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ABSTRACT
GAS SALES AND PURCHASE AGREEMENT
BETWEEN
EXXON (SELLER) AND NORTHERN NATURAL GAS (BUYER)

1) Quantity

- A) 1/3 of Exxon's Prudhoe Bay Gas made available for sale.
- B) No fixed daily or total quantity but estimated at 290,000 mmcf/d.
(This number can be reproduced by assuming 2.0 bcf/d pipeline quality gas and Exxon's net share after royalty and including 13% CO₂.)
- C) Buyer obligated to purchase daily (take or pay) but may find another purchaser for gas not taken.
- D) Seller may sell gas not taken or sold by Buyer to another purchaser, and Buyer makes up for the difference in price if Seller receives less than the contract price for such gas.
- E) No right to make up for gas which Buyer fails to take on any day.
- F) Seller reserves the right to sell gas on the North Slope to Trans Alaska Oil Pipeline, drilling rigs, and producing operations, and to use gas for production, drilling, and additional recovery operations on their leases.

2) Quality

- A) Approximately 1060 BTU/cf (includes 13% CO₂)
- B) Not more than 0.2[#] H₂O/mmcf of gas
- C) Temperature less than 120⁰F
- D) Pressure not less than 500 psi

(Abstract - Exxon & Northern Natural Gas)

3) Term

A) Effective April 30, 1979

B) 20 years from first delivery (estimated at 1/1/86)

4) Delivery Point

A) Inlet of Gas Conditioning Plant.

B) If other producers sell gas for delivery upstream (at oil/gas separators or any point in between), Seller has the option to move delivery point to the one designated by the other party.

C) Seller provides all facilities upstream of Delivery Point.

(These facilities have already been installed to separate and gather gas for injection and are estimated by Exxon to be equal in cost to the gas conditioning facilities.)

D) Buyer provides all facilities downstream of Delivery Point.

5) Natural Gas Liquids

A) Natural gas liquids transported in the gas pipeline:

1. Seller reserves the right to process and recover natural gas liquids.

2. Standard gas processing terms.

B) Natural gas liquids extracted at the gas conditioning facility and not transported in the gas pipeline:

1. Owned by Buyer

2. If Buyer elects to sell to a third party, Seller has first right of refusal.

3. If Buyer is unable to use these liquids, Buyer can return to Seller the volumes which Seller can use for fuel or

(Abstract - Exxon & Northern Natural Gas)

5) Natural Gas Liquids (Cont.)

3. transport in the Trans Alaska Oil Pipeline.

- a) Buyer receives credit against purchased BTUs for BTUs redelivered to Seller.
- b) Buyer pays extraction cost.
- c) Buyer pays for any fuel substitution costs.
- d) Buyer pays for any cost associated with putting liquids in oil pipeline.

4. If Buyer cannot use liquids in excess of those used by Seller for fuel or transported in an oil pipeline, Seller will make a good faith effort to obtain rights to inject these liquids into the reservoir.

- a) Buyer receives credit against purchased BTUs for BTUs injected by Seller.
- b) Buyer pays extraction cost.
- c) Buyer pays any injection cost including any penalties.

C) Residue CO₂ gas containing sufficient hydrocarbons to be usable as fuel:

1. If Prudhoe Bay unit owners agree to using this gas as fuel, Buyer may return gas to Seller.

- a) Buyer receives credit against purchased BTUs for BTUs redelivered to Seller.
- b) Buyer pays conditioning cost.
- c) Buyer pays for any fuel substitution cost.

2. If Buyer is required to dispose by subsurface injection, Seller will make a good faith effort to obtain injection

(Abstract - Exxon & Northern Natural Gas)

5) Natural Gas Liquids (Cont.)

2. rights for Buyer.

- a) Buyer receives credit against purchased BTUs for BTUs redelivered to Seller.
- b) Buyer pays conditioning cost.
- c) Buyer pays for all injection costs.

6) Price

A) Base price

1. Higher of:

- a) - \$2.00/MMBTU for May 1979.
 - Escalate at the monthly equivalent of the NGPA annual inflation adjustment factor for 5 years.
 - Escalate at the monthly equivalent of the NGPA annual inflation adjustment factor plus 0.25% per month thereafter or
- b) NGPA Section 109 price (NGPA price for May 1979 is 1.684) plus state severance taxes and production-related costs approved by FERC.

2. Price cannot exceed the price that Seller can lawfully collect.

3. Price cannot exceed the amount that Buyer is permitted to include in rates.

B) If ceiling prices increase, new ceiling prices prevail.

C) If prices are deregulated, Seller has the right to request a redetermination. New price subject to arbitration is the highest of:

(Abstract - Exxon & Northern Natural Gas)

6) Price (Cont.)

1. Average of the two highest prices paid by Buyer or other pipeline company for Prudhoe Bay gas.
 2. The BTU equivalent of Fuel Oil No. 2 to "Resellers, West North Central" less transportation costs from delivery point at Prudhoe Bay to city gate Minneapolis.
- D) Buyer pays Seller for excess royalty payments that Seller has to pay if royalty payments are based upon value at the wellhead instead of value at the delivery point. Must be approved by FERC.
- E) If the delivered cost of gas is such that the gas is not marketable, "the parties shall review the circumstances then existing in a good faith effort to determine such measures as are necessary to rectify the situation".
- F) Buyer reimburses Seller for all State and Federal taxes including taxes on the value of gas in place (except ad valorem, Income and Franchise taxes). (NGPA limits maximum lawful price to December 1978 tax level, however the contract does not appear to limit taxes reimbursed to Seller.)

7) Conditions

- A) Buyer shall promptly seek to conclude all agreements and contractual arrangements necessary for the transportation system for gas to be purchased.
- B) If necessary for successful completion, Buyer shall participate in ownership of transportation system, including gas conditioning facilities.

(Abstract - Exxon & Northern Natural Gas)

7) Conditions (Cont.)

C) By January 1, 1980, Buyer shall complete its contractual arrangements for the transportation system.

D) The gas sales contract can be terminated by either party if:

1. FERC rulemaking affects Buyers' ability to perform its responsibility as to gas conditioning facilities and the rulemaking is not satisfactory to either party.
2. If FERC fails to approve these contractual arrangements (C above) in a form acceptable to both Buyer and Seller or Buyer fails to assure Seller to Seller's satisfaction by March 1, 1980.

E) Buyer may accept or reject any certificate.

F) If Buyer rejects certificate, then either party may terminate.

G) If Buyer accepts certificate and if Seller is dissatisfied with the certificate, Seller may terminate.

H) If Buyer has not obtained all certificates, permits, and authorizations by March 1, 1982:

1. Seller has the right and option to terminate at anytime.
2. Either party may terminate.

I) If all the foregoing conditions are fulfilled:

1. Buyer shall proceed to install all necessary facilities to transport gas no later than January 1, 1986.
2. Seller shall proceed to install all necessary facilities to deliver gas to the delivery point.

File: Gas Contracts

Return to me

upon this gas” Further, the Commission declared, refusal to allow production-related costs in excess of the Section 109 maximum lawful price should not result in hardship for producers. Assuming gas conditioning costs in the range of a previous FPC estimate of 50¢/MMBtu (1975 dollars), the Section 109 price (\$1.67/MMBtu adjusted for inflation to April 1979) “would appear more than adequate to cover the incremental costs associated with gas sales, plus a reasonable profit.” On the other hand, sale of untreated Prudhoe Bay gas at the maximum lawful price “would shift gas processing costs from producers to consumers, thereby increasing the citygate price of gas and adversely affecting its marketability.”

ended 1979

The FERC's proposal was attacked on several grounds by the major Prudhoe Bay gas producers and the State of Alaska in initial and reply comments filed 3/19/79 and 4/2/79, respectively. (See REPORT NOS. 1195, ppl-2; 1201, ppl5-24; 1205, pp25-30.)

Page

Exxon executed a contract on 3/27/79 with PG&E for sale of one-third of Exxon's interest in Prudhoe Bay gas production -- or about 225,000 Mcf/d -- over a 20-year period. During the following month, Exxon signed a second contract providing for sale of another 225,000 Mcf/d to Northern Natural. Both contracts contain a base price of \$1.45/MMBtu as of April 1977, escalated monthly for inflation to the time of delivery, in accordance with Section 109 of the NGPA. In addition, the two contracts provide for a sharing of costs beyond the wellhead between the seller and buyer. Specifically, Exxon would bear the costs of gathering lines, dehydration equipment, field compression equipment, cooling facilities, and any related facilities located between the gas/oil separation facilities and the delivery point to the purchasers (defined as “the outlet of the Unit gas gathering system, downstream of the gas/oil separators and Unit gas dehydration and certain compression and cooling facilities, . . . at or near the inlet of the conditioning facility”). Exxon also would bear any future costs associated with artificial lift and water injection programs which may be required to support gas sales as well as oil production. In turn, the purchasers of the gas would pay for costs associated with the conditioning plant -- and would own any liquids collected during the conditioning process. (See REPORT NOS. 1204, pl8; 1207, p30.)

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The ICF study prepared for the FERC analyzed four major questions: (1) whether there are still net benefits to the nation from proceeding with the proposed Alaskan gas pipeline project in light of recent changes in gas supply markets; (2) if potential benefits remain significant, reasons why low cost “old” gas must subsidize the project through rolled-in pricing of Alaskan gas and why special regulatory treatment (such as an “all events tariff” to ensure debt repayment) may be necessary; (3) the effect of the planned implementation of ANGTS on other potential gas supply opportunities, especially Mexican gas purchases; and (4) whether policy options, such as gas conditioning charges and wellhead price ceiling levels, exist for reallocation of project costs, and how these options would affect the distribution of the project's opportunities and risks.

19
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The study determined a net national economic benefit of \$14.9 billion (mid-1979 dollars) attributable to ANGTS under a set of base case assumptions. These assumptions included, among others, a gas value equivalent to the wholesale price of distillate fuel, and an annuity-equivalent delivered citygate cost of \$3.18/MMBtu (mid-1979 dollars) over a 25-year period -- comprising a wellhead gas price of \$1.68/MMBtu, severance taxes of 17¢, a gas conditioning charge of zero, and a pipeline cost of service of \$1.33. The study further determined that the NNEB of \$14.9 billion would be captured 32% by the State of Alaska (in the form of extra taxes and royalties), 25% by domestic producers (in the form of extra after-tax profits “received over the minimum profits necessary to attract the producers to

26
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28
28

Joint Gas Pipeline Committee
Alaska State Legislature

File: Gas Sales Contract

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July 5, 1979

To: Members of the Joint Gas Pipeline Committee
From: Mary Halloran, Research Analyst *MH*

A review of Exxon's gas sales contract with Northern Natural Gas shows the following:

The contract is for one-third of Exxon's natural gas from Prudhoe Bay; it's estimated to be 290,000 Mcf/day of gas with a gross heating value of 1060 Btu/cubic foot.

The contract places the responsibility for arranging the gas transportation system (i.e. the gas pipeline, including the conditioning plant) with the buyer, Northern Natural. Northern Natural and the other gas buyers are to have completed contractual arrangements for the transportation system by January 1, 1980. The sales contract may be terminated by March 1, 1980, if arrangements for the gas transportation system are not in place. Also the contract may be cancelled at any time if FERC makes a ruling on the conditioning costs question which is unsatisfactory to either Exxon or Northern Natural.

In addition, the contract calls for Northern Natural and the other gas buyers to get the official certificate of public convenience and necessity by January 1, 1982; otherwise, again Exxon can cancel its sale. The contract calls for the delivery of gas to Northern Natural "no later than January 1, 1986."

The delivery point is "at or near the inlet of the gas conditioning facility," -that is, before conditioning. As buyer, Northern Natural is to provide all facilities at the delivery point for receipt and measurement of Exxon's gas and all downstream facilities necessary for the transportation of such gas.

Before delivery, Exxon will dehydrate the gas and cool it to 120°F, separating oil, condensate and nonhydrocarbon liquids, and objectionable solids from the gas. All such liquids and solids so separated become Exxon's property.

However, natural gas liquids produced through conditioning (not separation) will belong to Northern Natural (except those removed for "efficient pipeline operation.") With three months' notice, Northern Natural can return undisposed natural gas liquids to Exxon for Exxon's use or transport in an oil pipeline.

Still at issue is the level of CO₂ which the conditioned natural gas will contain. The question is important because the CO₂ level not only impacts the cost of the conditioning plant but also affects the pipeline's ability to transport heavier gas liquids, such as butanes.

The sale is subject to the State's right, as lessor, to take its royalty share of gas in kind. The price is the maximum ceiling price allowed by FERC. In

Exxon contract review - 2

addition, Northern Natural is to reimburse Exxon 100 percent for all the following state and federal taxes: production, gathering, delivery, sales, severance, excise and other taxes of a similar nature. (There's no reimbursement for ad valorem and general property taxes, income taxes, franchise taxes or other similar assessments).

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

AGREEMENT FOR THE SALE AND PURCHASE
OF STATE ROYALTY GAS

THIS AGREEMENT is entered into as of the ____ day
of _____, 19____, by and between THE STATE OF ALASKA,
hereinafter called the "Seller," acting by and through the
Commissioner of Natural Resources pursuant to Alaska Statute
38.05.183, and _____, hereinafter called the
"Buyer."

WITNESSETH:

WHEREAS, Seller has the right under each of the leases
identified in Exhibit "A" to this Agreement to receive from or be
paid by the Lessee thereunder a royalty of twelve and one-half
percent (12 1/2%) in kind (amount) or value of gas production
removed or sold from the lands covered by each lease; and

WHEREAS, it is expected that gas from the Leases will
be produced and removed or sold by the Lessees; and

WHEREAS, Seller wishes to sell its royalty gas to be
consumed or processed within the State of Alaska; and

WHEREAS, Buyer wishes to buy Seller's royalty gas and
use the gas for processing in the State or ultimate consumption
in the State, or both; and

WHEREAS, Seller is authorized by Alaska Statute 38.05.183
to sell such royalty gas; and

WHEREAS, Seller desires to sell royalty gas to Buyer
and Buyer desires to purchase royalty gas from Seller under the
terms and upon the conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the representations,
covenants, and conditions herein contained, Seller and Buyer
hereby agree as follows:

ARTICLE I

DEFINITIONS

As used herein, the following terms shall have the
following meanings:

- 1.1 "Btu" shall mean British thermal unit.
- 1.2 "Commissioner" means the Commissioner of Natural
Resources of the State of Alaska.
- 1.3 "Date of First Delivery" means that date the

first royalty gas sold under this Agreement is taken by Buyer pursuant to Article _____.

1.4 "Day" means a period of twenty-four (24) consecutive hours beginning at 12:01 a.m., Alaska Standard Time.

1.5 "Effective Date" shall have the meaning defined in Article _____.

1.6 "Force Majeure" shall have the meaning defined in Article _____.

1.7 "Gas" means both gas cap gas and solution gas as defined by the Prudhoe Bay Unit Agreement dated April 1, 1977, by and between the Seller and Lessees.

1.8 "Lessee" means any party owing a working interest in a Lease described in Appendix A.

1.9 "Month" means the period beginning at 12:01 a.m., Alaska Standard Time, on the first day of the calendar month and ending at the same time on the first day of the next succeeding calendar month.

1.10 "Point of Delivery" shall have the meaning defined in Article _____.

1.11 "Leases" means the oil and gas leases which are described in Exhibit "A" attached hereto and made a part hereof.

1.12 "The Pipeline" shall mean the natural gas transportation system approved under the Alaska Natural Gas Transportation Act of 1976.

ARTICLE II

TITLE

Seller hereby warrants title to the gas sold by it hereunder and its right to sell the same gas and warrants that all such gas is owned by Seller free from all liens, encumbrances and adverse claims.

Seller warrants that under the leases identified in Exhibit A of this Agreement, Seller has the right to take its royalty natural gas in-kind which amount it represents is twelve and one-half percent (12.5%), unless otherwise stated in Exhibit A, and agrees that it will exercise this right at a

time sufficient to deliver gas to Buyer on the date Buyer requests in writing pursuant to Article _____. If the laws, rules or regulations of the United States of America, or any agency thereof, prevent Seller from exercising its right to take its royalty gas in-kind, this Agreement shall be void.

ARTICLE III

QUANTITY PURCHASED AND SOLD

It is understood and agreed by the parties that the volume of gas available to Seller from the leases covered by this Agreement depends upon the production from the leases and the royalty obligations of Lessees.

Subject to the terms and conditions set forth in this Agreement, Seller hereby agrees to sell and deliver or cause to be delivered to Buyer and Buyer hereby agrees to purchase and receive or cause to be received from Seller on each day commencing with the date of first delivery hereunder and continuing during the term of this Agreement, _____ percent (___%) of Seller's royalty gas available at the point of delivery described in Article ____ hereunder.

ARTICLE IV

DATE OF FIRST DELIVERY

4.1 Date of first delivery

At least seven (7) months prior to the date the Pipeline begins accepting delivery of Prudhoe Bay gas, Buyer shall notify Seller in writing of the date of first delivery, which shall not be more than _____ months after such notification. In the notification, Buyer shall indicate the date upon which it expects the Pipeline to begin operation. If the Pipeline does not begin operation on that date, the date of first delivery shall be extended if the Pipeline begins operation at a date later than that indicated by Buyer in the notification, or advanced if the Pipeline begins operation at a date earlier than that indicated in Buyer's notification. The period of extension or advancement of the date of first delivery shall be equal to the number of days difference between the commencement of operation of the Pipeline and the date indicated by Buyer in its notification, but in no event shall the date of first delivery be less than seven months prior to the date of notification by Buyer.

4.2 After the date of commencement of operations of the Pipeline and until the date of first delivery, Buyer shall pay Seller \$_____ per day, which charge shall cease on the date of first delivery.

4.3 Notwithstanding anything in this Agreement, Buyer shall not be entitled to receive delivery until the facilities described in Article ____ are completed and are ready and able to handle the gas.

ARTICLE V

POINT OF DELIVERY AND PASSAGE OF TITLE

5.1 Point of Delivery. Delivery shall be at the point of delivery which shall be that point where Seller receives its royalty gas from Lessees.

5.2 Passage of Title. Title to the gas to be sold hereunder shall pass from Seller to Buyer upon delivery.

5.3 Buyer's Responsibility. Buyer shall be responsible for the gas to be sold hereunder after passage of title hereunder. Buyer shall indemnify and hold Seller harmless from and against any and all claims, costs, damages, expenses or causes of action as a result of any loss, injury or damage incurred by any party as a result of any transaction or event which relates to the gas after title thereto has passed to Buyer. Buyer shall make all necessary arrangements for transporting the gas sold hereunder from the Point of Delivery.

Buyer shall not be responsible for the gas prior to its delivery hereunder and Seller shall hold Buyer harmless against any damage or injury caused thereby until the gas has been delivered to Buyer at the delivery point hereunder.

ARTICLE VI

TRADE OR EXCHANGE OF GAS

6.1 Buyer may enter into agreements to trade or exchange any or all of the royalty gas for other gas produced in the state, including gas liquids, or for gas or gas liquids products. Such trade or exchange shall be at no cost or expense or other obligation to Seller. The gas, gas liquids, or gas or gas liquid products received in the trade or exchange shall be subject to the

obligations for in-state processing or conversion to product under Article _____. The trade or exchange shall not affect the price to be paid Seller under _____, which shall remain based upon the royalty gas delivered Seller by Lessees.

ARTICLE VII

QUALITY

7.1 Standard. The gas to be delivered by Seller to Buyer at the Point of Delivery hereunder shall be the same quality as the gas delivered by the Lessees to Seller. Except for the foregoing, Seller does not warrant, represent or guarantee, either expressly or impliedly, the quality, merchantability, fitness for use, or suitability for any particular use or purposes, or otherwise of any gas to be delivered to Buyer under this Agreement. There are no warranties, representations or agreements concerning the quality of the gas which extend beyond the description of the gas in this Article VII.

ARTICLE VIII

PRICE

8.1 Price of Gas delivered. The price of the gas sold and delivered hereunder shall be _____ per million Btu's escalated at a rate equal to _____ [?] [the annual inflation adjustment factor set forth in §101 of the Natural Gas Policy Act of 1978], or the maximum ceiling price allowed under the Natural Gas Policy Act of 1978.

8.2 Price not to be lower than amount Seller would have received in value. Notwithstanding anything set forth above, the amount paid by Buyer for gas delivered to Buyer by Seller shall not be less than the amount Seller would have received from the Lessees had Seller received its royalty in-value instead of taking the amount of royalty gas delivered to Seller in-kind.

8.3 Reimbursement of costs owed by Seller as a result of taking royalty gas in-kind. In addition, Buyer shall reimburse Seller for Buyer's pro rata share of any costs attributable to the preparation and transportation of gas to be delivered hereunder which costs Seller may incur as a result

of Seller's election to take its royalty gas in-kind and which costs would not have been incurred by Seller if Seller had not elected to take its royalty gas in-kind. Seller shall use its best efforts to minimize any costs incurred by Seller by reason of Seller's taking royalty gas in-kind, such best efforts shall include but not be limited to litigation under the sole control of Seller to the extent necessary to contest the imposition of unwarranted and/or improper charges.

8.4 Limitations imposed by Federal law. In the event that the provisions of Articles 8.1, 8.2, or 8.3 provide for payments to Seller which exceed limits set by federal law, including but not limited to the Natural Gas Policy Act of 1978, the price to be paid Seller shall be the maximum lawful price allowed under Federal law.

ARTICLE IX

PAYMENTS AND ACCOUNTING

9.1 Billing. Seller shall furnish Buyer monthly, on or before the tenth (10th) business day of each month after the first full month of delivery of gas, a statement of account of all gas delivered through the Point of Delivery during the immediately preceding month according to the best information available to Seller, the price or prices applicable thereto according to the best information available to Seller, the basis for computation of the applicable price or prices in full detail and the total net amount due. If the in-value price is higher, Seller shall render its billings to Buyer based upon the values, receipts, costs and computations reported to Seller by the Lessees. Seller shall thereafter adjust its initial billings pursuant to Article 9.5. Buyer and its authorized agents shall be permitted access during reasonable business hours to Seller's books and records pertinent to this Agreement to determine the correctness of the billings of Seller to the extent not contrary to law.

9.2 Payment. Buyer shall make payment on or before the twenty-fifth day of the calendar month in which such statement is rendered or fifteen (15) days after rendition of the invoice called for in Article 9.1, whichever is later, by direct wire transfer of federal reserve funds through the Federal Reserve Bank wire transfer system to the following address or such other address as Seller may designate upon seven (7) days' prior written notice:

Bank of America, NT & SA
San Francisco, California
Securities Department 3255
Credit to: State of Alaska
Investment Account

All payments to be made under this Agreement shall be paid in the same manner. If payment is to be made on a Saturday, Sunday or legal holiday under the preceding provisions hereof, payment shall be made on the next following business day.

9.3 Billing Disputes. Should any portion of the account furnished to Buyer by Seller be disputed in good faith, Buyer and Seller agree to mutually arrive at a fair and equitable resolution of such dispute, if possible, and Buyer agrees to pay the amount

so determined to be due to Seller within fifteen (15) days after such resolution. Buyer shall pay for such amounts as it does not in good faith dispute in accordance with the provisions of Article IX.

9.4 Late Payment Charge. If Buyer fails to make timely payment to Seller of any amount due under this Agreement, including any payment delayed by a bonafide dispute which is later determined to be validly owing, or if Buyer is required to pay and does pay any amount which is later determined not to be validly payable to Seller, interest shall accrue and be payable on said sum from the date when such payment was due or was paid, as the case may be, until the same is paid or repaid, at the lower of (i) a rate per annum equal to the prime rate then being charged by Chemical Bank of New York, New York, plus one and one-quarter percent (1-1/4%) per annum, or (ii) the maximum lawful rate of interest per annum which may be charged to Buyer under the laws of the State of Alaska.

9.5 Adjustments to Billings. Each month Seller shall adjust its statement of accounts to reflect the actual amounts delivered and the price or prices applicable thereto. Seller shall from time to time adjust its prior billings to reflect adjustments necessitated as a result of [(i) a final judgment or settlement entered in certain pending litigation between Seller and the Lessees styled State of Alaska, et al. v. Amerada Hess Corporation, et al., No. CA 77-847, in the Superior Court of the State of Alaska, First Judicial District at Juneau;] (ii) adjustments necessitated as a result of the filing with the Seller by the Lessees or lessees of more current reports applicable to the billing period in question; (iii) actual adjustments necessitated as a result of changes to values, receipts, costs and computations previously reported by the Lessees or lessees and utilized by Seller as a basis for billing under Article 9.1, if such adjustments are based upon actual later severance tax or royalty gas payments by or refunds to the Lessees or lessees; or (iv) adjustments required as a result of clerical or arithmetical errors in the billings of Lessees, or lessees, or of Seller; provided, however, that

no adjustments, whether credits or debits, under Articles 9.5 (ii) through 9.5 (iv) shall be made by Seller or demanded by Buyer more than twelve (12) months after billing except as to matters which are the subject of (x) pending litigation by either party, (y) pending regulatory proceedings (or appeals thereof) whether or not Seller or Buyer is a party thereto, or (z) bona fide audits by Seller which audits have been terminated or completed by Seller within twelve (12) months after initiation of same.

Due to the potentially large sums of money involved, any adjustments to any billing under the provisions of this Article 9.5 by Seller made more than sixty (60) days after such billing was initially rendered shall be paid to or refunded by Buyer or Seller over the same period over which such adjustments accrued or thirty-six (36) months, whichever is longer, beginning with the first payment next following the date such adjustment has been determined.

9.6 Cancellation in Event of Non-Payment. Except for amounts disputed in good faith, should Buyer fail to make any payment due to Seller under this Agreement (i) within thirty (30) days from the date said payment is due or (ii) within fifteen (15) days from the date that Seller gives written notice of non-payment to Buyer, whichever occurs earlier, this Agreement shall automatically be cancelled.

ARTICLE X

TERM

10.1 Term. This Agreement shall become effective upon its execution and of such approvals as are required by state law or otherwise required herein. This Agreement shall continue and remain in force and effect for a period of twenty (20) years from the date of first delivery or the period of operation of the Pipeline, whichever is less. The term may be extended for such period as may mutually be agreed upon in writing by both parties.

10.2 Termination upon non-completion of Pipeline. If the Pipeline does not commence operation by _____, each party shall have the right to terminate this Agreement, and all sums paid Seller by Buyer shall be refunded, with interest at _____.

10.3 Security for Performance. Within _____ days after the effective date of this Agreement, Buyer shall pay Seller \$ _____. If Buyer takes delivery of gas under this Agreement, the above amount, with interest of _____ per cent per annum, less deduction of any payments due and owing under Article 4.2 above, shall serve as a credit to be applied only against payments due for gas delivered under this Agreement.

10.4 Seller, at its option, may accept such other security in lieu of the requirements of 10.3 above as it may consider equivalent.

10.5 Termination for Failure to take Delivery. If Buyer fails to take delivery within _____ months after the commencement of operations of the Pipeline, or within _____ days after the date of first delivery specified in Article _____, this Agreement shall terminate, and Buyer shall not be entitled to a refund of any amounts paid to Seller, including amounts paid under 10.3 above.

ARTICLE XI

SECURITY

11.1 Bond. By the date of notification by Buyer of the date of first delivery, Buyer shall post a bond or other

satisfactory security of not less than _____ for the performance of all obligations, including payment of charges, moneys and indemnification of any amount owed to any third party by the State for the failure of Buyer to perform any obligation or condition set forth in this contract.

11.2 Creation of Security Interest. In addition to the bond described in 11.1 above, to secure payment of all amounts due Seller for gas sold hereunder, Seller retains and Buyer hereby grants a purchase money security interest in all of the gas delivered and to be delivered to Buyer hereunder [and in all gas obtained by Buyer in exchange for gas purchased hereunder]; the products made or processed from any such gas, including all substances, if any, commingled therewith, or added thereto; and in the proceeds of the sale of such gas or products, including the amounts receivable of Buyer arising from its sales of gas or products manufactured therefrom. The security interest shall attach to the gas at the time and Point of Delivery but shall terminate as to gas or products therefrom sold to a bona fide purchaser of Buyer's in the ordinary course of Buyer's business. Buyer agrees that it shall not agree, or consent to, or permit the filing of, any lien or security interest in the gas other than the lien of [Alcan], which lien of [Alcan] Seller will permit as a priority lien despite any provision to the contrary herein.

Buyer further agrees that it will not grant or consent to any security interest in the gas or other security in favor of any third party unless such third party agrees in writing prior thereto that such security interest is subordinate to the security interest of the Seller, except for the lien of (Alcan). Buyer agrees to execute and file all documents necessary to perfect Seller's said security interest in the gas, proceeds from the gas and accounts receivable referred to above. "Proceeds of the sale" shall

include proceeds derived from insurance or other payments resulting from damage to or destruction of the gas or other property covered by the Security interest. To secure such payment Buyer shall cause all policies of insurance on the gas or other property to which the security interest attaches to name the Seller as coninsured as its interests may appear.

11.3 Alternative Security. In lieu of the security interest provided above, Buyer may provide alternative security in the form of a bond attached hereto and made a part hereof as Exhibit "C", executed by the Buyer, as principal, and a corporate surety agreed to by the Commissioner and authorized to write such bonds in the State of Alaska, as surety for a sum which shall substantially reflect the amounts owed by Buyer to Seller plus an amount equal to the value of gas delivered by Seller to Buyer and not yet billed pursuant to Article ____; provided that whenever Seller has reasonable grounds for asserting and does assert any claims against Buyer in excess of the penal sum of the bond of Buyer then in effect hereunder, Buyer after being so requested by Seller shall either increase the penal sum of such bond to an amount reasonably sufficient to cover the claim of Seller and all expenses which may be incurred by it in connection therewith or shall furnish other security satisfactory to Seller, such as a renewed security interest in the gas or a portion thereof sold hereunder, regardless of whether the Buyer does or does not recognize the validity of the Seller's claim (so long as reasonable grounds for asserting such claims exist). Buyer may at any time and from time to time deposit and maintain with the Commissioner at Buyer's expense in lieu of any such bond, either (i) an irrevocable letter or letters of credit addressed to the Commissioner issued by a state or national banking institution of the United States which is a member of the Federal Deposit Insurance Corporation and has an aggregate capital and surplus of not less than \$10,000,000 or (ii) marketable

securities which are approved by the Commissioner, and which shall be transferable by the Commissioner or by delivery by stock power attached or other means, such letter or letters of credit to be in an aggregate amount, or such marketable securities to be of an aggregate then fair market value, of not less than the amount than required for Buyer's bond hereunder any such letter or letters of credit and marketable securities, together with any proceeds thereof, to be held by the Commissioner for the security and benefit of the Seller, and such letter or letters of credit or marketable securities along with instruments of transfer to be in form and substance approved by the Seller. The amount of said letter or letters of credit or marketable securities shall be subject to increase in the same manner that the face amount of the bond is subject to increase. If marketable securities are are so furnished, other marketable securities which meet the requirements of this Subparagraph may be substituted at any time and from time to time for any previously furnished marketable securities, and the marketable securities so furnished shall be increased if at any time the fair market value of the securities then held by the Commissioner is less than, or may be reduced if the fair market value thereof exceeds, the amount of the bond then required of Buyer hereunder. Buyer may, in lieu of any other security provide other security which in the opinion of the Commissioner is of equal value to the security above described.

ARTICLE XII

CONSTRUCTION OF IN-STATE FACILITY AND IN-STATE USE OF GAS

12.1 Construction of In-State Facility. Buyer shall construct and operate, or cause to be constructed and operated, a facility or facilities for the processing of all gas sold under this agreement. The facility shall be located within the State of Alaska. "Processing" as used herein includes the extraction of gas liquids and the petrochemical conversion of gas sold hereunder into value added products including, but not limited to, the use of ethane, propane and butane in such conversion.

12.2 In-State use of Gas or Gas Products. No gas sold under this agreement, or gas products or gas liquids derived from gas sold under this Agreement, may be sold for consumption or use outside the State of Alaska unless such gas, gas products or gas liquids are unable to be sold at a reasonable price for use or consumption within the State of Alaska.

12.3 Submission of Plan and Approval. Within _____ months of the effective date of this Agreement, Buyer shall submit a plan of development and facility construction along with proposed timetables for completion of such facilities to the Commissioner for his approval. If the Commissioner does not approve, he shall state his reasons for disapproval and shall state in writing such conditions or modifications as he deems necessary for his approval. Within _____ months after receiving such written statement, Buyer shall either accept or reject such conditions. If Buyer rejects such conditions, this Agreement shall terminate and all monies paid Seller shall be refunded with interest of _____ per cent per annum, and Seller shall not be liable for any other monies expended by Buyer in reliance upon or in furtherance of this contract. The timetable as approved by the Commissioner shall become a part of this Agreement, and failure to meet the timetables set forth shall result in termination, without refund of any monies paid to Seller by Buyer, at the option of Seller.

ARTICLE XII

DEFAULT

13.1 Default. If

(i) either party shall fail to perform any covenants or obligations imposed upon it by this Agreement, except when such failure shall be excused under the force majeure provisions of Article _____, or

(ii) Buyer becomes insolvent or commits any act constituting an act of bankruptcy, or

(iii) Buyer voluntarily files an action under the United States Bankruptcy Act, or

(iv) Buyer fails to obtain the dismissal of any involuntary bankruptcy proceedings filed against it under the provisions of the United States Bankruptcy Act within thirty (30) days of the filing thereof,

then and in any such event, the other party may, at its option and without waiving any other remedy for breach hereof, indicate such party's election to cancel this Agreement by notice in writing specifying in detail wherein the default has occurred. Except for the instances stipulated in Articles 14.1 (ii) through (iv) above, any exception for payment by Buyer to Seller, which shall be governed by Article _____, the party in default shall have thirty (30) days from the receipt of such notice to remedy such default and to pay the other party for all loss or damage incurred as a result of such default and indemnify such party against future claims or loss arising out of such default. Upon failure of the defaulting party to remedy its breach within the time stipulated above, this Agreement may be cancelled by the non-defaulting party by service of written notice thereof upon the defaulting party. Any cancellation under Article _____ or this Article 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 Agreement.

13.2 Disposition of Gas upon Default, Cancellation or Termination. It is agreed that if Buyer shall for any reason fail to take the royalty gas hereunder as and when

made available to the Buyer pursuant to Buyer's previous nominations, Buyer shall nevertheless pay Seller as though it had taken delivery of said royalty gas, unless Seller through an understanding with Lessees or the lessees is able to cancel delivery of the gas. In the event of any cancellation or termination of this Agreement, Buyer shall have an obligation to continue to purchase Seller's royalty gas for up to seven (7) months following termination or cancellation of this Agreement if Seller is required by the Lessees or the lessees to accept delivery in kind for such period.

13.3 Materiality of Breach. No default or breach of, or failure of performance under, this Agreement shall be deemed to have occurred under this Agreement unless such default, breach or failure of performance is material or substantial under all the circumstances or involves the non-payment of any sum due under this Agreement which is not the subject of a bonafide dispute.

ARTICLE XIV

FORCE MAJEURE

14.1 Relief from Obligations. Except for Buyer's and Seller's obligations to make payment under this Agreement and except for Buyer's obligation to take gas delivered neither party hereto shall be liable for any failure to perform the terms of this Agreement when such failure is due in whole or substantial part to a "force majeure" as hereinafter defined; provided, however, that if an event constituting a force majeure shall prevent substantial performance of a party's obligations hereunder in light of all the circumstances, so as to prevent the party not claiming force majeure from obtaining the benefit of its bargain for a period in excess of four (4) years, said party not claiming force majeure shall have the option to terminate this Agreement. Said option must be exercised before the force majeure ceases to exist. The aforesaid proviso shall not permit the Seller to terminate in the event the force majeure in question is based upon Buyer's inability to obtain requisite state permits, authorizations, or licenses if Buyer has exercised the due diligence required by Article 14.2 (ix). Other remedies otherwise available for default or breach in the event of termination after such four year period shall not thereby be affected.

14.2 Definition of "Force Majeure". The term "force majeure" as employed in this Agreement shall mean (i) acts of God; (ii) strikes, lockouts or industrial disputes or disturbances; (iii) civil disturbances, arrests and restraint from rulers or people (iv) interruptions by laws, orders, rules, regulations, acts or restraints of any government or governmental body having proper jurisdiction; (v) acts of the public enemy, wars, riots, blockades, insurrections, mobilization; (vi) acts of vandalism or sabotage; (vii) shortages, scarcity or inability to secure labor,

fuel, power, equipment or materials (including inability to secure materials by reason of allocation promulgated by authorized governmental agencies), (vii) inability or failure of contractors or subcontractors to perform, (ix) inability to obtain requisite federal, state or other governmental permits, authorizations, or licenses provided the party claiming force majeure has exercised due diligence in attempting to obtain such permits, authorizations or licenses; (x) inability to ship materials because of unavailability of shipping, docking or warfage not within the reasonable control of the party claiming the existence of force majeure; (xi) epidemics, landslides, lightning, earthquakes, fire explosion, floods, washouts, storms, other unusual adverse weather conditions; (xii) breakdowns of machinery, equipment or lines of pipe; (xiii) freezing of wells, pipe lines or other equipment; (xiv) shutdowns necessary for making repairs or alternations to pipe lines or plants, mechanical failure, or the necessity of testing wells, machinery or lines of pipe as may be required by governmental authority or as may be deemed necessary by the testing party for the safe operation thereof whether or not of the kind herein enumerated; or (xv) any other event or condition otherwise not reasonably within the control of the party claiming force majeure, whether or not similar to the enumerations of (i) through (xiv).

14.3 Effect of Force Majeure. Upon the occurrence and discovery of an event constituting force majeure, the party claiming that the event is a force majeure shall notify the other party hereto of its claim of force majeure. The party claiming the existence of a force majeure shall, so far as reasonably possible, attempt to remedy such event with due diligence, and the obligations of the disabled party to perform under this Agreement, insofar as they are affected by such force majeure, shall be suspended from the time such force majeure occurs and for so long as the

disability so caused should have continued had the party claiming the existence of the force majeure met its remedial obligations under this Article 15.3, and for no longer. The settlement of strikes or lockouts of industrial disputes or disturbances shall be entirely within the discretion of the party having the difficulty, and the above requirement that any force majeure shall be remedied with due diligence shall not require the settlement of strikes, lockouts or industrial disputes or disturbances by acceding to the demands of any opposing party therein when such course is inadvisable in the sole direction of the disabled party.

ARTICLE XV

NOTICES

15.1 Notices. Any notice, request, demand or statement provided for in this Agreement must be in writing, and may be given by depositing same in the mail, addressed to the party to be notified, postage prepaid, and registered or certified, with a return receipt requested, or by delivery of same in person to such other party. Notice deposited in the mail in the manner hereinabove described shall be effective upon the expiration of seven (7) days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the addressee. For purposes of notice the addresses of the parties hereto shall be as follows:

If to Seller:

State of Alaska
Commissioner of Natural Resources
Pouch "M"
Juneau, Alaska 99811

and
Commissioner of Revenue
Pouch "S"
Juneau, Alaska 99811

and
Director, Division of Minerals
and Energy Management

If to Buyer:

16.2 Change of Address. Each party may change its address for notice by giving notice thereof in the manner hereinabove provided.

ARTICLE XVI

WAVIER

The failure of Seller or Buyer to insist upon strict performance of any provision hereof shall not constitute a waiver of, or estoppel against asserting, the right to require such performance in the future; a waiver or estoppel in any one instance shall not constitute a waiver or estoppel with respect to a later breach of a similar nature or otherwise; and a course of performance established by a party shall likewise not estop the other party from complaining of a later breach similar in nature.

ARTICLE XVII

RECORDS

17.1 Preservation of Records. Buyer and Seller will preserve and maintain all books, accounts and records relating to or arising out of the performance of this Agreement. Buyer will also maintain and preserve all similar books, accounts and records of which it has possession belonging to those third parties with whom it contracts for the performance of various parts of this Agreement. Neither Buyer nor Seller shall be required to retain any records for more than six (6) years unless retention of such records is specifically required by applicable law or regulation. Buyer shall either maintain its record within the State of Alaska or make such records available to Seller at Buyer's principal office in the State of Alaska within thirty (30) days after written request therefore by Seller.

17.2 Inspection of Records of Parties. Buyer and Seller will accord to each other and to their authorized agents, attorneys and auditors during reasonable business hours access to any and all property, records, books, documents and indexes thereto directly relating to the Buyer's or Seller's performance of this Agreement and which are under the control of the party from which access is desired so that the other party may inspect, photograph and make

copies of such property, records, books, documents and indexes thereto. Notwithstanding for foregoing, (i) Seller shall not be required to disclose any information, data or records which are required to be held confidential by applicable state law or regulation, and (ii) Buyer shall not be required to disclose any information, data or records containing trade secrets which Buyer or its Affiliates, contractors or subcontractors by contract with unaffiliated third parties have agreed to hold confidential. Seller shall notify Buyer of all information obtained, recorded or copied from Buyer's records in order that Buyer may evaluate the advisability of seeking that such information be held confidential by Seller under applicable law or regulation or under the provisions of this Article.

17.3 Financial Statements. So that Seller may be fully informed with regard to Buyer's financial capabilities on an ongoing basis, Buyer will provide Seller with a financial statement at quarterly intervals during any periods which Buyer is receiving delivery of oil under this Agreement from Seller. In addition, Buyer will provide Seller with year-end financial statements audited by an independent certified public accounting firm. Preparation of the financial statements shall be at Buyer's cost. Said statements shall be communicated to Seller in the manner provided in Article 15.1.

ARTICLE XVIII

RULES AND REGULATIONS: SOVEREIGN POWERS; ENVIRONMENTAL REGULATION AND STANDARDS

18.1. Applicable Laws, Rules and Regulations. This Agreement and the covenants contained herein shall not be interpreted as a limit on the exercise by the State of Alaska of any of its sovereign or regulatory powers, whether inherent or as may be set forth by constitution, statute or regulation, to protect the environment, fish and wildlife, or the health, safety, general welfare, lives or property of the people, of the State of Alaska. This Agreement is

subject to all present and future valid laws, orders, rules and regulations of the United States, the State of Alaska, or any duly constituted agency thereof; provided, however, that this paragraph shall not be deemed a consent to any attempted alteration, amendment, termination or revocation of the contractual rights, obligations or duties of the parties hereto by the State of Alaska.

18.2 Compliance with State Rules and Regulation.

Buyer shall comply with all valid and applicable laws and regulations with regard to maintaining the quality of the environment of the State of Alaska, the well-being of fish and wildlife of the State, and the health, safety and welfare of the citizens of the State of Alaska in the construction of any facility, the operation and maintenance of any facility during the term hereof, and with respect to Buyer's purchase, processing or other use of the gas sold hereunder.

18.3 Compliance with Supplemental Environmental Standards.

Buyer agrees to comply with the environmental protection standards set forth in Exhibit "____", whether or not such standards are required presently or in the future by applicable governmental law or regulation; provided, however, that the Commissioner of the Department of Environmental Conservation shall possess the power and authority to waive or eliminate any such standards upon a showing of reasonable cause, and provided further that the standards set forth in Exhibit "____" are supplemental to, and not substitutive of, any present or future laws or regulations applicable to regulation of the environment of the State of Alaska.

ARTICLE XIX

GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of Alaska, excluding any conflicts-of-law rule or principle which might refer such construction to the laws of another state or country.

ARTICLE XX

SEVERABILITY

If any of the terms and condition of this Agreement are held by any court or governmental authority of competent jurisdiction to contravene or to be invalid under the laws of any political body having jurisdiction over the subject matter hereof, such contravention or invalidity shall not invalidate the entire Agreement. Instead, this Agreement shall be construed as if it did not contain the particular provision or provisions held to be invalid, the rights and obligations of the parties hereto shall be construed and enforced accordingly if feasible, and this Agreement shall thereupon remain in full force and effect.

ARTICLE XXI

AMENDMENT

This Agreement may be supplemented, amended or modified only by a written instrument duly executed by both the parties hereto after proper prior authorization, including approval by the Alaska Royalty Oil & Gas Development Advisory Board [and the Alaska State Legislature.] Buyer agrees that in the event Article VIII of this Agreement is subsequently amended so as to materially reduce the consideration paid to the Seller, directly or indirectly, for the royalty gas, said amendment will only be effective after it has been approved by a direct vote of the people of the State of Alaska.

ARTICLE XXII

SUCCESSORS AND ASSIGNS

22.1 General Prohibition of Assignment. Except as otherwise permitted under Article 23.2 no assignment of this Agreement shall be made by either party without first obtaining the written consent of the other party. The Commissioner may grant such consent on behalf of Seller.

22.2 Limited Right of Assignment. This Agreement shall bind and benefit the parties hereto and their respective successors and valid assigns, but no permitted conveyance or transfer of any interest of either party shall be valid until such other party has been furnished with written

notice and a true copy of such conveyance or transfer and an assumption, if any, of this Agreement by such assignee.

