in which the leases covered hereby are situated.

18.2 The arbitrators selected to act hereunder shall be qualified by education, experience, and training to pass upon the particular question in dispute. Therefore, it is agreed that if an engineering question is involved, qualified engineers shall be appointed, and similar procedure will be followed in connection with other questions.

18.3 The arbitrators so appointed shall promptly hear and determine (after giving the parties due notice of hearing and a reasonable opportunity to be heard) the questions submitted, and shall render their decision within sixty (60) days after appointment of the third arbitrator. If within said period a decision is not rendered by the board or a majority thereof, new arbitrators may be named and shall act hereunder at the election of either Buyer or Seller in like manner as if none had been previously named.

18.4 The decision of the arbitrators, or of a majority thereof, made in writing shall be final and binding upon the parties hereto as to the questions submitted, and the parties will abide by and comply with such decision. The expenses of arbitration, including reasonable compensation to the arbitrators, shall be borne equally by Buyer and Seller, except that each party shall bear the compensation and expense of its counsel, witnesses and employees.

SECTION 19. CONFLICTS

19.1 Should any conflict appear or exist between these General Terms and Conditions and the contract to which they are attached, the contract shall govern.

EXHIBIT Y

Attached to and Made a Part of a Gas Purchase and Sales Agreement dated _____, 19__, Between BP Oil Corporation, a Delaware Corporation ("Seller"), and Columbia Gas Transmission Corporation, a Delaware Corporation ("Buyer"), With Respect to Certain Gas Produced and Saved from the Interests of BP Oil Corporation Under the Leases Described Herein Covering Lands in the State of Alaska.

In the following description of each Lease --

(a) BP Oil Corporation's interest is stated as a percentage of the total leasehold working interests before deducting Lessor's royalties or the Net Profits Royalty Interest of BP Alaska, Inc.

(b) Each Lease reserves to the State of Alaska a one-eighth royalty in the Hydrocarbons produced and saved.

(c) All of the Leases are subject to a Net Profits Royalty Interest conveyed by BP Oil Corporation to BP Alaska, Inc. by a conveyance dated August 1, 1969.

(d) All Leases are subject to the rights of BP Alaska, Inc. under an Operating Agreement entered into by BP Oil Corporation and BP Alaska, Inc., dated August 1, 1969.

<u>Lease Serial No.</u>	<u>Legal Description</u>	<u>Gross Acres</u>	<u>BP Oil Working Interest</u>
ADL-28260	Secs. 1, 2, 11, 12 T11N-R12E-UM	2,560	100%
ADL-28277	Secs. 25, 26, 35, 36 T12N-R13E-UM	2,560	100%
ADL-28278	Secs. 27, 28, 33, 34 T12N-R13E-UM	2,560	100%
ADL-28279	Secs. 29, 30, 31, 32 T12N-R13E-UM	2,459	100%

<u>Lease Serial No.</u>	<u>Legal Description.</u>	<u>Gross Acres</u>	<u>BP Oil Working Interest</u>
ADL-28280	Secs. 1, 2, 11, 12 T11N-R13E-UM	2,560	100%
ADL-28281	Secs. 3, 4, 9, 10 T11N-R13E-UM	2,560	100%
ADL-28282	Secs. 5, 6, 7, 8 T11N-R13E-UM	2,469	100%
ADL-28283	Secs. 17, 18, 19, 20 T11N-R13E-UM	2,480	100%
ADL-28284	Secs. 15, 16, 21, 22 T11N-R13E-UM	2,560	100%
ADL-28285	Secs. 13, 14, 23, 24 T11N-R13E-UM	2,560	100%
ADL-28286	Secs. 25, 26, 35, 36 T11N-R13E-UM	2,560	100%
ADL-28287	Secs. 27, 28, 33, 34 T11N-R13E-UM	2,560	100%
ADL-28305	Secs. 17, 18, 19, 20 T11N-R14E-UM	2,480	100%
ADL-28309	Secs. 27, 28, 33, 34 T11N-R14E-UM	2,560	100%
ADL-28310	Secs. 29, 30, 31, 32 T11N-R14E-UM	2,491	100%
ADL-28311	Secs. 1, 2, 11, 12 T10N-R14E-UM	2,560	100%
ADL-28312	Secs. 3, 4, 9, 10 T10N-R14E-UM	2,560	100%
ADL-28315	Secs. 13, 14, 23, 24 T10N-R14E-UM	2,560	100%
ADL-28320	Secs. 1, 2, 11, 12 T11N-R15E-UM	2,560	100%

