

November 7, 1997

To: Rae McQuade
GISB Executive Director
gisb@aol.com

Re: Amoco comments on R97063

Amoco wishes to comment on the proposed addition to GISB standard contract 6.3.1, Base Contract for Short Term Purchases/Sales of Natural Gas in the form of a Funds Transfer Agency Agreement, known as R97063.

The FTA arrangement is a form of payment mechanism. Other payment mechanism documents such as letters of credit, guarantees, etc. are in place without being attached to the contract. Instead of making this an attachment to the GISB base contract, perhaps there could be a statement in the Special Provisions section which says "The sale of the gas is contingent upon the maintenance of a satisfactory FTA Agreement."

Where the FTA standard form is used, the following comments should be considered.

There is conflict abbreviating Funds Transfer Agency Agreement as FTA Agreement and then defining Funds Transfer Agent as FTA. This should be modified at each occurrence.

Section 1.3 states that Seller and Buyer appoint FTA as their agent under this FTA agreement. The bank pays Seller "for the benefit of Buyer" (Section 3.1) and "on behalf of Buyer" (Section 2.3). Thus the bank is acting as Buyer's agent, but not as Seller's agent. Section 1.3, line 20, should be modified to cover only Buyer's appointment of the bank as agent.

Section 2.3, line 43 "lik" should be "like". Line 47 "se" should be "set". Also, Section 2.3 of the FTA Agreement required the bank to verify "that Buyer's repurchaser has agreed to make payment through the FTA". You would expect such an agreement by the repurchaser would appear in the Special Provisions (i.e., the second of the two instruments under review), but in fact, no such agreement is expressed therein. The second instrument, Special Provision to Natural Gas Sale and Purchase Contract, which is between repurchaser and marketer needs to include a paragraph expressly stating the agreement of the repurchaser that it will make payment directly to the FTA.

Section 2.5, line 71 "(iii)" should be inserted before GT&C (as correctly abbreviated, not GT&E).

Section 3.1 states that "Buyer shall not be required to enter into any other contractual or other arrangements in order to effectuate payments to Seller", but then conditions payment to Seller upon FTA's receipt of funds from repurchaser. Should repurchaser fail to make payment where Seller has essentially no recourse to recover from repurchaser), Buyer should not be explicitly

excused from making other arrangements to assure payment is made to Seller. This paragraph should allow for possible recourse in the event of default by repurchaser.

Article IV Notices provides a primary and an emergency contact for each of the three parties to the FTA agreement. In reality, some notices should be specifically directed to the marketing group, some to the contract administration group, some to the gas nominations group and some to the accounting group. These additional contacts may be included when the document is prepared.

Now, we direct comments to the second instrument titled "Special Provision to Natural Gas Sale and Purchase Contract". This is confusing as it has the same name used in Section 1.1, line 7. Also the example cited as Exhibit A-2 is not attached. In Paragraph 2, line 11, add the word "periodic" before Transaction Confirmation to demonstrate that this action may be repeated.

Overall, Amoco has particular concern regarding Sections 2.3 and 3.1, that they should more closely express the intent of this Agreement. An Amoco representative participated in the task force meetings and also expressed concern there that this sale structure is very burdensome when used with a short term arrangement like the GISB contract.

Thank you for the opportunity to comment.

Thomas G. Ehinger
Amoco