Either Buyer or Seller, or both, may assign its right, title and interest in, to and by virtue of this Agreement, including any and all extensions, renewals, amendments and supplements thereto to a trustee or trustees, individual or corporate, or to any lender or lenders, as security for bonds or other indebtedness, obligations or securities, without such trustee or trustees or lender or lenders assuming or becoming in any respect obligated to perform any of the obligations of the assignor, and if any such trustee or lender be a corporation, without its being required by the parties hereto to qualify to do business in the State of Alaska (but such trustee or lender shall be required to submit to the jurisdiction of the courts of the State of Alaska for matters relating to this Agreement), and no such assignment shall serve to relieve the assigning party of its obligations hereunder. Any assignment by Buyer pursuant to the next preceding sentence shall be subject to the prior written approval of the Commissioner of any such trustee or trustees or lender or lenders. In the event any such trustee or trustees, lender or lenders, or their assignee shall foreclose upon or otherwise assume ownership rights in and to this Agreement, thereupon such trustee or trustees or lender or lenders and their valid successor and assigns (i) shall assume such rights and benefits as well as obligations and liabilities only upon written notice given by it or them to Seller, (ii) shall have the right to receive from Seller, without assuming any obligations or liabilities under this Agreement, except as expressed below in the last sentence of this paragraph, any money or property owed by Seller to Buyer under this Agreement, except as expressed below in the last sentence of this paragraph, any money or property owed by Seller to Buyer under

this Agreement as of the date of such foreclosure, (iii) shall have the right to sell or assign their ownership rights to this Agreement to any person, without the consent of the Seller if such person assumes the obligations of Buyer under this Agreement, and (iv) following such further sale or assignment, shall be relieved of any obligations or liabilities provided for under this Agreement. Nothing contained within this Article 22.2 shall operate so as (1) to terminate or subordinate Seller's security interest in oil, products, proceeds of the sale, or (2) to cancel any obligation to provide security as set forth in Article XI, until money owed to Seller under this Agreement is paid.

ARTICLE XXIII

EQUAL EMPLOYMENT OPPORTUNITY

23.1 Discrimination. Buyer will not discriminate against any employee or applicant for employment because of race, color, religion, national origin, ancestry, age or sex. The Buyer will take affirmative action to insure that applicants are considered for employment, and that employees are treated during employment without regard to their race, color, religion, national origin, ancestry, age or sex. Such action shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination, rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Buyer agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this nondiscrimination clause.

23.2 Advertisement of Equal Employment Opportunity. The Buyer shall state, in all solicitations or advertisements for employees to work, that all qualified applicants will receive consideration for employment without regard to race, color, religion, national origin, ancestry, age or sex.

23.3 Notices to Unions. The Buyer will send to each labor union or representative of workers with which the Buyer has a collective bargaining agreement or other contract or understanding a notice advising the labor union or workers' representative of the Buyer's commitments under this Article

and shall post copies of the notice in conspicuous places available to all employees and applicants for employment.

23.4 Inclusion of Equal Employment Opportunity Provisions in Contracts and Subcontracts. The Buyer will include the provisions of Article 23.1 through 23.3 in its contracts pertaining to the construction and operation of any facility to handle, process, or otherwise deal with the gas sold under this agreement, and will require the inclusion of these provisions in every subcontract entered into by any of its contractors, so that such provisions will be binding upon each subcontractor of Buyer.

23.5 Cooperation with Agencies of Seller. The Buyer agrees that it will fully cooperate with the office or agency of the State of Alaska which seeks to deal with the problem of unlawful or invidious discrimination, and with all other State efforts to guarantee fair employment practices under this Agreement, and Buyer will comply promptly with all reasonable requests and directions from the State Commission for Human Rights or any of its officers or agents relating to prevention of discriminatory employment practice. Full cooperation as expressed above shall include, but not be limited to, being a witness in any proceeding involving questions of unlawful or invidious discrimination if such is deemed necessary by any official or agency of the State of Alaska; permitting employees of Buyer to be witnesses or complainants in any proceeding involving questions of unlawful or invidious discrimination, if such is deemed necessary by any official or agency of the State of Alaska; participating in meetings; submitting periodic reports on the equal employment aspects of present and future employment; assisting in inspection of any facility site during and after the construction of such facility for handling, processing, or otherwise deal with the gas sold under this Agreement; and promptly complying with all directives deemed essential by any office or agency of the State of Alaska to insure compliance with all federal and state laws, regulations and policies pertaining to the prevention of discriminatory employment practices.

ARTICLE XXIV

LOCAL HIRE AND TRAINING

24.1 Local Hire.

(1) Buyer will comply with all applicable Alaska statutes and regulations in effect at the time this Agreement becomes effective as well as all amendments thereto and subsequent enactments providing for local or resident hire.

(2) In addition, and subject to compliance with other requirements of state or federal law or regulation, Buyer will give preference to hiring qualified and available residents over nonresidents for all work to be performed in the construction, operation and maintenance of any facility handling, processing, or otherwise dealing with the gas sold under this Agreement. Buyer shall not discriminate against Alaska residents by differentiating between residents and nonresidents in payment of wages, salaries, fringe benefits and working conditions. Nothing shall prohibit the Buyer from hiring Alaska residents through private sources. However, if private sources are unable to supply qualified Alaska residents, Buyer shall then attempt to seek qualified Alaska residents through the Alaska Department of Labor prior to the employment of nonresidents. The Buyer shall allow said Department of Labor two days, excluding Saturday, Sunday and state holidays, to produce qualified resident workers prior to the employment of nonresidents. If suitable resident workers are not provided within the specified time period, the Buyer may employ nonresidents possessing the qualifications necessary to perform the work. Notwithstanding the foregoing, the Buyer may hire nonresidents (i) on an emergency basis for the duration of any emergency, (ii) as casual or intermittent employees if their employment will not exceed thirty (30) working days, or (iii) as specially skilled employees when the Department of Labor agrees in advance that such specially skilled persons are unavailable within the State of Alaska.

(3) Buyer will use its best efforts to incorporate in any and all collective bargaining agreements into which it enters with labor unions covering work to be performed in

the construction, operation and maintenance of any facility and associated facilities and operations, for the handling, processing, or otherwise dealing with the gas sold under this agreement, a provision or provisions requiring the unions' dispatch procedures be established and operated in a manner which will assure that qualified Alaska residents will be employed to perform said work.

(4) Buyer will incorporate in any and all agreements into which it enters with contractors and subcontractors provisions require the employment of qualified Alaska residents, as set forth in Article 24.1(2), and utilization of the contractors' or subcontractors' best efforts to obtain agreements with labor unions, as specified in Article 24.1(3).

(5) Noncompliance with the preceding covenants of this Article 24.1 or of Article III shall be grounds for a complaint which an aggrieved resident or the State of Alaska, on its own motion, may file with the Department of Labor against the Buyer, but shall not be considered a default. Buyer hereby agrees to submit to the jurisdiction of the Department of Labor for purposes of determining whether noncompliance in fact occurred. Said Department shall hold a hearing at which the parties may present relevant evidence and cross-examine witnesses prior to such a determination. Adequate notice thereof shall be given to all parties concerned. Upon a determination that noncompliance occurred, the Buyer shall pay the aggrieved party a sum equal to the amount the resident would have received had he been employed by the Buyer, up to a maximum of one (1) year's salary. If such compliance is determined to have been willful, the Department may award an additional sum up to the amount of the original sum awarded.

(6) For purposes of this Article

(a) "resident" means a person who

(i) except for brief intervals, military service, attendance at an educational or training institution, or for absences for good cause, is physically present in the state for a period of one year immediately before the time his status is determined;

(ii) maintains a place of residence in the state;

(iii) has established residency in the state;

(iv) has not, within the period of required residency, claimed residency in another state; and

(v) shows by all attending circumstances that his intent is to make Alaska his permanent residence;

provided, however, that in the event a final judgment is rendered by a court of competent jurisdiction in the State of Alaska that the one year period stated in Alaska Statutes Section 38.40.090 is unconditional because of the length of time, the one year period stated in this subparagraph shall be reduced to such period as is constitutionally acceptable;

(b) "qualified" means capable, through education, training or experience, of performing the duties and satisfying the usual terms and conditions of the employment, if those duties, terms and conditions meet the reasonable standards of the industry as required of other employees performing the same type of work in the industry;

(c) "wilful noncompliance" means intentionally, knowingly, or purposely, without justifiable excuse, not giving preference to qualified Alaska residents in employment covered by this section; and

(d) "noncompliance" means not giving preference to qualified Alaska residents in employment covered by this Article 25.1.

(7) The performance of this Article 25.1 shall not be interpreted to require any action which constitutes the violation of any federal or state law or regulation, particularly those relating to discrimination in hiring.

24.2. Local Training. Buyer, in order to effectuate the purposes of Article III and Article 24.1, and in order to insure the maximum practicable employment of Alaska residents in the operation and maintenance of any facility

handling, processing, or otherwise dealing with the gas sold under this agreement, shall initiate training programs to provide skilled local personnel and adequately trained residents to apply for permanent employment in the operation and maintenance of those facilities. Buyer shall establish and furnish to Seller its employment requirements for the operation and maintenance of the facilities, including the approximate numbers of employees and identification of the types of skills needed, in sufficient time (but not more than one year) for Seller and Buyer to design and conduct its training programs in the skills required. In pursuing such programs, Buyer intends to and shall seek the support and financial aid of other groups and agencies, to wit: the federal government, Seller, municipal and local authorities, unions, and certain native Alaskan corporations. Seller will provide Buyer with reasonable assistance in the design and administration of the training program. Due to the difficulty of establishing objective criteria to insure that adequate effort has been expended by Buyer and because Buyer expects Seller to join with it in establishing such training programs and obtaining funds therefor from a variety of governmental sources, including Seller itself, Buyer's obligations under this program shall be deemed fulfilled in the event that Buyer has expended \$500,000 on such training programs, or, in the alternative, that an aggregate of \$1,000,000 has been expended from all sources (including all federal, private and state funds) on such training programs on or prior to ten (10) years from the Effective Date.

24.3. Infrastructure Development. Buyer agrees to use its best efforts to coordinate construction of any facilities with local municipal and borough authorities in order that development of supporting residential, service and other aspects of infrastructure may be coordinated. To that end, Buyer shall seek to arrive at mutually satisfactory solutions with municipal and borough governments to the perceived communities as a result of the construction and

operation of any facilities.

ARTICLE XXV

REQUIREMENTS OF FEDERAL LAW

This Agreement shall be subject to all lawful requirements or conditions imposed by Federal law, and shall be deemed amended so as to conform to any such requirements. Notwithstanding the above, if Federal requirements prevent the delivery of Seller's royalty gas to Buyer, this Agreement shall be terminated, all amounts paid to Seller by Buyer shall be refunded, and the State shall not be liable for any other amount expended by Buyer in reliance on this Agreement, including but not limited to monies expended which are related to the construction of the facility described in Article ____.

ARTICLE XXVI

MISCELLANEOUS

26.1 Headings. The headings of this Agreement are inserted for convenience and identification only and are not intended to describe, interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof.

26.2 Gender. Whenever the context requires, the gender of all words used in this Agreement shall include the masculine, feminine and neuter, and the number of all words shall include the singular and the plural.

26.3 Counterparts. This Agreement may be executed in any number of counterparts with the same effect as if Seller and Buyer had signed one document. All counterparts shall be construed together and shall constitute one and the same instrument.

26.4 Additional Documents. In connection with this Agreement, as well as all transactions contemplated by this Agreement, Seller and Buyer agree to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform all the terms, provisions and conditions of this Agreement and all such transactions.

26.5 Reasonableness of Approvals. Buyer and Seller agree that as to any approvals or consents required of either of them under this Agreement, such approvals or consents shall not be unreasonably withheld.

IN WITNESS WHEREOF, the Seller has caused this Agreement to be executed by its Commissioner of Natural Resources and the Buyer has caused this Agreement to be executed by its President, thereunto duly authorized by its Board of Directors in accordance with the certified seal, duly attested, to be affixed hereto, as of the day and year first above written.

THE STATE OF ALASKA

ATTEST:

By:

Commissioner, Department
of Natural Resources

"SELLER"

APPROVED AS TO FORM:

ATTEST:

By:

President

"BUYER"

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

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

GAS SALE CONTRACTS
- SOHIO

LAW OFFICES
CASE & WARD P. C.
1050 SEVENTEENTH STREET, N. W.
WASHINGTON, D. C. 20036

FILED
OFFICE OF THE SECRETARY
AUG 29 1 47 PM '79
FEDERAL
POWER COMMISSION
TELEPHONE
(202) 452-0580

CHARLES A. CASE, JR.
DAVID B. WARD
ALLAN W. ANDERSON, JR.

August 29, 1979

Mr. Kenneth F. Plumb, Secretary
Federal Energy Regulatory Commission
825 N. Capitol Street, N.E.
Washington, D. C. 20426

Dear Mr. Plumb

There are enclosed herewith for filing with the Commission by Northern Natural Gas Company in accordance with Section 5, V, 2 of the President's Decision on An Alaska Natural Gas Transportation System, five copies of the Gas Sale And Purchase Agreement, Prudhoe Bay Unit, Alaska between Sohio Natural Resources Company and Northern Natural Gas Company, dated July 1, 1979.

Very truly yours,

David B. Ward
David B. Ward

DBW/md

GAS SALE AND PURCHASE AGREEMENT

Prudhoe Bay Unit, Alaska

Between

SOHIO NATURAL RESOURCES COMPANY, "Seller"

And

NORTHERN NATURAL GAS COMPANY, "Buyer"

Dated July 1, 1979

CR# 41479

GAS SALE AND PURCHASE AGREEMENT

Prudhoe Bay Unit, Alaska

Between

SOHIO NATURAL RESOURCES COMPANY, "Seller"

and

NORTHERN NATURAL GAS COMPANY, "Buyer"

INDEX

<u>ARTICLE</u>		<u>PAGE</u>
I.	Definitions	I-1
II.	Scope of Agreement	II-1
III.	Conditions	III-1
IV.	Reservations of Seller	IV-1
V.	Quantity	V-1
VI.	Point of Delivery	VI-1
VII.	Delivery Pressure	VII-1
VIII.	Quality	VIII-1
IX.	Natural Gas Liquids Allocation	IX-1
X.	Gas Measurement and Tests	X-1
XI.	Price	XI-1
XII.	Tax Reimbursement	XII-1
XIII.	Billing, Payments and Records	XIII-1
XIV.	Financial Responsibility	XIV-1
XV.	Term	XV-1
XVI.	Warranty of Title and Payment of Royalties	XVI-1
XVII.	Remedy for Breach	XVII-1
XVIII.	Force Majeure	XVIII-1
XIX.	Processing	XIX-1
XX.	Miscellaneous and Addresses	XX-1

GAS SALE AND PURCHASE AGREEMENT

Prudhoe Bay Unit, Alaska

THIS AGREEMENT, made and entered into as of the 1st day of July, 1979, by and between SOHIO NATURAL RESOURCES COMPANY, a Delaware corporation, hereinafter referred to as "Seller," and NORTHERN NATURAL GAS COMPANY, a Delaware corporation, hereinafter referred to as "Buyer";

WITNESSETH:

WHEREAS, Seller is the owner of an interest in certain oil and gas leases included in the Prudhoe Bay Unit of Alaska, and desires to sell to Buyer a portion of Seller's natural gas which may be produced from certain wells completed within the Prudhoe Bay (Permo-Triassic) Reservoir underlying such Unit; and

WHEREAS, Buyer, Sohio Petroleum Company (the name of which was changed to Sohio Natural Resources Company on January 1, 1978,) ("Sohio"), Columbia Gas Transmission Company ("Columbia"), BP Alaska Inc. ("BPA") and BP Alaska Exploration Inc. ("BPAE") are parties to an Agreement dated August 12, 1977, wherein Buyer's right to negotiate for a specified quantity of gas which may be produced from Sohio's and BPA's interests in the Prudhoe Bay leases, as therein defined, and BPAE's interest in BP non-Prudhoe Bay leases, as therein defined, is set forth; and

WHEREAS, Seller and Buyer desire by this agreement to set

forth in detail and with particularity the respective rights and obligations of the parties regarding the sale and purchase of gas from the Prudhoe Bay Unit, Alaska;

NOW, THEREFORE, in consideration of the premises and mutual benefits and covenants herein contained, the parties hereto have agreed and do hereby covenant and agree as follows:

ARTICLE I.

DEFINITIONS

The following terms when used in this Agreement shall have the meanings set forth in this Article unless the context indicates otherwise:

1.1 The term "Leases" shall mean Seller's interest in the oil and gas leases described in Exhibit "A" hereto covering lands included within the Prudhoe Bay Unit and subject to the Prudhoe Bay Unit Agreement ("Unit Agreement") and the Prudhoe Bay Unit Operating Agreement ("Unit Operating Agreement") both dated as of April 1, 1977, and more particularly described hereinafter, insofar only as such leases cover the Prudhoe Bay (Permo-Triassic) Reservoir within the Initial Participating Areas.

1.2 The term "Initial Participating Areas" shall mean the Prudhoe Bay (Permo-Triassic) Oil Rim Participating Area and Gas Cap Participating Area as described in Sections 5.1(c) and 5.1(e) of the Unit Agreement, as such Initial Participating Areas are outlined on maps attached as Exhibits "D-1" and "D-2" to the Unit Agreement.

1.3 The term "Prudhoe Bay (Permo-Triassic) Reservoir" means the accumulation of oil, gas and associated substances found in the A. R. Co.-Humble (Now A. R. Co.-Exxon) Prudhoe Bay State No. 1 well between the depths of 8,117 feet and 8,785 feet below Kelly Bushing as measured by the Schlumberger Dual Induction Laterolog, Run 4, dated February 8, 1968, and in Run 5, dated March 9, 1968, (including also the Put River Sandstone, which is that sandstone interval that correlates with the interval 9,638 to 9,719 measured feet on the Borehole Compensated Sonic Log, Run 2, dated September 28, 1975, in the Atlantic Richfield-Exxon NGI No. 1 well) within the Prudhoe Bay Unit, as such Reservoir is now constituted. The Prudhoe Bay (Permo-Triassic) Reservoir is outlined on the map attached as Exhibit "F" to the Unit Agreement, which map is subject to modification to reflect the Reservoir as now constituted. Seller will provide Buyer with such modified map, to be an Exhibit "B" hereto, when available.

1.4 The term "Prudhoe Bay Unit" (sometimes called "Unit") shall mean the geographic area subject to the Unit Agreement and Unit Operating Agreement approved by the Commissioner of the Department of Natural Resources of the State of Alaska on June 2, 1977, and referred to as the "affected area" in Conservation Order No. 145 of the Alaska Oil and Gas Conservation Committee, Division of Oil and Gas Conservation, Department of Natural Resources of the State of Alaska, as such order was in effect on June 1, 1977.

1.5 The term "Separator Off-Gas" shall mean hydrocarbon and nonhydrocarbon natural gas, including natural gas liquids, as produced from unit wells and which is recovered in a vapor state from any separation facility handling gas provided from unit wells.

1.6 The term "Seller's Gas" shall mean Seller's share of Separator Off-Gas Production (as that term is defined in Section 26.002 of the Unit Operating Agreement) which is attributable to Seller's Leases and available for taking and disposal under Section 27.701 or Section 27.702 of the Unit Operating Agreement less that portion thereof reserved by Seller in ARTICLE IV.

1.7 The term "Contract Volume" shall mean the volume of gas determined pursuant to Section 5.1 hereof.

1.8 The term "day" shall mean a period of twenty-four (24) consecutive hours beginning at 12:01 a.m., Prudhoe Bay time.

1.9 The term "month" shall mean the period beginning at 12:01 a.m., Prudhoe Bay time, on the first (1st) day of a calendar month and ending at the same time on the first (1st) day of the next succeeding calendar month.

1.10 The term "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 hereunder to Buyer and any anniversary of such date.

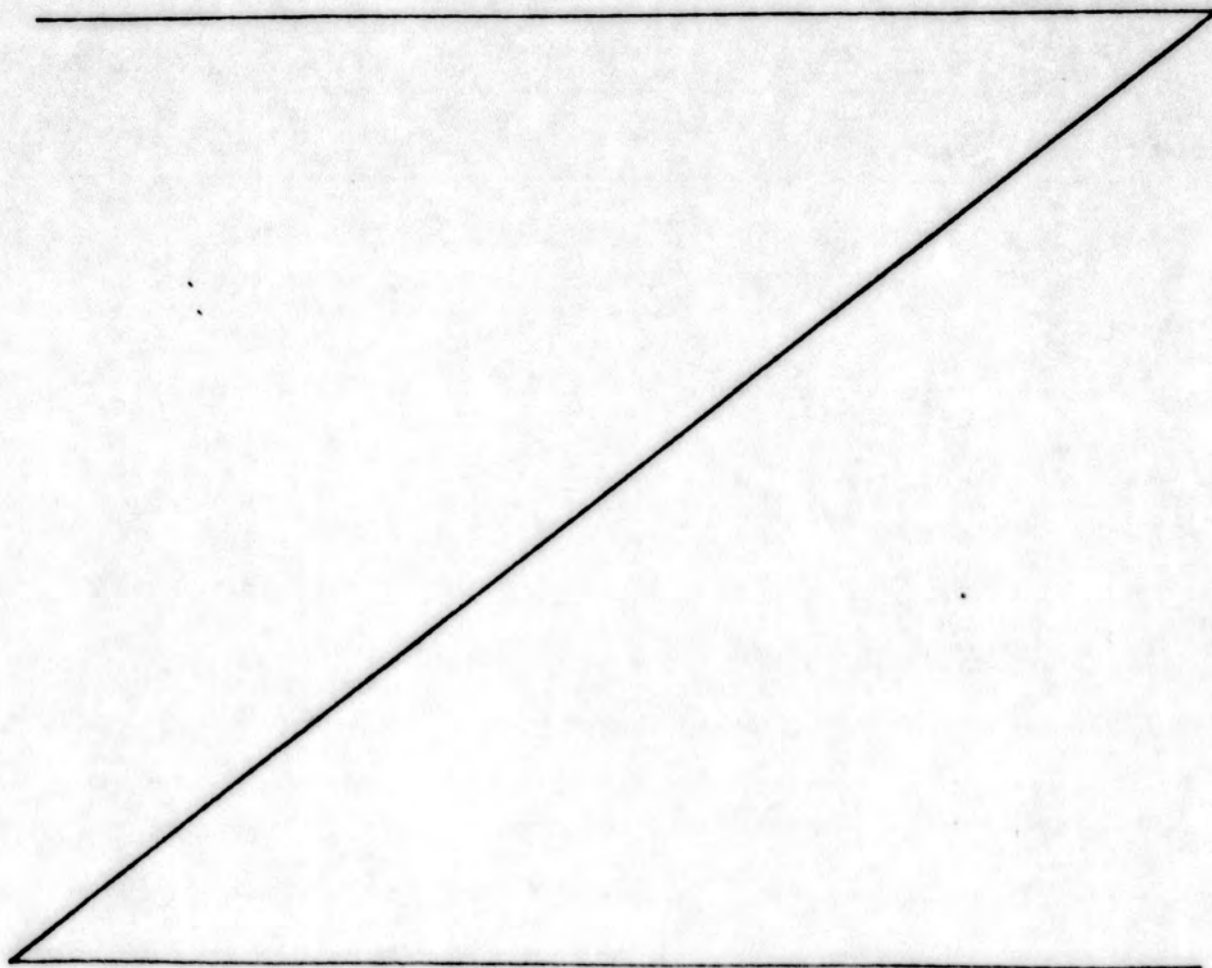
1.11 The term "Mcf" shall mean 1,000 cubic feet of gas as determined on the measurement basis set forth in Section 10.1 hereof.

1.12 The term "Btu" shall mean British thermal unit.

1.13 The term "psia" shall mean pounds per square inch absolute.

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

1.15 The term "Btu content" or "gross heating value" shall mean the total heating value determined as provided in Section 10.14 hereof.



ARTICLE II.

SCOPE OF AGREEMENT

2.1 Subject to all of the terms and provisions hereinafter set forth, Seller agrees to deliver for sale to Buyer, and Buyer agrees to take and purchase from Seller each day during the term hereof, one-third (1/3) of Seller's Gas, as produced; provided Buyer shall only be entitled to purchase up to three (3) trillion cubic feet of gas in accordance with the provisions of that certain agreement dated August 12, 1977, as referred to in second WHEREAS clause hereof; and provided further, Seller expressly does not warrant a delivery of said three (3) trillion cubic feet of gas. Seller may deliver and sell to Buyer and Buyer shall purchase and take, to the extent that Buyer has available pipeline capacity to do so, quantities of Seller's Gas each day in excess of that committed to Buyer hereunder.

2.2 It is recognized that Seller is entering into or has entered into one or more agreements with other purchasers ("Other Purchasers") providing for the sale and purchase of the remainder of Seller's Gas as produced each day. Buyer and Other Purchasers will receive Seller's Gas at the same delivery point, as hereinafter described, and it will be the responsibility of Buyer and Other Purchasers to take all of Seller's Gas as produced every day and to coordinate the taking so as to avoid any continuing or permanent imbalance between their obligations to take and

their actual takes of Seller's Gas. Seller shall have no obligation to Buyer or to Other Purchasers to allocate deliveries of Seller's Gas between Buyer and Other Purchasers to avoid or offset imbalances in their respective purchases of Seller's Gas.

2.3 It is recognized further that Seller's Leases are subject to the Unit Agreement and Unit Operating Agreement executed by and between Seller and other owners of interests in the oil and gas in and under the Prudhoe Bay Unit, and that this Agreement shall be subordinate to such Unit Agreement and Unit Operating Agreement, and Seller's obligations thereunder. Seller shall provide Buyer with copies of said Unit Agreement and Unit Operating Agreement, which have been filed in the Division of Minerals and Energy Management, Department of Natural Resources, State of Alaska. In particular, the sale of Seller's Gas hereunder is subject to the right of the State of Alaska, as lessor, to take its royalty share of gas in kind.

It is recognized that the owners of interests in oil and gas leases included in the Initial Participating Areas will be selling gas to several purchasers, all of whom will be transporting such gas in the Alaska Natural Gas Transportation System (ANGTS). Buyer agrees to use reasonable efforts to coordinate its purchase of gas with the purchases by other purchasers to the end that all purchasers will have an opportunity to take their contractual amount of gas. Buyer further agrees to use

reasonable efforts to arrange balancing agreements with other purchasers in order to better assure that all purchasers will have greater flexibility in their purchases of gas from the Initial Participating Areas. Seller shall have no obligation to avoid or offset imbalances in the rights of purchasers to receive and actual receipts of gas entering the ANGTS at Prudhoe Bay.

2.4 As hereinafter provided, Buyer shall acquire in the purchase of Seller's Gas the net volume of natural gas liquids attributable to Seller's Gas which is required to be removed to condition that gas for transport through pipeline facilities used by Buyer to transport gas from the Prudhoe Bay area. The volume of natural gas liquids so acquired by Buyer shall not exceed the minimum required to be removed prior to transportation of the gas in the pipeline for efficient pipeline operation under pipeline specifications on the date of initial deliveries hereunder. (For the allocation of natural gas liquids attributable to Seller's Gas, refer to ARTICLE IX hereof, entitled "Natural Gas Liquids Allocation").

ARTICLE III.

CONDITIONS

3.1 Buyer and Seller recognize that in order for Buyer to purchase and receive the gas covered hereby, it will be necessary for Buyer to arrange for the installation of a transportation system therefor, which "transportation system" for the purposes hereof shall include conditioning facilities and pipeline necessary to transport the gas from the delivery point herein to Buyer's pipeline facilities in the contiguous United States. Upon execution of this Agreement, Buyer shall promptly seek to conclude all agreements and contractual arrangements necessary for the transportation system for gas to be purchased hereunder. If necessary for the successful completion of the transportation system for Alaska gas authorized by the President's Decision under the Alaska Natural Gas Transportation Act of 1976, Buyer shall participate in the ownership of such transportation system. Not later than January 1, 1980, Buyer shall complete its contractual arrangements for the transportation system and shall provide Seller with such documentation of such arrangements as Seller may request. It is recognized that the Federal Energy Regulatory Commission has instituted a proceeding, Docket No. RM79-19, concerning the conditioning facilities for gas entering the Alaska Natural Gas Transportation System. If the decision in such proceeding affects Buyer's ability to perform its responsibility as to such conditioning facilities, and if the decision is not acceptable to either Seller or Buyer, then either party

may terminate this Agreement. If the Federal Energy Regulatory Commission fails to approve Buyer's arrangements for the transportation system, in a form acceptable to both Seller and Buyer, or Buyer fails to assure Seller to Seller's satisfaction with respect thereto, by March 1, 1980, either Seller or Buyer shall have the right and option at any time thereafter to declare this Agreement terminated.

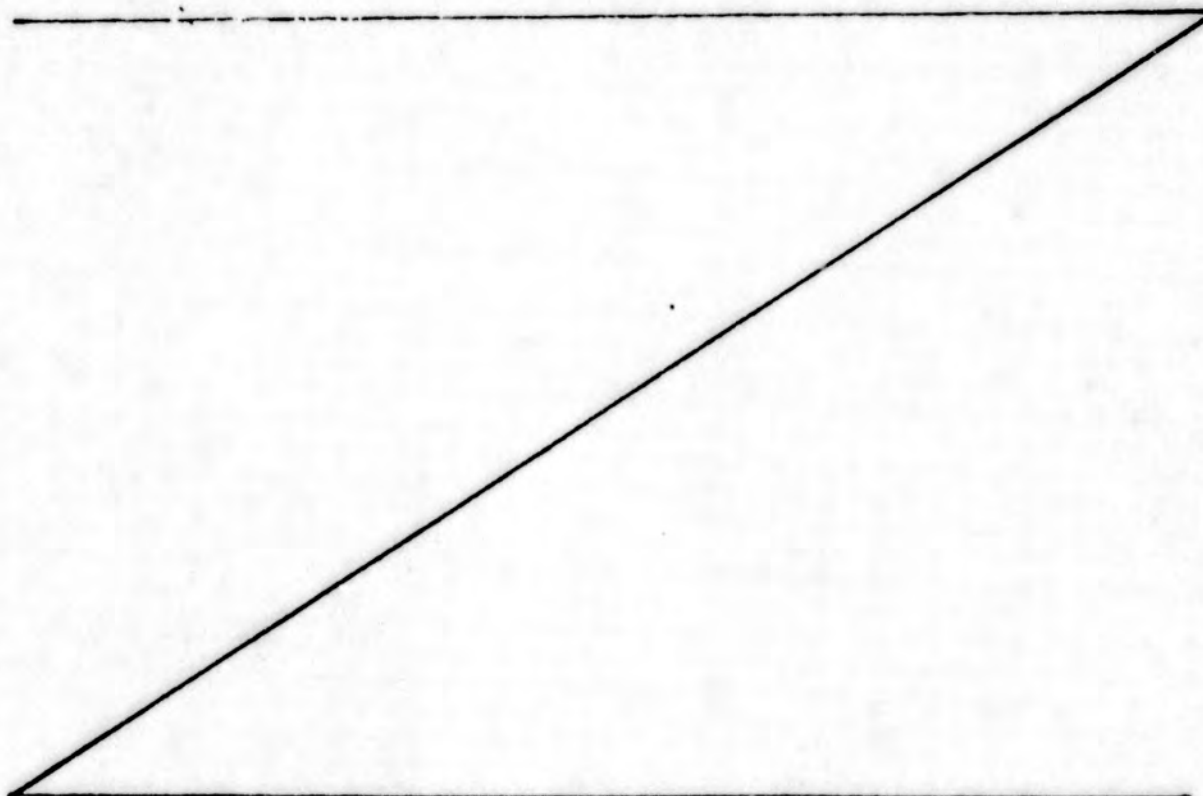
3.2 As soon as practicable after the execution of this Agreement, Buyer shall file or cause to be filed applications for all certificates, permits and other authorizations which Buyer will require from the Federal Energy Regulatory Commission and other governmental agencies to commence the purchase of gas hereunder. In particular, Buyer shall promptly file a copy of this Agreement with the Federal Energy Regulatory Commission for approval pursuant to Section 5.V.2. of the President's Decision under the Alaska Natural Gas Transportation Act. Buyer may accept or reject any certificate, permit or other authorization issued to it. If Seller is dissatisfied with the certificate, permit or other authorization received by Buyer, Seller shall have the right to terminate this contract by giving Buyer written notice of such termination together with its reasons therefor. Buyer agrees to furnish Seller with a copy of any certificate, permit or other authorization received by it, together with a copy of its notice of acceptance or rejection thereof, in which latter event Buyer will include its reasons for such rejection.

3.3 Buyer shall use due diligence in an effort to obtain, not later than January 1, 1982, on terms and conditions acceptable to both parties all certificates, permits or other authorizations from the Federal Energy Regulatory Commission and other governmental agencies which Buyer deems necessary for Buyer to perform its obligations under this Agreement, including a certificate of public convenience and necessity to construct, own and operate facilities required for Buyer to carry out its obligations under this Agreement. Buyer shall notify Seller at such time as Buyer has received all such certificates, permits and authorizations, and in the event that Buyer has not so notified Seller by March 1, 1982, Seller shall thereafter have the right and option, to be exercised at any time, to terminate this Agreement by giving notice of termination to Buyer. If Buyer fails to obtain the required authorization by such date, or rejects same upon issuance thereof, then either party may terminate this Agreement by giving notice to the other party and neither party shall be liable thereafter hereunder.

3.4 Upon the fulfillment of the foregoing conditions, Buyer will proceed with due diligence to install or make arrangements for installation of all facilities necessary to receive delivery of gas from Seller hereunder no later than January 1, 1986, and Seller will proceed to install any necessary facilities and use due diligence to make delivery of such gas to Buyer at the delivery point hereinafter specified.

3.5 If this Agreement is terminated by either party under the provisions of this Article III or any other provision herein, the gas subject hereto shall again become subject to that certain Agreement, dated August 12, 1977, referred to in the second WHEREAS clause hereof, to the extent and for the period of time provided for therein.

It is agreed that the execution of this Gas Sale and Purchase Agreement shall not alter the rights and obligations of the parties with respect to that certain Agreement, dated August 12, 1977, referred to in the second WHEREAS clause hereof, with respect to any subject matter not expressly covered by this Gas Sale and Purchase Agreement.



ARTICLE IV.

RESERVATIONS OF SELLER

4.1 Seller hereby expressly reserves from this Agreement the following prior rights, together with sufficient volumes of gas to exercise any such rights and to meet the obligations set forth hereinafter:

4.1.1 To operate the Leases covered hereby 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 unit wells, to repair and rework old unit wells, to renew or extend, in whole or in part, Seller's Leases and to abandon any unit well or surrender Seller's Leases, in whole or in part.

4.1.2 To sell Seller's Gas committed hereunder on a day-to-day basis to any purchaser, when said gas is available for sale and before the date of initial deliveries hereunder.

4.1.3 To use or to sell such quantities of Seller's Gas as required to fulfill Seller's obligations pursuant to the terms of any agreements under which Seller now or hereafter delivers gas for fuel for operation of the Trans Alaska Pipeline System.

4.1.4 To use Seller's Gas in such quantities as Seller in its sole discretion deems necessary:

(a) For developing and operating Seller's Leases,

including but not limited to gas for drilling or sale to drilling contractors; gas for fuel, gas lift, pressure maintenance, additional recovery, cycling or related operations; gas for the operation of Unit Equipment or other facilities, whether located on or off Seller's Leases, installed to handle oil or gas production from or attributed to any reservoir underlying such Leases or other leases adjacent to or in the vicinity of the Prudhoe Bay Unit, in which Seller may have an interest.

(b) For drilling or sale to drilling contractors and for fuel in developing and operating other lands and leases adjacent to or in the vicinity of Seller's Leases.

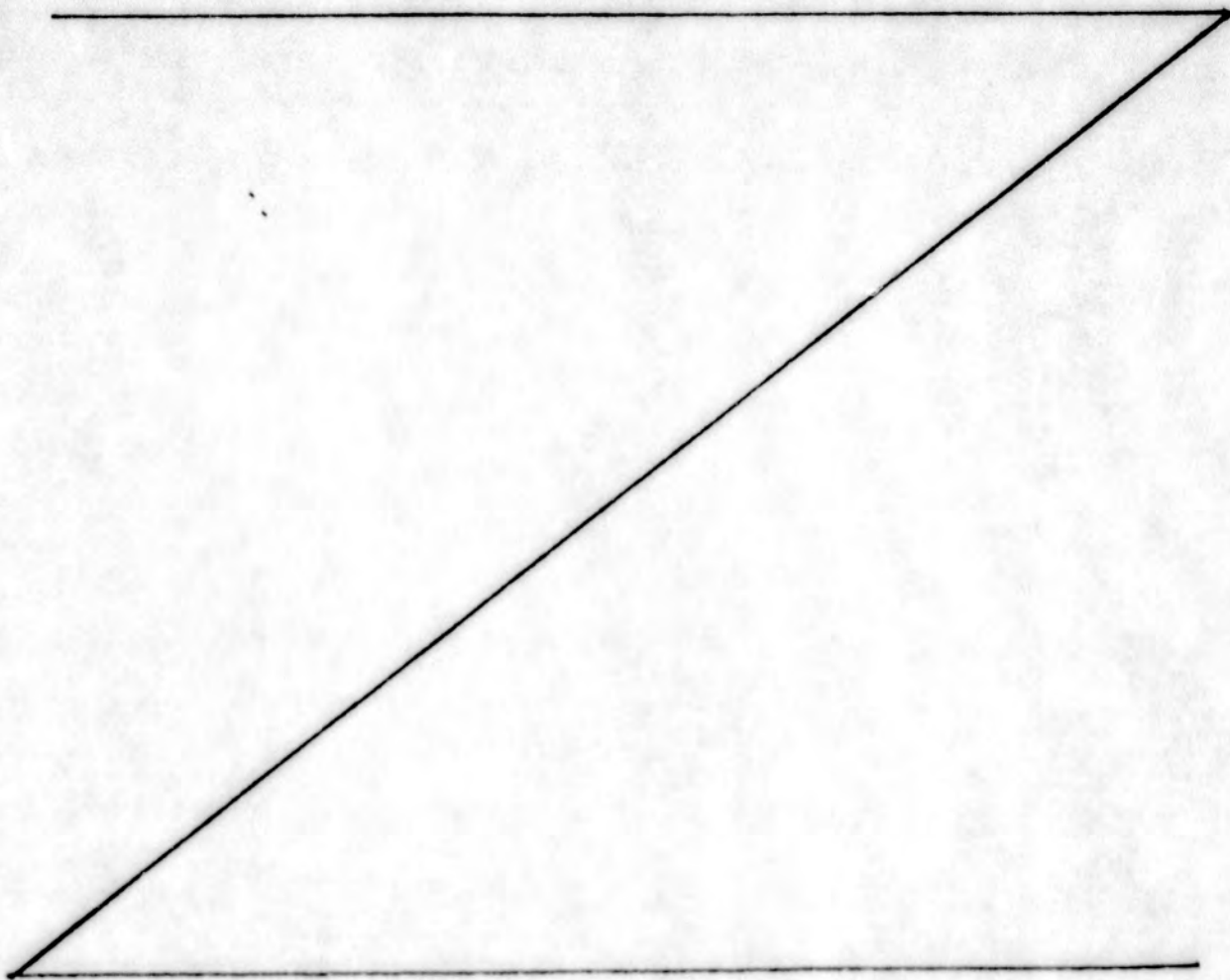
(c) For uses such as heating, lighting, cooking, etc., for housing, office buildings and other facilities utilized by or for personnel employed in the development and operation of Seller's Leases and other leases in the vicinity.

4.1.5 To fulfill Seller's obligations to deliver gas to its lessor, the State of Alaska, pursuant to the terms of Seller's Leases, and the Unit Agreement and Unit Operating Agreement, as they now exist.

4.1.6 To alter the Initial Participating Areas by agreement with the other parties to the Unit Agreement, in which event this Agreement will cover Seller's Gas produced from any such altered Participating Area to the extent that such gas is attributed to Seller's Leases covered hereby; Seller's interest

in lands and leases not within the Initial Participating Areas shall not become subject to this Agreement by reason of any such alteration except on mutual agreement of the parties. Seller shall promptly notify Buyer of any agreement affecting Seller's Leases; however, Seller shall not be liable if through oversight it fails to give Buyer such notice.

4.1.7 Subject to Section 2.4, to process or cause Seller's Gas to be processed after delivery to Buyer, as hereinafter provided in ARTICLE XIX.



ARTICLE V.

QUANTITY

5.1 Upon fulfillment of the conditions set forth in ARTICLE III above, delivery and receipt of gas shall commence under this Agreement. Commencing on the date of first delivery of gas hereunder and thereafter during the term hereof, Buyer shall take delivery or arrange for the taking on each and every day, of one-third (1/3) of Seller's Gas which is available for delivery and sale at the delivery point; and as limited in ARTICLES II and XV. Such one-third (1/3) of Seller's Gas shall be the "Contract Volume" each day, and Buyer shall take delivery of or arrange for the taking of such Contract Volume of gas. If Buyer takes less than the Contract Volume on any day for any reason, other than force majeure which results in the ANGTS not receiving gas at Prudhoe Bay, Seller shall have the right, as elsewhere provided herein, to sell any such gas not taken by Buyer to another purchaser if Buyer does not first arrange for such gas to be taken by another purchaser. The sale or delivery of such gas to another purchaser shall discharge Buyer's obligation hereunder to the extent Seller receives payment

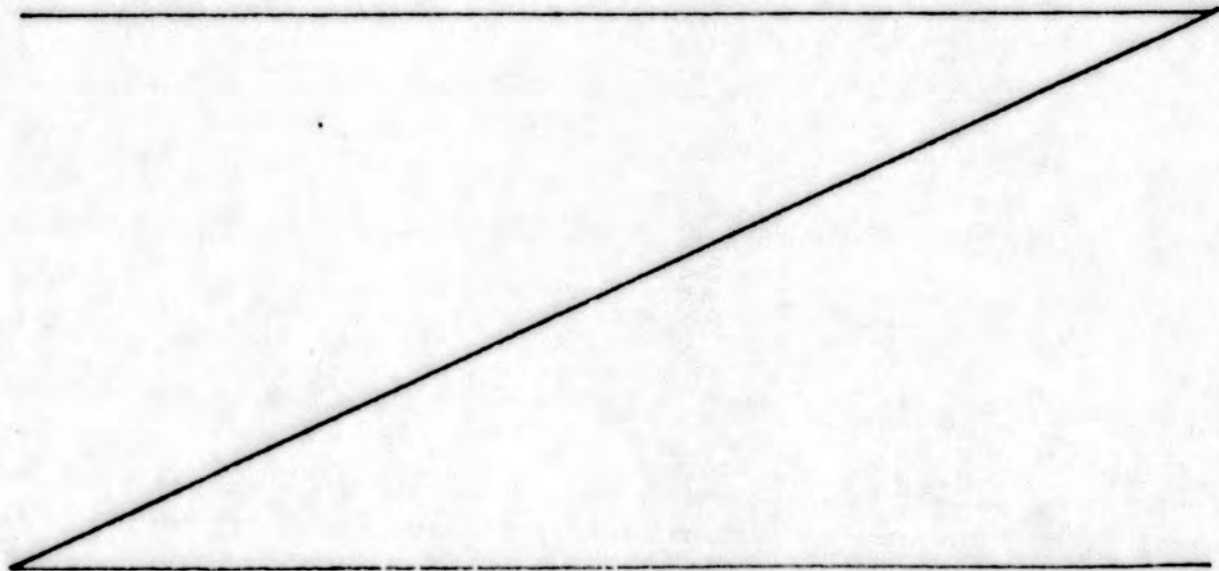
equivalent to that it would have received had Buyer purchased such gas.

5.2 The Prudhoe Bay (Permo-Triassic) Reservoir is an associated oil and gas reservoir. Accordingly, the production of Seller's Gas will not permit Buyer to take certain quantities of gas on a fixed schedule or to make up for gas which Buyer is unable or fails to take on any day. Under existing State of Alaska regulations, the annual average gas production from the Prudhoe Bay (Permo-Triassic) Reservoir may not exceed 2.7 billion standard cubic feet (2.7 Bcf) per day. It is estimated that the Contract Volume hereunder (one-third (1/3) of Seller's Gas available for delivery and sale at the delivery point) will be about 170,000 Mcf per day at the delivery point, and will have a gross heating value of about 1060 Btu's per cubic foot. Seller shall furnish Buyer a revised estimate of the Contract Volume as soon as practicable after Seller becomes aware that such estimate or any subsequently furnished estimate should be changed by more than ten (10) percent.

