

Subj: Contracts Subcommittee - Proposed Modifications to Short Term Contract - Please Acknowledge Receipt

Date: 4/10/00 8:58:38 AM Central Daylight Time

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The following proposed modifications to the Base Contract for Short-Term Sale and Purchase of Natural Gas are provided for the upcoming meeting of the GISB Contracts subcommittee. Committee consideration would be appreciated.

The following modification are proposed to the BASE CONTRACT FOR SHORT-TERM SALE AND PURCHASE OF NATURAL GAS (GISB).

The insertion of the following language to Section 1.2 Oral Transaction Procedure:

The Parties agree that each party may electronically record all telephone conversations between their respective employees, without any special or further notice, and each party hereby waives any claim against the validity of any telephonic Transaction (under laws that may require a writing or otherwise) and agrees that such recording(s) are admissible as evidence in any court or other proceeding for any purpose or concluded Transaction or other matter under this Contract.

The insertion of the following language to Section 10. Financial Responsibility:

10.3 In the event that the non-defaulting party terminates the Contract under Section 10.1, the non-defaulting party shall have the right within twenty (20) days of any event of default set out in Section 10.1 to designate in writing an early termination date ("Early Termination Date") as any date on or after the event of default under Section 10.1 to designate under Section 10.1. Upon the Early Termination Date, the non-defaulting party shall have the right to liquidate any and all transaction selected by it under the Contract (including any portion of a transaction not yet fully delivered) then outstanding by:

(i) Closing out each transaction at its Market Value, as defined below, so that each transaction is cancelled and a settlement payment in an amount equal to the difference between such Market Value and the Contract Value, as defined below, if such Market Value exceeds the Contract Value and to Seller if the opposite is the case; and

(ii) Discounting each amount then due under clause (i) above to present value in a commercially reasonable manner as at the time of liquidation (to take account of the period between the date of liquidation and the date on which such amount would have otherwise been due pursuant to the relevant transaction); and

(iii) Setting off or aggregating, as appropriate, any or all settlement payments (discounted as appropriate) and (at the election of the non-defaulting party) any or all other amounts owing between the parties under the Contract so that all such amounts are aggregated and/or netted to a single liquidated amount payable to the other. The net amount due any such liquidation shall be paid by the close of business on the Business Day following the receipt of written notice of the amount due, which notice shall be given on or as soon as reasonably practicable following the occurrence of an Early Termination Date.

For purposes of "Contract Value" means the amount of the Gas remaining to be delivered or purchased under a transaction multiplied by the Contract Price per unit, and "Market Value" means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the market price per unit to be determined by the non-defaulting party in a commercially reasonable manner using the Cover Standard. The rate of interest used in calculating net present value shall be determined by the

non-defaulting party in a commercially reasonable manner. The parties agree that a transaction under the Section 10.3 shall constitute a "forward contract" within the meaning of the United State Bankruptcy Code.

The non-defaulting party's rights under this Section 10.3 and to those amounts due under Section 3 accrued prior to the Early Termination Date are the sole and exclusive remedy of the non-defaulting party. The non-defaulting shall give notice that a liquidation pursuant to the Section 10.3 has occurred to the defaulting party no later than the Business Day following such liquidation, provided that failure to give such notice shall not affect the validity or enforceability of the liquidation or give rise to any claim by the defaulting party against the non-defaulting party.

The insertion of the following language in Section 13. Miscellaneous:

13.9 Either Party shall submit any claim, controversy or request for interpretation arising out of or relating to this Contract ("Dispute") which cannot be mutually resolved by the Parties to binding arbitration by one arbitrator with knowledge of and over six years of professional experience in connection with similar transactions and who has not previously been employed or retained by either Party, and who does not have a direct or indirect interest in either Party, or the subject matter of the arbitration. Such arbitrator shall be selected by agreement of the Parties within thirty (30) Days after written notice from either Party requesting arbitration, or failing agreement, shall be selected using the above criteria under the expedited rules of the American Arbitration Association (the "AAA"). The arbitration shall be held in Houston, Texas. The rules of the AAA shall apply to the extent not inconsistent with rules herein specified. Either Party may initiate arbitration by written notice delivered to the Party if the claim is not barred under the applicable Texas statute of limitations, and the arbitration shall be conducted according to the rules of the AAA, subject to the following: (i) the arbitration hearing shall commence within thirty (30) Days of the selection of the arbitrator (ii) not later than fifteen (15) calendar Days prior to the hearing date set by the arbitrator, each Party shall submit a brief detailing its factual and legal position, and a final offer for the settlement of the Dispute (a "Final Offer") including a dollar amount if applicable, (iii) the arbitrator shall be limited to selecting only one Final Offer or, if applicable, one of the dollar amounts submitted by the Parties, (iv) each Party shall share equally the cost of the hearing and each shall be responsible for its own expenses and those of its counsel and representatives, and (v) evidence concerning the financial position or organizational makeup of the Parties, any offer made or the details of any negotiation or interpretation of the subject matter of the Dispute, subsequent to either Party's request for arbitration, and the cost to the Parties of their representatives and counsel shall not be admissible. The decision of the arbitrator shall be final and binding on the Parties, enforceable in any state court, and shall not be appealed by either Party.

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