<u>Lease Serial No.</u>	<u>Legal Description</u>	<u>Gross Acres</u>	<u>BP Oil Working Interest</u>
ADL-28330	Secs. 17, 18, 19, 20 T10N-R15E-UM	2,512	100%
ADL-28331	Secs. 15, 16, 21, 22 T10N-R15E-UM	2,560	100%
ADL-28333	Secs. 25, 26, 35, 36 T10N-R15E-UM	2,560	100%
ADL-28335	Secs. 29, 30, 31, 32 T10N-R15E-UM	2,523	100%
ADL-28337	Secs. 3, 4, 9, 10 T11N-R16E-UM	2,560	100%
ADL-28338	Secs. 5, 6, 7, 8 T11N-R16E-UM	2,469	100%
ADL-28339	Secs. 17, 18, 19, 20 T11N-R16E-UM	2,480	100%
ADL-28340	Secs. 15, 16, 21, 22 T11N-R16E-UM	2,560	100%
ADL-28341	Secs. 13, 14, 23, 24 T11N-R16E-UM	2,560	100%
ADL-28342	Secs. 27, 28, 33, 34 T11N-R16E-UM	2,560	100%
ADL-28343	Secs. 29, 30, 31, 32 T11N-R16E-UM	2,491	100%
ADL-28348	Secs. 27, 28, 33, 34 T10N-R16E-UM	2,560	100%
ADL-28349	Secs. 29, 30, 31, 32 T10N-R16E-UM	2,523	100%
ADL-34625	Secs. 13, 14, 23, 24 T12N-R15E-UM	2,560	100%
ADL-34630	Secs. 25, 26, 35, 36 T12N-R15E-UM	2,560	100%

<u>Lease Serial No.</u>	<u>Legal Description</u>	<u>Gross Acres</u>	<u>BP Oil Working Interest</u>
ADL-34633	Secs. 25, 26, 35, 36 T12N-R16E-UM	2,560	100%
ADL-34634	Secs. 27, 28, 33, 34 T12N-R16E-UM	2,560	100%
ADL-34635	Secs. 29, 30, 31, 32 T12N-R16E-UM	2,459	100%
ADL-34636	Secs. 1, 2, 11, 12 T11N-R16E-UM	2,560	100%
TOTAL ACREAGE		96,396	

INSOFAR AND ONLY INSOFAR AS said leases pertain to the Permo-Triassic Formation, such Formation being the formation or stratum which, for reference purposes only, was found in the ARCO-Humble Prudhoe Bay State No. 1 Well on land covered by the State of Alaska Lease No. ADL-28303 between the depths of 8117 feet below Kelly Bushing and the top of the carbonate formation at 8785 feet below Kelly Bushing as measured by Schlumberger Dual Induction Laterolog, Run 4, dated February 8, 1968, and Run 5, dated March 9, 1968.

· PLEASE NOTE: THE PRECEDING PAGES WERE TREATED
· AS A UNIT IN THE ORIGINAL DOCUMENT, · · ·

Exhibit CG - 1
Docket No. CP75-257
13 pages and 13 pages
of Exhibit I

COLUMBIA GAS TRANSMISSION CORPORATION

**Amendment and Supplement
to Preliminary Gas Agreement**

AMENDMENT OF AND SUPPLEMENT TO
PRELIMINARY GAS AGREEMENT BETWEEN
BP OIL CORPORATION, SELLER
AND
COLUMBIA GAS TRANSMISSION CORPORATION, BUYER

(Dated as of August 3, 1971)

THIS AMENDMENT made and entered into as of the 31st day of October 1974, between SOHIO PETROLEUM COMPANY, a Delaware corporation, herein called the Seller, and COLUMBIA GAS TRANSMISSION CORPORATION, a Delaware corporation, herein called the Buyer, changes and amends the Preliminary Gas Agreement (the "Agreement") originally entered into as of August 3, 1971 between BP OIL CORPORATION, as Seller, and COLUMBIA GAS TRANSMISSION CORPORATION, as Buyer, in the respects hereinafter specifically set forth.

BACKGROUND OF AMENDMENT AND SUPPLEMENT

This Amendment of and Supplement to the Agreement hereinafter set forth have been necessitated principally because of the long delay in the issuance by the United States Department of Interior of a permit for the construction of a crude oil pipeline for the transportation of crude oil from the Prudhoe Bay Area of Alaska to Valdez, Alaska. At the time the Agreement was executed it was anticipated by both parties that such permit would be issued and all other requisite rights of way, licenses, leases and permits would be obtained by the participants, including the Seller, in the so-called Trans-Alaska Pipeline System (involving

a large diameter crude oil pipeline for the transportation of crude oil from the Prudhoe Bay Area to Valdez, Alaska) prior to July 1, 1973. This did not occur.

The permit above referred to was not issued to the participants in the Trans-Alaska Pipeline System until January 23, 1974 and sufficient rights of way, licenses, leases and permits to warrant commencement and continuation of the construction of the pipeline were obtained from other federal, state and local agencies prior to the execution of this Amendment. At the execution date of this Amendment construction work on the crude oil pipeline and related facilities and access highways is in progress.