5.3 Subject to Section 5.1 above, Seller shall have the right to deliver and sell to another purchaser any part or all of the Contract Volume of Seller's Gas which Buyer fails to take on any day, but Buyer shall not be excused for failure to perform this Agreement by reason of said right whether or not exercised. Unless otherwise excused, Buyer shall be liable to Seller for

the price for any of Seller's Gas taken at the delivery point without compensation as a result of Buyer's failure to take, or for the difference in the price which Seller receives for sale of Seller's Gas to another and the price applicable hereunder, if the latter is the greater. Even though Buyer's failure to take may be excused under any other provision of this Agreement, Buyer shall not have a right to make up for gas which Buyer fails to take on any day.

5.4 Buyer and Other Purchaser(s) shall have the right to allocate gas purchases from Seller among themselves to the end that all of the Contract Volume will be taken hereunder on any day. Performance by Other Purchaser(s) of Buyer's obligation to take the Contract Volume shall be deemed adequate performance hereunder provided payment is made to Seller as required hereunder.

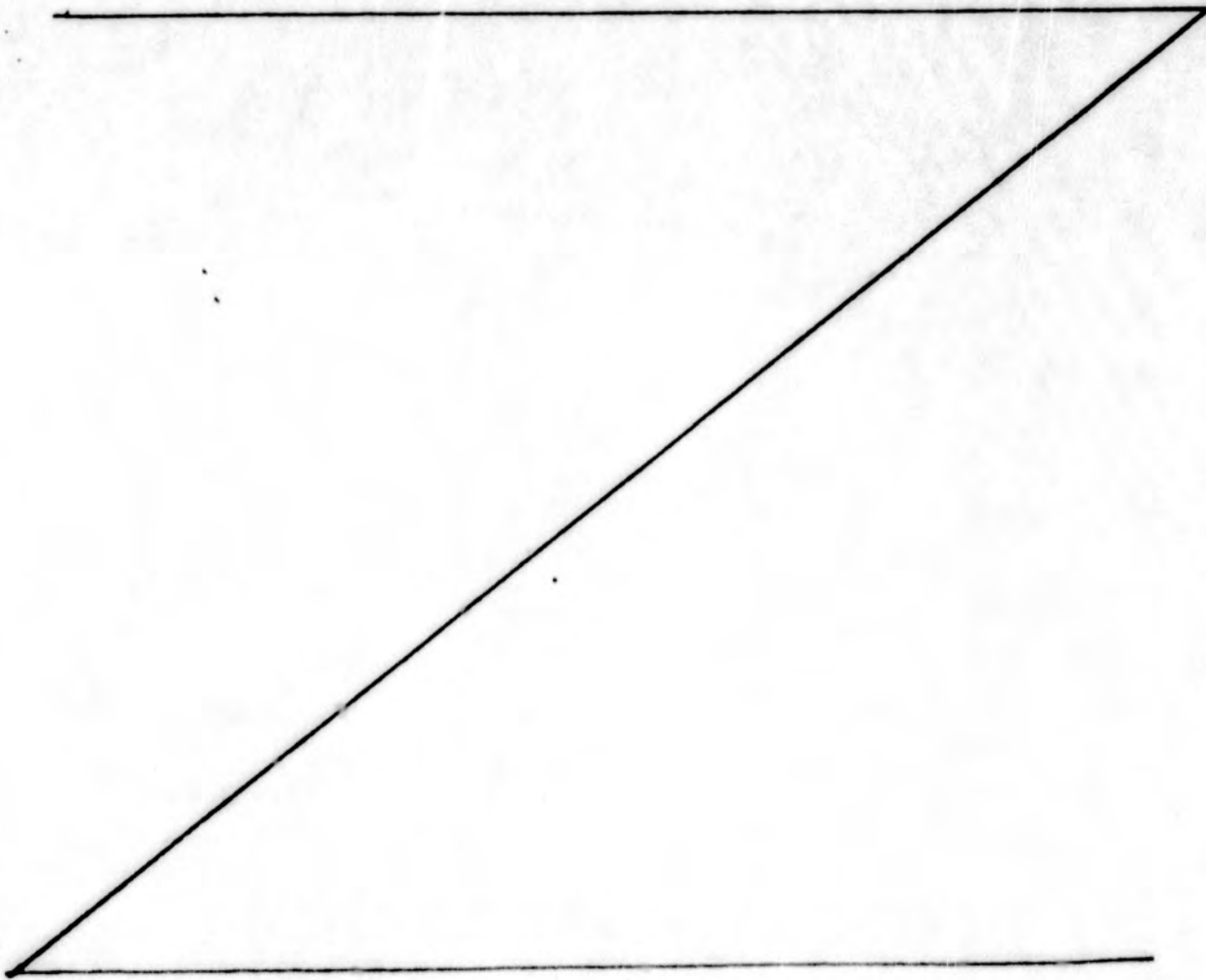


ARTICLE VI.
POINT OF DELIVERY

6.1 The point of delivery for gas sold hereunder shall be at the outlet of the Unit gas gathering system, downstream of the gas/oil separators and Unit gas dehydration and certain compression and cooling facilities, at such point as may be mutually acceptable to Seller and Buyer and at or near the inlet of the gas conditioning facility. If other parties to the Unit Agreement execute agreements for the sale of Separator Off-Gas at the gas/oil separators or elsewhere upstream of the point of delivery herein described, Seller shall have the option to designate the same delivery point as designated by said other parties. In the event of such designation, Seller shall have an option to require that this Agreement be amended to conform to approximately the same terms and conditions as such other Agreement or Agreements.

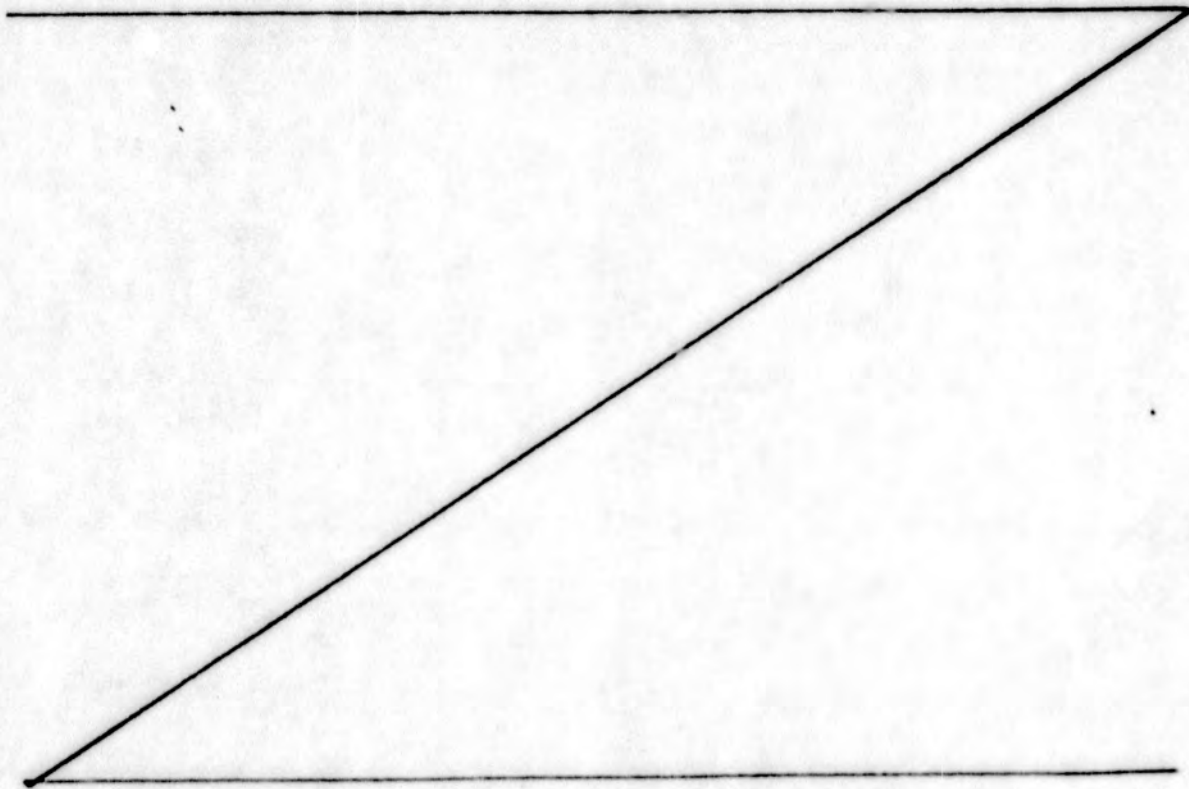
6.2 Title to Seller's Gas shall pass from Seller to Buyer at the point of delivery. Seller will provide all facilities upstream of the point of delivery including facilities necessary to separate Seller's Gas from oil, to gather, dehydrate, compress and cool said gas to the quality standards hereinafter specified. Buyer will provide all facilities at the delivery point for receipt and measurement of Seller's Gas and all downstream facilities necessary for the transportation of such gas.

6.3 Seller shall be in control and possession of Seller's Gas prior to delivery thereof to Buyer and Seller shall be responsible for any damage or injury or death caused thereby prior to such delivery. Following such delivery, Buyer shall be deemed to be in exclusive control and possession of Seller's Gas and shall bear responsibility for any and all claims, causes of action or judgments arising from property damage or injury or death caused thereby or arising from the conduct of Buyer.



ARTICLE VII.
DELIVERY PRESSURE

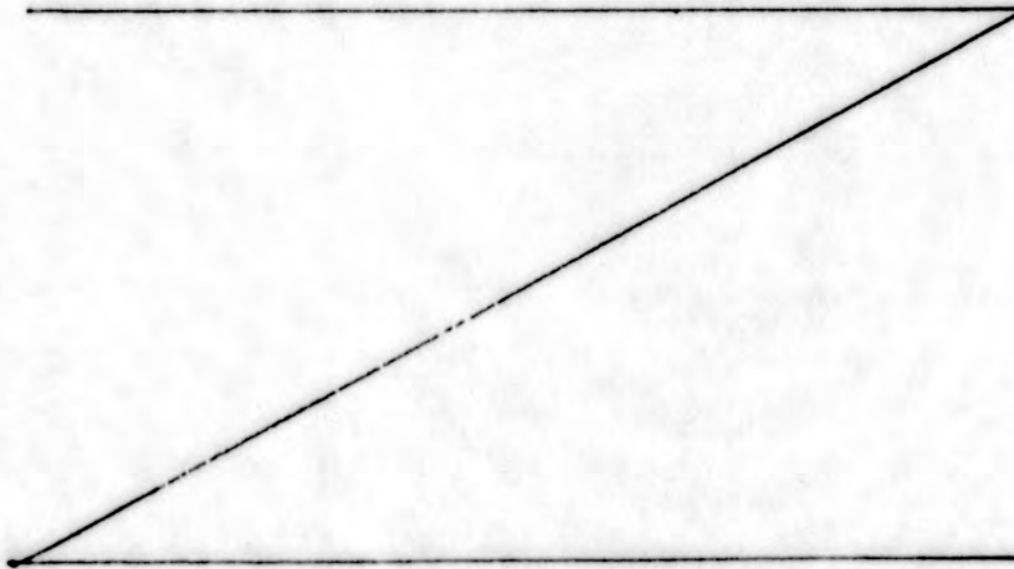
7.1 Seller agrees to deliver Seller's Gas at a pressure which is the greater of (i) the operating pressure of Seller's facilities at the point of delivery, or (ii) a pressure of 500 psig. To the extent that compression of Seller's Gas is required in order to enter Buyer's facilities at the point of delivery, Seller agrees to install and operate such equipment for compression of the gas to a pressure sufficient to enter Buyer's facilities at the point of delivery up to but not in excess of 500 psig.



ARTICLE VIII.

QUALITY

8.1 Seller's Gas sold and delivered to Buyer hereunder shall be as produced in its natural state, except that such gas may be compressed as specified in Section 7.1 above, and shall be dehydrated to contain not more than two-tenths (.2) of a pound of water per million cubic feet and cooled to a temperature not in excess of 120 degrees Fahrenheit (120°F.). Seller shall install separation and dehydration equipment for removal of oil, condensate, and nonhydrocarbon liquids and objectionable solids from such gas prior to its delivery to Buyer. All such liquids and solids so separated by Seller shall be and remain the property of Seller.



ARTICLE IX.

NATURAL GAS LIQUIDS ALLOCATION

9.1 As provided in Section 3.1 herein, Buyer intends to join with other gas purchasers to construct or have constructed a transportation system which includes a gas conditioning facility. For purposes of this Agreement, any such gas conditioning facility located in the Unit Area, or its vicinity, is hereinafter referred to as Conditioning Facility. Gas purchased hereunder will be commingled in the Conditioning Facility with gas owned by other purchasers for conditioning prior to delivery into a pipeline for transportation to Buyer's markets. It is anticipated that in the operation of the Conditioning Facility, certain quantities of natural gas liquids (as such term is defined in the Unit Operating Agreement) will be extracted from Seller's Gas and, unless purchased by Seller as provided in Section 9.2, such natural gas liquids so extracted, shall be owned by Buyer. Allocation of natural gas liquids to Seller's Gas shall be accomplished as provided in Article 29 of the Unit Operating Agreement. Buyer shall conduct such tests and measurements as may be required and Buyer and Seller shall furnish each other monthly statements concerning the operations conducted by each which will contain whatever information is necessary for Seller to make or cause to be made such allocation in compliance with the Unit Operating Agreement. Seller and

Buyer agree that the detailed information to be furnished by each to the other will be determined prior to the commencement of gas deliveries so that when gas deliveries do commence there will be no delay in determining the volume of natural gas liquids allocated to Seller's Gas and the volume and Btu content of Seller's Gas sold and delivered.

9.2 In the event Buyer elects to sell to an unaffiliated party natural gas liquids recovered by operation of the Conditioning Facility and attributable to Seller's Gas, Seller shall have the right of first refusal to purchase and receive such quantities thereof that Buyer desires to sell. From time to time if Buyer offers such natural gas liquids for sale to others, Seller shall have the option to meet the terms of any bona fide offer that Buyer receives for the purchase thereof. Upon receipt of an offer which is acceptable to Buyer, Seller agrees to meet the terms of such offer within sixty (60) days of receipt of written notice from Buyer or to then be deemed to have forfeited its option to purchase said natural gas liquids but only with regard to the terms of such offer.

9.3 If Buyer elects to sell to an unaffiliated party natural gas liquids recovered by operation of the Conditioning Facility and attributable to gas of other sellers, such sellers having waived any rights to purchase such liquids, Seller shall have the right of first refusal to purchase and receive such

quantities thereof that Buyer desires to sell. From time to time if Buyer offers such natural gas liquids for sale to others, Seller shall have the option to meet the terms of any bona fide offer that Buyer receives for the purchase thereof. Upon receipt of an offer which is acceptable to Buyer, Seller agrees to meet the terms of such offer within sixty (60) days of receipt of written notice from Buyer or to then be deemed to have forfeited its option to purchase said natural gas liquids but only with regard to the terms of such offer.

9.3.1 With respect to the natural gas liquids recovered by operation of the Conditioning Facility which are owned and/or controlled by Buyer but which have not been made available to Seller under the provisions of Paragraphs 9.2 and 9.3 hereof and which are not to be utilized by Buyer, it is agreed that Seller shall have the preferential purchase right, to be exercised as hereinafter set forth, to purchase such liquids at the inlet to TAPS line, in the Prudhoe Bay Area of Alaska, subject to the further rights of Buyer to repurchase such liquids; provided this right and option of Seller of purchase shall not apply to the extent that Buyer is precluded from performing any contractual obligation existing in favor of third parties.

At least three (3) months in advance of commencement of deliveries Buyer shall give Seller notice of the daily quantities of such liquids which are subject to this provision. Seller may elect by the giving of notice within 14 days after receipt of

the aforementioned notice, to purchase such liquids on the following basis:

To the extent Seller elects to purchase such liquids, Seller shall be entitled to purchase same based upon the fair market price of Prudhoe Bay crude oil in California adjusted for any difference in quality of said liquids, including but not limited to, difference in Btu content, less actual shipping costs from Valdez to California and less the actual TAPS transportation tariffs under which said liquids are transported to Valdez.

Moreover, as a part hereof Buyer is given the right and option exercisable by the giving to Seller notice within 14 days following receipt of Seller's notice to purchase, as provided above, to repurchase an equal volume of crude oil in California at a price equal to the fair market price of Prudhoe Bay crude oil at such location.

The parties hereto understand that any natural gas liquids which are shipped in the TAPS line will be commingled and mixed with crude oil and that the crude oil available in California is to be regarded as the same as the liquids delivered hereunder for purposes of this repurchase option.

9.4 Buyer shall transport in the transportation system, as gas, all of the natural gas liquids recovered in the Conditioning Facility and attributable to Seller. Gas except that portion of the liquids which, as provided in Section 2.4

hereof, Buyer must remove for efficient pipeline operation. It is not anticipated that Buyer will have difficulty in using or disposing of such natural gas liquids acquired by Buyer pursuant to Section 2.4; nevertheless, if Buyer is unable to use, transport, sell, or otherwise dispose of all such natural gas liquids, Buyer may return to Seller the volume thereof which Seller can use or can transport in an oil pipeline (such liquids are referred to herein as "Usable Natural Gas Liquids"). It shall be necessary, however, for Buyer to give Seller written notice not less than three (3) months in advance of any return of such liquids, and Buyer shall specify in such notice the daily quantity and composition of the Usable Natural Gas Liquids to be tendered to Seller. Natural gas liquids shall be deemed Usable Natural Gas Liquids to the extent that (1) Seller, under terms and conditions acceptable to Seller, may be able to use such liquids as an alternate fuel in accordance with the terms and provisions of Section 30.007 of the Prudhoe Bay Unit Operating Agreement and/or (2) Seller, under terms and conditions acceptable to Seller, may be able to tender such liquids for transport through an oil pipeline.

The total Btu's of the Usable Natural Gas Liquids that Seller takes from Buyer and uses as fuel shall be deducted from the amount of Btu's for which Buyer is obligated to pay Seller, and it shall be deemed that the ownership of such Btu's as contained in Seller's Gas when delivered to Buyer was never

transferred to Buyer. However, Buyer shall reimburse Seller for any fuel substitution costs incurred by Seller in accordance with the provisions of Section 30.007 of the Unit Operating Agreement.

The total Btu's of the Usable Natural Gas Liquids that Seller takes from Buyer for transport through an oil pipeline shall be deducted from the amount of Btu's for which Buyer is obligated to pay Seller for gas delivered hereunder, and it shall be deemed that the ownership of such Btu's was never transferred to Buyer. However, Buyer shall reimburse Seller for any costs incurred by Seller associated with putting such natural gas liquids into an oil pipeline for transport, including any reduction in Btu value as a result thereof.

In addition to volumes of Usable Natural Gas Liquids, if any, there may be volumes of natural gas liquids (herein referred to as "Surplus Natural Gas Liquids") acquired by Buyer pursuant to Section 2.4 that Buyer cannot use, transport, sell or otherwise dispose of and that Seller may not be able to use or transport. To the extent there are Surplus Natural Gas Liquids attributable to Seller's Gas, Seller shall make a good faith effort to obtain rights for Buyer to inject, at Buyer's sole expense, such Surplus Natural Gas Liquids into the Prudhoe Bay (Permo-Triassic) Reservoir in accordance with the terms and provisions of Section 27.802 and 27.803 of the Unit Operating Agreement and under terms and conditions acceptable to the Seller and Buyer.

Upon the injection of Surplus Natural Gas Liquids into the Reservoir, all rights and interests of Buyer in such liquids shall revert to Seller. The total Btu's of such Surplus Natural Gas Liquids so injected into the said Reservoir shall be deducted from the amount of Btu's for which Buyer is obligated to pay Seller for gas delivered hereunder; and it shall be deemed that the ownership of such Btu's was never transferred to Buyer. However, Buyer shall reimburse Seller for any costs incurred by Seller associated with injecting such liquids into the Reservoir including any penalties Seller may incur for injecting such liquids.

9.5 If the Conditioning Facility is operated to remove carbon dioxide ("CO₂") from the inlet stream of gas, Buyer may have, in addition to the gas to be transported, a volume of residue gas composed of a high percentage of CO₂. If such residue CO₂ gas has sufficient hydrocarbons to be usable as fuel, then at Buyer's request, and if the Unit owners are agreeable to using or allowing the use of the residue CO₂ gas as fuel by Seller under terms and conditions acceptable to Seller, Buyer may return to Seller a volume of such gas attributable to the Seller's Gas sold at the inlet of the Conditioning Facility under the terms of this Agreement.

To the extent Seller takes from Buyer such residue CO₂ gas as fuel, the total Btu's contained therein shall be deducted from the amount of Btu's for which Buyer is obligated to pay

Seller for gas sold hereunder. However, Buyer shall reimburse Seller for any fuel substitution costs incurred by Seller in accordance with the provisions of Section 30.007 of the Prudhoe Bay Unit Operating Agreement. Further, it is agreed that there shall be no conditioning charges paid by Seller as a result of taking residue CO₂ gas.

If Buyer is required to dispose by subsurface injection of residue CO₂ gas, Seller shall make a good faith effort to obtain rights for Buyer, at Buyer's sole cost, to inject such residue CO₂ gas attributable to Seller's Gas into the Prudhoe Bay (Permo-Triassic) Reservoir in accordance with the terms and provisions of Sections 27.802 and 27.803 of the Prudhoe Bay Unit Operating Agreement and under terms and conditions acceptable to Seller.

To the extent residue CO₂ gas is injected into the Reservoir, the Btu content thereof (determined in accordance with Section 10.14) shall be deducted from the amount of Btu's Buyer is obligated to pay Seller for gas sold hereunder. However, Buyer shall reimburse Seller for any costs incurred by Seller associated with the injection of such residue CO₂ gas, including any penalties Seller may incur for such injection. Upon injection of residue CO₂ gas into such Reservoir all rights and interests of Buyer in such residue CO₂ gas shall revert to and be vested in Seller.

ARTICLE X.

GAS MEASUREMENT AND TESTS

10.1 Units of Volume. The unit of volume for purposes of measurement of volumes hereunder shall be that amount of gas which will occupy one (1) cubic foot of space when held at a base temperature of sixty degrees Fahrenheit (60° F.) and when under a base pressure of fourteen and sixty-five hundredths (14.65) pounds per square inch absolute; the volume measured shall be adjusted for deviation from the Ideal Gas Law.

10.2 Calculation of Volumes. The computation of volumes delivered hereunder shall be made by Buyer, using the orifice meter equation prescribed in American Petroleum Institute Publication 2530, "Orifice Metering of Natural Gas", as amended or revised from time to time.

10.3 Barometric Pressure. The atmospheric pressure shall be assumed to be 14.70 psia, irrespective of the actual atmospheric pressure at the point of delivery or any factors that may cause fluctuation in the barometric pressure.

10.4 Flowing Gas Temperature. The temperature of the gas shall be determined by a recording thermometer(s) continuously used and installed so as to properly record the temperature of the gas. The arithmetic average of gas temperatures recorded during the periods of flow only shall be deemed the daily average gas temperature for the purpose of calculating volumes.

10.5 Specific Gravity. The specific gravity of the gas shall be determined by the use of a continuous recording gravitometer of make and type agreed upon by Buyer and Seller and so installed that it will monitor the specific gravity of the gas measured. The daily average specific gravity recorded during the periods of flow only shall be deemed the specific gravity of the gas for the purpose of calculating volumes. The continuous recording gravitometer shall be checked at least once each month by the use of the Acme gravity balance or any other approved method mutually agreed upon.

10.6 Ideal Gas Law Deviation. Except as otherwise agreed by Seller and Buyer, the gas delivered shall be assumed to deviate from the Ideal Gas Law to the extent determined from the American Gas Association's "Manual for the Determination of Supercompressibility Factors for Natural Gas" developed under P.A.R. Research Project NX-19 completed December 1962, as such manual may be hereafter amended or changed, at the specific gravity and average flowing temperature of the gas, and at the arithmetic average static pressure recorded during period of gas flow only. At the request of either Seller or Buyer the deviation from the Ideal Gas Law for the gas delivered hereunder shall be experimentally determined by a method mutually agreed upon.

If the results of such determination indicate that use of the above AGA Manual for the calculation of gas volumes will result in an error of one-half of one percent (.5%) or more then the experimentally determined deviation from the Ideal Gas Law shall be used.

10.7 Measurement Records. The original copy of all records and chart recordings shall remain the property of the owner of the equipment from which such record or recording was obtained, and shall be retained for a period of three (3) years, or such longer period as may be required by any public authority having jurisdiction, with the other party having the right to examine these records or recordings during this period. At the end of the three-year period or such longer required period, the owner shall have the right to destroy the records without permission or recourse from the other party; provided, however, that the owner electing to destroy any such records shall first give the other party advance notice thereof in writing and a period of sixty (60) days after receipt of such notice to request that such records be delivered into its possession for retention, as long as such party desires.

10.8 Measuring Equipment. Volumes delivered hereunder shall be calculated or otherwise determined from records and chart recordings which will be made from an orifice type metering station fabricated to conform to the "Construction

and Installation Specifications" the American Petroleum Institute Publication 2530, "Orifice Metering of Natural Gas", as amended or revised from time to time.

10.9 Primary Measuring Equipment. Buyer shall install, maintain and operate at no expense to Seller all equipment required for the measurement, calculation and allocation of volumes delivered hereunder and the calibration and adjustment thereof shall be done by Buyer unless it is agreed by the parties hereto that Seller shall change charts. Seller shall be permitted to connect computerized production control monitoring devices to Buyer's measuring equipment.

10.10 Check Measuring Equipment. Seller shall have the option to install or participate with other sellers in the installation of any measuring equipment it may desire, but same shall be installed so as not to interfere with Buyer's equipment, nor shall the recordings from such check measuring equipment be used in determination of deliveries hereunder unless Buyer's equipment be out of service or be found by test to be in error by an amount exceeding allowed tolerances as set out in Section 10.12 hereof.

10.11 Equipment Inspections. Buyer shall calibrate, test and otherwise inspect all measurement recorders, devices and equipment used in measuring gas delivered hereunder prior to the commencement of delivery, and thereafter at least twice during each succeeding month that gas deliveries

are made or at other mutually acceptable intervals. Buyer shall inspect orifice plates and meter tubes not less often than twice each year. Additional tests and inspections shall be made at irregular and non-scheduled intervals when in the judgment of either Buyer or Seller the equipment is believed not to be recording satisfactorily. Meter tubes may be inspected by use of a borescope or other comparable method.

Seller shall have the right to have a representative present to witness the installation, calibration, testing, cleaning, changing, repairing or adjustment of any portion of the primary measurement equipment or other equipment used in determining the volume delivered hereunder.

Seller and Buyer will each inform the other or the other's representative with reasonable notice of the date and time an equipment inspection or test is desired.

Any labor and transportation costs accruing as a result of a regularly scheduled test or inspection shall be borne by both Buyer and Seller to the extent each shall defray the expense of its own personnel. However, should either party request a test or inspection at an irregular interval, the cost accruing to the other party shall be reimbursed by the party requesting the test if it is found that the equipment is functioning within the allowed tolerance of accuracy; otherwise, each party shall defray its own expense.

10.12 Equipment Accuracy Tolerances. If, upon testing and inspecting all recorders and other equipment comprising a single metering installation, the aggregate volumetric error is found not to exceed plus or minus one percent (1%) of accuracy, then previous recordings shall be considered accurate in computing deliveries hereunder, but such equipment shall forthwith be adjusted to record accurately.

If, upon testing and inspecting all recorders and other equipment comprising a single metering installation, the aggregate volumetric error is found to exceed plus or minus one percent (1%) of accuracy, such equipment shall forthwith be adjusted to record accurately, and compensating adjustment shall be made to previous recordings and volumetric calculations for the period of time the recording was in error, if known. If the period of time is not known, recordings and calculations shall be adjusted for a period of time agreed to by Buyer and Seller, or in the absence of agreement, such correction shall be for a period covering the last half of the time elapsed since the previous test, but not exceeding a period of eight (8) days.

10.13 Failure of Measuring Equipment. If, for any reason, the measuring equipment installed for Buyer is out of service or out of tolerance, with the result that the quantity of gas delivered is not correctly indicated by the reading thereof, the gas delivered during the period in

which such measuring equipment is out of service or out of tolerance shall be estimated and agreed upon on the basis of the best data available, using one of the following methods listed in order of preference unless some other order is adjudged by both parties as more feasible:

(a) By using the registration of any check measuring equipment, if installed and accurately registering, or

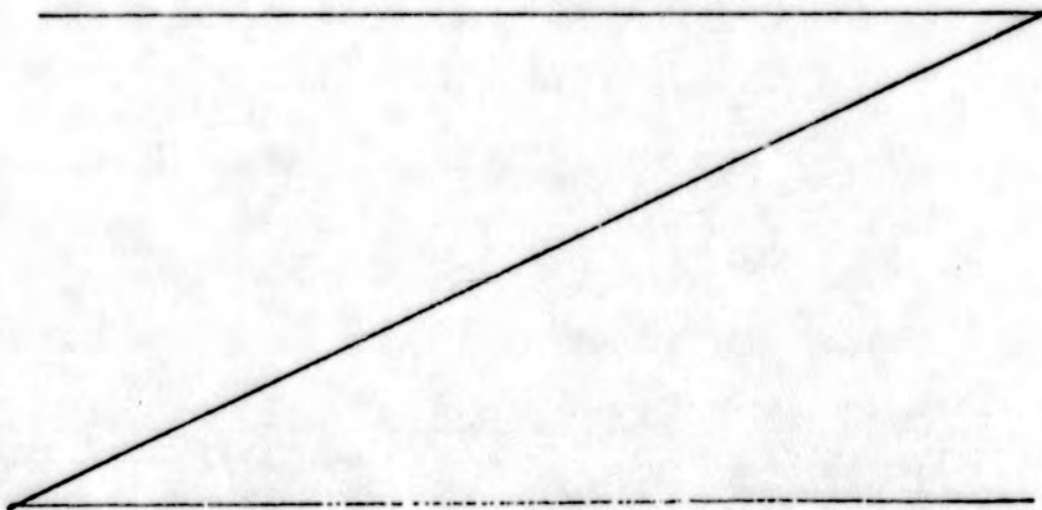
(b) By adjusting for the error, if the percentage of error is ascertainable by calibrating, test, or mathematical calculations, or

(c) By estimating the quantity of delivery, by use of other metered volumes which may be available in Seller's facilities, or by reference to actual deliveries during preceding periods under similar conditions when the equipment in question was measuring accurately.

10.14 Heating Value. The gross (or total) heating value of the gas delivered by Seller to Buyer, expressed in Btu's per cubic foot, shall be determined by Buyer by means of a continuous sampler or other mutually agreeable method(s) in general use in the gas industry, as selected by Buyer and approved by Seller. Seller shall have the right to determine, at such time or times as it may desire, the gross heating value of the gas in British Thermal Units per cubic foot by means of any method in general use in the gas industry. Each party shall give to the other notice of the time of all

tests for determining the Btu content of the gas to be conducted by such party reasonably in advance of making the test in order that the other party may conveniently have its representative present. Should there be any material variance between tests by Buyer and Seller, a joint test will be run employing a mutually agreeable method and the result thereof will be controlling, effective from the first day of the calendar month preceding such joint test.

The Btu content per cubic foot shall be determined for a cubic foot of gas as such unit of volume is defined in Section 10.1 and said Btu content shall be adjusted for the actual water vapor content of the gas at the Point of Delivery hereunder. The actual water vapor content of the gas shall be determined periodically at mutually agreeable intervals using mutually agreeable methods in general use in the gas industry.



ARTICLE XI.

PRICE

11.1 Buyer shall pay Seller for Seller's Gas sold and delivered hereunder the price specified below for the applicable period indicated in subsections (a), (b), (c) and (d), or the price determined in subsection (e) below, whichever is highest. Each calculated price shall be expressed to four (4) decimal places. The price shall be determined as follows:

- (a) Effective on the first day of the month next following the date of this Agreement, the price hereunder shall be Two Dollars and four and one-half cents (\$2.0450) per million Btu's.
- (b) Commencing on the first day of the second (2nd) month following the date of this agreement and continuing through the sixtieth (60th) month following the date of initial delivery of gas to Buyer hereunder, the price specified in Section 11.1 (a) above shall increase each month by multiplying the price for the preceding month by the monthly equivalent of the annual inflation adjustment factor applicable for such month, determined in the manner provided in Title I of the Natural Gas Policy Act of 1978.

- (c) On the first day of the sixty-first (61st) month following the date of initial delivery of gas to Buyer hereunder, the price per million Btu's as determined for the sixtieth (60th) month in accordance with (b) above shall increase by multiplying the price for the preceding month by the monthly equivalent of the annual inflation adjustment factor applicable for such month, determined in the manner provided in Title I of the Natural Gas Policy Act of 1978, plus one-fourth of one percent (0.25%) per month.
- (d) On the first day of the sixty-second (62nd) month following the date of initial delivery of gas to Buyer hereunder and thereafter on the first day of each succeeding month during the term of this agreement, the price per million Btu's as determined for the immediately preceding month shall be increased by multiplying the price for the preceding month by the monthly equivalent of the annual inflation adjustment factor applicable for such month, determined in the manner provided in Title I of the Natural Gas Policy Act of 1978, plus one-fourth of one percent (0.25%) per month.

(e) During each month the price for gas delivered to Buyer hereunder shall be equal to the maximum lawful price per million Btu's prescribed under Section 109, plus the amounts to compensate Seller for severance taxes and costs allowed under Section 110 of the Natural Gas Policy Act of 1978 for the month in which the gas is delivered. The price for gas delivered for sale to Buyer hereunder during any month shall be increased to any higher adjusted rate permitted or allowed by the Federal Energy Regulatory Commission (FERC) or any other governmental authority having jurisdiction in the premises, as hereinafter provided.

In no event, however, shall the price due hereunder exceed the price which Seller may lawfully collect nor the amount which Buyer is permitted to include in its rates and charges to its jurisdictional customers.

11.2 If Congress, the Federal Energy Regulatory Commission, or any other governmental authority having jurisdiction in the premises, shall at any time enact legislation, prescribe or allow by law, order, rule, regulation, or in any other manner a ceiling price(s) which is (i) higher than the effective price or prices

then being paid hereunder, and (ii) applicable to any portion(s) of Seller's Gas committed hereunder, then the price(s) hereunder shall be increased to the level of such higher price(s) for that portion(s) of Seller's Gas which is of the type, quality and vintage for which such price(s) is prescribed or allowed. Such higher price(s) shall include any adjustment for gathering, taxes and any other factors permitted by law, the FERC, or other governmental authority having jurisdiction. Such higher price(s) shall become effective as of the date such higher price(s) becomes law or is prescribed or allowed.

In the event such higher price(s) is not applicable to Seller's Gas because this Agreement does not contain those terms and conditions set forth in such law, order, rule, or regulation as requisite to collection of such higher price(s), the Seller may elect to amend, and Buyer shall agree to amend, this Agreement in a manner set forth by Seller and to the extent necessary to permit Seller to collect hereunder such higher price(s), including any allowances. Any amendment shall be effective as of the effective date hereof, subject to the receipt of all necessary governmental certificates, permits and other authorizations, provided that Buyer shall not be required to make retroactive price adjustments for prior deliveries, except to the extent permitted by such law, order, rule or regulation.

Regardless of the level of area or nationwide price(s) applicable (or made applicable by amendment) hereunder, the price to be paid for Seller's Gas from any particular well at any given time shall be no lower than the highest price allowed by the Federal Energy Regulatory Commission or any governmental authority for the said Seller's Gas taking into consideration in determining said price all of the factors which the Federal Energy Regulatory Commission or such governmental authority deems relevant to such a determination, including elements of price justified on an industry basis or by Seller.

11.3 Whenever an increase in price occurs under this agreement which increased price exceeds levels provided in Sections 11.1(a), (b), (c) or (d) hereof, such increased price shall thereupon be substituted for and become the price hereunder in 11.1(a), (b), (c) and (d) for the applicable month and such increased price shall thereafter be subject to future increases in accordance with the provisions of this Agreement.

11.4 Deregulation. If at any time during the term of this Agreement the Federal Energy Regulatory Commission or any other governmental authority having jurisdiction over the price or prices of gas sold and delivered hereunder, ceases to have jurisdiction over the price or prices of gas sold and delivered hereunder, ceases to have jurisdiction over all or any portion of the subject matter or ceases to have or exercise price control over this Agreement, then Seller shall have the

right to request that the base price or prices at which gas is sold hereunder be redetermined effective as of the later of (i) the date of such request or (ii) the effective date of such deregulation. Any such request shall be made to Buyer in writing.

When such a request has been made, representatives of Buyer and Seller shall promptly meet to redetermine the base price or prices of the gas sold hereunder. Such redetermination shall establish a base price or prices equal to the highest of (i) the average of the two highest prices paid or contracted to be paid by Buyer or any other interstate purchaser(s) of gas in the general area of the Prudhoe Bay Unit (hereinafter called "Area") under any gas sales contracts in effect in the Area at the time of such redetermination between a producer(s) and an interstate pipeline company purchasing gas for resale; and (ii) the Btu equivalent price of Distillate (Fuel Oil No. 2) per million Btu's, less Buyer's transportation costs per million Btu's of Prudhoe Bay gas incurred between the delivery point for gas specified herein and the city gate at Minneapolis, Minnesota. In determining the price under (i) above, appropriate adjustments shall be made in such price for significant differences in quality, quantity, delivery pressure and other delivery conditions which exist between the provisions of this Agreement and such other agreements or

contracts under consideration. In determining the price under (ii) above, Distillate (Fuel Oil No.2) shall be assumed to have a heat content of 5,880,000 Btu per barrel and shall be valued at the price for such commodity (Fuel Oil No. 2 to Resellers, West North Central) as published monthly by the U. S. Department of Labor-Bureau of Labor Statistics in its publication entitled "Producer Prices and Price Indexes" during the latest monthly period for which such publication is available to the parties. In the event the U. S. Department of Labor ceases to make such information available, the parties will agree upon a substitute method for determining an average price for such commodity. In the event that the price determined under (ii) above shall become the price hereunder, the provisions of ARTICLE XII hereof shall not apply; further, such price shall be adjusted each month, as necessary, to reflect the latest monthly price published for Fuel Oil No. 2 to Resellers, West North Central. Notwithstanding the price or price terms selected, the redetermined price or prices shall, in being made applicable to this Agreement between Seller and Buyer, be substituted for the price provided herein and in the case of the price determined under (i) above only shall thereafter be subjected to the escalations and adjustments provided for in this ARTICLE XI.

Thereafter during the term of this Agreement, Seller may request similar price redeterminations; provided, however, that such requests from Seller shall not be made sooner than one (1) year following the effective date of the last re-determined price.

In the event representatives of Buyer and Seller are unable to agree upon a redetermined base price or prices within a period of sixty (60) days of the written request for such redetermination, then either Buyer or Seller shall have the right to subject the matter to arbitration in the following manner: Upon written request for arbitration made by either party and served upon the other as provided by law, Buyer shall appoint one arbitrator and Seller shall appoint one arbitrator and the two arbitrators so appointed shall select a third arbitrator. If either Buyer or Seller shall fail to appoint an arbitrator within fifteen (15) days after said request for arbitration is made by the other party in writing, or if the two arbitrators so appointed shall fail within fifteen (15) days after the appointment of the second of them to agree on a third arbitrator, the arbitrator or arbitrators necessary to complete a board of three arbitrators shall be appointed upon application by either party therefor by the Chief Judge of the United States Fifth Circuit Court of Appeals. Within thirty (30) days after three arbitrators are appointed pursuant to the foregoing provisions of this paragraph, they shall meet at

Seller's gas marketing costs incurred for dehydration/ cleaning, compression and transportation to the point of delivery. Seller agrees to provide monthly statements to Buyer identifying the quantities and Btu content of gas upon which Seller has made Excess Royalty Payments and the amount of Excess Royalty Payments. Buyer agrees to reimburse Seller for such payments within ten (10) days following receipt of said statement from Seller. Seller shall refund to Buyer any payments made pursuant to this provision if and to the extent that the FERC denies Buyer the right to include the same in its rates and charges to jurisdictional customers.

11.6 Economic-Hardship. If, for any reason, the delivered cost of Prudhoe Bay gas at Buyer's city gate delivery points, priced on the lower of (i) a rolled-in basis (excluding imported natural gas and LNG, as well as SNG), or (ii) an incremental basis, is such that Buyer determines the gas cannot be marketed, except at an economic loss to Buyer, the parties shall review the circumstances then existing in a good faith effort to determine such measures as are necessary to rectify the situation. Buyer and Seller recognize that implementation of such measures will require the efforts of all those involved with the total transportation system, including owners of the system, gas producers, regulatory authorities having direct jurisdiction, and other participants in the transportation of Prudhoe Bay gas to the contiguous United States.

a place selected by the third arbitrator, hear the parties with respect to the matter of said price, and arrive at a determination of the price or prices at which gas is to be sold hereunder during the particular period in question. Such determination shall be made not later than sixty (60) days after the receipt of evidence. Any determination agreed to in writing by at least two of the said arbitrators shall be final and binding on the parties hereto. All arbitrators appointed pursuant to this paragraph shall be individuals qualified by education, knowledge and experience to determine the price of gas in accordance with the criteria set forth above and shall not be in the regular salaried employ of either party. The compensation and expenses of the arbitrator named for the Seller shall be paid by Seller; the compensation and expenses of the arbitrator named for Buyer shall be paid by Buyer; and the compensation and expenses of the third arbitrator shall be paid in equal portions by Buyer and Seller.

In the event the price for Seller's Gas determined pursuant to this Section 11.4 is greater than the price in effect hereunder during the period immediately preceding Seller's request for redetermination and is greater than the price which Buyer is permitted to recover by the FERC or any successor governmental authority, then Buyer may terminate this Agreement thirty (30) days after giving written notice

to Seller; provided, however, Seller may nullify such notice by advising Buyer in writing within fifteen (15) days thereafter that Seller elects to accept the price in effect hereunder during the period immediately preceding Seller's request for redetermination. In event of such election by Seller, this Agreement shall continue in force and effect subject to all the terms and conditions herein provided including future price redetermination as hereinabove provided. In the event Seller does not elect to continue this Agreement in force and effect, Buyer shall continue purchasing Seller's Gas under the terms of this Agreement at the price in effect hereunder during the period immediately preceding Seller's request for price redetermination until Seller has made arrangements for commencing delivery to an alternative disposition of Seller's Gas released by termination of this Agreement.

11.5 Excess Royalty Payments. Buyer agrees to make payments to Seller for Seller's Gas in addition to those provided for elsewhere in this Agreement for the purpose of reimbursing Seller for "Excess Royalty Payments" made by Seller with respect to said Seller's Gas. "Excess Royalty Payments" shall mean actual royalty payments which Seller is required to pay on Seller's Gas delivered hereunder to the extent that such payments exceed the amount such payments would be if the royalty were computed on the basis of the price or prices paid by Buyer to Seller for such gas less

In considering what measures are necessary to rectify the situation, the parties agree that if an economic loss situation to Buyer, as referred to in this Section, has occurred, then it is agreed that as the initial effort to rectify such situation Buyer shall seek a purchaser for all or a portion of the gas sold hereunder. If Buyer is unsuccessful in arranging such sale to another purchaser, it shall notify Seller and Seller shall have the right to seek another purchaser for all or a portion of the gas sold hereunder. The time available to Seller to find another purchaser shall be limited to ninety (90) days from date of notification by Seller. In any event, the terms and conditions of such sale to another purchaser arranged by either Buyer or Seller shall be mutually agreeable to Buyer and Seller.

ARTICLE XII.

TAX REIMBURSEMENT

12.1 Buyer agrees to reimburse Seller for all State, Federal and local production, gathering, delivery, sales, severance, excise or other taxes or assessments of a similar nature (except ad valorem and general property taxes, other than those on gas in place, and income taxes, franchise taxes and other taxes of a similar nature), upon or with respect to the production, severance or delivery of gas sold hereunder, or the value thereof in place or otherwise, now or hereafter levied or assessed upon Seller. The parties agree that there shall be added to the price(s) Buyer is obligated to pay Seller for gas delivered hereunder, so long as the tax or assessment shall be in effect, an amount per Mcf sufficient to reimburse Seller for one hundred percent (100%) of any such tax or assessment. Should all or any part of the liability of Seller not be determined by the end of any month, then the additional amount not determined shall be set forth monthly in a statement to be rendered by Seller to Buyer and Buyer shall pay Seller the amount due pursuant to such statement within ten (10) days, subject to later adjustment when the tax is finally determined.

ARTICLE XIII.

BILLING, PAYMENTS AND RECORDS

13.1 On or before the sixth (6th) day of each month after delivery of Seller's Gas is commenced hereunder, Buyer shall furnish to Seller a statement of the data pursuant to Section 9.1 during the preceding month.

13.2 Based upon Buyer's statement furnished under Section 13.1 above, and Seller's statement, if any, under Section 19.3, Seller will prepare an invoice setting forth (a) the quantity and Btu content of Seller's Gas delivered to Buyer and (b) the payment due Seller therefor. Seller shall submit such invoice to Buyer on or before the tenth (10th) day following receipt of said Buyer's statement. On or before the fifth (5th) day following receipt of said Seller's invoice, Buyer shall make payment to Seller of all amounts due hereunder in immediately available funds to a bank account to be designated by Seller. If the invoiced amount of any payment is not paid when due, interest on all unpaid amounts shall accrue at 125 percent (125%) of the prime rate in effect at Citibank N.A. of New York at the time payment is due, or at the maximum rate for short-term loans permitted by law in Alaska, whichever is less.

13.3 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, charge

or computation made pursuant to the provisions of any Article hereof. If any such examination reveals any inaccuracy in such billing or payments theretofore made, the necessary adjustment in such billing and payments shall be promptly made. Any such adjustment shall be subject to accrual of interest as set forth in Section 13.2 without prejudice to other remedies.

13.4 In the event Seller elects pursuant to ARTICLE XIX to process or cause Seller's Gas to be processed subsequent to delivery to Buyer, then Seller in preparing the invoice required in Section 13.2 shall deduct the Btu content attributable to fuel and shrinkage occurring in the gas processing facility in processing Seller's Gas. Also, Seller shall deduct in said invoice the cost of transporting fuel and shrinkage volumes to the processing facility, pursuant to Section 19.8 hereof; except that no such deduction for fuel and shrinkage or transportation shall be made if, as provided in Section 19.8, Seller shall restore the Btu equivalent of the gas used or lost to Buyer at a mutually agreeable point.

ARTICLE XIV.

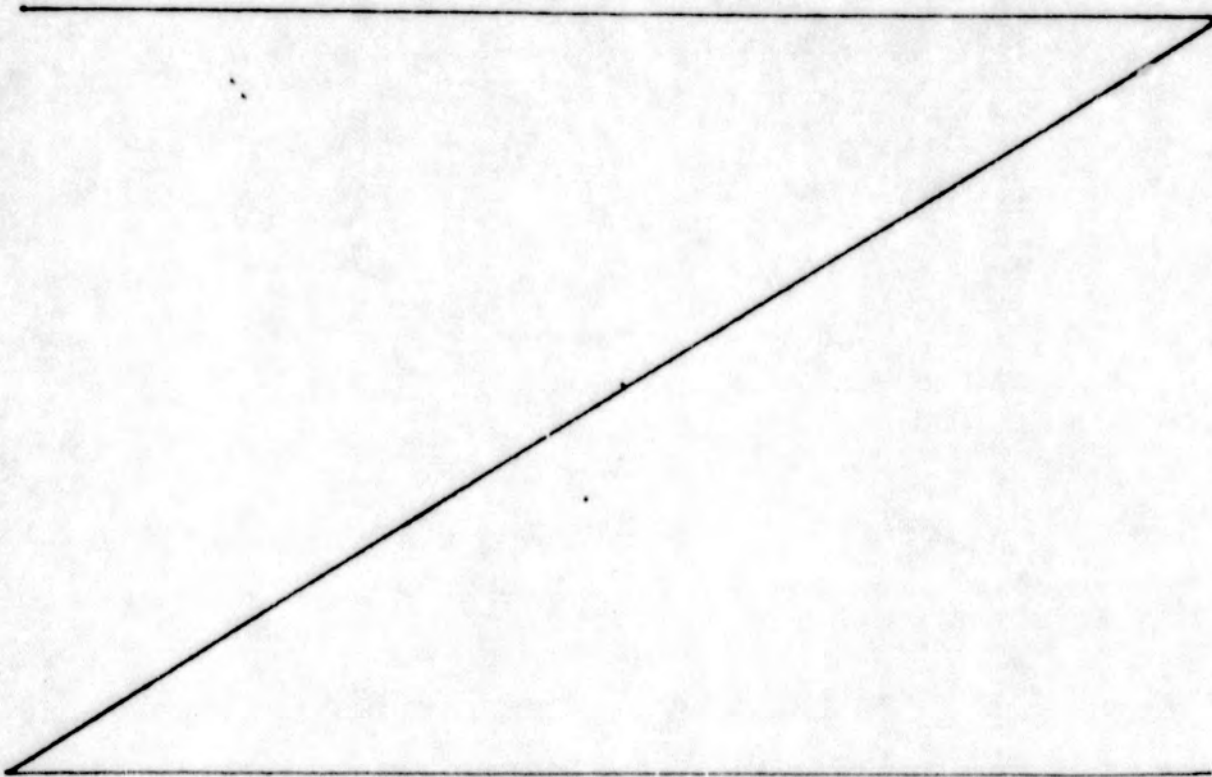
FINANCIAL RESPONSIBILITY

14.1 If, during the term of this Agreement, the financial responsibility of the Buyer becomes impaired or unsatisfactory to Seller, advance cash payment or security satisfactory to Seller shall be given by the Buyer upon demand of Seller, and deliveries may be withheld until such payment or security is received. If such payment or security is not received within fifteen (15) days from Seller's demand therefor, Seller may terminate this Agreement. In the event the Buyer makes an assignment for the benefit of creditors or any general arrangement with creditors, or if there are instituted by or against Buyer proceedings in bankruptcy or under any insolvency law or law for reorganization, receivership or dissolution, Seller may withhold deliveries or terminate this Agreement without notice. Seller's exercise of any right reserved under this ARTICLE shall be without prejudice to any claim for damages or any other right of Seller under this Agreement or applicable law.

ARTICLE XV.

TERM

15.1 This Agreement shall become effective as of the date first above written and shall continue in effect until Buyer has purchased and received three (3) trillion cubic feet of gas in accordance with provision of that certain agreement dated August 12, 1977, as referred to in second WHEREAS clause hereof, or until the leases and acreage committed to this Agreement no longer produce gas in commercial quantities, whichever is earlier.

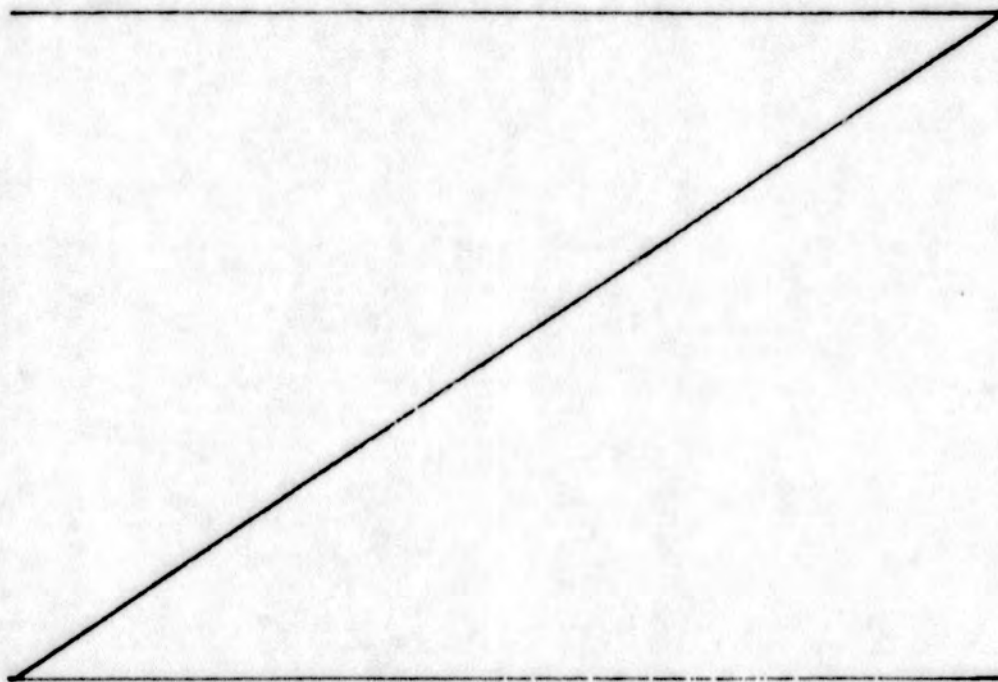


ARTICLE XVI.

WARRANTY OF TITLE AND PAYMENT OF ROYALTIES

16.1 Seller hereby warrants the title to all gas delivered hereunder, the right to sell such gas, and that it is free from all liens and adverse claims, and agrees, if notified thereof by Buyer, to indemnify Buyer against all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of any adverse claims of any and all persons to or against said gas.

16.2 Seller shall pay or cause to be paid to the parties entitled thereto all royalties, overriding royalties, payments out of production, and other like charges on gas delivered hereunder.



ARTICLE XVII.

REMEDY FOR BREACH

17.1 Either party may, at its option, terminate this Agreement upon written notice to the other party if: (i) the other party fails to pay any sum due in accordance with this Agreement within thirty (30) calendar days of receipt of written notice from the terminating party demanding said payment, or (ii) the other party fails to perform any material covenant or obligation (other than payment of a sum) imposed upon it in this Agreement (except where such failure shall be excused under the provisions of ARTICLE XVIII hereof) within a reasonable time and not more than sixty (60) days, exercising all due diligence, after receipt of written notice from the terminating party stating with particularity the covenant or obligation not performed. 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 or 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 Agreement.

ARTICLE XVIII.

FORCE MAJEURE

18.1 In the event of either party hereto being rendered unable, wholly or in part, by force majeure, to carry out its obligations under this Agreement, other than to perform the conditions specified in ARTICLE III hereof and 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.

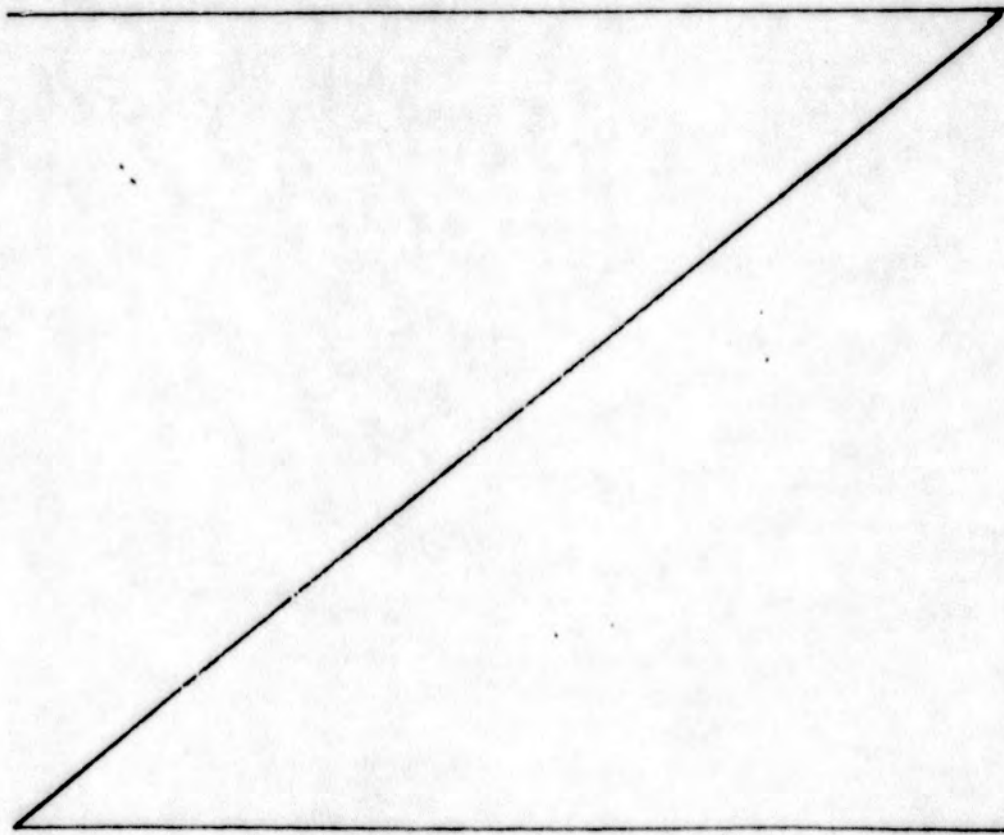
18.2 The term "force majeure" as employed herein shall mean acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, wars, blockades, military action, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms or storm warnings, crevasses, floods, 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 having jurisdiction over the operations of the facilities of either party hereto, including both civil and military authorities of the State of Alaska, the United States of America or the governments of Canada, 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, 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.

Such term shall not include any act on the part of any

purchaser or purchasers of gas from Buyer to reduce such purchaser or purchasers' takes of gas from Buyer; nor shall it include conditions described in ARTICLE III hereof.

18.3 The settlement of strikes or lockouts shall be entirely within the discretion of the party having the difficulty, and 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 opposing party when such course is inadvisable in the discretion of the party having the difficulty.



ARTICLE XIX.

PROCESSING

19.1 In the event Seller shall elect to process or cause the gas sold and delivered hereunder to be processed subsequent to delivery thereby to Buyer, such processing shall be at a location or locations acceptable to Seller and Buyer. If the location or locations agreed upon are on a pipeline system, it is recognized that the gas sold and delivered hereunder may have been commingled with other gas streams of different composition, or may have been diverted or used by Buyer, so that at the location or locations agreed upon for processing the composition of the gas in the pipeline system will not be the same as Seller's Gas sold and delivered hereunder. Buyer shall make available to Seller for processing a volume of gas flowing in the pipeline system sufficient to permit recovery of an amount of liquefiable hydrocarbons that would have been recovered if it were possible to process Seller's gas in a separate stream; provided, Buyer shall not be required to make available to Seller any volume of gas, and the liquids attributable thereto, which Buyer has sold to purchasers upstream of Seller's processing facilities. At the time the parties agree upon the location of the facilities for gas processing, as herein provided, the parties shall agree concerning any subsequent arrangements for withdrawals of gas from the pipeline system upstream of Seller's processing facilities.

Buyer will install or cause to be installed all facilities and equipment including metering facilities, necessary to effectuate delivery of the volume of gas to be processed from said location or locations on the pipeline system to the processing plant or plants. Similarly, Buyer shall install or cause to be installed all facilities and equipment, including metering facilities, necessary to effectuate the redelivery of processed gas from the processing plant or plants to the pipeline system.

19.2 Seller shall reimburse Buyer for an equitable portion, to be determined by mutual agreement of the parties, of the costs incurred by Buyer for installation of pipelines connecting the processing plant or plants with the pipeline. Seller shall also reimburse Buyer for an equitable portion of the value of the gas vented by Buyer in making the required connections. In the event the parties shall be unable to agree upon Buyer's costs or the value of the gas vented, then either party may proceed to arbitration in accordance with the procedure provided in Section 11.4 hereof, mutatis mutandis.

19.3 Seller shall furnish or cause to be furnished to Buyer, on or before the sixth day of the second month after commencement of such processing and each succeeding month, an allocation statement setting forth the amount of shrinkage in gas volumes resulting from such processing expressed in

Mcf and the heating value thereof attributable to gas processed by or for Seller during the second preceding month. Said allocation statement shall also set forth the percent of residue gas attributable to such gas. Buyer shall be entitled to adjust the payment otherwise due hereunder for the Btu content attributable to fuel and shrinkage in Seller's processing facility as set forth in Section 13.4 hereof.

19.4 Seller shall cause the installation, maintenance and operation of such measurement facilities, the conduct of such tests and analyses and the utilization of such procedures as are necessary for Seller or Seller's agent to determine the amount of shrinkage in gas volumes, the gross heating value thereof expressed in Btu's per cubic foot and the percent of residue gas attributed to gas processed by or for Seller. Seller shall not be required to measure the plant inlet or plant residue gas volumes in its determination of such volume of shrinkage or said percent of residue gas; however, Buyer shall have the right to have a representative present to witness the installation, calibration, testing, cleaning, changing, repairing or adjustment of Seller's equipment or other equipment used in determining such shrinkage in gas volumes.

19.5 Seller agrees to restore (or cause to be restored) any pressure decline greater than fifty (50) psig measured from plant inlet to plant outlet resulting from such processing.

19.6 Seller shall return processed gas to Buyer which has a water content no greater than the lower of (a) the water content of the gas delivered by Buyer to Seller for processing; or (b) a water content of seven (7) pounds per 1,000,000 cubic feet of gas.

19.7 All Seller's gas processing operations shall be at Seller's sole cost and expense, and Seller shall be deemed to be in exclusive control and possession while the gas is in Seller's possession and shall hold Buyer harmless from all injuries or damages which may occur as the result of Seller's exercise of its right to process gas hereunder.

19.8 As consideration for transporting or arranging transportation and delivery of gas to Seller for processing, Seller shall pay Buyer the cost of transporting the volumes of gas lost as shrinkage or lost in the processing operation at such rates as the FERC and the National Energy Board (NEB) of Canada may allow; however, it is agreed that Seller shall have the option of using gas from other gas sources available to Seller for delivery to Buyer at the processing location and/or at a mutually agreeable point or points up to the extent of the Btu content of the volume of shrinkage gas. The foregoing charge for transporting and delivering gas to Seller hereunder shall not be applicable if and to the extent that Seller restores the Btu equivalent of the gas used or lost in kind at the processing plant and/or at said mutually agreeable point.

ARTICLE XX.

MISCELLANEOUS AND ADDRESSES

20.1 No waiver by either party of one or more defaults by the other in the performance of any of the provisions of this Agreement 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.

20.2 This Agreement shall be binding upon and inure to the benefit of the legal representatives, successors and assigns of the respective parties hereto and shall be binding upon any purchaser or assignee of Buyer's properties or pipeline system and upon any purchaser or assignee of the properties of Seller which are subject to this Agreement, 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 Agreement insofar as it shall affect and relate to the property or interest sold or conveyed. It is agreed, however, that except as hereinafter provided, and as provided in Section 5.4, the respective rights and duties of the parties hereunder may not be assigned without the written consent of the other, provided, however, that such consent shall not be unreasonably withheld.

(i) Seller may assign, transfer, convey, and hypothecate, in one or more transactions, all or part of the

Leases, or create or carve out royalty or other interests in such Leases, but any such assignment, transfer or conveyance shall be expressly subject to this Agreement.

(ii) Either party herein may assign its rights hereunder in whole or in part to a wholly-owned subsidiary or to an affiliate. An affiliate is defined as a corporation controlling, controlled by or under common control with such party. No such assignment shall relieve a party hereto of any liability or responsibility hereunder.

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

20.4 This Agreement is subject to all applicable state and federal laws and all present and future applicable orders, rules and regulations of any governmental authority having jurisdiction, so long as such orders, rules and regulations shall be in force and effect, provided, however, that no such governmental order, rule or regulations shall be deemed effective to enlarge or increase the obligations of either party except after final judicial determination to that effect or the consent of the party affected.

20.5 Buyer is and shall be deemed to be a purchaser and transporter of Seller's Gas only and is not and shall not be deemed to be an owner, operator, partner, venturer, agent, participant, or otherwise involved in any of Seller's operations or facilities. Seller will be responsible for and will hold Buyer harmless from any damages or death or injury or civil penalties caused by or happening in connection with such operations or facilities. Buyer will be responsible for Buyer's facilities and will hold Seller harmless from any damages or death or injury caused by or happening in connection with operation of such facilities.

20.6 The parties hereto recognize that all operations conducted by or on behalf of Seller hereunder together with determining ownership and allocation of (i) Seller's Gas sold and delivered to Buyer and (ii) natural gas liquids which may be extracted from Seller's Gas, shall be governed by and subject to the Prudhoe Bay Unit Agreement and the Prudhoe Bay Unit Operating Agreement. It is therefore agreed that should any conflict arise between the Unit Agreements and this Agreement, the terms and provisions of the Unit Agreements shall be controlling.

20.7 All notices, requests and demands provided for in this Agreement shall be in writing and shall be addressed to the parties as follows:

Seller - Sohio Petroleum Company, a division of
Sohio Natural Resources Company
ATTENTION: D. D. Lybarger, Executive Vice President
100 Pine Street
San Francisco, California 94111

Buyer - Northern Natural Gas Company
ATTENTION: Supplemental Supplies Department
2223 Dodge Street
Omaha, Nebraska 68102

All statements and invoices provided for herein shall be
addressed to the parties as follows:

Seller - Sohio Petroleum Company, a division of
Sohio Natural Resources Company
ATTENTION: Controller
100 Pine Street
San Francisco, California 94111

Buyer - Northern Natural Gas Company
ATTENTION: Transmission Operating Division,
Planning and Control Department
2223 Dodge Street
Omaha, Nebraska 68102

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

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

ATTEST:

G. E. Taylor
Asst. Secretary

SELLER:

SOHIO NATURAL RESOURCES COMPANY

By:

D. D. Lybarger
Vice President

EBH
DET.

ATTEST:

[Signature]
Assistant Secretary

BUYER:

NORTHERN NATURAL GAS COMPANY

By:

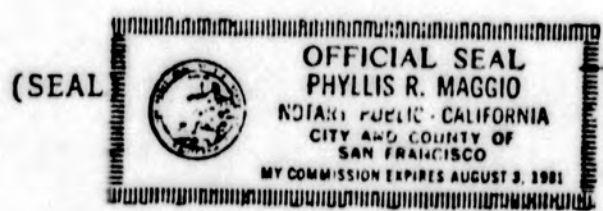
[Signature]
President

THE STATE OF California

COUNTY OF San Francisco

On this 6th day of August, 1979, personally appeared D. D. Lybarger, to me personally known, who being by me duly sworn did say that he is _____
—Vice President of Sohio Natural Resources Company and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and said _____ he acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.



Phyllis R. Maggio
Notary Public

My Commission Expires:
August 3, 1981

STATE OF Nebraska

COUNTY OF Douglas

On this 13 day of August, 1979,
personally appeared Sam F. Legner, to me personally
known, who being by me duly sworn did say that he is ~~Group Vice~~ President
of NORTHERN NATURAL GAS COMPANY and that the seal affixed to the foregoing
instrument is the corporate seal of said corporation, and that said instru-
ment was signed and sealed on behalf of said corporation by authority of
its board of directors, and said Sam F. Legner
acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my
official seal the day and year in this certificate above written.

(SEAL)

W. E. Barentin
Notary Public

My Commission Expires:



EXHIBIT A

Attached to and made a part of that Gas Sale and Purchase Agreement, Prudhoe Bay Unit, Alaska, dated July 1, 1979, between Sohio Natural Resources Company ("Seller") and Northern Natural Gas Company ("Buyer")

 In the following description of each Lease --

- (a) Sohio Natural Resources Company owns 100 percent of the total leasehold working interest before deducting Lessor's royalty.
- (b) Each lease reserves to the State of Alaska a one-eighth royalty in the hydrocarbons produced and saved.
- (c) Leases listed are Sellers' leases in the Initial Participating Areas.

Oil Rim Participating Area

<u>Unit Tract No.</u>	<u>ADL Serial No.</u>	<u>Legal Description</u>	<u>Gross Acres</u>
47	28260	Secs. 1, 2, 11, 12 T11N-R12E-UM	2,560
25	28277	Secs. 26, 35, 36 T12N-R13E-UM	1,920
24	28278	Secs. 27, 28, 33, 34 T12N-R13E-UM	2,560
23	28279	Secs. 29, 30, 31, 32 T12N-R13E-UM	2,459
44	28280	Secs. 1, 2, 11, 12 T11N-R13E-UM	2,560
45	28281	Secs. 3, 4, 9, 10 T11N-R13E-UM	2,560
46	28282	Secs. 5, 6, 7, 8 T11N-R13E-UM	2,469
57	28283	Secs. 17, 18, 19, 20 T11N-R13E-UM	2,480

Oil Rim Participating Area (Cont.)

<u>Unit Tract No.</u>	<u>ADL Serial No.</u>	<u>Legal Description</u>	<u>Gross Acres</u>
58	28284	Secs. 15, 16, 21, 22 T11N-R13E-UM	2,560
59	28285	Secs. 13, 14, 23, 24 T11N-R13E-UM	2,560
76	28286	Secs. 25, 26, 35, 36 T11N-R13E-UM	2,560
77	28287	Secs. 27, 28, 33, 34 T11N-R13E-UM	2,560
60	28305	Secs. 17, 18, 19, 20 T11N-R14E-UM	2,480
74	28309	Secs. 27, 28, 33, 34 T11N-R14E-UM	2,560
75	28310	Secs. 29, 30, 31, 32 T11N-R14E-UM	2,491
90	28311	Secs. 1, 2, 11, 12 T10N-R14E-UM	2,560
89	28312	Secs. 3, 4, 9, 10 T10N-R14E-UM	2,560
101	28315	Secs. 13, 14, 23, 24 T10N-R14E-UM	2,560
100	28330	Secs. 17, 18, 19, 20 T10N-R15E-UM	2,512
99	28331	Secs. 15, 16, 21, 22 T10N-R15E-UM	2,560
110	28333	Secs. 25, 26, 35, 36 T10N-R15E-UM	2,560
108	28335	Secs. 29, 30, 31, 32 T10N-R15E-UM	2,523
69	28343	Secs. 30, 31, 32 T11N-R16E-UM	1,851
111	28349	Secs. 29, 30, 31 T10N-R16E-UM	1,883

Gas Cap Participating Area

<u>Unit</u> <u>Tract No.</u>	<u>ADL Serial No.</u>	<u>Legal Description</u>	<u>Gross Acres</u>
47	28260	Secs. 1, 2, 11, 12 T11N-R12E-UM	2,560
25	28277	Secs. 26, 35, 36 T12N-R13E-UM	1,920
24	28278	Secs. 27, 28, 33, 34 T12N-R13E-UM	2,560
23	28279	Secs. 29, 30, 31, 32 T12N-R13E-UM	2,459
44	28280	Secs. 1, 2, 11, 12 T11N-R13E-UM	2,560
45	28281	Secs. 3, 4, 9, 10 T11N-R13E-UM	2,560
46	28282	Secs. 5, 6, 7, 8 T11N-R13E-UM	2,469
57	28283	Secs. 17, 18, 19, 20 T11N-R13E-UM	2,480
58	28284	Secs. 15, 16, 21, 22 T11N-R13E-UM	2,560
59	28285	Secs. 13, 14, 23, 24 T11N-R13E-UM	2,560
76	28286	Secs. 25, 26, 35, 36 T11N-R13E-UM	2,560
77	28287	Secs. 27, 28, 33, 34 T11N-R13E-UM	2,560
60	28305	Secs. 17, 18, 19, 20 T11N-R14E-UM	2,480
74	28309	Secs. 27, 28, 33, 34 T11N-R14E-UM	2,560
75	28310	Secs. 29, 30, 31, 32 T11N-R14E-UM	2,491
90	28311	Secs. 1, 2, 11, 12 T10N-R14E-UM	2,560
89	28312	Secs. 3, 4, 9, 10 T10N-R14E-UM	2,560
38	28320	Secs. 1, 2, 11, 12 T11N-R13E-UM	2,560

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

May 1, 1978

TO: Fred, Maynard, Lisa, Elke cc: Kay
FR: Barlow
RE: existing producer/purchaser sales contracts for Prudhoe gas:
 SCHIO - COLUMBIA
 B.P. - NORTHERN

Mike Stanfield of Loeb, Rhoades told me that of the original 6 advance payments contracts, 2 are still in existence: Columbia and Northern. /1

Attached are the interesting parts of the Columbia agreement (John Rader's office has the whole thing). The Columbia contract was later amended when BP merged with Sohio since BP already had a commitment with Northern.

There are some fascinating terms -- including price and quality. This seems to be the closest thing we have to knowing what the final producer contracts will look like.

/1 Apparently, the other 4 were contingent upon the purchasers obtaining a FPC ruling to allow them to charge their present consumers the "advance payments". FPC would not allow this. Since Columbia and Northern anticipated eating the advance payments without passing it on prior to gas receipt, their contracts still exist.

Note: It is interesting to note that while Northern is part of the Northwest and Northern Border consortium, Columbia is not. Stanfield suggests that Columbia's absence is due to their being a turkey -- since the line will be a common carrier they do not have to join in order to transport their gas.



THE STANDARD OIL COMPANY

MIDLAND BUILDING, CLEVELAND, OHIO, 44115

March 10, 1976

CHARLES E. SPAHR
CHAIRMAN

The Honorable John L. Rader, Chairman
Gas Pipeline Impact Committee
Alaska State Capital
State Capitol Building
Pouch V
Juneau, Alaska 99801

Dear Senator Rader:

I know that you are working hard for a gas pipeline that would be built from Prudhoe Bay south through Alaska, possibly along much of the right-of-way for the Trans Alaska Pipeline now under construction. I also understand your hope that Sohio could be able to support such a gas pipeline by committing its Prudhoe Bay gas to the proposed pipeline.

On February 19th in our response to questions you had asked on behalf of the Gas Pipeline Impact Committee we indicated that Sohio had entered into a Preliminary Gas Agreement with Columbia Gas dated August 3, 1971 covering our Alaskan gas. This agreement is still in effect and I expect that it will remain in effect. It gives Columbia Gas control of the ultimate disposition of the gas, subject to appropriate federal and state regulations and subject to Sohio and Columbia Gas reaching a final agreement on the price of the gas.

Our agreement with Columbia Gas is probably not fully understood by many in Alaska and elsewhere, and in fact, is a little bit complicated. It did serve as an important part of the early financing of the development of Sohio Prudhoe leases. I think your committee might find it useful to have a summary of what our agreement with Columbia Gas is all about and that's the purpose of this letter.

The Preliminary Gas Agreement covers all of Sohio's Alaskan gas except that which may be used for field purposes. The State of Alaska's royalty gas from our leases will be included unless the State elects to take its royalty in kind. In addition gas attributable to BP's net profits royalty interest in our leases will be included unless BP elects to take its royalty in kind. The agreement further provides that either Sohio or Columbia Gas may cause the other to enter into negotiations looking toward the signing of a regular gas purchase and sales contract of the type appended to the Preliminary Agreement as an exhibit. A regular agreement has not been signed nor have the negotiations started because there are

The Honorable John L. Rader, Chairman
Gas Pipeline Impact Committee
March 10, 1976
Page 2

still too many unknowns at this time with respect to the gas. These include how much gas Sohio will have available for sale, the rate the gas will be produced and when the production will start.

In order to get this right to negotiate for our gas, Columbia Gas was willing to pay us an advance of \$175 million as long as we used the money to develop our Prudhoe Bay leases. Sohio received the money in 1971, 1974, and 1975 and has used it for this purpose. Columbia Gas needed some assurance of getting its money back within a reasonable number of years. Since the timing of gas production was so uncertain, Sohio agreed it would repay the \$175 million advance in Prudhoe Bay oil after the field started producing. This advance and the repayment were provided for in a document called an Agreement for Sale and Purchase of Crude Oil. In effect, Columbia has bought \$175 million worth of oil for future delivery and paid for it in advance. When Columbia sells the oil it gets from us and receives an amount equal to the advance plus interest, the oil agreement will be at an end. Columbia has appointed Sohio as its agent to sell this oil on its behalf. In summary, Columbia Gas has loaned Sohio \$175 million to get the right to negotiate for the purchase of Sohio's Prudhoe Bay gas.

Both the Preliminary Gas Agreement and the Agreement for Sale and Purchase of Crude Oil are lengthy documents but if you want copies, I will be glad to send them to you.

Further background on these agreements might also be helpful. Our agreement with Columbia Gas was the first to be entered into with respect to Prudhoe Bay gas and many have asked us why we did this as early as 1971. I think the step we took was a good one, particularly in view of the financing problems we had at the time. When Sohio acquired its oil and gas interests in Alaska from BP in 1970, it recognized that the development costs of the field and the cost of building an oil pipeline across the State of Alaska, together with tankers to move the oil to the lower 48 states, would be a monumental physical and financial task. This was particularly true because Sohio was, and is, relatively small when compared to the size of this development. Consequently, as soon as the BP transaction had been agreed upon, we undertook to study every possible source of funds that was available to Sohio for this development. In making these studies, we kept in mind our need to preserve as much of our normal borrowing power as we could for the tremendous capital requirements of the oil pipeline once that project commenced.

We knew Sohio now had large oil and gas reserves in Alaska and that such reserves would have a sizable loan value as a source of development money, if they were located in the lower 48 states near transportation facilities.

The Honorable John L. Rader, Chairman
Gas Pipeline Impact Committee
March 10, 1976
Page 3

[We talked to banks about loans which would, in effect, be secured by a pledge of future production from these reserves. We met with no success. The oil pipeline project had been stopped by the courts, and the banks told us, in effect, that they would not loan money on a non-recourse basis against these reserves. The banks said that until the pipe started to go into the ground, non-recourse loans supported solely by these reserves would not be made. Additional credit would have to be pledged. They could not take the risk of loaning money solely against the reserves and then find that the pipeline would never be built. Unfortunately, all during this time inflation and environmental constraints were increasing the development costs by leaps and bounds.

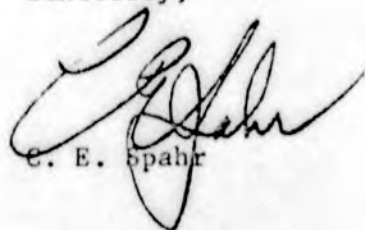
Faced with this situation, Sohio conceived and entered into the agreements with Columbia Gas. In return for agreeing to negotiate with Columbia for our gas, we were able in effect to use part of Columbia's borrowing power to supplement our own. By getting the money from Columbia we were able to carry on a continuous drilling program at Prudhoe during years when some owners stopped drilling completely.

[With this perspective and the fact that Columbia Gas will probably be the company determining and arranging for the transportation of this gas, I don't think Sohio should make any statements that could be interpreted as a commitment to any particular gas pipeline project. This would be contrary to the spirit of our agreements with Columbia Gas. This is also consistent with the Statement of Position we filed with the Federal Power Commission in April, 1975.

The State of Alaska and Sohio do have a mutual interest in seeing a pipeline to transport Prudhoe Bay gas. We hope that the current process involving all the interested parties and evaluating the alternative proposals will result in the selection of the project that is best for everyone. Your committee's proceedings will add to this record. Whether or not the matter is finally resolved in the Congress remains to be seen, but we all hope for an early determination.

?? [One other matter ought to be mentioned here. Though I am not thoroughly familiar with the arrangements other companies have made with respect to their Prudhoe gas, I believe that some made agreements which provided for advances to be made by the gas companies with the provision that if such advances did not become part of the rate base of the gas company, the agreement would not be effective. Our agreement with Columbia Gas has no such provision.

Sincerely,


C. E. Spahr

**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

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

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 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.

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

...herein set forth, and (ii) such changes or modifications in
...set forth in Exhibit B as may be necessary to make them consistent
...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 construc-
tion 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

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.

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

...at 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:

(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.

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:

- (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,

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

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

...notice requesting that negotiations be entered into for a
Purchase and Sales Agreement and the parties shall thereafter
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

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

SECTIONPAGE

1. COMMITMENT OF GAS RESERVES	1
2. RESERVATIONS OF SELLER	2
3. QUANTITY	5
4. PRICE	6
5. TAXES	7
6. DELIVERY POINT	7
7. DELIVERY PRESSURE	8
8. TERM	8
9. GOVERNMENTAL AUTHORIZATIONS AND CONSTRUCTION OF FACILITIES	9
10. MISCELLANEOUS	9
SIGNATURES AND ACKNOWLEDGEMENTS	11

EXHIBIT X. GENERAL TERMS AND CONDITIONS

11. DEFINITIONS	X-1
12. STATEMENTS AND PAYMENTS	X-2
13. QUALITY OF GAS	X-2
14. MEASUREMENTS	X-3
15. REGULATORY BODIES	X-6
16. WARRANTY OF TITLE TO GAS	X-7
17. FORCE MAJEURE	X-7
18. ARBITRATION	X-9
19. CONFLICTS	X-10

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 Permo-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.

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.

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 losses 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

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

1975-08-14 11:11 AM

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

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:

February 28, 1975

Columbia Gas Transmission Corporation
20 Montchanin Road
Wilmington, Delaware 19807

Gentlemen:

We take this means of responding to your inquiry as to whether we would be willing to provide you with gas which we may have for sale in the future in the State of Alaska from existing leases now held by us.

At this time we have the following interests in Alaska as far as they pertain to the subject matter of this letter.

1. BP Alaska Inc. ("Alaska") owns a net profits interest in the Prudhoe Bay area leases which are described in Exhibit A, Part I, to the Master Gas Agreement entered into between Alaska and Northern Natural Gas Company ("Northern Natural") as of January 1, 1972, a copy of which has been furnished to you, such Master Gas Agreement having heretofore been assigned by Alaska to BP Alaska Exploration Inc. ("Exploration"). On February 27, 1973, Alaska and Exploration entered into a Gas Option Agreement whereby Exploration has the right to take certain gas from Alaska's said net profits interest to help Exploration meet its obligation under the Master Gas Agreement. On February 27, 1973, by letter to BP Oil Corporation (now Sohio Petroleum Company), Alaska elected to take in kind under the Net Profits Interest gas to enable it to comply with the Gas Option Agreement.

2. Exploration, in addition to holding the Gas Option Agreement with Alaska referred to above, owns varying interests in leases shown in Exhibit X hereto. The gas covered by the Gas Option Agreement and gas from certain of the leases in Exhibit X are subject to the right and option of Northern Natural to purchase up to 3 trillion cubic feet under the Master Gas Agreement.

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D. C. H.

VICE PRESIDENT

Alaska and Exploration are willing to give and hereby give you the right and option to purchase gas as follows from the interests in certain existing oil and gas leases now held by Alaska and Exploration. This right and option shall be for a quantity of gas up to 5.6 trillion cubic feet during the life of the Prudhoe Bay field, less such gas as you will be entitled to receive under the Preliminary Gas Agreement dated August 3, 1971, as amended, between you and Sohio Petroleum Company, from the Prudhoe Bay leases described in Exhibit A to that Agreement.

Subject to such limitation, Alaska and Exploration give you this right and option with respect to the following quantities of gas:

(a) By Alaska, the gas attributable to its aforesaid Net Profits Interest over and above that delivered to Exploration under the Gas Option Agreement provided, however, that Alaska shall be under no obligation, and does not intend, to take gas in kind simply for the purpose of delivering it to Columbia because gas delivered to Columbia under the Preliminary Gas Agreement, as amended, includes gas attributable to the Net Profits Interest not taken in kind by Alaska. Alaska shall, however, deliver to Columbia any gas Alaska takes in kind under the aforesaid letter of February 27, 1973, but only if and to the extent that such gas is in excess of the amount Alaska needs to comply with its obligation under the Gas Option Agreement.

(b) By Exploration, a quantity equal to the sum of (1) the gas available under the Gas Option Agreement, and (2) the gas from its interests in the leases described in Exhibit X hereto, insofar as this sum exceeds the gas required to meet the 3 trillion cubic feet obligation to Northern Natural under the Master Gas Agreement.

Any gas sold to Columbia by Alaska and Exploration shall be priced in accordance with Article IV of the Master Gas Agreement and shall be sold subject to a Gas Sale and Purchase Agreement the same as or substantially similar to Exhibit B to the Master Gas Agreement. Columbia agrees to purchase such gas at such prices and under the terms and conditions of such a Gas Purchase and Sale Agreement.

Columbia Gas Transmission Corporation
Wilmington, Delaware

February 28, 1975
Page Three

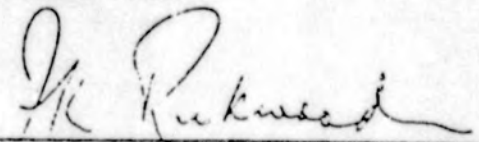
The right and option granted Columbia hereunder shall at all times be subject to the prior rights and interests of Northern Natural under the Master Gas Agreement.

By making this dedication of gas from its interests in the leases in Exhibit X, Exploration does not limit its right to sell, unitize, farmout, or otherwise manage, operate or otherwise dispose of any lease or any interest therein free and clear of any obligation to Columbia hereunder. Sale or other disposition by Alaska of any interest in its aforesaid net profits interest shall be subject to your rights to gas as set out in this letter.

Very truly yours,

BP ALASKA INC.

By



BP ALASKA EXPLORATION INC.

By



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

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

ROYALTY GAS SALES AGREEMENT

THIS AGREEMENT, made and entered into as of this _____ day of _____, 1976, by and between the Commissioner of Natural Resources of the STATE OF ALASKA, acting pursuant to AS 38.05.183(d), hereinafter referred to as "Seller," and Tenneco Alaska, Inc., an Alaskan 1/ corporation, hereinafter referred to as "Buyer";

WITNESSETH:

WHEREAS, Seller hereby represents to Buyer that Seller has the right under each of the leases identified in Exhibit A to this Agreement to be paid by the lessee thereunder a royalty of twelve and one-half percent (12.5%), unless otherwise stated in Exhibit A, in-kind (amount) or in value of the natural gas produced and saved and sold or used off of the lands covered by each such lease; and

WHEREAS, Seller hereby represents to Buyer that under each of the leases identified in Exhibit A to this Agreement Seller has reserved the right to elect to take either in-kind (amount) or in value its royalty gas; and

1/ An explanation of the footnotes is appended as the last page of this document.

WHEREAS, Seller represents to Buyer that Seller is authorized by AS 38.05.183(d) to sell royalty gas surplus to the intrastate domestic and industrial needs of the State of Alaska; and

WHEREAS, Buyer represents to Seller that it is or will be a natural gas company subject to the jurisdiction of the Federal Power Commission and desires to purchase natural gas from Seller so as, at the earliest possible date, to increase the supply of natural gas available to its customers or its affiliated pipeline companies in the contiguous 48 states; and

WHEREAS, Seller desires to sell royalty gas to Buyer and Buyer desires to purchase royalty gas from Seller under the terms and upon the conditions hereinafter set forth; and

WHEREAS, Buyer and Seller each desire certification and construction of a trans-Alaska gas pipeline system for movement of natural gas from Prudhoe Bay, Alaska to the contiguous 48 states;

NOW, THEREFORE, in consideration of the representations, covenants, and conditions herein contained, Seller and Buyer hereby agree as follows:

Article I

Support for Trans-Alaska Pipeline

In consideration of the obligations assumed by each herein, Buyer and Seller agree to actively support and seek before the Federal Power Commission, and any and all other involved federal, state and local authorities, representatives and individuals, the ultimate selection and implementation of a trans-Alaska gas pipeline system. "Pipeline" shall mean a large diameter gas pipeline (including expansion thereof) commencing at Prudhoe Bay, crossing Alaska in approximately the same route as the present Trans-Alaska Pipeline System oil pipeline, and terminating at a site in the Prince William Sound area (without limitation to others, the pipeline route sought by El Paso Alaska Company in Federal Power Commission Docket No. CP75-96 is a trans-Alaska gas pipeline system within the meaning of this Article).

Article II

Seller's Royalty Gas

2.1 Seller warrants that under the leases identified in Exhibit A of this Agreement, Seller has the right to take its royalty natural gas in-kind which amount it

represents is twelve and one-half percent (12.5%), unless otherwise stated in Exhibit A, and agrees that it will exercise this right at a time sufficient to deliver gas to Buyer on the date the pipeline is ready to receive gas. If the laws, rules or regulations of the United States of America, or any agency thereof, prevent Seller from exercising its right to take its royalty gas in-kind, this Agreement shall be void.

2.2 In addition to the price as provided in Article VI hereof, Buyer shall reimburse Seller for Buyer's pro rata share of any costs attributable to the preparation and transportation of gas to be delivered hereunder which costs Seller may incur as a result of Seller's election to take its royalty gas in-kind and which costs would not have been incurred by Seller if Seller had not elected to take its royalty gas in-kind. Seller shall use its best efforts to minimize any costs incurred by Seller by reason of Seller's taking royalty gas in-kind, such best efforts shall include but not be limited to litigation in cooperation with Buyer to the extent necessary to contest the imposition of unwarranted and/or improper charges.

2.3 In the event Buyer is unable to obtain approval of the Federal Power Commission (or any successor governmental agency having jurisdiction in the premises) to

include in Buyer's cost of service the costs Buyer is obligated to pay Seller under Section 2.2 herein, Buyer may terminate this Agreement six (6) months after receipt by Seller of written notice of Buyer's termination notice; provided, however, that any costs identified in Section 2.2 herein becoming due and payable by Seller prior to termination of this Agreement shall be reimbursed to Seller by Buyer regardless of approval of the Federal Power Commission to include such costs in Buyer's cost of service.

Article III

Quantity

3.1 Subject to the terms and conditions set forth in this Agreement, Seller hereby agrees to sell and deliver or cause to be delivered to Buyer and Buyer hereby agrees to purchase and receive or cause to be received from Seller on each day commencing with the date of first delivery hereunder and continuing during the term of this Agreement, fifty percent (50%) 2/ of Seller's royalty gas available at the point of delivery described in Article IV hereunder.

3.2 It is agreed that the base volume of gas to be sold by Seller and purchased by Buyer during the term of this Agreement (excluding gas that might be made available under Subsection 3.7(b)) may be less than but under no conditions shall it be in excess of one (1) trillion, three hundred (300) billion cubic feet. 3/

3.3(a) Commencing on the date of first delivery of royalty gas hereunder and continuing each day thereafter until the fifth (5th) anniversary date thereof, Seller shall have the right to reduce the quantity of royalty gas otherwise available for sale and delivery to Buyer under Section 3.1 above by up to and including twenty-five percent (25%).

3.3(b) Commencing on the fifth (5th) anniversary date of first deliveries and continuing each day thereafter until the tenth (10th) anniversary date thereof, Seller shall have the right to reduce the quantity of royalty gas available for sale and delivery to Buyer as set forth in Section 3.1 by up to and including fifty percent (50%).

3.3(c) Commencing on the tenth (10th) anniversary date of first deliveries and continuing each day thereafter until the fifteenth (15th) anniversary date thereof, Seller shall have the right to reduce the quantity of royalty gas available for sale and delivery to Buyer as set forth in Section 3.1 by up to and including seventy-five percent (75%).

3.3(d) Commencing on the fifteenth (15th) anniversary date of first deliveries and continuing each day thereafter until termination of this Agreement, Seller shall have the right to reduce the quantity of royalty gas available for sale and delivery to Buyer as set forth in Section 3.1 by up to and including one hundred percent (100%).

3.3(e) Reductions by Seller of the quantity of royalty gas as provided in this Section 3.3 shall not become effective prior to twelve (12) months following Seller's written notice to Buyer thereof.

3.4 Buyer hereby agrees that Seller shall have the right and power at any time during the term of this Agreement to change the percentages set forth in Subsections 3.3(a), 3.3(b), 3.3(c) and 3.3(d) above; provided, however, that no such change or changes shall become effective prior to twenty-four (24) months following Seller's written notice to Buyer thereof.

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.

3.6 Seller agrees that reservations similar to those available to Seller under Sections 3.2, 3.3, 3.4 and

3.5 shall be made in any contract providing for the sale of Seller's royalty gas from the leases identified in Exhibit A under contract for sale outside of Alaska and that the changes, up or down, in the amount of gas reserved for use in Alaska pursuant to this Article shall be made ratably from all such contracts.

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. Buyer shall have the right to purchase such gas at the highest price available to Seller for such gas from any other interstate bona fide purchaser. In the event there are no other interstate bona fide purchasers, the price shall be the price then being paid by Buyer for gas purchased under this Agreement. Buyer shall as soon as possible, but in no event later than twelve (12) months after receipt of Seller's offer to sell

such gas, give notice that it desires to purchase such gas or such right is waived by Buyer and Buyer shall have no further right to purchase that quantity of gas offered to Buyer by Seller. After receipt of such notice by Seller, Seller shall make available and Buyer shall take the necessary steps to receive such gas within two hundred ten (210) days.

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. 4/

3.8 Buyer hereby acknowledges that at any time after the effective date of this Agreement and prior to the

date of first deliveries hereunder, Seller shall have the right and power to initiate the taking of its royalty gas in-kind under the leases identified in Exhibit A hereto and to utilize, market or otherwise dispose of all or any portion of said royalty gas in any manner as Seller in its sole discretion, and at its sole expense, may determine; provided, however, that Seller agrees that any such arrangement shall not prevent Seller from making available for sale to Buyer on the date of first deliveries the quantity of gas committed to Buyer hereunder and not reserved by Seller pursuant to Sections 3.3 and 3.4.

3.9 Seller will provide Buyer at the beginning of each calendar year its best estimate of volumes under this Agreement which will be available during each calendar year of the next succeeding five (5) calendar years. This estimate shall not constitute the notices required by Subsection 3.3(e) and Section 3.4.

3.10 Buyer and Seller will cooperate to minimize any charges levied on gas liquefied and transported from Alaska to the contiguous 48 states. This Section shall not apply to any tariff established by the State of Alaska as owner of any portion of the transportation facilities.

3.11 Seller shall reimburse Buyer, at such time as Seller takes reserved gas pursuant to this Article, for a

percentage of any then undepreciated investment made by Buyer in any facilities upstream of the Pipeline. Such percentage of reimbursement shall be the same as the percentage the Seller's reserved gas is of the total gas which otherwise would have been sold to Buyer hereunder. Depreciation shall be calculated using generally accepted accounting principles.

Article IV

Delivery Point(s) and Delivery Pressure(s)

4.1 Delivery of Seller's royalty gas shall be at the point(s) the working interest owners of the leases identified in Exhibit A make delivery of gas to their purchasers or at any other point mutually agreed upon by the parties hereto.

4.2 Should Seller be required to take delivery of its royalty gas from the working interest owners of the leases described in Exhibit A at a point upstream from the delivery point as determined in Section 4.1 after exerting its best efforts to receive such gas at the delivery point as determined in Section 4.1, Buyer shall accept delivery at the point Seller receives its royalty gas. Seller shall have no obligation under this Section to enter into any agreement (except the leases identified in Exhibit A) regarding delivery points that will result in Seller's incurring any costs which Buyer will not reimburse.

4.3 Gas sold and delivered by Seller to Buyer hereunder shall be received by Buyer at the delivery point at the same pressure as the pressure the working interest owners deliver their gas to their purchasers, or at the pressure Seller receives its gas from the working interest owners if delivery is made under Section 4.2 hereof.

4.4 Seller shall retain the right to receive all liquids removed from the gas prior to its delivery to the Pipeline, whether removed before or after delivery of the gas to Buyer.

Article V

Quality

5.1 The gas to be delivered by Seller to Buyer at the delivery point(s) hereunder shall conform to the quality specifications applicable to the gas sold by the working interest owners from the leases identified in Exhibit A deliverable at the same delivery point(s).

Article VI

Price

6.1 Buyer and Seller recognize that as of the date of this Agreement, the price which Buyer may be allowed to pay and include in its jurisdictional resale rates has

not been determined. In consideration thereof, the price which Buyer shall pay Seller for gas purchased hereunder shall be determined in accordance with Section 6.2 or Section 6.3 or Section 6.4 or Section 6.5 and shall be subject to the adjustment as provided by Section 6.6; however, the price paid Seller for gas which Buyer reflects in its rates to jurisdictional customers shall never be higher than the price Buyer is permitted to retain in its jurisdictional resale rates as long as such rates are subject to regulation by the Federal Power Commission (or any successor governmental authority having jurisdiction in the premises).

6.2 Seller represents that Seller is not a "Person" as defined in the Natural Gas Act and therefore not subject to the provisions of said Act. Buyer is a natural gas company subject to the regulations of said Act. If at the time of first deliveries of gas hereunder the price of gas purchased hereunder is subject to the regulation of the Federal Power Commission (or any successor governmental authority having jurisdiction in the premises) because of the Commission's authority to regulate the rates at which Buyer resells such gas, then the initial price to be paid by Buyer to Seller hereunder shall be the highest area, national or ceiling rate allowed to be paid by any interstate gas purchaser to any working interest owner in the leases identified in Exhibit A under contracts of at least fifty (50) billion cubic feet and providing for substantially the

same quality and conditions of delivery as in this Agreement. The price to be paid thereafter, shall be subject to all periodic changes permitted in accordance with the applicable and governing portions of the Rules and Regulations of the Federal Power Commission, (or of any successor governmental authority having jurisdiction in the premises), or such other changes in price as may be permitted by any new area, national or ceiling rates applicable to the gas sold under the leases identified in Exhibit A, which may subsequently be established. Such price shall include all applicable adjustment provisions prescribed or permitted; provided, however, such price adjustment provisions which relate to charges for which Seller is reimbursed pursuant to Article II hereof shall be excluded. If Buyer is subsequently unable to obtain approval of any portion of such price in Buyer's cost of service and required to refund that portion of such price to its customers, Seller shall refund such portion of the price to Buyer.

In the event gas sold by a producer or producers from the leases identified in Exhibit A is permitted a price higher than the area, national or ceiling rates, under Federal Power Commission regulations relating to Optional Pricing, Temporary or Emergency Sales, Commission Order Nos. 481 or 533, as amended, or other similar regulations or orders, then the price paid for Seller's royalty gas attributable to such production will be increased to that higher price.

In no instance shall the price paid Seller be less than the price paid producers for their gas from the same reservoir for same or similar sales in interstate commerce.

6.3 If at the time of first deliveries of gas hereunder the price of gas sold from the leases identified in Exhibit A is not regulated by the Federal Power Commission (or any successor governmental authority having jurisdiction in the premises), then the initial price for gas delivered hereunder shall be the highest price being paid by any interstate gas purchaser for gas under contracts of at least fifty (50) billion cubic feet and providing for substantially the same quality and conditions of delivery as in this Agreement and produced from the leases identified in Exhibit A.

6.4 If the Federal Power Commission (or any successor governmental authority having jurisdiction in the premises) shall at any time after commencement of the first delivery cease (after commencing) to regulate the price applicable to natural gas of any vintage produced from the leases identified in Exhibit A and sold in interstate commerce, which deregulation would prevent the Federal Power Commission from excluding the price Buyer pays under this Agreement from its cost of service and would have applied to Seller had Seller been subject to governmental regulation, then upon notice of written election given by Seller or Buyer to the other not later than sixty (60) days after the

effective date of such deregulation, the price of gas sold by Seller to Buyer hereunder shall be redetermined in accordance with the provisions of Section 6.5.

The redetermined price shall be agreed to by the parties and become effective within ninety (90) days after the notice has been given as aforesaid, or if the parties shall fail to agree, the redetermined price shall be established by arbitration. The redetermined price shall remain in effect until later changed in accordance with the pricing provisions of this Agreement.

6.5 Seller or Buyer shall have the option to cause the price being paid for the gas sold hereunder to Buyer to be redetermined every twelve (12) months, such to be effective on the anniversary of such redetermination under Section 6.4 hereof. The request for a price redetermination shall be given in writing not later than one hundred twenty (120) days prior to the beginning of the period for which the price redetermination is requested.

Within the same one hundred twenty (120) days following such request for a price redetermination, the parties shall meet to redetermine such price. Such redetermined price shall be the higher of (1) the highest price being paid for gas sold in interstate commerce from the North Slope of Alaska set out in a contract selling at least

fifty (50) billion cubic feet executed in the one (1) year period immediately preceding said notice and providing for substantially the same quality and conditions of delivery and having a term of at least five (5) years, or (2) the highest price being paid under a renegotiation or price redetermination clause of any contract for gas sold in interstate commerce from the North Slope of Alaska selling at least fifty (50) billion cubic feet and providing for substantially the same quality and conditions of delivery and having a term of at least five (5) years. In the event there are no comparable contracts executed in the one (1) year period, or no contracts under which the price has been renegotiated or redetermined, the parties shall meet to agree upon a price. If the parties are unable to agree, the matter shall be submitted to arbitration as provided in Article VII.

It is agreed that the parties shall have the full one hundred twenty (120) days to reach voluntary agreement on the redetermined price. However, at any time after negotiations have been in process more than thirty (30) days but less than one hundred twenty (120) days, either party may request in writing that the matter be submitted to arbitration as provided in Article VII of this Agreement.

A redetermined price established by arbitration shall become effective as of the later of (1) the date the

Board renders its decision, or (2) one hundred twenty (120) days after the giving of notice of the request for a price redetermination.

In no event shall the redetermined price be less than the price being paid to Seller by Buyer immediately preceding the initial redetermination.

6.6 If it is found upon tests that the gas being delivered hereunder shall have a gross heating value of more or less than one thousand (1000) British thermal units per cubic foot, then the price payable for such gas shall be increased or reduced. Such increased or reduced price shall be determined by multiplying the price otherwise payable for such gas by a fraction the numerator of which is the actual gross heating value of the gas delivered, expressed in British thermal units per cubic foot, and the denominator of which is one thousand (1000).

Article VII

Arbitration

7.1 In the event either party shall request arbitration of any dispute arising under this Agreement, there shall be established a board of three (3) arbitrators to be selected as follows: either Seller or Buyer may, at

the time such board of arbitration is desired, notify the other of the name of an arbitrator, and such other party shall, within ten (10) days thereafter, select an arbitrator and notify the party desiring arbitration of the name of such arbitrator. If such other party shall fail to name a second arbitrator within ten (10) days, then the party which first served the notice may, on three (3) days' notice to the other party, apply to the person who is Chief Judge of the United States District Court for the District of Alaska for the appointment of such second arbitrator. The two (2) arbitrators chosen as above shall, within ten (10) days after the appointment of the second arbitrator, choose a third arbitrator, and in the event of their failure to do so within said ten (10) days, either of the parties hereto may in like manner, on three (3) days' notice to the other party, apply to the person who is such Judge for the appointment of a third arbitrator and in such case the arbitrator appointed shall act as the third arbitrator. The arbitrators selected hereunder shall be qualified by education and experience to consider the question involved. The Board shall promptly fix a reasonable time and place for the hearing, at which time each of the parties hereto may submit such evidence as it may see fit. If within such thirty (30) days a decision is not rendered by the board, new arbitrators may be named, at the election of either Seller or Buyer, and shall act hereunder in like manner as if none had been previously named. The action of a majority of the members of the board shall govern and their decision in

writing shall be final and binding on the parties hereto. Each party shall pay the compensation and expenses of its own counsel, witnesses and employees. All other costs of the arbitration shall be equally divided between Seller and Buyer.

Article VIII

Term

8.1 This Agreement shall become effective upon the execution and approval as provided in Section 11.6 hereof and, except as provided in Subsection 3.7(a) hereof, shall continue and remain in force and effect for a period of twenty (20) years from the date of first deliveries or until the base volume of gas as set forth in Section 3.2 hereof has been delivered, whichever is earlier; provided that if, prior to the expiration of the term hereof, the volumes of gas available for delivery hereunder shall be so reduced by the decline in production that further production of gas for delivery hereunder 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 Agreement is no longer profitable may give notice to the other, which notice shall give the reason for such non-profitability and on the two

hundred tenth (210th) day after the giving of such notice this Agreement shall terminate unless the parties before that time agree to extend the terms hereof prior to the end of that two hundred ten (210) day period. This Article is not applicable to gas which Seller makes available to Buyer under Subsection 3.7(b) hereof.

Article IX

Seller's Reservation

9.1 Seller shall retain the right to process the gas or have the gas processed, before and/or after delivery to Buyer, for the recovery of liquefiable hydrocarbons other than methane, (propanes, ethanes, butanes and heavier hydrocarbons) 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 processing plant). Gas so processed in a plant shall be delivered, redelivered, measured and accounted for in accordance with procedures mutually satisfactory to Buyer and Seller. Seller shall not reduce the heating content of the gas remaining after processing below one thousand (1000) British thermal units per cubic foot. Seller shall reimburse Buyer for all transportation charges, liquefaction charges and regasification charges attributable to the volume removed by processing, including fuel and shrinkage. Should such processing occur downstream of the delivery

point hereunder, appropriate adjustment shall be made to the volume of gas delivered by Seller to Buyer to give effect to all reduction of delivered volumes as a result of such processing.

Article X

Notices

10.1 Notices to be given hereunder shall be deemed sufficiently given and served when and if deposited in the United States mail postage prepaid and certified or registered, addressed to Seller at _____, or to Buyer at _____, as the case may be, or to such other address as either party shall respectively hereafter designate in writing.

10.2 Routine communications, including monthly statements and payments shall be considered as duly delivered when mailed by either registered mail or ordinary first class mail, postage prepaid.

Article XI

Conditions Precedent

11.1 Seller acknowledges that Buyer shall have no obligation to perform any of its undertakings set forth in this Agreement, other than its undertaking to actively

support the ultimate (government) selection of the Pipeline for the movement of natural gas from the North Slope of Alaska to market, until and unless all governmental approvals necessary for initiation and implementation of the Pipeline are granted; provided however, that costs incurred by Seller by reason of Seller's election to take its royalty gas in-kind shall be reimbursed to Seller by Buyer as provided in Section 2.2 herein.

11.2 In the event that on or before December 31, 1978, all regulatory approvals have not been issued and been accepted by Buyer or the applicant to construct the Pipeline which Buyer or Seller deems necessary to enable Buyer or Seller to perform its obligations under or receive the benefits of this Agreement, either party may thereafter terminate this Agreement by giving written notice to the other party not less than ten (10) days prior to the effectiveness of said action.

11.3 Promptly after approval of this Agreement by concurrent resolution of a majority of each house of the Alaska State Legislature, Buyer shall proceed with diligence in the preparation, filing and prosecution of such applications, petitions, pleadings and other filings with the Federal Power Commission as may be required to obtain all necessary rate, tariff, and/or certificate authorizations, approvals and rulings, as the case may be, related to Buyer's undertakings set forth in this Agreement.

11.4 Prior to the time that a Federal Power Commission order granting a Certificate of Public Convenience and Necessity to the Pipeline becomes final and non-appealable, the Governor of Alaska may give written notice to Buyer of his decision, and reasons therefor, to support a project other than the Pipeline and such notice shall not be deemed a default of Seller's obligations under Article I hereof. Should Buyer elect to support the project designated in the Governor's notice, such project shall be considered the "Pipeline," and Buyer's rights hereunder shall continue. If Buyer does not give notice of its decision to support the project designated in the Governor's notice within thirty (30) days after receipt of the Governor's notice, this Agreement and all rights and obligations hereunder shall terminate.

11.5 This Agreement may be terminated by directive of the Governor of Alaska to the Commissioner of Natural Resources and the serving of a written notice to Buyer by said Commissioner, which notice may be given anytime after a Federal Power Commission order denying El Paso Alaska in Docket No. CP75-96 a Certificate of Public Convenience and Necessity, becomes final and non-appealable, or after an order of the Federal Power Commission granting a Certificate of Public Convenience and Necessity to a project or system other than the Pipeline becomes final and non-

appealable. Such termination shall not prejudice Buyer's position in negotiations for subsequent purchases of gas from Seller.

11.6 This Agreement shall not take effect until approved by concurrent resolution of a majority of each house of the Alaska State Legislature.

Article XII

Exhibits and General Terms and Conditions

12.1 Exhibit A and the General Terms and Conditions attached to this Agreement are by this reference incorporated into and made a part of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in four (4) original counterparts on this day and year first above written.

"BUYER"

COMMISSIONER OF NATURAL RESOURCES
OF THE STATE OF ALASKA

ATTEST:

ATTEST:

This "General Terms and Conditions" is attached and made part of Royalty Gas Sales Agreement dated _____ 1976, by and between _____ as Buyer, and _____ as Seller.

SECTION 1	Definitions	2
SECTION 2	Responsibility.	4
SECTION 3	Meters.	4
SECTION 4	Units of Volume	7
SECTION 5	Gas Measurement	8
SECTION 6	Billing and Payment	11
SECTION 7	Receipt of Available Gas.	12
SECTION 8	Title	12
SECTION 9	Force Majeure	13
SECTION 10	Rules and Regulations	15
SECTION 11	Successors and Assigns.	16
SECTION 12	Conformity with Producer Sales Contract.	16
SECTION 13	Miscellaneous	17

General Terms and Conditions

I. DEFINITIONS

The following terms, when used in this General Terms and Conditions and in the foregoing portion of this Royalty Gas Sales Agreement, shall have the following meanings, regardless of capitalization:

1.1 The term "lease or leases" shall mean the oil and gas leases and portions thereof which are described in Exhibit A hereto attached and made a part hereof.

1.2 The term "lessee" shall mean the party or parties owning working interest in the lease or leases.

1.3 The term "gas" shall include casinghead gas produced with crude oil, gas well gas, and residue gas resulting from processing either casinghead gas or gas well gas or both.

1.4 The term "casinghead gas", as used herein, excludes gas cap gas and shall mean gas produced with crude petroleum from an oil well, all or substantially all of which is indigenous to the oil strata from which such crude petroleum oil is produced, together with gas lift gas produced with oil whether originally produced from the same oil stratum or not.

1.5 The term "gas well gas" shall mean all other gas, including gas cap gas, or the mixture of hydrocarbon gases produced from the leases other than that includable within the definition of casinghead gas.

1.6 The term "day" shall mean a period of twenty-four (24) consecutive hours beginning at 7:00 o'clock A.M. Alaska Standard Time. The reference date for any day shall be the date of the beginning of such day.

1.7 The term "month" shall mean the period beginning at 7:00 o'clock A.M. Alaska Standard 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.

1.8 The term "cubic foot of gas" means the volume of gas contained in one cubic foot of space at a standard pressure base and a standard temperature base. The standard pressure base shall be fourteen and sixty-five one hundredths (14.65) pounds per square inch absolute and the standard temperature base shall be sixty (60) degrees Fahrenheit.

1.9 The term "year" shall mean each successive period of twelve (12) consecutive months beginning on the first day of the month in which deliveries of gas are commenced to Buyer hereunder and any anniversary of such date.

1.10 The term "anniversary date of first delivery" shall mean the same date of each succeeding year as the date of first deliveries.

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).

2. RESPONSIBILITY

2.1 Buyer shall not be responsible for the gas prior to its delivery hereunder and Seller shall hold Buyer harmless against any damage or injury caused thereby until same has been delivered to Buyer at the delivery point or points hereunder, after which delivery Buyer shall be deemed in exclusive control and possession thereof and responsible for said gas and shall hold Seller harmless against any injury or damage caused thereby, except that while the gas is being processed by or on behalf of Seller, Buyer shall not be deemed in control or possession thereof and shall not be responsible for said gas.

3. METERS

3.1 Buyer, at its sole cost and expense, shall install, maintain and operate, or cause to have installed, maintained, and operated, at each delivery point, a standard

type orifice meter or meters for the measuring of the quantity of gas delivered hereunder. Orifice meters shall be installed and operated in accordance with the specifications prescribed in Gas Measurement Committee Report No. 3, as revised and reprinted September 1969, of the Natural Gas Department of the American Gas Association, as supplemented and modified from time to time. Buyer shall cause the charts on such meters to be changed each day, or at such other times as may be agreed upon by the parties hereto. The meters, meter readings and meter charts shall be accessible at all reasonable times to inspection and examination by Seller.

3.2 From time to time and at least once each month, the accuracy of Buyer's measuring equipment shall be verified by and at the expense of the Buyer. If either party at any time shall notify the other that it desires a special test of any meter, the other party shall cooperate to secure an immediate verification of the accuracy of such meter and joint observation of any adjustments. If any such test shall be requested by Seller and upon such test, the measuring equipment shall be found to be registering correctly, the cost of such test shall be charged to Seller, otherwise the cost of all such tests shall be borne by Buyer. Buyer shall give notice to Seller of the time of all tests made pursuant to this Section in order that Seller may conveniently have its representative present. Calibration and

adjustment of Buyer's meters and changing of charts shall be done only by Buyer.

3.3 If, upon any test, the percentage of inaccuracy shall be two percent (2%) or more, the registration of such meter shall be corrected at the rate of such inaccuracy for any period which is definitely known or agreed upon, but in case the period is not definitely known or agreed upon, then for a period extending back one-half (1/2) the time elapsed since the date of the last calibration. Following any test, metering equipment found inaccurate shall be immediately restored by Buyer as closely as possible to a condition of accuracy. If, for any reason, any meter is out of service or out of repair so that the amount of gas delivered cannot be estimated or computed from the reading thereof, the amount of gas delivered through the period such meter is out of service or out of repair shall be estimated and agreed upon by the parties hereto upon the basis of the best available data, using the first of the following methods which is feasible:

a. By using the registration of Seller's check meter if installed and accurately registering.

b. By correcting the error if the percentage of error is ascertainable by calibration test or mathematical calculation.

c. By estimating the quantity of deliveries by deliveries during preceding periods under similar conditions when the meter was registering accurately.

3.4 Seller may, at its option and expense, install and operate or cause to be installed and operated check meters to check Buyer's meters, but measurement of gas for the purpose of this Agreement shall be by Buyer's meter, except as hereinabove specifically provided to the contrary. Such check meters and equipment shall be so installed as not to interfere with the operation of the meters to be installed and maintained by Buyer at or near the points of delivery.

4. UNITS OF VOLUME

4.1 The unit of volume for all purposes hereunder (except as otherwise specified in Subsection 4.2 of this Section 4) shall be one thousand (1000) cubic feet at an absolute pressure of fourteen and sixty-five hundredths (14.65) pounds per square inch at a temperature of sixty (60) degrees Fahrenheit.

4.2 The unit of volume for the determination of the gross heating value of the gas purchased hereunder shall be the amount of gas, saturated with water vapor, which would occupy a volume of one (1) cubic foot at a temperature of sixty (60) degrees Fahrenheit and under a pressure equivalent to thirty (30) inches of mercury at thirty-two (32)

degrees Fahrenheit. Such gross heating value shall be expressed in British thermal units per cubic foot.

5. GAS MEASUREMENT

5.1 The volumes of gas delivered hereunder shall be computed in accordance with the specifications prescribed in Gas Measurement Committee Report No. 3, as revised and reprinted September, 1969, of the Natural Gas Department of the American Gas Association, as supplemented and modified from time to time, applied in a practical and appropriate manner, and appropriate correction shall be made for deviation of the gas from Boyle's Law in accordance with said Gas Measurement Committee Report No. 3. Any additional data required to be developed in accordance with recommendations contained in such report shall be jointly determined by the parties hereto in a manner mutually agreeable.

5.2 For the purpose of measurement, the absolute atmospheric (barometric) pressure shall be agreed upon for each point of delivery hereunder based on the actual elevation or location of the delivery point above sea level and shall thereafter be deemed to remain constant regardless of variations in the actual barometric pressure from time to time.

For meters of the orifice type the following factors shall be given due consideration:

a. The temperature of the gas flowing through Buyer's meters shall be obtained by the use of a recording thermometer so installed by Buyer that it may properly re-record the temperature of such gas. The arithmetical average of the hourly temperature during the period gas passed shall be used to make proper computations of volumes hereunder.

b. The specific gravity of the natural gas shall be determined by Buyer by calculation (compensated for any difference between the specific gravity in the ideal state and in the real state in accordance with published procedures adopted by the Gas Measurement Committee of the American Gas Association) utilizing the analysis of the natural gas determined in accordance with Subsection 5.3 of this Section 5. The specific gravity so determined shall be utilized during the applicable period of time referred to in said Subsection 5.3.

5.3 Each three (3) months or as near the first of each three (3) months' period as practicable, Buyer shall sample and analyze the gas delivered hereunder at each delivery point for determination of its constituents and the total gross heating value thereof. The "Method for Natural Gas Analysis by Gas Chromatography, Revised and Adopted as Standard, 1964, by the Natural Gas Processors Association,"

as supplemented and modified from time to time, shall be used in making such determination. Copies of each such analysis shall be furnished by Buyer to Seller. Should Seller not be satisfied with the results of such analysis, it shall notify Buyer in writing. Promptly thereafter, representatives of the parties shall obtain simultaneously under normal operating conditions two (2) samples of the gas delivered hereunder at the point of delivery in question in appropriate sampling devices of the same type. Each of the parties shall take one (1) such sample and subject it to appropriate laboratory analyses to determine the total gross heating value thereof, reporting the results thereof in writing to the other. The average of the total gross heating value shown by such two (2) analyses shall be used for all purposes of this Agreement for the period covered by the analyses made by Buyer which gave rise to the joint determination.

5.4 Buyer reserves the right to install and utilize recording gravimeters and/or calorimeters at any and all delivery points for the determination of specific gravity and gross heating value in lieu of the testing procedures provided in Subsections 5.2(b) and 5.3 of this Section 5.

5.5 Buyer shall give notice to Seller of the time of all tests of gas delivered hereunder or of any equipment

used in measuring or determining the nature of quality of such gas, in order that Seller may conveniently have its representative present. Should Seller not be satisfied with any such tests, it shall so notify Buyer and Buyer shall perform such retests as may be necessary to assure an accurate test.

6. BILLING AND PAYMENT

6.1 On or before the fifteenth (15th) day of each month after deliveries of gas are commenced hereunder, Buyer shall render to Seller a statement showing the amount of gas delivered by Seller and the amount of gas purchased by Buyer hereunder during the preceding calendar month and payment for gas sold hereunder by Seller shall be made by Buyer to Seller on or before the twenty-fifth (25th) day of the calendar month in which such statement is rendered.

6.2 Upon request, Buyer shall furnish or cause to be furnished Seller the measurement charts applicable to any monthly statement. Seller shall return to Buyer all charts after thirty (30) days.

6.3 Any error or discrepancy in charts or statements furnished pursuant to the above shall be promptly reported to Buyer and Buyer shall make proper adjustment thereof within forty-five (45) days after final determination of the

correct volumes or values involved; provided, however, that if no such errors or discrepancies are reported to Buyer within two (2) years from the date of such chart or statement the same shall be conclusively deemed to be correct.

6.4. Seller shall have access to Buyer's records and books at all reasonable hours so far as they affect measurement and settlement for gas sold hereunder.

7. RECEIPT OF AVAILABLE GAS

7.1 In accordance with the provisions hereof, Buyer shall proceed diligently to seek such authorization as required to receive gas then available for delivery by Seller hereunder. Thereafter, as additional gas becomes available for delivery to Buyer hereunder at additional points of delivery, Seller shall notify Buyer in writing, or cause Buyer to be so notified, of the availability of such additional gas, and thereafter Buyer shall proceed diligently to seek such authorization as required for Buyer to receive such additional gas.

8. TITLE

8.1 Seller hereby warrants title to the gas sold by it hereunder and its right to sell the same and warrants that all such gas is owned by Seller free from all liens, encumbrances and adverse claims.

9. FORCE MAJEURE

9.1 In the event of either Buyer or Seller being rendered unable by force majeure to perform a duty or an obligation under the Royalty Gas Sales Agreement, the performance of said duty or obligation by the party affected by such force majeure shall be suspended without liability to the other party to the Royalty Gas Sales Agreement during the continuance of the period of inability caused by force majeure but for no longer period, and the party whose performance is thus suspended shall, so far as possible, take all actions within its control to remedy the cause of its non-performance with all reasonable dispatch.

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, or making repairs or alterations 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), 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 Agreement 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 1 shall mean and include any person or persons, corporate or otherwise, with whom Seller enters into or has agreements for the conditioning, processing, compressing, or transportation, for its account, of the gas to be delivered hereunder from the point of delivery hereunder to Buyer's facilities.

9.2 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.

10. RULES AND REGULATIONS

10.1 This Agreement is subject to all present and future valid laws and valid orders, rules and regulations of the United States, the State of Alaska, or any duly constituted agency thereof.

11. SUCCESSORS AND ASSIGNS

11.1 This Agreement shall bind and benefit the parties hereto and their respective successors and assigns, provided that no conveyance or transfer of any interest of either party shall be binding upon the other party until such other party has been furnished with written notice and true copy of such conveyance or transfer; provided, further, that either Buyer or Seller, or both, may assign its right, title and interest in, to and by virtue of this Agreement, including any and all extensions, renewals, amendments and supplements thereto to a trustee or trustees, individual or corporate, as security for bonds or other obligations or securities, without such trustee or trustees assuming or becoming in any respect obligated to perform any of the obligations of the assignor, and if any such trustee be a corporation, without its being required by the parties hereto to qualify to do business in the State of Alaska, but no such assignment shall serve to relieve the assigning party of its obligations hereunder.

12. CONFORMITY WITH PRODUCER SALES CONTRACT

12.1 Seller and Buyer recognize that this Agreement is being entered into prior to sales agreements by the working interest owners. Each party further recognizes that Seller's royalty gas will be commingled with the gas of the working interest owners and that consequently Seller's gas will be produced, gathered and treated identically with the

gas of the working interest owners. It is therefore agreed between the parties that if terms, conditions, or clauses are included in contracts for the sale of gas from the leases identified in Exhibit A by the working interest owners which terms, conditions, or clauses are more favorable to the vendor than the terms, conditions or clauses of Sections 3, 5 and 6 of these General Terms and Conditions herein, Seller shall at its sole option have the right to include such term, condition or clause into this Agreement by giving Buyer written notice within ninety (90) days after approval by the Federal Power Commission of said working interest owner's contract for the sale of its gas.

13. MISCELLANEOUS

13.1 No waiver by either party of one or more defaults by the other in the performance of any of the provisions of this Agreement 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.

13.2 This Agreement, and the construction and interpretation thereof, shall be governed by the laws of the State of Alaska.

13.3 Article headings used in this Agreement are for convenience only and shall not affect the construction of this Agreement.

13.4 This Agreement may be supplemented, amended or modified only by a written instrument duly executed by the parties hereto.

13.5 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 Agreement (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 this Agreement by reason thereof. The party in default shall have sixty (60) days from the receipt of such notice to remedy such default and to pay or indemnify the other party all loss or damage incurred as a result thereof, and upon failure so to do, this Agreement shall terminate from and after the expiration of such sixty (60) 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 Agreement.

13.6 If any provision or clause of this Agreement or application thereof to any person or circumstances is held

invalid, such invalidity shall not affect other provisions or applications of the Agreement which can be given effect without the invalid provision or application.

13.7 Seller and Buyer shall each preserve all test data, charts and other similar records as required by the Federal Power Commission.

Exhibit A

Attached to and Made a Part of a Royalty Gas Sales Agreement dated _____, 1976, Between _____ "Buyer" and _____ Seller", With Respect to Certain Royalty Gas Owned and Taken In-Kind by _____ Under the Leases Described Herein Covering Lands in the State of Alaska.

Each of the following described Leases reserves to the State of Alaska a one-eighth (1/8) royalty interest, unless otherwise stated.

<u>Lease Serial No.</u>	<u>Legal Description</u>	<u>Gross Acres</u>
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EXPLANATION OF FOOTNOTES

The preceding agreement for the sale of royalty gas is a copy of the Agreement between the State of Alaska and Tenneco Alaska, Inc. The Agreements between the State and El Paso Natural Gas Co. and the State and Southern Natural Gas Company are virtually identical. The differences which exist have been footnoted in this contract and the changes which are appropriate to the El Paso and Southern contract are explained in each footnote.

The contract is being made available in this manner as it facilitates comparison of the three contracts and avoids the necessity of distributing widely three copies of contracts which are virtually identical. These footnotes, of course, do not appear in the original contracts.

Footnotes:

1/ Instead of the words "Tenneco Alaska Inc., an Alaskan corporation" substitute the words "El Paso Natural Gas Co., a Delaware corporation" for the El Paso contract and the words "Southern Natural Gas Company, a Delaware corporation" for the Southern contract.

2/ Instead of the words "fifty percent (50%)" substitute the words "twenty-five percent (25%)" for both the El Paso and Southern contracts.

3/ Instead of the words "one (1) trillion, three hundred (300) billion cubic feet" substitute the words "six hundred fifty (650) billion cubic feet" for both the Southern and El Paso contract.

4/ An additional sentence is added at the end of Section 3.7(b) to the El Paso and Southern contracts. For the El Paso contract that sentence reads as follows:

Buyer's right under this Section shall apply only to surplus royalty gas available after Seller has satisfied its obligations under Subsections 3.7 (a) and 3.7 (b) of that Agreement between the State of Alaska and Tenneco Alaska, Inc. dated _____.

For the Southern contract the added sentence reads as follows:

Buyer's right under this Section shall apply only to surplus royalty gas available after Seller has satisfied its obligations under Subsections 3.7 (a) and 3.7 (b) of that Agreement between the State of Alaska and Tenneco Alaska, Inc. dated _____, and that Agreement between the State of Alaska and El Paso Natural Gas Co. dated _____.

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

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

CONTRACT No. 3617

GAS SALE AND PURCHASE AGREEMENT

Prudhoe Bay Unit, Alaska

Between

EXXON CORPORATION, "Seller"

And

PACIFIC GAS AND ELECTRIC COMPANY, "Buyer"

Dated: March 27, 1979

GAS SALE AND PURCHASE AGREEMENT

Prudhoe Bay Unit, Alaska

Between

EXXON CORPORATION, "Seller"

and

PACIFIC GAS AND ELECTRIC COMPANY, "Buyer"

INDEX

<u>ARTICLE</u>		<u>PAGE</u>
I.	Definitions	1
II.	Scope of Agreement.	5
III.	Conditions	7
IV.	Reservations of Seller	10
V.	Quantity	12
VI.	Point of Delivery	15
VII.	Delivery Pressure	16
VIII.	Quality	17
IX.	Natural Gas Liquids Allocation	17
X.	Gas Measurement and Tests	23
XI.	Price	30
XII.	Tax Reimbursement	41
XIII.	Billing, Payments and Records	42
XIV.	Financial Responsibility	43
XV.	Term	44
XVI.	Warranty of Title and Payment of Royalties.	44
XVII.	Remedy for Breach	45
XVIII.	Force Majeure	46
XIX.	Processing	48
XX.	Miscellaneous and Addresses	52

GAS SALE AND PURCHASE AGREEMENT

Prudhoe Bay Unit, Alaska

THIS AGREEMENT, made and entered into as of the 27th day of March, 1979, by and between EXXON CORPORATION, a New Jersey corporation, hereinafter referred to as "Seller", and PACIFIC GAS AND ELECTRIC COMPANY, a California corporation, hereinafter referred to as "Buyer"; . . .

WITNESSETH:

WHEREAS, Seller is the owner of an interest in certain oil and gas leases included in the Prudhoe Bay Unit of Alaska, and desires to sell to Buyer a portion of Seller's natural gas which may be produced from certain wells completed within the Prudhoe Bay (Permo-Triassic) Reservoir underlying such Unit; and

WHEREAS, Buyer requires natural gas to supply its markets and desires to purchase said gas from Seller;

NOW, THEREFORE, in consideration of the premises and mutual benefits and covenants herein contained, the parties hereto have agreed and do hereby covenant and agree as follows:

ARTICLE I.

DEFINITIONS

The following terms when used in this Agreement shall have the meanings set forth in this Article unless the

context indicates otherwise:

1.1 The term "Leases" shall mean Seller's interest in the oil and gas leases described in Exhibit "A" hereto covering lands included within the Prudhoe Bay Unit and subject to the Prudhoe Bay Unit Agreement ("Unit Agreement") and the Prudhoe Bay Unit Operating Agreement ("Unit Operating Agreement") both dated as of April 1, 1977, and more particularly described hereinafter, insofar only as such leases cover the Prudhoe Bay (Permo-Triassic) Reservoir within the Initial Participating Areas.

1.2 The term "Initial Participating Areas" shall mean the Prudhoe Bay (Permo-Triassic) Oil Rim Participating Area and Gas Cap Participating Area as described in Sections 5.1(c) and 5.1(e) of the Unit Agreement, as such Initial Participating Areas are outlined on maps attached as Exhibits "D-1" and "D-2" to the Unit Agreement.

1.3 The term "Prudhoe Bay (Permo-Triassic) Reservoir" means the accumulation of oil, gas and associated substances found in the A. R. Co.-Humble (now A. R. Co.-Exxon) Prudhoe Bay State No. 1 well between the depths of 8,117 feet and 8,785 feet below Kelly Bushing as measured by the Schlumberger Dual Induction Laterolog, Run 4, dated February 8, 1968, and in Run 5, dated March 9, 1968 (including also the Put River Sandstone, which is that sandstone interval that correlates with the interval 9,638 to 9,719 measured feet on the Borehold Compensated Sonic Log, Run 2, dated September 28,

1975, in the Atlantic Richfield-Exxon NGI No. 1 well) within the Prudhoe Bay Unit, as such Reservoir is now constituted. The Prudhoe Bay (Permo-Triassic) Reservoir is outlined on the map attached as Exhibit "F" to the Unit Agreement, which map is subject to modification to reflect the Reservoir as now constituted. Seller will provide Buyer with such modified map, to be an Exhibit "B" hereto, when available.

1.4 The term "Prudhoe Bay Unit" (sometimes called "Unit") shall mean the geographic area subject to the Unit Agreement and Unit Operating Agreement approved by the Commissioner of the Department of Natural Resources of the State of Alaska on June 2, 1977, and referred to as the "affected area" in Conservation Order No. 145 of the Alaska Oil and Gas Conservation Committee, Division of Oil and Gas Conservation, Department of Natural Resources of the State of Alaska, as such order was in effect on June 1, 1977.

1.5 The term "Separator Off-Gas" shall mean hydrocarbon and nonhydrocarbon natural gas, including natural gas liquids, as produced from unit wells and which is recovered in a vapor state from any separation facility handling gas provided from unit wells.

1.6 The term "Seller's Gas" shall mean Seller's share of Separator Off-Gas Production (as that term is defined in Section 26.002 of the Unit Operating Agreement) which is attributable to Seller's Leases and available for taking and disposal under Section 27.701 or Section 27.702 of the Unit Operating Agreement less that portion thereof reserved by Seller in ARTICLE IV.

1.7 The term "Contract Volume" shall mean the volume of gas determined pursuant to Section 5.1 hereof.

1.8 The term "day" shall mean a period of twenty-four (24) consecutive hours beginning at 12:01 a.m., Prudhoe Bay time.

1.9 The term "month" shall mean the period beginning at 12:01 a.m., Prudhoe Bay time, on the first (1st) day of a calendar month and ending at the same time on the first (1st) day of the next succeeding calendar month.

1.10 The term "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 hereunder to Buyer and any anniversary of such date.

1.11 The term "Mcf" shall mean 1,000 cubic feet of gas as determined on the measurement basis set forth in Section 10.1 hereof.

1.12 The term "Btu" shall mean British thermal unit.

1.13 The term "psia" shall mean pounds per square inch absolute.

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

1.15 The term "Btu content" or "gross heating value" shall mean the total heating value determined as provided in Section 10.14 hereof.

ARTICLE II.

SCOPE OF AGREEMENT

2.1 Subject to all of the terms and provisions hereinafter set forth, Seller agrees to deliver for sale to Buyer, and Buyer agrees to take and purchase from Seller each day during the term hereof, one-third (1/3) of Seller's Gas, as produced. Seller may deliver and sell to Buyer and Buyer shall purchase and take, to the extent that Buyer has available pipeline capacity to do so, quantities of Seller's Gas each day in excess of that committed to Buyer hereunder.

2.2 It is recognized that Seller is entering into or has entered into agreements with other purchasers ("Other Purchasers") providing for the sale and purchase of the remainder of Seller's Gas as produced each day. Buyer and Other Purchasers will receive Seller's Gas at the same delivery point, as hereinafter described, and it will be the responsibility of Buyer and Other Purchasers to take all of Seller's Gas as produced every day and to coordinate the taking so as to avoid any continuing or permanent imbalance between their obligations to take and their actual takes of Seller's Gas. Seller shall have no obligation to Buyer or to Other Purchasers to allocate deliveries of Seller's Gas between Buyer and Other Purchasers to avoid or offset imbalances in their respective purchases of Seller's Gas.

2.3 It is recognized further that Seller's Leases are subject to the Unit Agreement and Unit Operating Agreement

executed by and between Seller and other owners of interests in the oil and gas in and under the Prudhoe Bay Unit, and that this Agreement shall be subordinate to such Unit Agreement and Unit Operating Agreement, as in effect on the date of this Agreement, and Seller's obligations thereunder. Seller shall provide Buyer with copies of said Unit Agreement and Unit Operating Agreement, which have been filed in the Division of Minerals and Energy Management, Department of Natural Resources, State of Alaska. In particular, the sale of Seller's Gas hereunder is subject to the right of the State of Alaska, as lessor, to take its royalty share of gas in kind.

It is recognized that the owners of interests in oil and gas leases included in the Initial Participating Areas will be selling gas to several purchasers, all of whom will be transporting such gas in the Alaska Natural Gas Transportation System (ANGTS). Buyer agrees to use reasonable efforts to coordinate its purchase of gas with the purchases by other purchasers to the end that all purchasers will have an opportunity to take their contractual amount of gas. Buyer further agrees to use reasonable efforts to arrange balancing agreements with other purchasers in order to better assure that all purchasers will have greater flexibility in their purchases of gas from the Initial Participating Areas. Seller shall have no obligation to avoid or offset imbalances in the rights of purchasers to receive and actual receipts of gas entering the ANGTS at Prudhoe Bay.

2.4 As hereinafter provided, Buyer shall acquire in the purchase of Seller's Gas the net volume of natural gas liquids attributable to Seller's Gas which is required to be removed to condition that gas for transport through pipeline facilities used by Buyer to transport gas from the Prudhoe Bay area. The volume of natural gas liquids so acquired by Buyer shall not exceed the minimum required to be removed prior to transportation of the gas in the pipeline for efficient pipeline operation under pipeline specifications on the date of initial deliveries hereunder. (For the allocation of natural gas liquids attributable to Seller's Gas, refer to ARTICLE IX hereof, entitled "Natural Gas Liquids Allocation").

ARTICLE III.

CONDITIONS

3.1 Buyer and Seller recognize that in order for Buyer to purchase and receive the gas covered hereby, it will be necessary for Buyer and other gas purchasers and gas transporters to arrange for the installation of a transportation system, which "transportation system" for the purposes hereof shall include conditioning facilities and pipeline necessary to transport the gas from the delivery point herein to Buyer's gas distribution system in California. Upon execution of this Agreement, Buyer shall promptly seek to conclude all agreements and arrangements necessary for the transportation system for gas to be purchased hereunder. If necessary for the successful completion of the transportation system for Alaska gas authorized by the President's Decision under the Alaska Natural Gas

Transportation Act of 1976, Buyer shall participate in the ownership of such transportation system. Not later than January 1, 1980, Buyer shall complete its arrangements for the transportation system and shall provide Seller with such documentation of such arrangements as Seller may request. It is recognized that the Federal Energy Regulatory Commission has instituted a proceeding, Docket No. RM79-19, concerning the conditioning facilities for gas entering the Alaska Natural Gas Transportation System. If the decision in such proceeding affects Buyer's ability to perform its responsibility as to such conditioning facilities, and if the decision is acceptable to Seller and Buyer, the parties may amend the Agreement to conform to the decision. If the Federal Energy Regulatory Commission fails to approve the arrangements for the transportation system, in a form acceptable to both Seller and Buyer, or if Buyer fails to assure Seller to Seller's satisfaction with respect thereto, by March 1, 1980, either Seller or Buyer shall have the right and option at any time thereafter to declare this Agreement terminated by giving notice thereof to the other party.

3.2 As soon as practicable after the execution of this Agreement, Buyer shall file or cause to be filed applications for all certificates, permits and other authorizations which Buyer will require from the Federal Energy Regulatory Commission and other governmental agencies to commence the purchase of gas hereunder. In particular, Buyer shall promptly file a copy of this Agreement with the Federal Energy Regulatory Commission for approval pursuant to Section 5.V.2. of the

President's Decision under the Alaska Natural Gas Transportation Act. Buyer may accept or reject any certificate, permit or other authorization issued to it. If Seller is dissatisfied with the certificate, permit or other authorization received by Buyer, Seller shall have the right to terminate this contract by giving Buyer written notice of such termination together with its reasons therefor. Buyer agrees to furnish Seller with a copy of any certificate, permit or other authorization received by it, together with a copy of its notice of acceptance or rejection thereof, in which latter event Buyer will include its reasons for such rejection.

3.3 Not later than January 1, 1982, Buyer shall have received, on terms and conditions acceptable to both parties all certificates, permits or other authorizations from the Federal Energy Regulatory Commission and other governmental agencies which Buyer deems necessary for Buyer to perform its obligations under this Agreement, including a certificate of public convenience and necessity to construct, own and operate facilities required for Buyer to carry out its obligations under this Agreement. Buyer shall notify Seller at such time as Buyer has received all such certificates, permits and authorizations, and in the event that Buyer has not so notified Seller by March 1, 1982, Seller and Buyer each shall thereafter have the right and option, to be exercised at any time, to terminate this Agreement by giving notice of termination to the other party.

3.4 Upon the fulfillment of the foregoing conditions,

Buyer will proceed with due diligence to install or make arrangements for installation of all facilities necessary to receive delivery of gas from Seller hereunder no later than January 1, 1986, and Seller will proceed to install any necessary facilities and use due diligence to make delivery of such gas to Buyer at the delivery point hereinafter specified.

ARTICLE IV.

RESERVATIONS OF SELLER

4.1 Seller hereby expressly reserves from this Agreement the following prior rights, together with sufficient volumes of gas to exercise any such rights and to meet the obligations set forth hereinafter:

4.1.1 To operate the Leases covered hereby 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 unit wells, to repair and rework old unit wells, to renew or extend, in whole or in part, Seller's Leases and to abandon any unit well or surrender Seller's Leases, in whole or in part.

4.1.2 To sell Seller's Gas committed hereunder on a day-to-day basis to any purchaser, when said gas is available for sale and before the date of initial deliveries hereunder.

4.1.3 To use or to sell such quantities of Seller's Gas as required to fulfill Seller's obligations

pursuant to the terms of any agreements under which Seller now or hereafter delivers gas for fuel for operation of the Trans Alaska Pipeline System.

4.1.4 To use Seller's Gas in such quantities as Seller in its sole discretion deems necessary:

(a) For developing and operating Seller's Leases, including but not limited to gas for drilling or sale to drilling contractors; gas for fuel, gas lift, pressure maintenance, additional recovery, cycling or related operations; gas for the operation of Unit Equipment or other facilities, whether located on or off Seller's Leases, installed to handle oil or gas production from or attributed to any reservoir underlying such Leases or other leases adjacent to or in the vicinity of the Prudhoe Bay Unit, in which Seller may have an interest.

(b) For drilling or sale to drilling contractors and for fuel in developing and operating other lands and leases adjacent to or in the vicinity of Seller's Leases.

(c) For uses such as heating, lighting, cooking, etc., for housing, office buildings and other facilities utilized by or for personnel employed in the development and operation of Seller's Leases and other leases in the vicinity.

4.1.5 To fulfill Seller's obligations to deliver gas to its lessor, the State of Alaska, pursuant to the terms of Seller's Leases, and the Unit Agreement and Unit Operating Agreement, as they now exist.

4.1.6 To alter the Initial Participating Areas by agreement with the other parties to the Unit Agreement, in which event this Agreement will cover Seller's Gas produced from any such altered Participating Area to the extent that such gas is attributed to Seller's Leases covered hereby; Seller's interest in lands and leases not within the Initial Participating Areas shall not become subject to this Agreement by reason of any such alteration except on mutual agreement of the parties. Seller shall promptly notify Buyer of any agreement affecting Seller's Leases; however, Seller shall not be liable if through oversight it fails to give Buyer such notice.

4.1.7 Subject to Section 2.4, to process or cause Seller's Gas to be processed after delivery to Buyer, as hereinafter provided in ARTICLE XIX.

ARTICLE V.

QUANTITY

5.1 Upon fulfillment of the conditions set forth in Article III above, delivery and receipt of gas shall commence under this Agreement. It is recognized that the transportation system for Alaska gas, as described in Section 3.1 hereof, will not be operated at full capacity during a period of time following initial receipt of gas into the system. The transportation system will be tested and operated initially to gradually receive and transport larger and larger quantities of gas, until the system is receiving all gas available at Prudhoe Bay. During such period of initial operation of the transportation system,

Buyer shall purchase and take hereunder one-third (1/3) of Seller's Gas as received and transported in such system. Although considerations of system operation shall govern and determine the quantity of gas which Buyer shall be required to purchase and take under this Agreement during such initial period, it is the intent of the parties that the system shall be operated at all times to receive and transport the maximum quantity of Prudhoe Bay gas available. Buyer will exercise due diligence to that end and to the end that the transportation system shall be operated at design capacity as early as possible after the start of its operation. Commencing on the date when the transportation system is fully operational and thereafter during the term hereof, Buyer shall take delivery or arrange for the taking on each and every day, of one-third (1/3) of Seller's Gas which in Seller's sole judgment is available for delivery and sale at the delivery point. Such one-third (1/3) of Seller's Gas shall be the "Contract Volume" each day, and Buyer shall take delivery of or arrange for the taking of such Contract Volume of gas. If Buyer takes less than the Contract Volume on any day for any reason, other than force majeure which results in the ANGTS not receiving gas at Prudhoe Bay, Seller shall have the right, as elsewhere provided herein, to sell any such gas not taken by Buyer to another purchaser if Buyer does not first arrange for such gas to be taken by another purchaser. The sale or delivery of such gas to another purchaser shall discharge Buyer's obligation hereunder to

the extent Seller receives payment equivalent to that it would have received had Buyer purchased such gas.

5.2 The Prudhoe Bay (Permo-Triassic) Reservoir is an associated oil and gas reservoir. Accordingly, the production of Seller's Gas will not permit Buyer to take certain quantities of gas on a fixed schedule or to make up for gas which Buyer is unable or fails to take on any day. Under existing State of Alaska regulations, the annual average gas production from the Prudhoe Bay (Permo-Triassic) Reservoir may not exceed 2.7 billion standard cubic feet (2.7 Bcf) per day. It is estimated that the Contract Volume hereunder (one-third (1/3) of Seller's Gas available for delivery and sale at the delivery point) will be about 290,000 Mcf per day at the delivery point, and will have a gross heating value of about 1060 Btu's per cubic foot. Seller shall furnish Buyer a revised estimate of the Contract Volume as soon as practicable after Seller becomes aware that such estimate or any subsequently furnished estimate should be changed by more than ten (10) per cent.

5.3 Subject to Section 5.1 above, Seller shall have the right to deliver and sell to another purchaser any part or all of the Contract Volume of Seller's Gas which Buyer fails to take on any day, but Buyer shall not be excused for failure to perform this Agreement by reason of said right whether or not exercised. Unless otherwise excused, Buyer shall be liable to Seller for the price for any of Seller's Gas taken at the delivery point without compensation as a result of Buyer's failure to take, or for the difference in

the price which Seller receives for sale of Seller's Gas to another and the price applicable hereunder, if the latter is the greater. Even though Buyer's failure to take may be excused under any other provision of this Agreement, Buyer shall not have a right to make up for gas which Buyer fails to take on any day.

100%
take or pay,
no make-up

5.4 Buyer and Other Purchasers shall have the right to allocate gas purchases from Seller among themselves to the end that Other Purchasers may take part or all of the Contract Volume hereunder on any day and pay Seller therefor. Similarly, Buyer may take part or all of Seller's Gas committed to Other Purchasers under their agreements with Seller, and pay Seller under such agreements. Performance by Other Purchasers of Buyer's obligation to take the Contract Volume shall be deemed adequate performance hereunder provided payment is made to Seller as required hereunder.

ARTICLE VI.

POINT OF DELIVERY

6.1 The point of delivery for gas sold hereunder shall be at the outlet of the Unit gas gathering system, downstream of the gas/oil separators and Unit gas dehydration and certain compression and cooling facilities, at such point as may be mutually acceptable to Seller and Buyer and at or near the inlet of the gas conditioning facility. If other parties to the Unit Agreement execute agreements for the sale of Separator Off-Gas at the gas/oil separators or elsewhere upstream of the point of delivery herein described, Seller shall have the option to designate the same delivery point as designated by said other parties. In the event of

such designation, Seller shall have an option to require that this Agreement be amended to conform to approximately the same terms and conditions as such other Agreement or Agreements.

6.2 Title to Seller's Gas shall pass from Seller to Buyer at the point of delivery. Seller will provide all facilities upstream of the point of delivery including facilities necessary to separate Seller's Gas from oil, to gather, dehydrate, compress and cool said gas to the quality standards hereinafter specified. Buyer will provide all facilities at the delivery point for receipt and measurement of Seller's Gas.

6.3 Seller shall be in control and possession of Seller's Gas prior to delivery thereof to Buyer and Seller shall be responsible for any damage or injury or death caused thereby prior to such delivery. Following such delivery, Buyer shall be deemed to be in exclusive control and possession of Seller's Gas and shall bear responsibility for any and all claims, causes of action or judgments arising from property damage or injury or death caused thereby or arising from the conduct of Buyer.

ARTICLE VII.

DELIVERY PRESSURE

7.1 Seller agrees to deliver Seller's Gas at a pressure which is the greater of (i) the operating pressure of Seller's facilities at the point of delivery, or (ii) a pressure of

500 psig. To the extent that compression of Seller's Gas is required in order to enter Buyer's facilities at the point of delivery, Seller agrees to install and operate such equipment for compression of the gas to a pressure sufficient to enter Buyer's facilities at the point of delivery up to but not in excess of 500 psig.

ARTICLE VIII.

QUALITY

8.1 Seller's Gas sold and delivered to Buyer hereunder shall be as produced in its natural state, except that such gas may be compressed as specified in Section 7.1 above, and shall be dehydrated to contain not more than two-tenths (.2) of a pound of water per million cubic feet and cooled to a temperature not in excess of 120 degrees Fahrenheit (120° F.). Seller shall install separation and dehydration equipment for removal of oil, condensate, and nonhydrocarbon liquids and objectionable solids from such gas prior to its delivery to Buyer. All such liquids and solids so separated by Seller shall be and remain the property of Seller.

ARTICLE IX.

NATURAL GAS LIQUIDS ALLOCATION

9.1 As provided in Section 3.1 herein, Buyer intends to join with other gas purchasers to construct or have constructed a transportation system which includes a gas conditioning facility. For purposes of this Agreement, any such gas conditioning facility located in the Unit Area, or

its vicinity, is hereinafter referred to as Conditioning Facility. Gas purchased hereunder will be commingled in the Conditioning Facility with gas owned by other purchasers for conditioning prior to delivery into a pipeline for transportation to Buyer's markets; it is anticipated that in the operation of the Conditioning Facility, certain quantities of natural gas liquids (as such term is defined in the Unit Operating Agreement) will be extracted from Seller's Gas and, unless purchased by Seller as provided in Section 9.2, such natural gas liquids so extracted, shall be owned by Buyer. Allocation of natural gas liquids to Seller's Gas shall be accomplished as provided in Article 29 of the Unit Operating Agreement. Buyer shall conduct such tests and measurements as may be required and Buyer and Seller shall furnish each other monthly statements concerning the operations conducted by each which will contain whatever information is necessary for Seller to make or cause to be made such allocation in compliance with the Unit Operating Agreement. Seller and Buyer agree that the detailed information to be furnished by each to the other will be determined prior to the commencement of gas deliveries so that when gas deliveries do commence there will be no delay in determining the volume of natural gas liquids allocated to Seller's Gas and the volume and Btu content of Seller's Gas sold and delivered.

9.2 In the event Buyer elects to sell to an unaffiliated party natural gas liquids recovered by operation of the Conditioning Facility and attributable to Seller's Gas, Seller

shall have the right of first refusal to purchase and receive such quantities thereof that Buyer desires to sell. From time to time if Buyer offers such natural gas liquids for sale to others, Seller shall have the option to meet the terms of any bona fide offer that Buyer receives for the purchase thereof. Upon receipt of an offer which is acceptable to Buyer, Seller agrees to meet the terms of such offer within sixty (60) days of receipt of written notice from Buyer or to then be deemed to have forfeited its option to purchase said natural gas liquids but only with regard to the terms of such offer.

9.3 Buyer shall transport in the transportation system, as gas, all of the natural gas liquids recovered in the Conditioning Facility and attributable to Seller's Gas except that portion of the liquids which, as provided in Section 2.4 hereof, Buyer must remove for efficient pipeline operation. It is not anticipated that Buyer will have difficulty in using or disposing of such natural gas liquids acquired by Buyer pursuant to Section 2.4; nevertheless, if Buyer is unable to use, transport, sell, or otherwise dispose of all such natural gas liquids, Buyer may return to Seller the volume thereof which Seller can use or can transport in an oil pipeline (such liquids are referred to herein as "Usable Natural Gas Liquids"). It shall be necessary, however, for Buyer to give Seller written notice not less than three (3) months in advance of any return of such liquids, and Buyer shall specify in such notice the daily quantity and composition of the Usable Natural Gas Liquids to be tendered to Seller.

Natural gas liquids shall be deemed Usable Natural Gas Liquids to the extent that (1) Seller, under terms and conditions acceptable to Seller, may be able to use such liquids as an alternate fuel in accordance with the terms and provisions of Section 30.007 of the Prudhoe Bay Unit Operating Agreement and/or (2) Seller, under terms and conditions acceptable to Seller, may be able to tender such liquids for transport through an oil pipeline.

The total Btu's of the Usable Natural Gas Liquids that Seller takes from Buyer and uses as fuel shall be deducted from the amount of Btu's for which Buyer is obligated to pay Seller, and it shall be deemed that the ownership of such Btu's as contained in Seller's Gas when delivered to Buyer was never transferred to Buyer. However, Buyer shall reimburse Seller for any fuel substitution costs incurred by Seller in accordance with the provisions of Section 30.007 of the Unit Operating Agreement.

The total Btu's of the Usable Natural Gas Liquids that Seller takes from Buyer for transport through an oil pipeline shall be deducted from the amount of Btu's for which Buyer is obligated to pay Seller for gas delivered hereunder, and it shall be deemed that the ownership of such Btu's was never transferred to Buyer. However, Buyer shall reimburse Seller for any costs incurred by Seller associated with putting such natural gas liquids into an oil pipeline for transport, including any reduction in Btu value as a result thereof.

In addition to volumes of Usable Natural Gas Liquids, if any, there may be volumes of natural gas liquids (herein referred to as "Surplus Natural Gas Liquids") acquired by Buyer pursuant to Section 2.4 that Buyer cannot use, transport, sell or otherwise dispose of and that Seller may not be able to use or transport. To the extent there are Surplus Natural Gas Liquids attributable to Seller's Gas, Seller shall make a good faith effort to obtain rights for Buyer to inject, at Buyer's sole expense, such Surplus Natural Gas Liquids into the Prudhoe Bay (Permo-Triassic) Reservoir in accordance with the terms and provisions of Sections 27.802 and 27.803 of the Unit Operating Agreement and under terms and conditions acceptable to the Seller and Buyer.

Upon the injection of Surplus Natural Gas Liquids into the Reservoir, all rights and interests of Buyer in such liquids shall revert to Seller. The total Btu's of such Surplus Natural Gas Liquids so injected into the said Reservoir shall be deducted from the amount of Btu's for which Buyer is obligated to pay Seller for gas delivered hereunder; and it shall be deemed that the ownership of such Btu's was never transferred to Buyer. However, Buyer shall reimburse Seller for any costs incurred by Seller associated with injecting such liquids into the Reservoir including any penalties Seller may incur for injecting such liquids.

9.4 If the Conditioning Facility is operated to remove carbon dioxide ("CO₂") from the inlet stream of gas, Buyer may have, in addition to the gas to be transported, a volume of

residue gas composed of a high percentage of CO₂. If such residue CO₂ gas has sufficient hydrocarbons to be usable as fuel, then at Buyer's request, and if the Unit owners are agreeable to using or allowing the use of the residue CO₂ gas as fuel by Seller under terms and conditions acceptable to Seller, Buyer may return to Seller a volume of such gas attributable to the Seller's Gas sold at the inlet of the Conditioning Facility under the terms of this Agreement.

To the extent Seller takes from Buyer such residue CO₂ gas as fuel, the total Btu's contained therein shall be deducted from the amount of Btu's for which Buyer is obligated to pay Seller for gas sold hereunder. However, Buyer shall reimburse Seller for any fuel substitution costs incurred by Seller in accordance with the provisions of Section 30.007 of the Prudhoe Bay Unit Operating Agreement. Further, it is agreed that there shall be no conditioning charges paid by Seller as a result of taking residue CO₂ gas.

If Buyer is required to dispose by subsurface injection of residue CO₂ gas, Seller shall make a good faith effort to obtain rights for Buyer, at Buyer's sole cost, to inject such residue CO₂ gas attributable to Seller's Gas into the Prudhoe Bay (Permo-Triassic) Reservoir in accordance with the terms and provisions of Sections 27.802 and 27.803 of the Prudhoe Bay Unit Operating Agreement and under terms and conditions acceptable to Seller.

To the extent residue CO₂ gas is injected into the Reservoir, the Btu content thereof (determined in accordance

with Section 10.14) shall be deducted from the amount of Btu's Buyer is obligated to pay Seller for gas sold hereunder. However, Buyer shall reimburse Seller for any costs incurred by Seller associated with the injection of such residue CO₂ gas, including any penalties Seller may incur for such injection. Upon injection of residue CO₂ gas into such Reservoir all rights and interests of Buyer in such residue CO₂ gas shall revert to and be vested in Seller.

ARTICLE X.

GAS MEASUREMENT AND TESTS

10.1 Units of Volume. The unit of volume for purposes of measurement of volumes hereunder shall be that amount of gas which will occupy one (1) cubic foot of space when held at a base temperature of sixty degrees Fahrenheit (60° F.) and when under a base pressure of fourteen and sixty-five hundredths (14.65) pounds per square inch absolute; the volume measured shall be adjusted for deviation from the Ideal Gas Law.

10.2 Calculation of Volumes. The computation of volumes delivered hereunder shall be made by Buyer, using the orifice meter equation prescribed in American Petroleum Institute Publication 2530, "Orifice Metering of Natural Gas", as amended or revised from time to time.

10.3 Barometric Pressure. The atmospheric pressure shall be assumed to be 14.70 psia, irrespective of the actual

atmospheric pressure at the point of delivery or any factors that may cause fluctuation in the barometric pressure.

10.4 Flowing Gas Temperature. The temperature of the gas shall be determined by a recording thermometer(s) continuously used and installed so as to properly record the temperature of the gas. The arithmetic average of gas temperatures recorded during the periods of flow only shall be deemed the daily average gas temperature for the purpose of calculating volumes.

10.5 Specific Gravity. The specific gravity of the gas shall be determined by the use of a continuous recording gravitometer of make and type agreed upon by Buyer and Seller and so installed that it will monitor the specific gravity of the gas measured. The daily average specific gravity recorded during the periods of flow only shall be deemed the specific gravity of the gas for the purpose of calculating volumes. The continuous recording gravitometer shall be checked at least once each month by the use of the Acme gravity balance or any other approved method mutually agreed upon.

10.6 Ideal Gas Law Deviation. Except as otherwise agreed by Seller and Buyer, the gas delivered shall be assumed to deviate from the Ideal Gas Law to the extent determined from the American Gas Association's "Manual for the Determination of Supercompressibility Factors for Natural Gas" developed under P.A.R. Research Project NX-19 completed December 1962, as such manual may be hereafter

amended or changed, at the specific gravity and average flowing temperature of the gas, and at the arithmetic average static pressure recorded during period of gas flow only. At the request of either Seller or Buyer the deviation from the Ideal Gas Law for the gas delivered hereunder shall be experimentally determined by a method mutually agreed upon. If the results of such determination indicate that use of the above AGA Manual for the calculation of gas volumes will result in an error of one-half of one percent (.5%) or more then the experimentally determined deviation from the Ideal Gas Law shall be used.

10.7 Measurement Records. The original copy of all records and chart recordings shall remain the property of the owner of the equipment from which such record or recording was obtained, and shall be retained for a period of three (3) years, or such longer period as may be required by any public authority having jurisdiction, with the other party having the right to examine these records or recordings during this period. At the end of the three-year period or such longer required period, the owner shall have the right to destroy the records without permission or recourse from the other party; provided, however, that the owner electing to destroy any such records shall first give the other party advance notice thereof in writing and a period of sixty (60) days after receipt of such notice to request that such records be delivered into its possession for retention, as long as such party desires.

10.8 Measuring Equipment. Volumes delivered hereunder shall be calculated or otherwise determined from records and chart recordings which will be made from an orifice type metering station fabricated to conform to the "Construction and Installation Specifications" the American Petroleum Institute Publication 2530, "Orifice Metering of Natural Gas", as amended or revised from time to time.

10.9 Primary Measuring Equipment. Buyer shall install, maintain and operate at no expense to Seller all equipment required for the measurement, calculation and allocation of volumes delivered hereunder and the calibration and adjustment thereof shall be done by Buyer unless it is agreed by the parties hereto that Seller shall change charts. Seller shall be permitted to connect computerized production control monitoring devices to Buyer's measuring equipment.

10.10 Check Measuring Equipment. Seller shall have the option to install any measuring equipment it may desire, but same shall be installed so as not to interfere with Buyer's equipment, nor shall the recordings from such check measuring equipment be used in determination of deliveries hereunder unless Buyer's equipment be out of service or be found by test to be in error by an amount exceeding allowed tolerances as set out in Section 10.12 hereof.

10.11 Equipment Inspections. Buyer shall calibrate, test and otherwise inspect all measurement recorders, devices and equipment used in measuring gas delivered hereunder prior to the commencement of delivery, and thereafter at

least twice during each succeeding month that gas deliveries are made or at other mutually acceptable intervals. Buyer shall inspect orifice plates and meter tubes not less often than twice each year. Additional tests and inspections shall be made at irregular and non-scheduled intervals when in the judgment of either Buyer or Seller the equipment is believed not to be recording satisfactorily. Meter tubes may be inspected by use of a borescope or other comparable method.

Seller shall have the right to have a representative present to witness the installation, calibration, testing, cleaning, changing, repairing or adjustment of any portion of the primary measurement equipment or other equipment used in determining the volume delivered hereunder.

Seller and Buyer will each inform the other with reasonable notice of the date and time an equipment inspection or test is desired.

Any labor and transportation costs accruing as a result of a regularly scheduled test or inspection shall be borne by both Buyer and Seller to the extent each shall defray the expense of its own personnel. However, should either party request a test or inspection at an irregular interval, the cost accruing to the other party shall be reimbursed by the party requesting the test if it is found that the equipment is functioning within the allowed tolerance of accuracy; otherwise, each party shall defray its own expense.

10.12 Equipment Accuracy Tolerances. If, upon testing and inspecting all recorders and other equipment comprising a single metering installation, the aggregate volumetric error is found not to exceed plus or minus one percent (1%) of accuracy, then previous recordings shall be considered accurate in computing deliveries hereunder, but such equipment shall forthwith be adjusted to record accurately.

If, upon testing and inspecting all recorders and other equipment comprising a single metering installation, the aggregate volumetric error is found to exceed plus or minus one percent (1%) of accuracy, such equipment shall forthwith be adjusted to record accurately, and compensating adjustment shall be made to previous recordings and volumetric calculations for the period of time the recording was in error, if known. If the period of time is not known, recordings and calculations shall be adjusted for a period of time agreed to by Buyer and Seller, or in the absence of agreement, such correction shall be for a period covering the last half of the time elapsed since the previous test, but not exceeding a period of eight (8) days.

10.13 Failure of Measuring Equipment. If, for any reason, the measuring equipment installed for Buyer is out of service or out of tolerance, with the result that the quantity of gas delivered is not correctly indicated by the reading thereof, the gas delivered during the period in

which such measuring equipment is out of service or out of tolerance shall be estimated and agreed upon on the basis of the best data available, using one of the following methods listed in order of preference unless some other order is adjudged by both parties as more feasible:

(a) By using the registration of any check measuring equipment, if installed and accurately registering, or

(b) By adjusting for the error, if the percentage of error is ascertainable by calibrating, test, or mathematical calculations, or

(c) By estimating the quantity of delivery, by use of other metered volumes which may be available in Seller's facilities, or by reference to actual deliveries during preceding periods under similar conditions when the equipment in question was measuring accurately.

10.14 Heating Value. The gross (or total) heating value of the gas delivered by Seller to Buyer, expressed in Btu's per cubic foot, shall be determined by Buyer by means of a continuous sampler or other mutually agreeable method(s) in general use in the gas industry, as selected by Buyer and approved by Seller. Seller shall have the right to determine, at such time or times as it may desire, the gross heating value of the gas in British Thermal Units per cubic foot by means of any method in general use in the gas industry. Each party shall give to the other notice of the time of all

tests for determining the Btu content of the gas to be conducted by such party reasonably in advance of making the test in order that the other party may conveniently have its representative present. Should there be any material variance between tests by Buyer and Seller, a joint test will be run employing a mutually agreeable method and the result thereof will be controlling, effective from the first day of the calendar month preceding such joint test.

The Btu content per cubic foot shall be determined for a cubic foot of gas as such unit of volume is defined in Section 10.1 and said Btu content shall be adjusted for the actual water vapor content of the gas at the Point of Delivery hereunder. The actual water vapor content of the gas shall be determined periodically at mutually agreeable intervals using mutually agreeable methods in general use in the gas industry.

ARTICLE XI.

PRICE

11.1 Buyer shall pay Seller for Seller's Gas sold and delivered hereunder the price specified below for the applicable period indicated in subsections (a), (b), (c) and (d), or the price determined in subsection (e) below, which-ever is highest. Each calculated price shall be expressed to four (4) decimal places. The price shall be determined as follows:

- (a) Effective on the first day of the month next following the date of this Agreement, the price hereunder shall be Two Dollars (\$2.00) per million Btu's.
- (b) Commencing on the first day of the second (2nd) month following the date of this agreement and continuing through the sixtieth (60th) month following the date of initial delivery of gas to Buyer hereunder, the price specified in Section 11.1 (a) above shall increase each month by multiplying the price for the preceding month by the monthly equivalent of the annual inflation adjustment factor applicable for such month, determined in the manner provided in Title I of the Natural Gas Policy Act of 1978.
- (c) On the first day of the sixty-first (61st) month following the date of initial delivery of gas to Buyer hereunder, the price per million Btu's as determined for the sixtieth (60th) month in accordance with (b) above shall increase by multiplying the price for the preceding month by the monthly

equivalent of the annual inflation adjustment factor applicable for such month, determined in the manner provided in Title I of the Natural Gas Policy Act of 1978, plus one-fourth of one percent (0.25%) per month.

- (d) On the first day of the sixty-second (62nd) month following the date of initial delivery of gas to Buyer hereunder and thereafter on the first day of each succeeding month during the term of this agreement, the price per million Btu's as determined for the immediately preceding month shall be increased by multiplying the price for the preceding month by the monthly equivalent of the annual inflation adjustment factor applicable for such month, determined in the manner provided in Title I of the Natural Gas Policy Act of 1978, plus one-fourth of one percent (0.25%) per month.
- (e) During each month the price for gas delivered to Buyer hereunder shall be equal to the maximum lawful price per million Btu's prescribed under Section 109, plus the amounts to compensate Seller for severance taxes and costs allowed under Section 110

of the Natural Gas Policy Act of 1978 for the month in which the gas is delivered. The price for gas delivered for sale to Buyer hereunder during any month shall be increased to any higher adjusted rate permitted or allowed by the Federal Energy Regulatory Commission (FERC) or any other governmental authority having jurisdiction in the premises, as hereinafter provided.

In no event, however, shall the price due hereunder exceed the price which Seller may lawfully collect nor the amount which Buyer is permitted to include in its rates and charges to its FERC jurisdictional customers.

11.2 If Congress, the Federal Energy Regulatory Commission, or any other governmental authority having jurisdiction in the premises, shall at any time enact legislation, prescribe or allow by law, order, rule, regulation, or in any other manner a ceiling price(s) which is (i) higher than the effective price or prices then being paid hereunder, and (ii) applicable to any portion(s) of Seller's Gas committed hereunder, then the price(s) hereunder shall be increased to the level of such higher price(s) for that portion(s) of Seller's Gas which is of the type, quality and vintage for which such price(s) is prescribed or allowed. Such higher price(s) shall include any adjustment for gathering, taxes and any other factors permitted by law, the FERC, or other governmental authority having jurisdiction. Such

higher price(s) shall become effective as of the date such higher price(s) becomes law or is prescribed or allowed.

In the event such higher price(s) is not applicable to Seller's Gas because this Agreement does not contain those terms and conditions set forth in such law, order, rule, or regulation as requisite to collection of such higher price(s), the Seller may elect to amend, and Buyer shall agree to amend, this Agreement in a manner set forth by Seller and to the extent necessary to permit Seller to collect hereunder such higher price(s), including any allowances. Any amendment shall be effective as of the effective date hereof, subject to the receipt of all necessary governmental certificates, permits and other authorizations, provided that Buyer shall not be required to make retroactive price adjustments for prior deliveries, except to the extent permitted by such law, order, rule or regulation.

Regardless of the level of area or nationwide price(s) applicable (or made applicable by amendment) hereunder, the price to be paid for Seller's Gas from any particular well at any given time shall be no lower than the highest price allowed by the Federal Energy Regulatory Commission or any governmental authority for the said Seller's Gas taking into consideration in determining said price all of the factors which the Federal Energy Regulatory Commission or such governmental authority deems relevant to such a determination, including elements of price justified .

on an industry basis or by Seller.

11.3 Whenever an increase in price occurs under this agreement which increased price exceeds levels provided in Sections 11.1(a), (b), (c) or (d) hereof, such increased price shall thereupon be substituted for and become the price hereunder in 11.1(a), (b), (c) and (d) for the applicable month and such increased price shall thereafter be subject to future increases in accordance with the provisions of this Agreement.

11.4 Deregulation. If at any time during the term of this Agreement the Federal Energy Regulatory Commission or any other governmental authority having jurisdiction over the price or prices of gas sold and delivered hereunder, ceases to have jurisdiction over the price or prices of gas sold and delivered hereunder, ceases to have jurisdiction over all or any portion of the subject matter or ceases to have or exercise price control over this Agreement, then Seller shall have the right to request that the base price or prices at which gas is sold hereunder be redetermined effective as of the later of (i) the date of such request or (ii) the effective date of such deregulation. Any such request shall be made to Buyer in writing.

When such a request has been made, representatives of Buyer and Seller shall promptly meet to redetermine the base price or prices of the gas sold hereunder. Such redetermination shall establish a base price or prices equal to the

highest of (i) the average of the two highest prices paid or contracted to be paid by Buyer or any other interstate purchaser(s) of gas in the Prudhoe Bay area (hereinafter called "Area") under any gas sales contracts in effect in the Area at the time of such redetermination between a producer(s) and an interstate pipeline company purchasing gas for resale; and (ii) the Btu equivalent price of Distillate (Fuel Oil No. 2) per million Btu's, less Buyer's transportation costs per million Btu's of Prudhoe Bay gas incurred between the delivery point for gas specified herein and the Milpitas Gas Terminal, California. In determining the price under (i) above, appropriate adjustments shall be made in such price for significant differences in quality, quantity, delivery pressure and other delivery conditions which exist between the provisions of this Agreement and such other agreements or contracts under consideration. In determining the price under (ii) above, Distillate (Fuel Oil No. 2) shall be assumed to have a heat content of 5,880,000 Btu per barrel and shall be valued at the price for such commodity (Fuel Oil No. 2 to Resellers, Pacific) as published monthly by the U. S. Department of Labor-Bureau of Labor Statistics in its publication entitled "Producer Prices and Price Indexes" during the latest monthly period for which such publication is available to the parties. In the event the U. S. Department of Labor ceases to make such information available, the parties will agree upon a substitute method

for determining an average price for such commodity. In the event that the price determined under (ii) above shall become the price hereunder, the provisions of ARTICLE XII hereof shall not apply; further, such price shall be adjusted each month, as necessary, to reflect the latest monthly price published for Fuel Oil No. 2 to Resellers, Pacific. Notwithstanding the price or price terms selected, the redetermined price or prices shall, in being made applicable to this Agreement between Seller and Buyer, be substituted for the price provided herein and in the case of the price determined under (i) above only shall thereafter be subjected to the escalations and adjustments provided for in this ARTICLE XI.

Thereafter during the term of this Agreement, Seller may request similar price redeterminations; provided, however, that such requests from Seller shall not be made sooner than one (1) year following the effective date of the last redetermined price.

In the event representatives of Buyer and Seller are unable to agree upon a redetermined base price or prices within a period of sixty (60) days of the written request for such redetermination, then either Buyer or Seller shall have the right to subject the matter to arbitration in the following manner: Upon written request for arbitration made by either party and served upon the other as provided by law, Buyer shall appoint one arbitrator and Seller shall appoint one arbitrator and the two arbitrators so appointed

shall select a third arbitrator. If either Buyer or Seller shall fail to appoint an arbitrator within fifteen (15) days after said request for arbitration is made by the other party in writing, or if the two arbitrators so appointed shall fail within fifteen (15) days after the appointment of the second of them to agree on a third arbitrator, the arbitrator or arbitrators necessary to complete a board of three arbitrators shall be appointed upon application by either party therefor by the Chief Judge of the United States Fifth Circuit Court of Appeals. Within thirty (30) days after three arbitrators are appointed pursuant to the foregoing provisions of this paragraph, they shall meet at a place selected by the third arbitrator, hear the parties with respect to the matter of said price, and arrive at a determination of the price or prices at which gas is to be sold hereunder during the particular period in question. Such determination shall be made not later than sixty (60) days after the receipt of evidence. Any determination agreed to in writing by at least two of said arbitrators shall be final and binding on the parties hereto. All arbitrators appointed pursuant to this paragraph shall be individuals qualified by education, knowledge and experience to determine the price of gas in accordance with the criteria set forth above and shall not be in the regular salaried employ of either party. The compensation and expenses of the arbitrator named for the Seller shall be paid by Seller; the compensation and expenses of the arbitrator named for

Buyer shall be paid by Buyer; and the compensation and expenses of the third arbitrator shall be paid in equal portions by Buyer and Seller.

In the event the price for Seller's Gas determined pursuant to this Section 11.4 is greater than the price in effect hereunder during the period immediately preceding Seller's request for redetermination and is greater than the price which Buyer is permitted to recover by the FERC or any successor governmental authority, then Buyer may terminate this Agreement thirty (30) days after giving written notice to Seller; provided, however, Seller may nullify such notice by advising Buyer in writing within fifteen (15) days thereafter that Seller elects to accept the price in effect hereunder during the period immediately preceding Seller's request for redetermination. In event of such election by Seller, this Agreement shall continue in force and effect subject to all the terms and conditions herein provided including future price redetermination as hereinabove provided. In the event Seller does not elect to continue this Agreement in force and effect, Buyer shall continue purchasing Seller's Gas under the terms of this Agreement at the price in effect hereunder during the period immediately preceding Seller's request for price redetermination until Seller has made arrangements for commencing delivery to an alternative disposition of Seller's Gas released by termination of this Agreement.

11.5 Excess Royalty Payments. Buyer agrees to make payments to Seller for Seller's Gas in addition to those

provided for elsewhere in this Agreement for the purpose of reimbursing Seller for "Excess Royalty Payments" made by Seller with respect to said Seller's Gas. "Excess Royalty Payments" shall mean actual royalty payments which Seller is required to pay on Seller's Gas delivered hereunder to the extent that such payments exceed the amount such payments would be if the royalty were computed on the basis of the price or prices paid by Buyer to Seller for such gas less Seller's gas marketing costs incurred for dehydration/cleaning, compression and transportation to the point of delivery. Seller agrees to provide monthly statements to Buyer identifying the quantities and Btu content of gas upon which Seller has made Excess Royalty Payments and the amount of Excess Royalty Payments. Buyer agrees to reimburse Seller for such payments within ten (10) days following receipt of said statement from Seller. Seller shall refund to Buyer any payments made pursuant to this provision if and to the extent that the FERC denies Buyer the right to include the same in its rates and charges to jurisdictional customers.

11.6 Economic-Hardship. If, for any reason, the delivered cost of Prudhoe Bay gas at the Milpitas Gas Terminal, California, priced on the lower of (i) a rolled-in basis (excluding imported natural gas and LNG, as well as SNG), or (ii) an incremental basis, is such that Buyer determines the gas cannot be marketed, except at an economic loss to Buyer, the parties shall review the circumstances then existing in a good faith effort to determine such measures as are necessary to rectify the situation. Buyer

and Seller recognize that implementation of such will require the efforts of all those involved with the total transportation system, including owners of the system, gas producers, regulatory authorities having direct jurisdiction, and other participants in the transportation of Prudhoe Bay gas to the contiguous United States.

ARTICLE XII.

TAX REIMBURSEMENT

12.1 Buyer agrees to reimburse Seller for all State of Alaska and Federal production, gathering, delivery, sales, severance, excise or other taxes or assessments of a similar nature (except ad valorem and general property taxes, other than those on gas in place, and income taxes, franchise taxes and other taxes of a similar nature), upon or with respect to the production, severance or delivery of gas sold hereunder, or the value thereof in place or otherwise, now or hereafter levied or assessed upon Seller. The parties agree that there shall be added to the price(s) Buyer is obligated to pay Seller for gas delivered hereunder, so long as the tax or assessment shall be in effect, an amount per Mcf sufficient to reimburse Seller for one hundred percent (100%) of any such tax or assessment. Should all or any part of the liability of Seller not be determined by the end of any month, then the additional amount not determined shall be set forth monthly in a statement to be rendered by Seller to Buyer and Buyer shall pay Seller the amount due pursuant to such statement within ten (10) days, subject to later adjustment when the tax is finally determined.

ARTICLE XIII.

BILLING, PAYMENTS AND RECORDS

13.1 On or before the sixth (6th) day of each month after delivery of Seller's Gas is commenced hereunder, Buyer shall furnish to Seller a statement of the data during the preceding month, which Section 9.1 requires Buyer to furnish.

13.2 Based upon Buyer's statement furnished under Section 13.1 above, and Seller's statement, if any, under Section 19.3, Seller will prepare an invoice setting forth (a) the quantity and Btu content of Seller's Gas delivered to Buyer and (b) the payment due Seller therefor. Seller shall submit such invoice to Buyer on or before the tenth (10th) day following receipt of said Buyer's statement. On or before the fifth (5th) day following receipt of said Seller's invoice, Buyer shall make payment to Seller of all amounts due hereunder in immediately available funds to a bank account to be designated by Seller. If the invoiced amount of any payment is not paid when due, interest on all unpaid amounts shall accrue at 125 percent (125%) of the prime rate in effect at Citibank N.A. of New York at the time payment is due, or at the maximum rate for short-term loans permitted by law in Alaska, whichever is less.

13.3 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, charge or computation made pursuant to the provisions of any Article hereof. If any such examination

reveals any inaccuracy in such billing or payments therefore made, the necessary adjustment in such billing and payments shall be promptly made. Any such adjustment shall be subject to accrual of interest as set forth in Section 13.2 without prejudice to other remedies.

13.4 In the event Seller elects pursuant to ARTICLE XIX to process or cause Seller's Gas to be processed subsequent to delivery to Buyer, then Seller in preparing the invoice required in Section 13.2 shall deduct the Btu content attributable to fuel and shrinkage occurring in the gas processing facility in processing Seller's Gas. Also, Seller shall deduct in said invoice the cost of transporting fuel and shrinkage volumes to the processing facility, pursuant to Section 19.8 hereof; except that no such deduction for fuel and shrinkage or transportation shall be made if, as provided in Section 19.8, Seller shall restore the Btu equivalent of the gas used or lost to Buyer at a mutually agreeable point.

ARTICLE XIV.

FINANCIAL RESPONSIBILITY

14.1 If, during the term of this Agreement, the financial responsibility of the Buyer becomes impaired or unsatisfactory to Seller, advance cash payment or security satisfactory to Seller shall be given by the Buyer upon demand of Seller, and deliveries may be withheld until such payment or security is received. If such payment or security is not received within fifteen (15) days from Seller's

demand therefor, Seller may terminate this Agreement. In the event the Buyer makes an assignment for the benefit of creditors or any general arrangement with creditors, or if there are instituted by or against Buyer proceedings in bankruptcy or under any insolvency law or law for reorganization, receivership or dissolution, Seller may withhold deliveries or terminate this Agreement without notice. Seller's exercise of any right reserved under this ARTICLE shall be without prejudice to any claim for damages or any other right of Seller under this Agreement or applicable law.

ARTICLE XV.

TERM

15.1 This Agreement shall become effective as of the date first above written and shall continue and remain in effect for a term of twenty (20) years from the date of first delivery of gas to Buyer hereunder.

ARTICLE XVI.

WARRANTY OF TITLE AND PAYMENT OF ROYALTIES

16.1 Seller hereby warrants the title to all gas delivered hereunder, the right to sell such gas, and that it is free from all liens and adverse claims, and agrees, if notified thereof by Buyer, to indemnify Buyer against all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of any adverse claims of any and all persons to or against said gas.

16.2 Seller shall pay or cause to be paid to the parties entitled thereto all royalties, overriding royalties, payments out of production, and other like charges on gas delivered hereunder.

ARTICLE XVII.

REMEDY FOR BREACH

17.1 Either party may, at its option, terminate this Agreement upon written notice to the other party if: (i) the other party fails to pay any sum due in accordance with this Agreement within thirty (30) calendar days of receipt of written notice from the terminating party demanding said payment, or (ii) the other party fails to perform any material covenant or obligation (other than payment of a sum) imposed upon it in this Agreement (except where such failure shall be excused under the provisions of ARTICLE XVIII hereof) within a reasonable time and not more than sixty (60) days, exercising all due diligence, after receipt of written notice from the terminating party stating with particularity the covenant or obligation not performed. 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 or 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 Agreement.

ARTICLE XVIII.

FORCE MAJEURE

18.1 In the event of either party hereto being rendered unable, wholly or in part, by force majeure, to carry out its obligations under this Agreement, other than to perform the conditions specified in Sections 3.1, 3.2 and 3.3 hereof and 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.

18.2 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, flood, 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 having jurisdiction over the operations of the facilities of either party hereto, including both civil and military authorities of the State of Alaska, the United States of America or the governments of Canada, 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, rights-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, 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.

Such term shall not include any act on the part of any purchaser or purchasers of gas from Buyer to reduce such

purchaser or purchasers' takes of gas from Buyer nor shall it include conditions described in Sections 3.1, 3.2 and 3.3 hereof.

18.3 The settlement of strikes or lockouts shall be entirely within the discretion of the party having the difficulty, and 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 opposing party when such course is inadvisable in the discretion of the party having the difficulty.

ARTICLE XIX.

PROCESSING

19.1 In the event Seller shall elect to process or cause the gas sold and delivered hereunder to be processed subsequent to delivery thereof to Buyer, such processing shall be at a location or locations acceptable to Seller and Buyer. If the location or locations agreed upon are on a pipeline system, it is recognized that the gas sold and delivered hereunder may have been commingled with other gas streams of different composition, or may have been diverted or used by Buyer, so that at the location or locations agreed upon for processing the composition of the gas in the pipeline system will not be the same as Seller's Gas sold and delivered hereunder. Buyer shall make available to Seller for processing a volume of gas flowing in the pipeline system sufficient to permit recovery of an amount of liquefiable hydrocarbons that would have been recovered if it were possible to process Seller's gas in a separate stream; provided, Buyer shall not be required to make available to

Seller any volume of gas, and the liquids attributable thereto, which Buyer has sold to purchasers upstream of Seller's processing facilities. At the time the parties agree upon the location of the facilities for gas processing, as herein provided, the parties shall agree concerning any subsequent arrangements for withdrawals of gas from the pipeline system upstream of Seller's processing facilities.

Buyer will install or cause to be installed all facilities and equipment including metering facilities, necessary to effectuate delivery of the volume of gas to be processed from said location or locations on the pipeline system to the processing plant or plants. Similarly, Buyer shall install or cause to be installed all facilities and equipment, including metering facilities, necessary to effectuate the redelivery of processed gas from the processing plant or plants to the pipeline system.

19.2 Seller shall reimburse Buyer for an equitable portion, to be determined by mutual agreement of the parties, of the costs incurred by Buyer for installation of pipelines connecting the processing plant or plants with the pipeline. Seller shall also reimburse Buyer for an equitable portion of the value of the gas vented by Buyer in making the required connections. In the event the parties shall be unable to agree upon Buyer's costs or the value of the gas vented, then either party may proceed to arbitration in accordance with the procedure provided in Section 11.4 hereof, mutatis mutandis.

19.3 Seller shall furnish or cause to be furnished to Buyer, on or before the sixth day of the second month after commencement of such processing and each succeeding month, an allocation statement setting forth the amount of shrinkage in gas volumes resulting

from such processing expressed in Mcf and the heating value thereof attributable to gas processed by or for Seller during the second preceding month. Said allocation statement shall also set forth the percent of residue gas attributable to such gas. Buyer shall be entitled to adjust the payment otherwise due hereunder for the Btu content attributable to fuel and shrinkage in Seller's processing facility as set forth in Section 13.4 hereof.

19.4 Seller shall cause the installation, maintenance and operation of such measurement facilities, the conduct of such tests and analyses and the utilization of such procedures as are necessary for Seller or Seller's agent to determine the amount of shrinkage in gas volumes, the gross heating value thereof expressed in Btu's per cubic foot and the percent of residue gas attributed to gas processed by or for Seller. Seller shall not be required to measure the plant inlet or plant residue gas volumes in its determination of such volume of shrinkage or said percent of residue gas; however, Buyer shall have the right to have a representative present to witness the installation, calibration, testing, cleaning, changing, repairing or adjustment of Seller's equipment or other equipment used in determining such shrinkage in gas volumes.

19.5 Seller agrees to restore (or cause to be restored) any pressure decline greater than fifty (50) psig measured from plant inlet to plant outlet resulting from such processing.

19.6 Seller shall return processed gas to Buyer which has a water content no greater than the lower of (a) the water content of the gas delivered by Buyer to Seller for processing; or (b) a water content of seven (7) pounds per 1,000,000 cubic feet of gas.

19.7 All Seller's gas processing operations shall be at Seller's sole cost and expense, and Seller shall be deemed to be in exclusive control and possession while the gas is in Seller's possession and shall hold Buyer harmless from all injuries or damages which may occur as the result of Seller's exercise of its right to process gas hereunder.

19.8 As consideration for transporting or arranging transportation and delivery of gas to Seller for processing, Seller shall pay Buyer the cost of transporting the volumes of gas lost as shrinkage or lost in the processing operation at such rates as the FERC and the National Energy Board (NEB) of Canada may allow; however, it is agreed that Seller shall have the option of using gas from other gas sources available to Seller for delivery to Buyer at the processing location and/or at a mutually agreeable point or points up to the extent of the Btu content of the volume of shrinkage gas. The foregoing charge for transporting and delivering gas to Seller hereunder shall not be applicable if and to the extent that Seller restores the Btu equivalent of the gas used or lost in kind at the processing plant and/or at said mutually agreeable point.

ARTICLE XX.

MISCELLANEOUS AND ADDRESSES

20.1 No waiver by either party of one or more defaults by the other in the performance of any of the provisions of this Agreement 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.

20.2 This Agreement shall be binding upon and inure to the benefit of the legal representatives, successors and assigns of the respective parties hereto and shall be binding upon any purchaser or assignee of Buyer's properties or pipeline system and upon any purchaser or assignee of the properties of Seller which are subject to this Agreement, 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 Agreement insofar as it shall affect and relate to the property or interest sold or conveyed. It is agreed, however, that except as hereinafter provided, and as provided in Section 5.4, the respective rights and duties of the parties hereunder may not be assigned without the written consent of the other, provided, however, that such consent shall not be unreasonably withheld.

(i) Seller may assign, transfer, convey, and hypothecate, in one or more transactions, all or part of the Leases, or create or carve out royalty or other interests in such Leases, but any such assignment, transfer or conveyance shall be expressly subject to this Agreement.

(ii) Either party hereto may assign its rights hereunder in whole or in part to a wholly-owned subsidiary or to an affiliate. An affiliate is defined as a corporation controlling, controlled by or under common control with such party. No such assignment shall relieve a party hereto of any liability or responsibility hereunder.

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

20.4 This Agreement is subject to all applicable state and federal laws and all present and future applicable orders, rules and regulations of any governmental authority having jurisdiction, so long as such orders, rules and regulations shall be in force and effect, provided, however, that no such governmental order, rule or regulations shall be deemed effective to enlarge or increase the obligations of either party except after final judicial determination to that effect or the consent of the party affected.

20.5 Buyer is and shall be deemed to be a purchaser and transporter of Seller's Gas only and is not and shall not be deemed to be an owner, operator, partner, venturer, agent, participant, or otherwise involved in any of Seller's operations or facilities. Seller will be responsible for and will hold Buyer harmless from any damages or death or injury or civil penalties caused by or happening in connection with such operations or facilities. Buyer will be responsible for Buyer's facilities and will hold Seller harmless from any damages or death or injury caused by or happening in connection with operation of such facilities.

20.6 The parties hereto recognize that all operations conducted by or on behalf of Seller hereunder together with

determining ownership and allocation of (i) Seller's Gas sold and delivered to Buyer and (ii) natural gas liquids which may be extracted from Seller's Gas, shall be governed by and subject to the Prudhoe Bay Unit Agreement and the Prudhoe Bay Unit Operating Agreement. It is therefore agreed that should any conflict arise between the Unit Agreements and this Agreement, the terms and provisions of the Unit Agreements shall be controlling.

20.7 All notices, requests and demands provided for in this Agreement shall be in writing and shall be addressed to the parties as follows:

Seller - Exxon Corporation
ATTENTION: Natural Gas Department
P. O. Box 2180
Houston, Texas 77001

Buyer - Pacific Gas and Electric Company
ATTENTION: Vice President - Gas Supply
77 Beale Street
San Francisco, California 94106

All statements and invoices provided for herein shall be addressed to the parties as follows:

Seller - Exxon Company, U.S.A.
(a division of Exxon Corporation)
ATTENTION: EPAC, Gas Accounting Services
P. O. Box 2180
Houston, Texas 77001

Buyer - Pacific Gas and Electric Company
ATTENTION: Vice President - Gas Supply
77 Beale Street
San Francisco, California 94106

EXHIBIT "A"
TO
GAS SALE AND PURCHASE AGREEMENT
PRUDHOE BAY UNIT, ALASKASeller's Leases - Initial Participating Areas

Oil Rim Participating area

<u>Tract No.</u>	<u>ADL No.</u>	<u>Description of Tract</u>
18	28239	Secs. 27,28,33,34 T12N,R11E,UM
19	28238	Secs. 25,26,35,36 T12N,R11E,UM
26	28299	Secs. 29,31,32 T12N,R14E,UM
27	28300	Secs. 27,28,33,34 T12N,R14E,UM
28	28301	Secs. 25,26,35,36 T12N,R14E,UM
29	34628	Secs. 29,30,31,32 T12N,R15E,UM
30	34629	Secs. 27,28,33,34 T12N,R15E,UM
39	34631	Secs. 3,4,9,10 T11N,R15E,UM
40	34632	Secs. 5,6,7,8 T11N,R15E,UM
41	28302	Secs. 1,2,11,12 T11N,R14E,UM
42	28303	Secs. 3,4,9,10 T11N,R14E,UM
43	28304	Secs. 5,6,7,8 T11N,R14E,UM
50	28240	Secs. 1,2,11,12 T11N,R11E,UM

<u>Tract No.</u>	<u>ADL No.</u>	<u>Description of Tract</u>
52	28244	Sec. 15 T11N, R11E, UM
53	28245	Secs. 13, 14, 24 T11N, R11E, UM
61	28306	Secs. 15, 16, 21, 22 T11N, R14E, UM
62	28307	Secs. 13, 14, 23, 24 T11N, R14E, UM
63	28321	Secs. 17, 18, 19, 20 T11N, R15E, UM
64	28322	Secs. 15, 16, 21, 22 T11N, R15E, UM
65	28323	Secs. 13, 14, 23, 24 T11N, R15E, UM
70	28324	Secs. 25, 26, 35, 36 T11N, R15E, UM
71	28325	Secs. 27, 28, 33, 34 T11N, R15E, UM
72	28326	Secs. 29, 30, 31, 32 T11N, R15E, UM
73	28308	Secs. 25, 26, 35, 36 T11N, R14E, UM
79	28264	Secs. 25, 26, 35, 36 T11N, R12E, UM
82	28246	Sec. 25 T11N, R11E, UM
84	28265	Secs. 1, 2, 11, 12 T10N, R12E, UM
88	28313	Secs. 5, 6, 7, 8 T10N, R14E, UM

<u>Tract No.</u>	<u>ADL No.</u>	<u>Description of Tract</u>
91	28329	Secs. 5,6,7,8 T10N,R15E,UM
92	28328	Secs. 3,4,9,10 T10N,R15E,UM
93	28327	Secs. 1,2,11,12 T10N,R15E,UM

Seller owns a 50% working interest in all of the above listed leases.

Gas Cap Participating Area

<u>Tract No.</u>	<u>ADL No.</u>	<u>Description of Tract</u>
18	28239	Secs. 27,28,33,34 T12N,R11E,UM
19	28238	Secs. 25,26,35,36 T12N,R11E,UM
21	28258	Secs. 27,28,33,34 T12N,R12E,UM
26	28299	Secs. 29,31,32 T12N,R14E,UM
27	28300	Secs. 27,28,33,34 T12N,R14E,UM
40	34632	Secs. 5,6,7,8 T11N,R15E,UM
41	28302	Secs. 1,2,11,12 T11N,R14E,UM
42	28303	Secs. 3,4,9,10 T11N,R14E,UM
43	28304	Secs. 5,6,7,8 T11N,R14E,UM

<u>Tract No.</u>	<u>ADL No.</u>	<u>Description of Tract</u>
50	28240	Secs. 1,2,11,12 T11N,R11E,UM
52	28244	Sec. 15 T11N,R11E,UM
53	28245	Secs. 13,14,24 T11N,R11E,UM
61	28306	Secs. 15,16,21,22 T11N,R14E,UM
62	28307	Secs. 13,14,23,24 T11N,R14E,UM
63	28321	Secs. 17,18,19,20 T11N,R15E,UM
64	28322	Secs. 15,16,21,22 T11N,R15E,UM
65	28323	Secs. 13,14,23,24 T11N,R15E,UM
70	28324	Secs. 25,26,35,36 T11N,R15E,UM
71	28325	Secs. 27,28,33,34 T11N,R15E,UM
72	28326	Secs. 29,30,31,32 T11N,R15E,UM
73	28308	Secs. 25,26,35,36 T11N,R14E,UM
79	28264	Secs. 25,26,35,36 T11N,R12E,UM
82	28246	Sec. 25 T11N,R11E,UM
84	28265	Secs. 1,2,11,12 T10N,R12E,UM
88	28313	Secs. 5,6,7,8 T10N,R14E,UM

JK

<u>Tract No.</u>	<u>ADL No.</u>	<u>Description of Tract</u>
91	28329	Secs. 5,6,7,8 T10N,R15E,UM
92	28328	Secs. 3,4,9,10 T10N,R15E,UM
93	28327	Secs. 1,2,11,12 T10N,R15E,UM
94	28345	Secs. 5,6,7,8 T10N,R16E,UM
97	28346	Secs. 17,18,19,20 T10N,R16E,UM
98	28332	Secs. 13,14,23,24 T10N,R15E,UM
104	47476	Secs. 13,14,24 T10N,R13E,UM

Seller owns a 50% working interest in all of the above listed leases.

Seller's interest in said leases insofar only as such leases cover the Prudhoe Bay (Permo-Triassic) Reservoir within the Initial Participating Areas constitute the "Leases" subject on this Agreement.

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

IN WITNESS WHEREOF, this Agreement is executed as of the day and year first above written in multiple originals.

ATTEST OR WITNESS:

Edmund Travis J.

SELLER:

EXXON CORPORATION

By W. May Smith
Asst General Manager
Natural Gas Department
Exxon Company, U.S.A.
(a division of Exxon Corporation)

ATTEST OR WITNESS:

J. M. Hartz

BUYER:

PACIFIC GAS AND ELECTRIC COMPANY

By John A. Sproul
Executive Vice President

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

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

GAS SALE AND PURCHASE AGREEMENT

Prudhoe Bay Unit, Alaska

Between

EXXON CORPORATION, "Seller

And

NORTHERN NATURAL GAS COMPANY

Dated APRIL 30, 1979

GAS SALE AND PURCHASE AGREEMENT

Prudhoe Bay Unit, Alaska

Between

EXXON CORPORATION, "Seller"

and

NORTHERN NATURAL GAS COMPANY, "Buyer"

INDEX

<u>ARTICLE</u>		<u>PAGE</u>
I.	Definitions	1
II.	Scope of Agreement.	5
III.	Conditions	7
IV.	Reservations of Seller	10
V.	Quantity	13
VI.	Point of Delivery	15
VII.	Delivery Pressure	16
VIII.	Quality	17
IX.	Natural Gas Liquids Allocation	17
X.	Gas Measurement and Tests	23
XI.	Price	30
XII.	Tax Reimbursement	41
XIII.	Billing, Payments and Records	42
XIV.	Financial Responsibility	43
XV.	Term	44
XVI.	Warranty of Title and Payment of Royalties.	44
XVII.	Remedy for Breach	45
XVIII.	Force Majeure	46
XIX.	Processing	48
XX.	Miscellaneous and Addresses	52

GAS SALE AND PURCHASE AGREEMENT

Prudhoe Bay Unit, Alaska

THIS AGREEMENT, made and entered into as of the 30TH day of APRIL, 1979, by and between EXXON CORPORATION, a New Jersey corporation, hereinafter referred to as "Seller", and NORTHERN NATURAL GAS COMPANY, a Delaware corporation, hereinafter referred to as "Buyer";

WITNESSETH:

WHEREAS, Seller is the owner of an interest in certain oil and gas leases included in the Prudhoe Bay Unit of Alaska, and desires to sell to Buyer a portion of Seller's natural gas which may be produced from certain wells completed within the Prudhoe Bay (Permo-Triassic) Reservoir underlying such Unit; and

WHEREAS, Buyer requires natural gas to supply its markets and desires to purchase said gas from Seller;

NOW, THEREFORE, in consideration of the premises and mutual benefits and covenants herein contained, the parties hereto have agreed and do hereby covenant and agree as follows:

ARTICLE I.

DEFINITIONS

The following terms when used in this Agreement shall have the meanings set forth in this Article unless the

context indicates otherwise:

1.1 The term "Leases" shall mean Seller's interest in the oil and gas leases described in Exhibit "A" hereto covering lands included within the Prudhoe Bay Unit and subject to the Prudhoe Bay Unit Agreement ("Unit Agreement") and the Prudhoe Bay Unit Operating Agreement ("Unit Operating Agreement") both dated as of April 1, 1977, and more particularly described hereinafter, insofar only as such leases cover the Prudhoe Bay (Permo-Triassic) Reservoir within the Initial Participating Areas.

1.2 The term "Initial Participating Areas" shall mean the Prudhoe Bay (Permo-Triassic) Oil Rim Participating Area and Gas Cap Participating Area as described in Sections 5.1(c) and 5.1(e) of the Unit Agreement, as such Initial Participating Areas are outlined on maps attached as Exhibits "D-1" and "D-2" to the Unit Agreement.

1.3 The term "Prudhoe Bay (Permo-Triassic) Reservoir" means the accumulation of oil, gas and associated substances found in the A. R. Co.-Humble (now A. R. Co.-Exxon) Prudhoe Bay State No. 1 well between the depths of 8,117 feet and 8,785 feet below Kelly Bushing as measured by the Schlumberger Dual Induction Laterolog, Run 4, dated February 8, 1968, and in Run 5, dated March 9, 1968 (including also the Put River Sandstone, which is that sandstone interval that correlates with the interval 9,638 to 9,719 measured feet on the Borehold Compensated Sonic Log, Run 2, dated September 28,

1975, in the Atlantic Richfield-Exxon NGI No. 1 well) within the Prudhoe Bay Unit, as such Reservoir is now constituted. The Prudhoe Bay (Permo-Triassic) Reservoir is outlined on the map attached as Exhibit "F" to the Unit Agreement, which map is subject to modification to reflect the Reservoir as now constituted. Seller will provide Buyer with such modified map, to be an Exhibit "B" hereto, when available.

1.4 The term "Prudhoe Bay Unit" (sometimes called "Unit") shall mean the geographic area subject to the Unit Agreement and Unit Operating Agreement approved by the Commissioner of the Department of Natural Resources of the State of Alaska on June 2, 1977, and referred to as the "affected area" in Conservation Order No. 145 of the Alaska Oil and Gas Conservation Committee, Division of Oil and Gas Conservation, Department of Natural Resources of the State of Alaska, as such order was in effect on June 1, 1977.

1.5 The term "Separator Off-Gas" shall mean hydrocarbon and nonhydrocarbon natural gas, including natural gas liquids, as produced from unit wells and which is recovered in a vapor state from any separation facility handling gas provided from unit wells.

1.6 The term "Seller's Gas" shall mean Seller's share of Separator Off-Gas Production (as that term is defined in Section 26.002 of the Unit Operating Agreement) which is attributable to Seller's Leases and available for taking and disposal under Section 27.701 or Section 27.702 of the Unit Operating Agreement less that portion thereof reserved by Seller in ARTICLE IV.

1.7 The term "Contract Volume" shall mean the volume of gas determined pursuant to Section 5.1 hereof.

1.8 The term "day" shall mean a period of twenty-four (24) consecutive hours beginning at 12:01 a.m., Prudhoe Bay time.

1.9 The term "month" shall mean the period beginning at 12:01 a.m., Prudhoe Bay time, on the first (1st) day of a calendar month and ending at the same time on the first (1st) day of the next succeeding calendar month.

1.10 The term "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 hereunder to Buyer and any anniversary of such date.

1.11 The term "Mcf" shall mean 1,000 cubic feet of gas as determined on the measurement basis set forth in Section 10.1 hereof.

1.12 The term "Btu" shall mean British thermal unit.

1.13 The term "psia" shall mean pounds per square inch absolute.

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

1.15 The term "Btu content" or "gross heating value" shall mean the total heating value determined as provided in Section 10.14 hereof.

ARTICLE II.

SCOPE OF AGREEMENT

2.1 Subject to all of the terms and provisions hereinafter set forth, Seller agrees to deliver for sale to Buyer, and Buyer agrees to take and purchase from Seller each day during the term hereof, one-third (1/3) of Seller's Gas, as produced. Seller may deliver and sell to Buyer and Buyer shall purchase and take, to the extent that Buyer has available pipeline capacity to do so, quantities of Seller's Gas each day in excess of that committed to Buyer hereunder.

2.2 It is recognized that Seller is entering into or has entered into agreements with other purchasers ("Other Purchasers") providing for the sale and purchase of the remainder of Seller's Gas as produced each day. Buyer and Other Purchasers will receive Seller's Gas at the same delivery point, as hereinafter described, and it will be the responsibility of Buyer and Other Purchasers to take all of Seller's Gas as produced every day and to coordinate the taking so as to avoid any continuing or permanent imbalance between their obligations to take and their actual takes of Seller's Gas. Seller shall have no obligation to Buyer or to Other Purchasers to allocate deliveries of Seller's Gas between Buyer and Other Purchasers to avoid or offset imbalances in their respective purchases of Seller's Gas.

2.3 It is recognized further that Seller's Leases are subject to the Unit Agreement and Unit Operating Agreement

executed by and between Seller and other owners of interests in the oil and gas in and under the Prudhoe Bay Unit, and that this Agreement shall be subordinate to such Unit Agreement and Unit Operating Agreement, and Seller's obligations thereunder. Seller shall provide Buyer with copies of said Unit Agreement and Unit Operating Agreement, which have been filed in the Division of Minerals and Energy Management, Department of Natural Resources, State of Alaska. In particular, the sale of Seller's Gas hereunder is subject to the right of the State of Alaska, as lessor, to take its royalty share of gas in kind.

It is recognized that the owners of interests in oil and gas leases included in the Initial Participating Areas will be selling gas to several purchasers, all of whom will be transporting such gas in the Alaska Natural Gas Transportation System (ANGTS). Buyer agrees to use reasonable efforts to coordinate its purchase of gas with the purchases by other purchasers to the end that all purchasers will have an opportunity to take their contractual amount of gas. Buyer further agrees to use reasonable efforts to arrange balancing agreements with other purchasers in order to better assure that all purchasers will have greater flexibility in their purchases of gas from the Initial Participating Areas. Seller shall have no obligation to avoid or offset imbalances in the rights of purchasers to receive and actual receipts of gas entering the ANGTS at Prudhoe Bay.

2.4 As hereinafter provided, Buyer shall acquire in the purchase of Seller's Gas the net volume of natural gas liquids attributable to Seller's Gas which is required to be removed to condition that gas for transport through pipeline facilities used by Buyer to transport gas from the Prudhoe Bay area. The volume of natural gas liquids so acquired by Buyer shall not exceed the minimum required to be removed prior to transportation of the gas in the pipeline for efficient pipeline operation under pipeline specifications on the date of initial deliveries hereunder. (For the allocation of natural gas liquids attributable to Seller's Gas, refer to ARTICLE IX hereof, entitled "Natural Gas Liquids Allocation").

THIS MAY
IMPACT COST
OF CONDITIONING
FACILITIES HAS
IMPLICATIONS FOR
INSTATE PETRO-
CHEMICALS

ARTICLE III.

CONDITIONS

3.1 Buyer and Seller recognize that in order for Buyer to purchase and receive the gas covered hereby, it will be necessary for Buyer to arrange for the installation of a transportation system therefor, which "transportation system" for the purposes hereof shall include conditioning facilities and pipeline necessary to transport the gas from the delivery point herein to Buyer's pipeline facilities in the contiguous United States. Upon execution of this Agreement, Buyer shall promptly seek to conclude all agreements and contractual arrangements necessary for the transportation system for gas to be purchased hereunder. If necessary for the successful

completion of the transportation system for Alaska gas authorized by the President's Decision under the Alaska Natural Gas Transportation Act of 1976, Buyer shall participate in the ownership of such transportation system. Not later than January 1, 1980, Buyer shall complete its contractual arrangements for the transportation system and shall provide Seller with such documentation of such arrangements as Seller may request. It is recognized that the Federal Energy Regulatory Commission has instituted a proceeding, Docket No. RM79-19, concerning the conditioning facilities for gas entering the Alaska Natural Gas Transportation System. If the decision in such proceeding affects Buyer's ability to perform its responsibility as to such conditioning facilities, and if the decision is not acceptable to either Seller or Buyer, then either party may terminate this Agreement. If the Federal Energy Regulatory Commission fails to approve Buyer's arrangements for the transportation system, in a form acceptable to both Seller and Buyer, or Buyer fails to assure Seller to Seller's satisfaction with respect thereto, by March 1, 1980, either Seller or Buyer shall have the right and option at any time thereafter to declare this Agreement terminated.

3.2 As soon as practicable after the execution of this Agreement, Buyer shall file or cause to be filed applications for all certificates, permits and other authorizations which Buyer will require from the Federal Energy Regulatory

Commission and other governmental agencies to commence the purchase of gas hereunder. In particular, Buyer shall promptly file a copy of this Agreement with the Federal Energy Regulatory Commission for approval pursuant to Section 5.V.2. of the President's Decision under the Alaska Natural Gas Transportation Act. Buyer may accept or reject any certificate, permit or other authorization issued to it. If Seller is dissatisfied with the certificate, permit or other authorization received by Buyer, Seller shall have the right to terminate this contract by giving Buyer written notice of such termination together with its reasons therefor. Buyer agrees to furnish Seller with a copy of any certificate, permit or other authorization received by it, together with a copy of its notice of acceptance or rejection thereof, in which latter event Buyer will include its reasons for such rejection.

3.3 Buyer shall use due diligence in an effort to obtain, not later than January 1, 1982, on terms and conditions acceptable to both parties all certificates, permits or other authorizations from the Federal Energy Regulatory Commission and other governmental agencies which Buyer deems necessary for Buyer to perform its obligations under this Agreement, including a certificate of public convenience and necessity to construct, own and operate facilities required for Buyer to carry out its obligations under this Agreement. Buyer shall notify Seller at such time as Buyer

has received all such certificates, permits and authorizations, and in the event that Buyer has not so notified Seller by March 1, 1982, Seller shall thereafter have the right and option, to be exercised at any time, to terminate this Agreement by giving notice of termination to Buyer. If Buyer fails to obtain the required authorization by such date, or rejects same upon issuance thereof, then either party may terminate this Agreement by giving notice to the other party and neither party shall be liable thereafter hereunder.

3.4 Upon the fulfillment of the foregoing conditions, Buyer will proceed with due diligence to install or make arrangements for installation of all facilities necessary to receive delivery of gas from Seller hereunder no later than January 1, 1986, and Seller will proceed to install any necessary facilities and use due diligence to make delivery of such gas to Buyer at the delivery point hereinafter specified.

ARTICLE IV.

RESERVATIONS OF SELLER

4.1 Seller hereby expressly reserves from this Agreement the following prior rights, together with sufficient volumes of gas to exercise any such rights and to meet the obligations set forth hereinafter:

4.1.1 To operate the Leases covered hereby 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 unit wells, to repair and rework old unit wells, to renew or extend, in whole or in part, Seller's Leases and to abandon any unit well or surrender Seller's Leases, in whole or in part.

4.1.2 To sell Seller's Gas committed hereunder on a day-to-day basis to any purchaser, when said gas is available for sale and before the date of initial deliveries hereunder.

4.1.3 To use or to sell such quantities of Seller's Gas as required to fulfill Seller's obligations pursuant to the terms of any agreements under which Seller now or hereafter delivers gas for fuel for operation of the Trans Alaska Pipeline System.

4.1.4 To use Seller's Gas in such quantities as Seller in its sole discretion deems necessary:

(a) For developing and operating Seller's Leases, including but not limited to gas for drilling or sale to drilling contractors; gas for fuel, gas lift, pressure maintenance, additional recovery, cycling or related operations; gas for the operation of Unit Equipment or other facilities, whether located on or off Seller's Leases, installed to handle oil or gas production from or attributed to any reservoir underlying such Leases or other leases adjacent to or in the vicinity of the Prudhoe Bay Unit, in which Seller may have an interest.

(b) For drilling or sale to drilling contractors and for fuel in developing and operating other lands and leases adjacent to or in the vicinity of Seller's Leases.

(c) For uses such as heating, lighting, cooking, etc., for housing, office buildings and other facilities utilized by or for personnel employed in the development and operation of Seller's Leases and other leases in the vicinity.

4.1.5 To fulfill Seller's obligations to deliver gas to its lessor, the State of Alaska, pursuant to the terms of Seller's Leases, and the Unit Agreement and Unit Operating Agreement, as they now exist.

4.1.6 To alter the Initial Participating Areas by agreement with the other parties to the Unit Agreement, in which event this Agreement will cover Seller's Gas produced from any such altered Participating Area to the extent that such gas is attributed to Seller's Leases covered hereby; Seller's interest in lands and leases not within the Initial Participating Areas shall not become subject to this Agreement by reason of any such alteration except on mutual agreement of the parties. Seller shall promptly notify Buyer of any agreement affecting Seller's Leases; however, Seller shall not be liable if through oversight it fails to give Buyer such notice.

4.1.7 Subject to Section 2.4, to process or cause Seller's Gas to be processed after delivery to Buyer, as hereinafter provided in ARTICLE XIX.

ARTICLE V.

QUANTITY

5.1 Upon fulfillment of the conditions set forth in Article III above, delivery and receipt of gas shall commence under this Agreement. Commencing on the date of first delivery of gas hereunder and thereafter during the term hereof, Buyer shall take delivery or arrange for the taking on each and every day, of one-third (1/3) of Seller's Gas which is available for delivery and sale at the delivery point. Such one-third (1/3) of Seller's Gas shall be the "Contract Volume" each day, and Buyer shall take delivery of or arrange for the taking of such Contract Volume of gas. If Buyer takes less than the Contract Volume on any day for any reason, other than force majeure which results in the ANGTS not receiving gas at Prudhoe Bay, Seller shall have the right, as elsewhere provided herein, to sell any such gas not taken by Buyer to another purchaser if Buyer does not first arrange for such gas to be taken by another purchaser. The sale or delivery of such gas to another purchaser shall discharge Buyer's obligation hereunder to the extent Seller receives payment equivalent to that it would have received had Buyer purchased such gas.

5.2 The Prudhoe Bay (Permo-Triassic) Reservoir is an associated oil and gas reservoir. Accordingly, the production of Seller's Gas will not permit Buyer to take certain quantities of gas on a fixed schedule or to make up for gas which Buyer is unable or fails to take on any day. Under existing State of Alaska regulations, the annual average gas production from the Prudhoe Bay (Permo-Triassic) Reservoir may not exceed 2.7 billion standard cubic feet (2.7 Bcf) per day. It is estimated that the Contract Volume hereunder (one-third (1/3) of Seller's Gas available for delivery and sale at the delivery point) will be about 290,000 Mcf per day at the delivery point, and will have a gross heating value of about 1060 Btu's per cubic foot. Seller shall furnish Buyer a revised estimate of the Contract Volume as soon as practicable after Seller becomes aware that such estimate or any subsequently furnished estimate should be changed by more than ten (10) per cent.

5.3 Subject to Section 5.1 above, Seller shall have the right to deliver and sell to another purchaser any part or all of the Contract Volume of Seller's Gas which Buyer fails to take on any day, but Buyer shall not be excused for failure to perform this Agreement by reason of said right whether or not exercised. Unless otherwise excused, Buyer shall be liable to Seller for the price for any of Seller's Gas taken at the delivery point without compensation as a result of Buyer's failure to take, or for the difference in

the price which Seller receives for sale of Seller's Gas to another and the price applicable hereunder, if the latter is the greater. Even though Buyer's failure to take may be excused under any other provision of this Agreement, Buyer shall not have a right to make up for gas which Buyer fails to take on any day.

5.4 Buyer and Other Purchasers shall have the right to allocate gas purchases from Seller among themselves to the end that all of the Contract Volume will be taken hereunder on any day. Performance by Other Purchasers of Buyer's obligation to take the Contract Volume shall be deemed adequate performance hereunder provided payment is made to Seller as required hereunder.

ARTICLE VI.

POINT OF DELIVERY

6.1 The point of delivery for gas sold hereunder shall be at the outlet of the Unit gas gathering system, downstream of the gas/oil separators and Unit gas dehydration and certain compression and cooling facilities, at such point as may be mutually acceptable to Seller and Buyer and at or near the inlet of the gas conditioning facility. If other parties to the Unit Agreement execute agreements for the sale of Separator Off-Gas at the gas/oil separators or elsewhere upstream of the point of delivery herein described, Seller shall have the option to designate the same delivery point as designated by said other parties. In the event of

such designation, Seller shall have an option to require that this Agreement be amended to conform to approximately the same terms and conditions as such other Agreement or Agreements.

6.2 Title to Seller's Gas shall pass from Seller to Buyer at the point of delivery. Seller will provide all facilities upstream of the point of delivery including facilities necessary to separate Seller's Gas from oil, to gather, dehydrate, compress and cool said gas to the quality standards hereinafter specified. Buyer will provide all facilities at the delivery point for receipt and measurement of Seller's Gas and all downstream facilities necessary for the transportation of such gas.

6.3 Seller shall be in control and possession of Seller's Gas prior to delivery thereof to Buyer and Seller shall be responsible for any damage or injury or death caused thereby prior to such delivery. Following such delivery, Buyer shall be deemed to be in exclusive control and possession of Seller's Gas and shall bear responsibility for any and all claims, causes of action or judgments arising from property damage or injury or death caused thereby or arising from the conduct of Buyer.

ARTICLE VII.

DELIVERY PRESSURE

7.1 Seller agrees to deliver Seller's Gas at a pressure which is the greater of (i) the operating pressure of Seller's facilities at the point of delivery, or (ii) a pressure of

500 psig. To the extent that compression of Seller's Gas is required in order to enter Buyer's facilities at the point of delivery, Seller agrees to install and operate such equipment for compression of the gas to a pressure sufficient to enter Buyer's facilities at the point of delivery up to but not in excess of 500 psig.

ARTICLE VIII.

QUALITY

8.1 Seller's Gas sold and delivered to Buyer hereunder shall be as produced in its natural state, except that such gas may be compressed as specified in Section 7.1 above, and shall be dehydrated to contain not more than two-tenths (.2) of a pound of water per million cubic feet and cooled to a temperature not in excess of 120 degrees Fahrenheit (120° F.). Seller shall install separation and dehydration equipment for removal of oil, condensate, and nonhydrocarbon liquids and objectionable solids from such gas prior to its delivery to Buyer. All such liquids and solids so separated by Seller shall be and remain the property of Seller.

ARTICLE IX.

NATURAL GAS LIQUIDS ALLOCATION

9.1 As provided in Section 3.1 herein, Buyer intends to join with other gas purchasers to construct or have constructed a transportation system which includes a gas conditioning facility. For purposes of this Agreement, any such gas conditioning facility located in the Unit Area, or

its vicinity, is hereinafter referred to as Conditioning Facility. Gas purchased hereunder will be commingled in the Conditioning Facility with gas owned by other purchasers for conditioning prior to delivery into a pipeline for transportation to Buyer's markets, it is anticipated that in the operation of the Conditioning Facility, certain quantities of natural gas liquids (as such term is defined in the Unit Operating Agreement) will be extracted from Seller's Gas and, unless purchased by Seller as provided in Section 9.2, such natural gas liquids so extracted, shall be owned by Buyer. Allocation of natural gas liquids to Seller's Gas shall be accomplished as provided in Article 29 of the Unit Operating Agreement. Buyer shall conduct such tests and measurements as may be required and Buyer and Seller shall furnish each other monthly statements concerning the operations conducted by each which shall contain whatever information is necessary for Seller to make or cause to be made such allocation in compliance with the Unit Operating Agreement. Seller and Buyer agree that the detailed information to be furnished by each to the other will be determined prior to the commencement of gas deliveries so that when gas deliveries do commence there will be no delay in determining the volume of natural gas liquids allocated to Seller's Gas and the volume and Btu content of Seller's Gas sold and delivered.

9.2 In the event Buyer elects to sell to an unaffiliated party natural gas liquids recovered by operation of the Conditioning Facility and attributable to Seller's Gas, Seller

shall have the right of first refusal to purchase and receive such quantities thereof that Buyer desires to sell. From time to time if Buyer offers such natural gas liquids for sale to others, Seller shall have the option to meet the terms of any bona fide offer that Buyer receives for the purchase thereof. Upon receipt of an offer which is acceptable to Buyer, Seller agrees to meet the terms of such offer within sixty (60) days of receipt of written notice from Buyer or to then be deemed to have forfeited its option to purchase said natural gas liquids but only with regard to the terms of such offer.

9.3 Buyer shall transport in the transportation system, as gas, all of the natural gas liquids recovered in the Conditioning Facility and attributable to Seller's Gas except that portion of the liquids which, as provided in Section 2.4 hereof, Buyer must remove for efficient pipeline operation. It is not anticipated that Buyer will have difficulty in using or disposing of such natural gas liquids acquired by Buyer pursuant to Section 2.4; nevertheless, if Buyer is unable to use, transport, sell, or otherwise dispose of all such natural gas liquids, Buyer may return to Seller the volume thereof which Seller can use or can transport in an oil pipeline (such liquids are referred to herein as "Usable Natural Gas Liquids"). It shall be necessary, however, for Buyer to give Seller written notice not less than three (3) months in advance of any return of such liquids, and Buyer shall specify in such notice the daily quantity and composition of the Usable Natural Gas Liquids to be tendered to Seller.

Natural gas liquids shall be deemed Usable Natural Gas Liquids to the extent that (1) Seller, under terms and conditions acceptable to Seller, may be able to use such liquids as an alternate fuel in accordance with the terms and provisions of Section 30.007 of the Prudhoe Bay Unit Operating Agreement and/or (2) Seller, under terms and conditions acceptable to Seller, may be able to tender such liquids for transport through an oil pipeline.

The total Btu's of the Usable Natural Gas Liquids that Seller takes from Buyer and uses as fuel shall be deducted from the amount of Btu's for which Buyer is obligated to pay Seller, and it shall be deemed that the ownership of such Btu's as contained in Seller's Gas when delivered to Buyer was never transferred to Buyer. However, Buyer shall reimburse Seller for any fuel substitution costs incurred by Seller in accordance with the provisions of Section 30.007 of the Unit Operating Agreement.

The total Btu's of the Usable Natural Gas Liquids that Seller takes from Buyer for transport through an oil pipeline shall be deducted from the amount of Btu's for which Buyer is obligated to pay Seller for gas delivered hereunder, and it shall be deemed that the ownership of such Btu's was never transferred to Buyer. However, Buyer shall reimburse Seller for any costs incurred by Seller associated with putting such natural gas liquids into an oil pipeline for transport, including any reduction in Btu value as a result thereof.

In addition to volumes of Usable Natural Gas Liquids, if any, there may be volumes of natural gas liquids (herein referred to as "Surplus Natural Gas Liquids") acquired by Buyer pursuant to Section 2.4 that Buyer cannot use, transport, sell or otherwise dispose of and that Seller may not be able to use or transport. To the extent there are Surplus Natural Gas Liquids attributable to Seller's Gas, Seller shall make a good faith effort to obtain rights for Buyer to inject, at Buyer's sole expense, such Surplus Natural Gas Liquids into the Prudhoe Bay (Permo-Triassic) Reservoir in accordance with the terms and provisions of Sections 27.802 and 27.803 of the Unit Operating Agreement and under terms and conditions acceptable to the Seller and Buyer.

Upon the injection of Surplus Natural Gas Liquids into the Reservoir, all rights and interests of Buyer in such liquids shall revert to Seller. The total Btu's of such Surplus Natural Gas Liquids so injected into the said Reservoir shall be deducted from the amount of Btu's for which Buyer is obligated to pay Seller for gas delivered hereunder; and it shall be deemed that the ownership of such Btu's was never transferred to Buyer. However, Buyer shall reimburse Seller for any costs incurred by Seller associated with injecting such liquids into the Reservoir including any penalties Seller may incur for injecting such liquids.

9.4 If the Conditioning Facility is operated to remove carbon dioxide ("CO₂") from the inlet stream of gas, Buyer may have, in addition to the gas to be transported, a volume of

residue gas composed of a high percentage of CO₂. If such residue CO₂ gas has sufficient hydrocarbons to be usable as fuel, then at Buyer's request, and if the Unit owners are agreeable to using or allowing the use of the residue CO₂ gas as fuel by Seller under terms and conditions acceptable to Seller, Buyer may return to Seller a volume of such gas attributable to the Seller's Gas sold at the inlet of the Conditioning Facility under the terms of this Agreement.

To the extent Seller takes from Buyer such residue CO₂ gas as fuel, the total Btu's contained therein shall be deducted from the amount of Btu's for which Buyer is obligated to pay Seller for gas sold hereunder. However, Buyer shall reimburse Seller for any fuel substitution costs incurred by Seller in accordance with the provisions of Section 30.007 of the Prudhoe Bay Unit Operating Agreement. Further, it is agreed that there shall be no conditioning charges paid by Seller as a result of taking residue CO₂ gas.

If Buyer is required to dispose by subsurface injection of residue CO₂ gas, Seller shall make a good faith effort to obtain rights for Buyer, at Buyer's sole cost, to inject such residue CO₂ gas attributable to Seller's Gas into the Prudhoe Bay (Permo-Triassic) Reservoir in accordance with the terms and provisions of Sections 27.802 and 27.803 of the Prudhoe Bay Unit Operating Agreement and under terms and conditions acceptable to Seller.

To the extent residue CO₂ gas is injected into the Reservoir, the Btu content thereof (determined in accordance

with Section 10.14) shall be deducted from the amount of Btu's Buyer is obligated to pay Seller for gas sold hereunder. However, Buyer shall reimburse Seller for any costs incurred by Seller associated with the injection of such residue CO₂ gas, including any penalties Seller may incur for such injection. Upon injection of residue CO₂ gas into such Reservoir all rights and interests of Buyer in such residue CO₂ gas shall revert to and be vested in Seller.

ARTICLE X.

GAS MEASUREMENT AND TESTS

10.1 Units of Volume. The unit of volume for purposes of measurement of volumes hereunder shall be that amount of gas which will occupy one (1) cubic foot of space when held at a base temperature of sixty degrees Fahrenheit (60° F.) and when under a base pressure of fourteen and sixty-five hundredths (14.65) pounds per square inch absolute; the volume measured shall be adjusted for deviation from the Ideal Gas Law.

10.2 Calculation of Volumes. The computation of volumes delivered hereunder shall be made by Buyer, using the orifice meter equation prescribed in American Petroleum Institute Publication 2530, "Orifice Metering of Natural Gas", as amended or revised from time to time.

10.3 Barometric Pressure. The atmospheric pressure shall be assumed to be 14.70 psia, irrespective of the actual

atmospheric pressure at the point of delivery or any factors that may cause fluctuation in the barometric pressure.

10.4 Flowing Gas Temperature. The temperature of the gas shall be determined by a recording thermometer(s) continuously used and installed so as to properly record the temperature of the gas. The arithmetic average of gas temperatures recorded during the periods of flow only shall be deemed the daily average gas temperature for the purpose of calculating volumes.

10.5 Specific Gravity. The specific gravity of the gas shall be determined by the use of a continuous recording gravitometer of make and type agreed upon by Buyer and Seller and so installed that it will monitor the specific gravity of the gas measured. The daily average specific gravity recorded during the periods of flow only shall be deemed the specific gravity of the gas for the purpose of calculating volumes. The continuous recording gravitometer shall be checked at least once each month by the use of the Acme gravity balance or any other approved method mutually agreed upon.

10.6 Ideal Gas Law Deviation. Except as otherwise agreed by Seller and Buyer, the gas delivered shall be assumed to deviate from the Ideal Gas Law to the extent determined from the American Gas Association's "Manual for the Determination of Supercompressibility Factors for Natural Gas" developed under P.A.R. Research Project NX-19 completed December 1962, as such manual may be hereafter

amended or changed, at the specific gravity and average flowing temperature of the gas, and at the arithmetic average static pressure recorded during period of gas flow only. At the request of either Seller or Buyer the deviation from the Ideal Gas Law for the gas delivered hereunder shall be experimentally determined by a method mutually agreed upon. If the results of such determination indicate that use of the above AGA Manual for the calculation of gas volumes will result in an error of one-half of one percent (.5%) or more then the experimentally determined deviation from the Ideal Gas Law shall be used.

10.7 Measurement Records. The original copy of all records and chart recordings shall remain the property of the owner of the equipment from which such record or recording was obtained, and shall be retained for a period of three (3) years, or such longer period as may be required by any public authority having jurisdiction, with the other party having the right to examine these records or recordings during this period. At the end of the three-year period or such longer required period, the owner shall have the right to destroy the records without permission or recourse from the other party; provided, however, that the owner electing to destroy any such records shall first give the other party advance notice thereof in writing and a period of sixty (60) days after receipt of such notice to request that such records be delivered into its possession for retention, as long as such party desires.

10.8 Measuring Equipment. Volumes delivered hereunder shall be calculated or otherwise determined from records and chart recordings which will be made from an orifice type metering station fabricated to conform to the "Construction and Installation Specifications" the American Petroleum Institute Publication 2530, "Orifice Metering of Natural Gas", as amended or revised from time to time.

10.9 Primary Measuring Equipment. Buyer shall install, maintain and operate at no expense to Seller all equipment required for the measurement, calculation and allocation of volumes delivered hereunder and the calibration and adjustment thereof shall be done by Buyer unless it is agreed by the parties hereto that Seller shall change charts. Seller shall be permitted to connect computerized production control monitoring devices to Buyer's measuring equipment.

10.10 Check Measuring Equipment. Seller shall have the option to install any measuring equipment it may desire, but same shall be installed so as not to interfere with Buyer's equipment, nor shall the recordings from such check measuring equipment be used in determination of deliveries hereunder unless Buyer's equipment be out of service or be found by test to be in error by an amount exceeding allowed tolerances as set out in Section 10.12 hereof.

10.11 Equipment Inspections. Buyer shall calibrate, test and otherwise inspect all measurement recorders, devices and equipment used in measuring gas delivered hereunder prior to the commencement of delivery, and thereafter at

least twice during each succeeding month that gas deliveries are made or at other mutually acceptable intervals. Buyer shall inspect orifice plates and meter tubes not less often than twice each year. Additional tests and inspections shall be made at irregular and non-scheduled intervals when in the judgment of either Buyer or Seller the equipment is believed not to be recording satisfactorily. Meter tubes may be inspected by use of a borescope or other comparable method.

Seller shall have the right to have a representative present to witness the installation, calibration, testing, cleaning, changing, repairing or adjustment of any portion of the primary measurement equipment or other equipment used in determining the volume delivered hereunder.

Seller and Buyer will each inform the other with reasonable notice of the date and time an equipment inspection or test is desired.

Any labor and transportation costs accruing as a result of a regularly scheduled test or inspection shall be borne by both Buyer and Seller to the extent each shall defray the expense of its own personnel. However, should either party request a test or inspection at an irregular interval, the cost accruing to the other party shall be reimbursed by the party requesting the test if it is found that the equipment is functioning within the allowed tolerance of accuracy; otherwise, each party shall defray its own expense.

10.12 Equipment Accuracy Tolerances. If, upon testing and inspecting all recorders and other equipment comprising a single metering installation, the aggregate volumetric error is found not to exceed plus or minus one percent (1%) of accuracy, then previous recordings shall be considered accurate in computing deliveries hereunder, but such equipment shall forthwith be adjusted to record accurately.

If, upon testing and inspecting all recorders and other equipment comprising a single metering installation, the aggregate volumetric error is found to exceed plus or minus one percent (1%) of accuracy, such equipment shall forthwith be adjusted to record accurately, and compensating adjustment shall be made to previous recordings and volumetric calculations for the period of time the recording was in error, if known. If the period of time is not known, recordings and calculations shall be adjusted for a period of time agreed to by Buyer and Seller, or in the absence of agreement, such correction shall be for a period covering the last half of the time elapsed since the previous test, but not exceeding a period of eight (8) days.

10.13 Failure of Measuring Equipment. If, for any reason, the measuring equipment installed for Buyer is out of service or out of tolerance, with the result that the quantity of gas delivered is not correctly indicated by the reading thereof, the gas delivered during the period in

which such measuring equipment is out of service or out of tolerance shall be estimated and agreed upon on the basis of the best data available, using one of the following methods listed in order of preference unless some other order is adjudged by both parties as more feasible:

(a) By using the registration of any check measuring equipment, if installed and accurately registering, or

(b) By adjusting for the error, if the percentage of error is ascertainable by calibrating, test, or mathematical calculations, or

(c) By estimating the quantity of delivery, by use of other metered volumes which may be available in Seller's facilities, or by reference to actual deliveries during preceding periods under similar conditions when the equipment in question was measuring accurately.

10.14 Heating Value. The gross (or total) heating value of the gas delivered by Seller to Buyer, expressed in Btu's per cubic foot, shall be determined by Buyer by means of a continuous sampler or other mutually agreeable method(s) in general use in the gas industry, as selected by Buyer and approved by Seller. Seller shall have the right to determine, at such time or times as it may desire, the gross heating value of the gas in British Thermal Units per cubic foot by means of any method in general use in the gas industry. Each party shall give to the other notice of the time of all

tests for determining the Btu content of the gas to be conducted by such party reasonably in advance of making the test in order that the other party may conveniently have its representative present. Should there be any material variance between tests by Buyer and Seller, a joint test will be run employing a mutually agreeable method and the result thereof will be controlling, effective from the first day of the calendar month preceding such joint test.

The Btu content per cubic foot shall be determined for a cubic foot of gas as such unit of volume is defined in Section 10.1 and said Btu content shall be adjusted for the actual water vapor content of the gas at the Point of Delivery hereunder. The actual water vapor content of the gas shall be determined periodically at mutually agreeable intervals using mutually agreeable methods in general use in the gas industry.

ARTICLE XI.

PRICE

11.1 Buyer shall pay Seller for Seller's Gas sold and delivered hereunder the price specified below for the applicable period indicated in subsections (a), (b), (c) and (d), or the price determined in subsection (e) below, whichever is highest. Each calculated price shall be expressed to four (4) decimal places. The price shall be determined as follows:

- (a) Effective on the first day of the month next following the date of this Agreement, the price hereunder shall be Two Dollars (\$2.00) per million Btu's.
- (b) Commencing on the first day of the second (2nd) month following the date of this agreement and continuing through the sixtieth (60th) month following the date of initial delivery of gas to Buyer hereunder, the price specified in Section 11.1 (a) above shall increase each month by multiplying the price for the preceding month by the monthly equivalent of the annual inflation adjustment factor applicable for such month, determined in the manner provided in Title I of the Natural Gas Policy Act of 1978.
- (c) On the first day of the sixty-first (61st) month following the date of initial delivery of gas to Buyer hereunder, the price per million Btu's as determined for the sixtieth (60th) month in accordance with (b) above shall increase by multiplying the price for the preceding month by the monthly

equivalent of the annual inflation adjustment factor applicable for such month, determined in the manner provided in Title I of the Natural Gas Policy Act of 1978, plus one-fourth of one percent (0.25%) per month.

- (d) On the first day of the sixty-second (62nd) month following the date of initial delivery of gas to Buyer hereunder and thereafter on the first day of each succeeding month during the term of this agreement, the price per million Btu's as determined for the immediately preceding month shall be increased by multiplying the price for the preceding month by the monthly equivalent of the annual inflation adjustment factor applicable for such month, determined in the manner provided in Title I of the Natural Gas Policy Act of 1978, plus one-fourth of one percent (0.25%) per month.
- (e) During each month the price for gas delivered to Buyer hereunder shall be equal to the maximum lawful price per million Btu's prescribed under Section 109, plus the amounts to compensate Seller for severance taxes and costs allowed under Section 110

of the Natural Gas Policy Act of 1978 for the month in which the gas is delivered. The price for gas delivered for sale to Buyer hereunder during any month shall be increased to any higher adjusted rate permitted or allowed by the Federal Energy Regulatory Commission (FERC) or any other governmental authority having jurisdiction in the premises, as hereinafter provided.

In no event, however, shall the price due hereunder exceed the price which Seller may lawfully collect nor the amount which Buyer is permitted to include in its rates and charges to its jurisdictional customers.

11.2 If Congress, the Federal Energy Regulatory Commission, or any other governmental authority having jurisdiction in the premises, shall at any time enact legislation, prescribe or allow by law, order, rule, regulation, or in any other manner a ceiling price(s) which is (i) higher than the effective price or prices then being paid hereunder, and (ii) applicable to any portion(s) of Seller's Gas committed hereunder, then the price(s) hereunder shall be increased to the level of such higher price(s) for that portion(s) of Seller's Gas which is of the type, quality and vintage for which such price(s) is prescribed or allowed. Such higher price(s) shall include any adjustment for gathering, taxes and any other factors permitted by law, the FERC, or other governmental authority having jurisdiction. Such

higher price(s) shall become effective as of the date such higher price(s) becomes law or is prescribed or allowed.

In the event such higher price(s) is not applicable to Seller's Gas because this Agreement does not contain those terms and conditions set forth in such law, order, rule, or regulation as requisite to collection of such higher price(s), the Seller may elect to amend, and Buyer shall agree to amend, this Agreement in a manner set forth by Seller and to the extent necessary to permit Seller to collect hereunder such higher price(s), including any allowances. Any amendment shall be effective as of the effective date hereof, subject to the receipt of all necessary governmental certificates, permits and other authorizations, provided that Buyer shall not be required to make retroactive price adjustments for prior deliveries, except to the extent permitted by such law, order, rule or regulation.

Regardless of the level of area or nationwide price(s) applicable (or made applicable by amendment) hereunder, the price to be paid for Seller's Gas from any particular well at any given time shall be no lower than the highest price allowed by the Federal Energy Regulatory Commission or any governmental authority for the said Seller's Gas taking into consideration in determining said price all of the factors which the Federal Energy Regulatory Commission or such governmental authority deems relevant to such a determination, including elements of price justified

on an industry basis or by Seller.

11.3 Whenever an increase in price occurs under this agreement which increased price exceeds levels provided in Sections 11.1(a), (b), (c) or (d) hereof, such increased price shall thereupon be substituted for and become the price hereunder in 11.1(a), (b), (c) and (d) for the applicable month and such increased price shall thereafter be subject to future increases in accordance with the provisions of this Agreement.

11.4 Deregulation. If at any time during the term of this Agreement the Federal Energy Regulatory Commission or any other governmental authority having jurisdiction over the price or prices of gas sold and delivered hereunder, ceases to have jurisdiction over the price or prices of gas sold and delivered hereunder, ceases to have jurisdiction over all or any portion of the subject matter or ceases to have or exercise price control over this Agreement, then Seller shall have the right to request that the base price or prices at which gas is sold hereunder be redetermined effective as of the later of (i) the date of such request or (ii) the effective date of such deregulation. Any such request shall be made to Buyer in writing.

When such a request has been made, representatives of Buyer and Seller shall promptly meet to redetermine the base price or prices of the gas sold hereunder. Such redetermination shall establish a base price or prices equal to the

highest of (i) the average of the two highest prices paid or contracted to be paid by Buyer or any other interstate purchaser(s) of gas in the Prudhoe Bay area (hereinafter called "Area") under any gas sales contracts in effect in the Area at the time of such redetermination between a producer(s) and an interstate pipeline company purchasing gas for resale; and (ii) the Btu equivalent price of Distillate (Fuel Oil No. 2) per million Btu's, less Buyer's transportation costs per million Btu's of Prudhoe Bay gas incurred between the delivery point for gas specified herein and the city gate at Minneapolis, Minnesota. In determining the price under (i) above, appropriate adjustments shall be made in such price for significant differences in quality, quantity, delivery pressure and other delivery conditions which exist between the provisions of this Agreement and such other agreements or contracts under consideration. In determining the price under (ii) above, Distillate (Fuel Oil No. 2) shall be assumed to have a heat content of 5,880,000 Btu per barrel and shall be valued at the price for such commodity (Fuel Oil No. 2 to Resellers, West North Central) as published monthly by the U. S. Department of Labor-Bureau of Labor Statistics in its publication entitled "Producer Prices and Price Indexes" during the latest monthly period for which such publication is available to the parties. In the event the U. S. Department of Labor ceases to make such information available, the parties will agree upon a substitute method

for determining an average price for such commodity. In the event that the price determined under (ii) above shall become the price hereunder, the provisions of ARTICLE XII hereof shall not apply; further, such price shall be adjusted each month, as necessary, to reflect the latest monthly price published for Fuel Oil No. 2 to Resellers, West North Central. Notwithstanding the price or price terms selected, the redetermined price or prices shall, in being made applicable to this Agreement between Seller and Buyer, be substituted for the price provided herein and in the case of the price determined under (i) above only shall thereafter be subjected to the escalations and adjustments provided for in this ARTICLE XI.

Thereafter during the term of this Agreement, Seller may request similar price redeterminations; provided, however, that such requests from Seller shall not be made sooner than one (1) year following the effective date of the last redetermined price.

In the event representatives of Buyer and Seller are unable to agree upon a redetermined base price or prices within a period of sixty (60) days of the written request for such redetermination, then either Buyer or Seller shall have the right to subject the matter to arbitration in the following manner: Upon written request for arbitration made by either party and served upon the other as provided by law, Buyer shall appoint one arbitrator and Seller shall appoint one arbitrator and the two arbitrators so appointed

shall select a third arbitrator. If either Buyer or Seller shall fail to appoint an arbitrator within fifteen (15) days after said request for arbitration is made by the other party in writing, or if the two arbitrators so appointed shall fail within fifteen (15) days after the appointment of the second of them to agree on a third arbitrator, the arbitrator or arbitrators necessary to complete a board of three arbitrators shall be appointed upon application by either party therefor by the Chief Judge of the United States Fifth Circuit Court of Appeals. Within thirty (30) days after three arbitrators are appointed pursuant to the foregoing provisions of this paragraph, they shall meet at a place selected by the third arbitrator, hear the parties with respect to the matter of said price, and arrive at a determination of the price or prices at which gas is to be sold hereunder during the particular period in question. Such determination shall be made not later than sixty (60) days after the receipt of evidence. Any determination agreed to in writing by at least two of said arbitrators shall be final and binding on the parties hereto. All arbitrators appointed pursuant to this paragraph shall be individuals qualified by education, knowledge and experience to determine the price of gas in accordance with the criteria set forth above and shall not be in the regular salaried employ of either party. The compensation and expenses of the arbitrator named for the Seller shall be paid by Seller; the compensation and expenses of the arbitrator named for

Buyer shall be paid by Buyer; and the compensation and expenses of the third arbitrator shall be paid in equal portions by Buyer and Seller.

In the event the price for Seller's Gas determined pursuant to this Section 11.4 is greater than the price in effect hereunder during the period immediately preceding Seller's request for redetermination and is greater than the price which Buyer is permitted to recover by the FERC or any successor governmental authority, then Buyer may terminate this Agreement thirty (30) days after giving written notice to Seller; provided, however, Seller may nullify such notice by advising Buyer in writing within fifteen (15) days thereafter that Seller elects to accept the price in effect hereunder during the period immediately preceding Seller's request for redetermination. In event of such election by Seller, this Agreement shall continue in force and effect subject to all the terms and conditions herein provided including future price redetermination as hereinabove provided. In the event Seller does not elect to continue this Agreement in force and effect, Buyer shall continue purchasing Seller's Gas under the terms of this Agreement at the price in effect hereunder during the period immediately preceding Seller's request for price redetermination until Seller has made arrangements for commencing delivery to an alternative disposition of Seller's Gas released by termination of this Agreement.

11.5 Excess Royalty Payments. Buyer agrees to make payments to Seller for Seller's Gas in addition to those

provided for elsewhere in this Agreement for the purpose of reimbursing Seller for "Excess Royalty Payments" made by Seller with respect to said Seller's Gas. "Excess Royalty Payments" shall mean actual royalty payments which Seller is required to pay on Seller's Gas delivered hereunder to the extent that such payments exceed the amount such payments would be if the royalty were computed on the basis of the price or prices paid by Buyer to Seller for such gas less Seller's gas marketing costs incurred for dehydration/cleaning, compression and transportation to the point of delivery. Seller agrees to provide monthly statements to Buyer identifying the quantities and Btu content of gas upon which Seller has made Excess Royalty Payments and the amount of Excess Royalty Payments. Buyer agrees to reimburse Seller for such payments within ten (10) days following receipt of said statement from Seller. Seller shall refund to Buyer any payments made pursuant to this provision if and to the extent that the FERC denies Buyer the right to include the same in its rates and charges to jurisdictional customers.

11.6 Economic-Hardship. If, for any reason, the delivered cost of Prudhoe Bay gas at Buyer's city gate delivery points, priced on the lower of (i) a rolled-in basis (excluding imported natural gas and LNG, as well as SNG), or (ii) an incremental basis, is such that Buyer determines the gas cannot be marketed, except at an economic loss to Buyer, the parties shall review the circumstances then existing in a good faith effort to determine such measures as are necessary to rectify the situation. Buyer

and Seller recognize that implementation of such measures will require the efforts of all those involved with the total transportation system, including owners of the system, gas producers, regulatory authorities having direct jurisdiction, and other participants in the transportation of Prudhoe Bay gas to the contiguous United States.

ARTICLE XII.

TAX REIMBURSEMENT

12.1 Buyer agrees to reimburse Seller for all State of Alaska and Federal production, gathering, delivery, sales, severance, excise or other taxes or assessments of a similar nature (except ad valorem and general property taxes, other than those on gas in place, and income taxes, franchise taxes and other taxes of a similar nature), upon or with respect to the production, severance or delivery of gas sold hereunder, or the value thereof in place or otherwise, now or hereafter levied or assessed upon Seller. The parties agree that there shall be added to the price(s) Buyer is obligated to pay Seller for gas delivered hereunder, so long as the tax or assessment shall be in effect, an amount per Mcf sufficient to reimburse Seller for one hundred percent (100%) of any such tax or assessment. Should all or any part of the liability of Seller not be determined by the end of any month, then the additional amount not determined shall be set forth monthly in a statement to be rendered by Seller to Buyer and Buyer shall pay Seller the amount due pursuant to such statement within ten (10) days, subject to later adjustment when the tax is finally determined.

ARTICLE XIII.

BILLING, PAYMENTS AND RECORDS

13.1 On or before the sixth (6th) day of each month after delivery of Seller's Gas is commenced hereunder, Buyer shall furnish to Seller a statement of the data pursuant to Section 9.1 during the preceding month.

13.2 Based upon Buyer's statement furnished under Section 13.1 above, and Seller's statement, if any, under Section 19.3, Seller will prepare an invoice setting forth (a) the quantity and Btu content of Seller's Gas delivered to Buyer and (b) the payment due Seller therefor. Seller shall submit such invoice to Buyer on or before the tenth (10th) day following receipt of said Buyer's statement. On or before the fifth (5th) day following receipt of said Seller's invoice, Buyer shall make payment to Seller of all amounts due hereunder in immediately available funds to a bank account to be designated by Seller. If the invoiced amount of any payment is not paid when due, interest on all unpaid amounts shall accrue at 125 percent (125%) of the prime rate in effect at Citibank N.A. of New York at the time payment is due, or at the maximum rate for short-term loans permitted by law in Alaska, whichever is less.

13.3 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, charge or computation made pursuant to the provisions of any Article hereof. If any such examination

reveals any inaccuracy in such billing or payments there-
tofore made, the necessary adjustment in such billing and
payments shall be promptly made. Any such adjustment shall
be subject to accrual of interest as set forth in Section
13.2 without prejudice to other remedies.

13.4 In the event Seller elects pursuant to ARTICLE
XIX to process or cause Seller's Gas to be processed subsequent
to delivery to Buyer, then Seller in preparing the invoice
required in Section 13.2 shall deduct the Btu content attributable
to fuel and shrinkage occurring in the gas processing facility
in processing Seller's Gas. Also, Seller shall deduct in
said invoice the cost of transporting fuel and shrinkage
volumes to the processing facility, pursuant to Section 19.8
hereof; except that no such deduction for fuel and shrinkage
or transportation shall be made if, as provided in Section
19.8, Seller shall restore the Btu equivalent of the gas
used or lost to Buyer at a mutually agreeable point.

ARTICLE XIV.

FINANCIAL RESPONSIBILITY

14.1 If, during the term of this Agreement, the
financial responsibility of the Buyer becomes impaired or
unsatisfactory to Seller, advance cash payment or security
satisfactory to Seller shall be given by the Buyer upon
demand of Seller, and deliveries may be withheld until such
payment or security is received. If such payment or security
is not received within fifteen (15) days from Seller's

demand therefor, Seller may terminate this Agreement. In the event the Buyer makes an assignment for the benefit of creditors or any general arrangement with creditors, or if there are instituted by or against Buyer proceedings in bankruptcy or under any insolvency law or law for reorganization, receivership or dissolution, Seller may withhold deliveries or terminate this Agreement without notice. Seller's exercise of any right reserved under this ARTICLE shall be without prejudice to any claim for damages or any other right of Seller under this Agreement or applicable law.

ARTICLE XV.

TERM

15.1 This Agreement shall become effective as of the date first above written and shall continue and remain in effect for a term of twenty (20) years from the date of first delivery of gas to Buyer hereunder.

ARTICLE XVI.

WARRANTY OF TITLE AND PAYMENT OF ROYALTIES

16.1 Seller hereby warrants the title to all gas delivered hereunder, the right to sell such gas, and that it is free from all liens and adverse claims, and agrees, if notified thereof by Buyer, to indemnify Buyer against all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of any adverse claims of any and all persons to or against said gas.

16.2 Seller shall pay or cause to be paid to the parties entitled thereto all royalties, overriding royalties, payments out of production, and other like charges on gas delivered hereunder.

ARTICLE XVII.

REMEDY FOR BREACH

17.1 Either party may, at its option, terminate this Agreement upon written notice to the other party if: (i) the other party fails to pay any sum due in accordance with this Agreement within thirty (30) calendar days of receipt of written notice from the terminating party demanding said payment, or (ii) the other party fails to perform any material covenant or obligation (other than payment of a sum) imposed upon it in this Agreement (except where such failure shall be excused under the provisions of ARTICLE XVIII hereof) within a reasonable time and not more than sixty (60) days, exercising all due diligence, after receipt of written notice from the terminating party stating with particularity the covenant or obligation not performed. 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 or 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 Agreement.

ARTICLE XVIII.

FORCE MAJEURE

18.1 In the event of either party hereto being rendered unable, wholly or in part, by force majeure, to carry out its obligations under this Agreement, other than to perform the conditions specified in ARTICLE III hereof and 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.

18.2 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, flood, 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 having jurisdiction over the operations of the facilities of either party hereto, including both civil and military authorities of the State of Alaska, the United States of America or the governments of Canada, 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, rights-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, 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.

Such term shall not include any act on the part of any purchaser or purchasers of gas from Buyer to reduce such

purchaser or purchasers' takes of gas from Buyer; nor shall it include conditions described in ARTICLE III hereof.

18.3 The settlement of strikes or lockouts shall be entirely within the discretion of the party having the difficulty, and 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 opposing party when such course is inadvisable in the discretion of the party having the difficulty.

ARTICLE XIX.

PROCESSING

19.1 In the event Seller shall elect to process or cause the gas sold and delivered hereunder to be processed subsequent to delivery thereby to Buyer, such processing shall be at a location or locations acceptable to Seller and Buyer. If the location or locations agreed upon are on a pipeline system, it is recognized that the gas sold and delivered hereunder may have been commingled with other gas streams of different composition, or may have been diverted or used by Buyer, so that at the location or locations agreed upon for processing the composition of the gas in the pipeline system will not be the same as Seller's Gas sold and delivered hereunder. Buyer shall make available to Seller for processing a volume of gas flowing in the pipeline system sufficient to permit recovery of an amount of liquefiable hydrocarbons that would have been recovered if it were possible to process Seller's gas in a separate stream; provided, Buyer shall not be required to make available to

Seller any volume of gas, and the liquids attributable thereto, which Buyer has sold to purchasers upstream of Seller's processing facilities. At the time the parties agree upon the location of the facilities for gas processing, as herein provided, the parties shall agree concerning any subsequent arrangements for withdrawals of gas from the pipeline system upstream of Seller's processing facilities.

Buyer will install or cause to be installed all facilities and equipment including metering facilities, necessary to effectuate delivery of the volume of gas to be processed from said location or locations on the pipeline system to the processing plant or plants. Similarly, Buyer shall install or cause to be installed all facilities and equipment, including metering facilities, necessary to effectuate the redelivery of processed gas from the processing plant or plants to the pipeline system.

19.2 Seller shall reimburse Buyer for an equitable portion, to be determined by mutual agreement of the parties, of the costs incurred by Buyer for installation of pipelines connecting the processing plant or plants with the pipeline. Seller shall also reimburse Buyer for an equitable portion of the value of the gas vented by Buyer in making the required connections. In the event the parties shall be unable to agree upon Buyer's costs or the value of the gas vented, then either party may proceed to arbitration in accordance with the procedure provided in Section 11.4 hereof, mutatis mutandis.

19.3 Seller shall furnish or cause to be furnished to Buyer, on or before the sixth day of the second month after commencement of such processing and each succeeding month, an allocation statement setting forth the amount of shrinkage in gas volumes resulting from such processing expressed in Mcf and the heating value thereof attributable to gas processed by or for Seller during the second preceding month. Said allocation statement shall also set forth the percent of residue gas attributable to such gas. Buyer shall be entitled to adjust the payment otherwise due hereunder for the Btu content attributable to fuel and shrinkage in Seller's processing facility as set forth in Section 13.4 hereof.

19.4 Seller shall cause the installation, maintenance and operation of such measurement facilities, the conduct of such tests and analyses and the utilization of such procedures as are necessary for Seller or Seller's agent to determine the amount of shrinkage in gas volumes, the gross heating value thereof expressed in Btu's per cubic foot and the percent of residue gas attributed to gas processed by or for Seller. Seller shall not be required to measure the plant inlet or plant residue gas volumes in its determination of such volume of shrinkage or said percent of residue gas; however, Buyer shall have the right to have a representative present to witness the installation, calibration, testing,

cleaning, changing, repairing or adjustment of Seller's equipment or other equipment used in determining such shrinkage in gas volumes.

19.5 Seller agrees to restore (or cause to be restored) any pressure decline greater than fifty (50) psig measured from plant inlet to plant outlet resulting from such processing.

19.6 Seller shall return processed gas to Buyer which has a water content no greater than the lower of (a) the water content of the gas delivered by Buyer to Seller for processing; or (b) a water content of seven (7) pounds per 1,000,000 cubic feet of gas.

19.7 All Seller's gas processing operations shall be at Seller's sole cost and expense, and Seller shall be deemed to be in exclusive control and possession while the gas is in Seller's possession and shall hold Buyer harmless from all injuries or damages which may occur as the result of Seller's exercise of its right to process gas hereunder.

19.8 As consideration for transporting or arranging transportation and delivery of gas to Seller for processing, Seller shall pay Buyer the cost of transporting the volumes of gas lost as shrinkage or lost in the processing operation at such rates as the FERC and the National Energy Board (NEB) of Canada may allow; however, it is agreed that Seller shall have the option of using gas from other gas sources available to Seller for delivery to Buyer at the processing location and/or at a mutually agreeable point or points up to the extent of the Btu content of the volume of shrinkage

gas. The foregoing charge for transporting and delivering gas to Seller hereunder shall not be applicable if and to the extent that Seller restores the Btu equivalent of the gas used or lost in kind at the processing plant and/or at said mutually agreeable point.

ARTICLE XX.

MISCELLANEOUS AND ADDRESSES

20.1 No waiver by either party of one or more defaults by the other in the performance of any of the provisions of this Agreement 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.

20.2 This Agreement shall be binding upon and inure to the benefit of the legal representatives, successors and assigns of the respective parties hereto and shall be binding upon any purchaser or assignee of Buyer's properties or pipeline system and upon any purchaser or assignee of the properties of Seller which are subject to this Agreement, 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 Agreement insofar as it shall affect and relate to the property or interest sold or conveyed. It is agreed, however, that except as hereinafter provided, and as provided in Section 5.4, the respective rights and duties of the parties hereunder may not be assigned without the

written consent of the other, provided, however, that such consent shall not be unreasonably withheld.

(i) Seller may assign, transfer, convey, and hypothecate, in one or more transactions, all or part of the Leases, or create or carve out royalty or other interests in such Leases, but any such assignment, transfer or conveyance shall be expressly subject to this Agreement.

(ii) Either party hereto may assign its rights hereunder in whole or in part to a wholly-owned subsidiary or to an affiliate. An affiliate is defined as a corporation controlling, controlled by or under common control with such party. No such assignment shall relieve a party hereto of any liability or responsibility hereunder.

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

20.4 This Agreement is subject to all applicable state and federal laws and all present and future applicable orders, rules and regulations of any governmental authority having jurisdiction, so long as such orders, rules and regulations shall be in force and effect, provided, however, that no such governmental order, rule or regulations shall be deemed

effective to enlarge or increase the obligations of either party except after final judicial determination to that effect or the consent of the party affected.

20.5 Buyer is and shall be deemed to be a purchaser and transporter of Seller's Gas only and is not and shall not be deemed to be an owner, operator, partner, venturer, agent, participant, or otherwise involved in any of Seller's operations or facilities. Seller will be responsible for and will hold Buyer harmless from any damages or death or injury or civil penalties caused by or happening in connection with such operations or facilities. Buyer will be responsible for Buyer's facilities and will hold Seller harmless from any damages or death or injury caused by or happening in connection with operation of such facilities.

20.6 The parties hereto recognize that all operations conducted by or on behalf of Seller hereunder together with determining ownership and allocation of (i) Seller's Gas sold and delivered to Buyer and (ii) natural gas liquids which may be extracted from Seller's Gas, shall be governed by and subject to the Prudhoe Bay Unit Agreement and the Prudhoe Bay Unit Operating Agreement. It is therefore agreed that should any conflict arise between the Unit Agreements and this Agreement, the terms and provisions of the Unit Agreements shall be controlling.

20.7 All notices, requests and demands provided for in this Agreement shall be in writing and shall be addressed to the parties as follows:

Seller - Exxon Corporation
ATTENTION: Natural Gas Department
P. O. Box 2180
Houston, Texas 77001

Buyer - Northern Natural Gas Company
ATTENTION: Supplemental Supplies Department
2223 Dodge Street
Omaha, Nebraska 68102

All statements and invoices provided for herein shall
be addressed to the parties as follows:

Seller - Exxon Company, U.S.A.
(a Division of Exxon Corporation)
ATTENTION: EPAC, Gas Accounting Services
P. O. Box 2180
Houston, Texas 77001

Buyer - Northern Natural Gas Company
ATTENTION: Transmission Operating Division,
Planning and Control Department
2223 Dodge Street
Omaha, Nebraska 68102

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

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

ATTEST OR WITNESS:

Edmunds Travis J.

SELLER:
EXXON CORPORATION

By: Paul May Booth
Asst General Manager,
Natural Gas Department
Exxon Company, U.S.A.
(a division of Exxon Corporation)

ATTEST OR WITNESS:

Pecca A. Pecca

BUYER:
NORTHERN NATURAL GAS COMPANY

By: Gordon Senora
Group Vice President

EXHIBIT "A"
TO
GAS SALE AND PURCHASE AGREEMENT
PRUDHOE BAY UNIT, ALASKA

Seller's Leases - Initial Participating Areas

Oil Rim Participating Area

<u>Tract No.</u>	<u>ADL No.</u>	<u>Description of Tract</u>
18	28239	Secs. 27,28,33,34 T12N,R11E,UM
19	28238	Secs. 25,26,35,36 T12N,R11E,UM
26	28299	Secs. 29,31,32 T12N,R14E,UM
27	28300	Secs. 27,28,33,34 T12N,R14E,UM
28	28301	Secs. 25,26,35,36 T12N,R14E,UM
29	34628	Secs. 29,30,31,32 T12N,R15E,UM
30	34629	Secs. 27,28,33,34 T12N,R15E,UM
39	34631	Secs. 3,4,9,10 T11N,R15E,UM
40	34632	Secs. 5,6,7,8 T11N,R15E,UM
41	28302	Secs. 1,2,11,12 T11N,R14E,UM
42	28303	Secs. 3,4,9,10 T11N,R14E,UM
43	28304	Secs. 5,6,7,8 T11N,R14E,UM
50	28240	Secs. 1,2,11,12 T11N,R11E,UM

<u>Tract No.</u>	<u>ADL No.</u>	<u>Description of Tract</u>
52	28244	Sec. 15 T11N,R11E,UM
53	28245	Secs. 13,14,24 T11N,R11E,UM
61	28306	Secs. 15,16,21,22 T11N,R14E,UM
62	28307	Secs. 13,14,23,24 T11N,R14E,UM
63	28321	Secs. 17,18,19,20 T11N,R15E,UM
64	28322	Secs. 15,16,21,22 T11N,R15E,UM
65	28323	Secs. 13,14,23,24 T11N,R15E,UM
70	28324	Secs. 25,26,35,36 T11N,R15E,UM
71	28325	Secs. 27,28,33,34 T11N,R15E,UM
72	28326	Secs. 29,30,31,32 T11N,R15E,UM
73	28308	Secs. 25,26,35,36 T11N,R14E,UM
79	28264	Secs. 25,26,35,36 T11N,R12E,UM
82	28246	Sec. 25 T11N,R11E,UM
84	28265	Secs. 1,2,11,12 T10N,R12E,UM
88	28313	Secs. 5,6,7,8 T10N,R14E,UM

<u>Tract No.</u>	<u>ADL No.</u>	<u>Description of Tract</u>
91	28329	Secs. 5,6,7,8 T10N,R15E,UM
92	28328	Secs. 3,4,9,10 T10N,R15E,UM
93	28327	Secs. 1,2,11,12 T10N,R15E,UM

Seller owns a 50% working interest in all of the above listed leases.

Gas Cap Participating Area

<u>Tract No.</u>	<u>ADL No.</u>	<u>Description of Tract</u>
18	28239	Secs. 27,28,33,34 T12N,R11E,UM
19	28238	Secs. 25,26,35,36 T12N,R11E,UM
21	28258	Secs. 27,28,33,34 T12N,R12E,UM
26	28299	Secs. 29,31,32 T12N,R14E,UM
27	28300	Secs. 27,28,33,34 T12N,R14E,UM
40	34632	Secs. 5,6,7,8 T11N,R15E,UM
41	28302	Secs. 1,2,11,12 T11N,R14E,UM
42	28303	Secs. 3,4,9,10 T11N,R14E,UM
43	28304	Secs. 5,6,7,8 T11N,R14E,UM

<u>Tract No.</u>	<u>ADL No.</u>	<u>Description of Tract</u>
50	28240	Secs. 1,2,11,12 T11N,R11E,UM
52	28244	Sec. 15 T11N,R11E,UM
53	28245	Secs. 13,14,24 T11N,R11E,UM
61	28306	Secs. 15,16,21,22 T11N,R14E,UM
62	28307	Secs. 13,14,23,24 T11N,R14E,UM
63	28321	Secs. 17,18,19,20 T11N,R15E,UM
64	28322	Secs. 15,16,21,22 T11N,R15E,UM
65	28323	Secs. 13,14,23,24 T11N,R15E,UM
70	28324	Secs. 25,26,35,36 T11N,R15E,UM
71	28325	Secs. 27,28,33,34 T11N,R15E,UM
72	28326	Secs. 29,30,31,32 T11N,R15E,UM
73	28308	Secs. 25,26,35,36 T11N,R14E,UM
79	28264	Secs. 25,26,35,36 T11N,R12E,UM
82	28246	Sec. 25 T11N,R11E,UM
84	28265	Secs. 1,2,11,12 T10N,R12E,UM
88	28313	Secs. 5,6,7,8 T10N,R14E,Um

<u>Tract No.</u>	<u>ADL No.</u>	<u>Description of Tract</u>
91	28329	Secs. 5,6,7,8 T10N,R15E,UM
92	28328	Secs. 3,4,9,10 T10N,R15E,UM
93	28327	Secs. 1,2,11,12 T10N,R15E,UM
94	28345	Secs. 5,6,7,8 T10N,R16E,UM
97	28346	Secs. 17,18,19,20 T10N,R16E,UM
98	28332	Secs. 13,14,23,24 T10N,R15E,UM
104	47476	Secs. 13,14,24 T10N,R13E,UM

Seller owns a 50% working interest in all of the above listed leases.

Seller's interest in said leases insofar only as such leases cover the Prudhoe Bay (Permo-Triassic) Reservoir within the Initial Participating Areas constitute the "Leases" subject on this Agreement.

ARCO Oil and Gas Company
Post Office Box 2819
Dallas, Texas 75221
Telephone 214 651 4213
Danny D. Echols
Vice President
Natural Gas Department



September 10, 1979

Mr. J. H. Welsh, Jr.
Texas Gas Transmission Corporation
1100 Milam Bldg., Suite 1533
Houston, Texas 77002

Gentlemen:

ARCO Oil and Gas Company, a Division of Atlantic Richfield Company, and Texas Gas agree that they will enter into negotiations towards execution of a Gas Purchase Contract providing for the sale by ARCO Oil and Gas Company and purchase by Texas Gas for a primary term of twenty years of a daily volume of gas production attributable to an undivided twelve percent (12%) of ARCO's working interest in the Prudhoe Bay (Permo-Triassic) Reservoir. Title shall pass at a mutually agreeable delivery point in the field at or near the inlet of any required gas conditioning facility. The contract price shall be negotiated but shall not be less than the price set forth in Section 109 of the NGPA of 1978 plus severance taxes and reimbursement of any other costs incurred by Seller and allowed under Sections 110 and 502 (c) of the NGPA. Customary deregulation and price escalation provisions permitted by any future statute or regulation will be included.

The parties hereto agree to begin as soon as mutually convenient, but in any event within 90 days after the date of this letter, negotiations to conclude a definitive Gas Purchase Contract. If the parties, after good faith negotiations, fail to finalize the Gas Purchase Contract by May 1, 1980, either party may terminate this agreement by giving written notice thereof to the other party.

This agreement shall be of no force and effect unless executed by both parties within 15 days of the date first above written.

Very truly yours,

Danny D. Echols
Vice President

EW
EJK

DDE:nm

ACCEPTED AND AGREED this _____
day of September, 1979

TEXAS GAS TRANSMISSION CORPORATION

By _____

ARCO Oil and Gas Company
Post Office Box 2819
Dallas, Texas 75221
Telephone 214 651 4213
Danny D. Echols
Vice President
Natural Gas Department



September 10, 1979

Mr. D. L. Smith
United Gas Pipe Line Company
Post Office Box 1478
Houston, Texas 77001

Gentlemen:

ARCO Oil and Gas Company, a Division of Atlantic Richfield Company, and United Gas agree that they will enter into negotiations towards execution of a Gas Purchase Contract providing for the sale by ARCO Oil and Gas Company and purchase by United Gas for a primary term of twenty years of a daily volume of gas production attributable to an undivided fifteen percent (15%) of ARCO's working interest in the Prudhoe Bay (Permo-Triassic) Reservoir. Title shall pass at a mutually agreeable delivery point in the field at or near the inlet of any required gas conditioning facility. The contract price shall be negotiated but shall not be less than the price set forth in Section 109 of the NGPA of 1978 plus severance taxes and reimbursement of any other costs incurred by Seller and allowed under Sections 110 and 502 (c) of the NGPA. Customary deregulation and price escalation provisions permitted by any future statute or regulation will be included.

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This agreement shall be of no force and effect unless executed by both parties within 15 days of the date first above written.

Very truly yours,

Danny D. Echols
Vice President

DDE
EK

DDE:nm

ACCEPTED AND AGREED this _____
day of September, 1979

UNITED GAS PIPE LINE COMPANY

By _____

ARCO Oil and Gas Company

Post Office Box 2819
Dallas, Texas 75221
Telephone 214 651 4213

Danny D. Echols
Vice President
Natural Gas Department



September 10, 1979

Mr. G. H. Ewing
Texas Eastern Transmission Corporation
Post Office Box 2521
Houston, Texas 77001

Gentlemen:

ARCO Oil and Gas Company, a Division of Atlantic Richfield Company, and Texas Eastern agree that they will enter into negotiations towards execution of a Gas Purchase Contract providing for the sale by ARCO Oil and Gas Company and purchase by Texas Eastern for a primary term of twenty years of a daily volume of gas production attributable to an undivided ten percent (10%) of ARCO's working interest in the Prudhoe Bay (Permo-Triassic) Reservoir. Title shall pass at a mutually agreeable delivery point in the field at or near the inlet of any required gas conditioning facility. The contract price shall be negotiated but shall not be less than the price set forth in Section 109 of the NGPA of 1978 plus severance taxes and reimbursement of any other costs incurred by Seller and allowed under Sections 110 and 502 (c) of the NGPA. Customary deregulation and price escalation provisions permitted by any future statute or regulation will be included.

The parties hereto agree to begin as soon as mutually convenient, but in any event within 90 days after the date of this letter, negotiations to conclude a definitive Gas Purchase Contract. If the parties, after good faith negotiations, fail to finalize the Gas Purchase Contract by May 1, 1980, either party may terminate this agreement by giving written notice thereof to the other party.

This agreement shall be of no force and effect unless executed by both parties within 15 days of the date first above written.

Very truly yours,

Danny D. Echols
Vice President

ROH
EPC

DDE:nm

ACCEPTED AND AGREED this _____
day of September, 1979

TEXAS EASTERN TRANSMISSION CORPORATION

By _____

ARCO Oil and Gas Company

Post Office Box 2819
Dallas, Texas 75221
Telephone 214 651 4213

Danny D. Echols
Vice President
Natural Gas Department



September 10, 1979

Mr. R. C. Dixon
Panhandle Eastern Pipe Line Company
Post Office Box 1642
Houston, Texas 77005

Gentlemen:

ARCO Oil and Gas Company, a Division of Atlantic Richfield Company, and Panhandle Eastern agree that they will enter into negotiations towards execution of a Gas Purchase Contract providing for the sale by ARCO Oil and Gas Company and purchase by Panhandle Eastern for a primary term of twenty years of a daily volume of gas production attributable to an undivided twenty percent (20%) of ARCO's working interest in the Prudhoe Bay (Permo-Triassic) Reservoir. Title shall pass at a mutually agreeable delivery point in the field at or near the inlet of any required gas conditioning facility. The contract price shall be negotiated but shall not be less than the price set forth in Section 109 of the NGPA of 1978 plus severance taxes and reimbursement of any other costs incurred by Seller and allowed under Sections 110 and 502 (c) of the NGPA. Customary de-regulation and price escalation provisions permitted by any future statute or regulation will be included.

The parties hereto agree to begin as soon as mutually convenient, but in any event within 90 days after the date of this letter, negotiations to conclude a definitive Gas Purchase Contract. If the parties, after good faith negotiations, fail to finalize the Gas Purchase Contract by May 1, 1980, either party may terminate this agreement by giving written notice thereof to the other party.

This agreement shall be of no force and effect unless executed by both parties within 15 days of the date first above written.

Very truly yours,

Danny D. Echols

Danny D. Echols
Vice President *RRM*
e JK

DDE:nm

ACCEPTED AND AGREED this _____
day of September, 1979

PANHANDLE EASTERN PIPE LINE COMPANY

By _____

ARCO Oil and Gas Company
Post Office Box 2819
Dallas, Texas 75221
Telephone 214 651 4213

Danny D. Echols
Vice President
Natural Gas Department



September 12, 1979

Pacific Interstate Transmission Co.
Harry L. Lepape, President
720 West Eighth Street
Los Angeles, California 90017

Gentlemen:

ARCO Oil and Gas Company, a division of Atlantic Richfield Company, and Pacific Interstate agree that they will enter into negotiations towards execution of a Gas Purchase Contract providing for the sale by ARCO Oil and Gas Company and purchase by Pacific Interstate for a primary term of twenty years of a daily volume of gas production attributable to an undivided thirty-three percent (33%) of ARCO's working interest in the Prudhoe Bay (Permo-Triassic) Reservoir. Title shall pass at a mutually agreeable delivery point in the field at or near the inlet of any required gas conditioning facility. The contract price shall be negotiated but shall not be less than the price set forth in Section 109 of the NGPA of 1978 plus severance taxes and reimbursement of any other costs incurred by Seller and allowed under Sections 110 and 502 (c) of the NGPA. Customary deregulation and price escalation provisions permitted by any future statute or regulation will be included.

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This agreement shall be of no force and effect unless executed by both parties within 15 days of the date first above written.

Very truly yours,

Danny D. Echols

Danny D. Echols
Vice President

DDE:bb

ACCEPTED AND AGREED this _____
day of September, 1979

PACIFIC INTERSTATE TRANSMISSION CO.

By _____
Harry L. Lepape, President

ARCO Oil and Gas Company

Post Office Box 2819
Dallas, Texas 75221
Telephone 214 651 4213

Danny D. Echols
Vice President
Natural Gas Department



September 10, 1979

Mr. G. H. Ewing
Transwestern Pipeline Company
Post Office Box 2521
Houston, Texas 77001

Gentlemen:

ARCO Oil and Gas Company, a Division of Atlantic Richfield Company, and Transwestern agree that they will enter into negotiations towards execution of a Gas Purchase Contract providing for the sale by ARCO Oil and Gas Company and purchase by Transwestern for a primary term of twenty years of a daily volume of gas production attributable to an undivided ten percent (10%) of ARCO's working interest in the Prudhoe Bay (Permo-Triassic) Reservoir. Title shall pass at a mutually agreeable delivery point in the field at or near the inlet of any required gas conditioning facility. The contract price shall be negotiated but shall not be less than the price set forth in Section 109 of the NGPA of 1978 plus severance taxes and reimbursement of any other costs incurred by Seller and allowed under Sections 110 and 502 (c) of the NGPA. Customary deregulation and price escalation provisions permitted by any future statute or regulation will be included.

The parties hereto agree to begin as soon as mutually convenient, but in any event within 90 days after the date of this letter, negotiations to conclude a definitive Gas Purchase Contract. If the parties, after good faith negotiations, fail to finalize the Gas Purchase Contract by May 1, 1980, either party may terminate this agreement by giving written notice thereof to the other party.

This agreement shall be of no force and effect unless executed by both parties within 15 days of the date first above written.

Very truly yours,

Danny D. Echols
Vice President *DEH*
CGK

DDE:nm

ACCEPTED AND AGREED this _____
day of September, 1979

TRANSWESTERN PIPELINE COMPANY

By _____

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