Under the Agreement, Seller agreed to commit to Buyer under a form of Gas Purchase and Sales Agreement in substantially the form attached to the Agreement as Exhibit B, and to be entered into between the Seller and the Buyer at a later date (as provided in Paragraphs 3, 4, 5 and 6 of the Agreement), the recoverable gas in the Permo-Triassic Formation underlying lands in the oil and gas leases listed and described in Exhibit A of the Agreement (herein called "Permo-Triassic Gas" and "Leases," respectively), subject however, to certain exclusions set forth in Paragraph 1(j) of the Agreement. All formations under the Leases are subject to a Net Profits Royalty Interest owned by BP Alaska, Inc. ("BP Alaska") a corporation not presently owned or controlled by Seller or its parent.

The portion of the oil and gas production from the Leases to which the Net Profits Royalty Interest will apply will depend upon the average daily level of crude oil production from the Leases achieved before January 1, 1978. Under the conveyance creating the aforesaid Net Profits Royalty Interest, BP Alaska has the right to take in kind from the Seller such oil and gas produced from the aforesaid Leases as is attributable to the Net Profits Royalty Interest. BP Alaska has heretofore contracted to sell to another gas company the gas which it may be entitled to take in kind from the aforesaid Leases up to an aggregate total of 3 trillion cubic feet and BP Alaska has elected by letter, dated February 27, 1973, addressed to Seller (a copy of which has been furnished to Buyer), to take in kind enough of the gas produced from the Leases and attributable to its Net Profits Royalty Interest to meet its obligations to such other gas company.

Under these circumstances, Seller may have available for delivery to the Buyer under the Agreement (and under the Gas Purchase and Sales Agreement attached to the Agreement as Exhibit B) an aggregate quantity of gas produced from the Permo-Triassic Formation less than that contemplated by the parties at the time the Agreement was executed.

The purpose of the amendments to the Agreement herein made is (i) to commit to Buyer under the terms of the Agreement, as herein amended, and under the Gas Purchase and Sales Agreement (as and when it is executed by the parties) in addition to the

gas which becomes available to Seller from the Permo-Triassic Formation under the Leases, all gas which may in the future become available to Seller for sale by it from all other formations as may exist under the lands covered by the Leases, (ii) to eliminate the provisions of subparagraphs (a) and (b) of Paragraph 2 of the Agreement under which the Seller had retained the right to sell 17 percent of the Leases and to take in kind certain of the gas produced from the Leases, and (iii) to provide that, if, under any Unit Agreement embracing any of the Prudhoe Bay leases or portions thereof or formations thereunder (meaning the Leases defined in Paragraph A(1) on pages 5 and 6 hereof), there shall be allocated to Seller a percentage of the gas to be produced by the Unit greater than the ratio which the recoverable gas in place under such Leases (or the portions thereof or the formations thereunder) bears to the total recoverable gas in place under the lands (and/or formations thereunder) embraced in the Unit, the excess gas reserves and the daily quantities attributable thereto to which Seller will be entitled arising from such difference in percentage will be sold and delivered by Seller to Buyer hereunder up to a total quantity thereof equal to that quantity of gas, if any, from the Permo-Triassic Formation, which is taken in kind by BP Alaska as owner of the Net Profits Royalty Interest and which BP Alaska does not sell directly or indirectly to Buyer, or otherwise make available to Buyer.

The purpose of the Supplement is to commit to the Agreement for sale to Buyer all gas which may in the future become available to Seller from lands outside of the Prudhoe Bay Area covered by any and/or all of the oil and gas leases listed and

described on Exhibit I attached hereto and made a part hereof (herein called "Non-Prudhoe Bay leases") and which is attributable to the working interests of Seller in such leases.

BP Oil Corporation was merged into Sohio Petroleum Company, a Delaware corporation, as of the close of business December 31, 1973 and by operation of law and by the terms of the Agreement of Merger Sohio Petroleum Company has succeeded to all of the properties and assets of BP Oil Corporation and has assumed all of its debts, liabilities, agreements, undertakings and obligations, including the Agreement and consequently this "Amendment of and Supplement to Preliminary Gas Agreement" is executed by Sohio Petroleum Company as successor to BP Oil Corporation.

AMENDMENTS TO THE AGREEMENT

In the light of the foregoing circumstances and to accomplish the purposes above recited, it is agreed that the following amendments shall be and the same are hereby made to the Agreement and that prior to its finalization and execution the terms and provisions set forth in Exhibit B to that Agreement shall be changed and amended (among other required amendments) to conform to and be consistent with the amendments herein made to the Agreement.

A. Amendments to Paragraph 1. Certain of the definitions and/or provisions set forth in Paragraph 1 of the Agreement are hereby amended to read in full, or in part, as follows: