

## SECTION 1. PURPOSE AND PROCEDURES

1.1. These General Terms and Conditions are intended to facilitate purchase and sale transactions of Gas on a Firm or Interruptible basis. "Buyer" refers to the party receiving Gas and "Seller" refers to the party delivering Gas.

**The parties have selected either the "Oral" version or the "Written" version of transaction procedures as indicated on the Base Contract.**

### **Oral Transaction Procedure**

1.2. The parties will use the following Transaction Confirmation procedure. Any Gas purchase and sale transaction may be effectuated in an EDI transmission or telephone conversation with the offer and acceptance constituting the agreement of the parties. The parties shall be legally bound from the time they so agree to transaction terms and may each rely thereon. Any such transaction shall be considered a "writing" and to have been "signed". Notwithstanding the foregoing sentence, the parties agree that Confirming Party shall, and the other party may, confirm a telephonic transaction by sending the other party a Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means. Confirming Party adopts its confirming letterhead, or the like, as its signature on any Transaction Confirmation as the identification and authentication of Confirming Party. **If the Transaction Confirmation contains Special Provisions, other than those relating to the commercial terms of the Transaction (e.g., price, volume, delivery point, period of delivery and/or transportation conditions), which modify or supplement the Base Contract or General Terms and Conditions of this Contract (e.g., arbitration, provisions, or additional representations and warranties) such provisions shall not be deemed to be accepted pursuant to this Section unless agreed to in writing; provided that the foregoing shall not invalidate any Transaction agreed to by the Parties. CORRECT SECTION OR 1.3?**

### **Written Transaction Procedure:**

1.2. The parties will use the following Transaction Confirmation procedure. Should the parties come to an agreement regarding a Gas purchase and sale transaction for a particular Delivery Period, the Confirming Party shall, and the other party may, record that agreement on a Transaction Confirmation and communicate such Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means, to the other party by the close of the Business Day following the date of agreement. The parties acknowledge that their agreement will not be binding until the exchange of non-conflicting Transaction Confirmation or the passage of the Confirm Deadline without objection from the receiving party, as provided in Section 1.3.

1.3. If a sending party's Transaction Confirmation is materially different from the receiving party's understanding of the agreement referred to in Section 1.2, such receiving party shall notify the sending party via facsimile by the Confirm Deadline, unless such receiving party has previously sent a Transaction Confirmation to the sending party. The failure of the receiving party to so notify the sending party in writing by the Confirm Deadline constitutes the receiving party's agreement to the terms of the transaction described in the sending party's Transaction Confirmation. If there are any material differences between timely sent Transaction Confirmations governing the same transaction, then neither Transaction Confirmation shall be binding until or unless such differences are resolved including the use of any evidence that clearly resolves the differences in the Transaction Confirmations. The entire agreement between the parties shall be those provisions contained in both the Base Contract and any effective Transaction Confirmation. In the event of a conflict among the terms of (i) a Transaction Confirmation **that is signed or passage of the Confirm Deadline without objection from the receiving party**, (ii) **a recorded conversation**, (iii) the Base Contract, and (iiii) these General Terms and Conditions, the terms of the documents shall govern in the priority listed in this sentence.

1.4. **The parties agree that each party may electronically record all telephone conversation 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. All such recordings may be introduced into evidence and used to prove oral agreements between the parties. The parties agree not to contest, challenge, or assert any defense to the validity or enforceability of telephonic recordings entered into in accordance with the requirements of this Base Contract. However, that nothing herein shall be construed as a waiver of any objection to the introduction of such evidence.**

## SECTION 2. DEFINITIONS

2.1. "Base Contract" shall mean a contract executed by the parties that incorporates these General Terms and Conditions by reference; that specifies the agreed selections of provisions contained herein; and that sets forth other information required herein.

2.2. "British thermal unit" or "Btu" shall have the meaning ascribed to it by the Receiving Transporter.

2.3. "Business Day" shall mean any day except Saturday, Sunday or Federal Reserve Bank holidays.

2.4. "Confirm Deadline" shall mean 5:00 p.m. in the receiving party's time zone on the second Business Day following the Day a Transaction Confirmation is received, or if applicable, on the Business Day agreed to by the parties in the Base

Contract; provided, if the Transaction Confirmation is time stamped after 5:00 p.m. in the receiving party's time zone, it shall be deemed received at the opening of the next Business Day.

2.5. "Confirming Party" shall mean the party designated in the Base Contract to prepare and forward Transaction Confirmations to the other party.

2.6. "Contract" shall mean the legally-binding relationship established by (i) the Base Contract, (ii) the provisions contained in any and all effective Transaction Confirmations and (iii) where the parties have selected the Oral Transaction Procedure in Section 1.2 of the Base Contract, any and all transactions that the parties have entered into through an EDI transmission or by telephone, but that have not yet been confirmed in an effective Transaction Confirmation. ~~and (ii) the provisions contained in any effective Transaction Confirmation.~~

2.7. "Contract Price" shall mean the amount expressed in U.S. Dollars per MMBtu, as evidenced by the Contract Price on the Transaction Confirmation.

2.8. "Contract Quantity" shall mean the quantity of Gas to be delivered and taken as set forth in the Transaction Confirmation.

2.9. "Cover Standard", if applicable, shall mean that if there is an unexcused failure to take or deliver any quantity of Gas pursuant to this Contract, then the non-defaulting party shall use commercially reasonable efforts to obtain Gas or alternate fuels, or sell Gas, at a price reasonable for the delivery or production area, as applicable, consistent with: the amount of notice provided by the defaulting party; the immediacy of the Buyer's Gas consumption needs or Seller's Gas sales requirements, as applicable; the quantities involved; and the anticipated length of failure by the defaulting party.

2.10. "Credit Support Obligation(s)" shall mean the legally binding obligation(s) to provide or establish credit support for, or on behalf of, a party to this Contract such as an irrevocable standby letter of credit, a prepayment, a security interest in an asset acceptable to the demanding party, a performance bond, guaranty, or other good and sufficient security of a continuing nature, satisfactory in form, issuer, term and amount to the demanding party, as determined by the demanding party in its reasonable discretion."

~~2.10-2.11.~~ "Day" shall mean a period of 24 consecutive hours, coextensive with a "day" as defined by the Receiving Transporter in a particular transaction.

~~2.11-2.12.~~ "Delivery Period" shall be the period during which deliveries are to be made as set forth in the Transaction Confirmation.

~~2.12-2.13.~~ "Delivery Point(s)" shall mean such point(s) as are mutually agreed upon between Seller and Buyer as set forth in the Transaction Confirmation.

~~2.13-2.14.~~ "EDI" shall mean an electronic data interchange pursuant to an agreement entered into by the parties, specifically relating to the communication of Transaction Confirmations under this Contract.

~~2.14-2.15.~~ "EFP" shall mean the purchase, sale or exchange of natural Gas as the "physical" side of an exchange for physical transaction involving gas futures contracts. EFP shall incorporate the meaning and remedies of "Firm". **[add language that Force Majeure would not excuse nonperformance?]**

~~2.15-2.16.~~ "Firm" shall mean that either party may interrupt its performance without liability only to the extent that such performance is prevented for reasons of Force Majeure; provided, however, that during Force Majeure interruptions, the party invoking Force Majeure may be responsible for any Imbalance Charges as set forth in Section 4.3. related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by the Transporter.

~~2.16-2.17.~~ "Gas" shall mean any mixture of hydrocarbons and non-combustible gases in a gaseous state consisting primarily of methane.

~~2.17-2.18.~~ "Imbalance Charges" shall mean any fees, penalties, costs or charges (in cash or in kind) assessed by a Transporter for failure to satisfy the Transporter's balance and/or nomination requirements.

~~2.18-2.19.~~ "Interruptible" shall mean that either party may interrupt its performance at any time for any reason, whether or not caused by an event of Force Majeure, with no liability, except such interrupting party may be responsible for any Imbalance Charges as set forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by Transporter.

2.20. "Material Adverse Change" shall mean, with respect to a party or its guarantor, if any, a reduction in the rating of its long-term, senior, unsecured debt (not supported by a third party credit support obligation(s)) by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., to below "BBB-" or by Moody's Investor Services, Inc. to below "Baa3". **NOTE 3.3.6**

~~2.19-2.21.~~ "MMBtu" shall mean one million British thermal units which is equivalent to one dekatherm.

~~2.20-2.22.~~ "Month" shall mean the period beginning on the first Day of the calendar month and ending immediately prior to the commencement of the first Day of the next calendar month.

~~2.24-2.23.~~ "Payment Date" shall mean a date, selected by the parties in the Base Contract, on or before which payment is due Seller for Gas received by Buyer in the previous Month.

~~2.22-2.24.~~ "Receiving Transporter" shall mean the Transporter receiving Gas at a Delivery Point, or absent such receiving Transporter, the Transporter delivering Gas at a Delivery Point.

~~2.23-2.25.~~ "Scheduled Gas" shall mean the quantity of Gas confirmed by Transporter(s) for movement, transportation or management.

~~2.24-2.26.~~ "Spot Price" as referred in Section 3.2 shall mean the price listed in the publication specified by the parties in the Base Contract, under the listing applicable to the geographic location closest in proximity to the Delivery Point(s) for the relevant Day; provided, if there is no single price published for such location for such Day, but there is published a range of prices, then the Spot Price shall be the average of such high and low prices. If no price or range of prices is published for such Day, then the Spot Price shall be the average of the following: (i) the price (determined as stated above) for the first Day for which a price or range of prices is published that next precedes the relevant Day; and (ii) the price (determined as stated above) for the first Day for which a price or range of prices is published that next follows the relevant Day.

~~2.25-2.27.~~ "Transaction Confirmation" shall mean the document, substantially in the form of Exhibit A, setting forth the terms of a purchase and sale transaction formed pursuant to Section 1 for a particular Delivery Period.

~~2.26-2.28.~~ "Transporter(s)" shall mean all Gas gathering or pipeline companies, or local distribution companies, acting in the capacity of a transporter, transporting Gas for Seller or Buyer upstream or downstream, respectively, of the Delivery Point pursuant to a particular Transaction Confirmation.

### SECTION 3. PERFORMANCE OBLIGATION

3.1. Seller agrees to sell and deliver, and Buyer agrees to receive and purchase, the Contract Quantity for a particular transaction in accordance with the terms of the Contract. Sales and purchases will be on a Firm or Interruptible basis, as specified in the Transaction Confirmation.

**The parties have selected the "Cover Standard" version or the "Spot Price Standard" version as indicated on the Base Contract.**

#### **Cover Standard**

3.2. ~~In addition to any liability for Imbalance Charges, which shall not be recovered twice by the following remedy, the~~ The exclusive and sole remedy of the parties in the event of a breach of a Firm obligation shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the positive difference, if any, between the purchase price paid by Buyer utilizing the Cover Standard for replacement Gas or alternative fuels and the Contract Price, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller for such Day(s); or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in the amount equal to the positive difference, if any, between the Contract Price and the price received by Seller utilizing the Cover Standard for the resale of such Gas, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually taken by Buyer for such Day(s); or (iii) in the event that Buyer has used commercially reasonable efforts to replace the Gas or Seller has used commercially reasonable efforts to sell the Gas to a third party, and no such replacement or sale is available, then the exclusive and sole remedy of the non-breaching party shall be any unfavorable difference between the Contract Price and the Spot Price, adjusted for such transportation to the applicable Delivery Point, multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller and received by Buyer for such Day(s). ~~Imbalances charges shall not be recovered under this Section 3.2, but Seller and/or Buyer shall be responsible for Imbalance Charges, if any, as provided in Section 4.3.~~

#### **Spot Price Standard:**

3.2 ~~In addition to any liability for Imbalance Charges, which shall not be recovered twice by the following remedy, the~~ The exclusive and sole remedy of the parties in the event of a breach of a Firm obligation shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the Contract Price from the Spot Price; (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the

positive difference, if any, obtained by subtracting the applicable Spot Price from the Contract Price. Imbalances charges shall not be recovered under this Section 3.2, but Seller and/or Buyer shall be responsible for Imbalance Charges, if any, as provided in Section 4.3.

3.3. [SECTIONS 3.3 AND 3.4 WERE CONCEPTUALLY AGREED TO BE INCLUDED IN THE CONTRACT BEFORE COMPLETING SECTION 10.

ADDITIONAL REVIEW REQUIRED?] EVENTS OF DEFAULT. For all Firm Transactions, including but not limited to EFP and NYMEX priced Transactions, a Party (the "Defaulting Party") shall be deemed in default under this Contract upon the occurrence of any one or more of the following events (each an "Event of Default")

3.3.1. Failure to Pay – Unexcused failure to make timely payment of any amounts not in dispute and which are due to the other Party (the "Non-Defaulting Party") under this Contract, within three (3) Business Days of the Defaulting Party's receipt of a written demand for such payment and provided the payment is not the subject of a good faith dispute as described in Section 7.2;

3.3.2. Breach of Contract – The unexcused failure by the Defaulting Party to perform any covenant set forth in this Contract that has a material adverse effect on a Party's ability to perform hereunder (other than the events that are otherwise specifically covered in this Section 3.3 as a separate Event of Default or its obligations to deliver or receive Gas for which a remedy is provided in Section 3.2), and such failure is not excused by Force Majeure or cured within five (5) Business Days of a receipt of a written demand for such performance (where timely payment of liquidated damages constitutes performance);

3.3.3. Receiver ship – Appointment of a receiver, administrator, provisional liquidator, conservator, custodian, trustee or other similar official for the Defaulting Party or for substantially all of its assets;

3.3.4. Bankruptcy or Insolvency – (a) Filing by the Defaulting Party of a voluntary petition in bankruptcy under any provision of any federal or state bankruptcy law or consenting to the filing of any bankruptcy reorganization petition against it under any similar law and such petition is not withdrawn or dismissed within thirty (30) Days after such filing; (b) filing of a petition or answer or consent seeking relief or assisting in seeking relief in a proceeding under any of the provisions of the Federal Bankruptcy Code, as it now exists or as it may be in effect or an answer admitting the material allegations of a petition filed against it in such a proceeding; (c) making a general assignment for the benefit of its creditors or admitting in writing its inability to pay its debts generally as they become due; (d) otherwise becomes bankrupt or insolvent (however evidenced); or (e) is unable to pay its debts as they fall due.

3.3.5. Assurance – The failure of the Defaulting Party to provide adequate assurance of its ability to perform all of its outstanding obligations to the Non-Defaulting Party under this Contract, any Transaction or otherwise within a period not to exceed forty-eight (48) hours (but at least one Business Day) of a demand therefor when the Non-Defaulting Party has reasonable grounds for insecurity. Notwithstanding the foregoing, if the Defaulting Party has an acceptable and fully executed corporate or parental guarantee in place with the Non-Defaulting Party, no additional assurances may be requested absent a Material Adverse Change as defined in Section 3.3.6.

3.3.6. Material Adverse Change – The occurrence of a Material Adverse Change with respect to the Defaulting Party; provided such Material Adverse Change shall not be considered an Event of Default if the Defaulting Party establishes and maintains a letter of credit for so long as the Material Adverse Change is continuing. As used herein, Material Adverse Change shall mean with respect to a Party, long-term, senior, unsecured debt not supported by third party credit enhancement and that is rated below "BBB-" by Standard and Poor or below "Baa3" by Moody's Investor Service. NOTE 2.20

3.4. REMEDIES UPON AN EVENT OF DEFAULT

3.4.1. If an Event of Default, with the exception of the Events of Default described in Section 3.3.4 herein, occurs with respect to a Defaulting Party at any time during the term of this Contract, the Non-Defaulting Party may, in its sole discretion, for so long as the Event of Default is continuing, (i) provide written notice to the Defaulting Party declaring a date equal to or less than twenty (20) Days from the date of the written notice, as an early termination date ("Early Termination Date") on which all outstanding Transactions shall terminate (individually a "Terminated Transaction" and collectively the "Terminated Transactions") and (ii) withhold any payments due in respect of the Terminated Transactions. If the Defaulting Party cures the event of Default before the Early Termination Date, the Non-Defaulting Party may, in its sole discretion, reinstate this Contract and declare the previously declared Early Termination Date void. If an Early Termination Date has been designated, the Non-Defaulting Party shall in good faith calculate its Gains, Losses and Costs it incurs as a result of its termination of the Terminated Transactions. The Gains, Losses and Costs shall be determined by comparing the value of the remaining term, daily Contract Quantities and Contract Prices under each Terminated Transaction, had it not been terminated, to the equivalent quantities and relevant market prices for the remaining term either as quoted by a bona fide third party offer or which are reasonably expected to be available in the market under a replacement contract for each Terminated Transaction. To ascertain the market prices of a replacement contract, the Non-Defaulting Party may consider among other valuations, any or all of the settlement prices of NYMEX Gas futures contracts, quotations from leading dealers in energy swap contracts and any other bona fide third-party offers, all adjusted for the length of the term and differences in transportation costs. It is expressly agreed that a Party shall not be required to enter into replacement Transactions in order to determine the Termination Payment. The Non-Defaulting Party shall aggregate such Gains,

Losses and Costs with respect to all Transactions into a single net amount ("Termination Payment") and notify the Defaulting Party. The Non-Defaulting Party's Termination Payment statement shall include a detailed summary as to how the Termination Payment was calculated. If the Non-Defaulting Party's aggregate Losses and Costs exceed its aggregate Gains, the Defaulting Party shall, within five (5) Business Days of receipt of such notice, pay the net amount to the Non-Defaulting Party, which amount shall bear interest at the interest rate as described in Section 7.2 herein for the period from the Early Termination Date until payment is received by the Non-Defaulting Party. If the Non-Defaulting Party's aggregate Gains exceed its aggregate Losses and Costs, if any, resulting from the termination of the Terminated Transaction(s), the Non-Defaulting Party shall pay such excess to the Defaulting Party on or before the later of (i) ten (10) Days after the end of the Month ending on or after the Early Termination Date or (ii) the date five (5) Business Days after receipt by the Defaulting Party of the Non-Defaulting Party's notice given above, which amount shall bear interest at the interest rate as described in Section 7.2 of this Contract for the period from the Early Termination Date until payment is received by the Defaulting Party. If this Contract is terminated under the provisions of Section 3.3.4 as they may apply to either Party, this Contract shall automatically terminate without notice, as if an Early Termination Date had been immediately declared on the Day immediately preceding the Events of Default listed in Section 3.3.4. The Termination Payment shall be calculated pursuant to this Section 3.4.

3.4.2. As used herein with respect to each Party: (i) "Costs" shall mean, with respect to a Party, brokerage fees, commissions and/or any other similar Transaction costs and expenses reasonably incurred by such Party either in terminating any arrangement pursuant to which it has hedged its obligations or entering into new arrangements which replace a Terminated Transaction incurred in connection with enforcing its rights under this Contract; (ii) "Gains" shall mean, with respect to a Party, an amount equal to the present value of the economic benefit (exclusive of Costs), if any, to it resulting from the termination of its obligations with respect to a Terminated Transaction, determined in a commercially reasonable manner; and (iii) "Losses" shall mean, with respect to a Party, an amount equal to the present value of the economic loss (exclusive of Costs), if any, to it resulting from the termination of its obligations with respect to a Terminated Transaction, determined in a commercially reasonable manner. In no event, however, shall a Party's Gains, Losses or Costs include any penalties. At the time for payment of any amount due under this Section 3.4, each Party shall pay to the other Party all additional amounts payable by it pursuant to this Contract, but all such amounts shall be netted and aggregated with any Termination Payment payable hereunder.

3.4.3. The Parties acknowledge and agree that all Transactions under this Contract constitute "forward contracts" within the meaning of the United States Bankruptcy Code and the Parties further acknowledge and agree that Buyer and Seller are each "forward contract merchants" within the meaning of the United States Bankruptcy Code.

~~3.3.3.5.~~ EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED HEREIN, IN NO EVENT WILL EITHER PARTY BE LIABLE UNDER THIS CONTRACT, WHETHER IN CONTRACT, IN TORT (INCLUDING NEGLIGENCE AND STRICT LIABILITY), OR OTHERWISE, FOR INCIDENTAL, CONSEQUENTIAL, SPECIAL, OR PUNITIVE DAMAGES.

Issues listed to discuss: Should the breaching party benefit from the breach? Is there case law for how to deal with bankruptcy? Can we work with the existing Section 10 to clarify issues?

## SECTION 4. TRANSPORTATION, NOMINATIONS, AND IMBALANCES

4.1. Seller shall have the sole responsibility for transporting the Gas to the Delivery Point(s) ~~and for delivering such Gas at a pressure sufficient to effect such delivery but not to exceed the maximum operating pressure of the Receiving Transporter.~~ Buyer shall have the sole responsibility for transporting the Gas from the Delivery Point(s).

4.2. The parties shall coordinate their nomination activities, giving sufficient time to meet the deadlines of the affected Transporter(s). Each party shall give the other party timely prior notice, sufficient to meet the requirements of all Transporter(s) involved in the transaction, of the quantities of Gas to be delivered and purchased each Day. Should either party become aware that actual deliveries at the Delivery Point(s) are greater or lesser than the Scheduled Gas, such party shall promptly notify the other party.

4.3. The parties shall use commercially reasonable efforts to avoid imposition of any Imbalance Charges. If Buyer or Seller receives an invoice from a Transporter that includes Imbalance Charges, the parties shall determine the validity as well as the cause of such Imbalance Charges. ~~If the Imbalance Charges were incurred as a result of Buyer's actions or inactions (which shall include, but shall not be limited to, Buyer's failure to accept quantities of Gas equal to the Scheduled Gas), then Buyer shall pay for such Imbalance Charges, or reimburse Seller for such Imbalance Charges paid by Seller to the Transporter. If the Imbalance Charges were incurred as a result of Seller's actions or inactions (which shall include, but shall not be limited to, Seller's failure to deliver quantities of Gas equal to the Scheduled Gas), then Seller shall pay for such Imbalance Charges, or reimburse Buyer for such Imbalance Charges paid by Buyer to the Transporter.~~ If the Imbalance Charges were incurred as a result of Buyer's receipt of quantities of Gas greater than or less than the Scheduled Gas, then Buyer shall pay for such Imbalance Charges, or reimburse Seller for such Imbalance Charges paid by Seller to the Transporter. If the Imbalance Charges were incurred as a result of Seller's delivery of quantities of Gas greater than or less than the Scheduled Gas, then Seller shall pay for such Imbalance Charges, or reimburse Buyer for such Imbalance Charges paid by Buyer to the Transporter.

## SECTION 5. QUALITY AND MEASUREMENT

5.1. All Gas delivered by Seller shall meet the **pressure**, quality and heat content requirements of the Receiving Transporter. The unit of quantity measurement for purposes of this Contract shall be one MMBtu dry. Measurement of Gas quantities hereunder shall be in accordance with the established procedures of the Receiving Transporter.

## SECTION 6. TAXES

The parties have selected either the "Buyer Pays At and After Delivery Point" version or the "Seller Pays Before and At Delivery Point" version as indicated on the Base Contract.

### **Buyer Pays At and After Delivery Point:**

Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas at the Delivery Point(s) and all Taxes after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

### **Seller Pays Before and At Delivery Point:**

Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s) and all Taxes at the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas after the Delivery Point(s), **including but not limited to, any Tax levied on Transactions with respect to the Gas under this Contract by the state (or any other governmental subdivision) in which the Gas is consumed or otherwise used.** If a party is required to remit or pay Taxes which are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

## SECTION 7. BILLING, PAYMENT, AND AUDIT

7.1. Seller shall invoice Buyer for Gas delivered and received in the preceding Month and for any other applicable charges, providing supporting documentation acceptable in industry practice to support the amount charged. If the actual quantity delivered is not known by the billing date, billing will be prepared based on the quantity of Scheduled Gas. The invoiced quantity will then be adjusted to the actual quantity on the following Month's billing or as soon thereafter as actual delivery information is available.

7.2. Buyer shall remit the amount due in the manner specified in the Base Contract, in immediately available funds, on or before the later of the Payment Date or 10 days after receipt of the invoice by Buyer; provided that if the Payment Date is not a Business Day, payment is due on the next Business Day following that date. If Buyer fails to remit the full amount payable by it when due, interest on the unpaid portion shall accrue at a rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum from the date due until the date of payment; or (ii) the maximum applicable lawful interest rate. If Buyer, in good faith, disputes the amount of any such statement or any part thereof, Buyer will pay to Seller such amount as it concedes to be correct; provided, however, if Buyer disputes the amount due, Buyer must provide supporting documentation acceptable in industry practice to support the amount paid or disputed. **For the purposes of this Contract, Automated Clearinghouse (ACH) is defined as ACH Credit. No ACH Debits are authorized for any transactions hereunder.**

7.3. In the event any payments are due Buyer hereunder, payment to Buyer shall be made in accordance with Section 7.2 above.

7.4. A party shall have the right, at its own expense, upon reasonable notice and at reasonable times, to examine **and audit and to obtain copies of the relevant portion of** the books, **and** records **and telephone recordings** of the other party only to the extent reasonably necessary to verify the accuracy of any statement, charge, payment, or computation made under the Contract. This examination right shall not be available with respect to proprietary information not directly relevant to transactions under this Contract. All invoices and billings shall be conclusively presumed final and accurate **and all associated claims for under- or overpayments shall be deemed released** unless objected to in writing, with adequate explanation and/or documentation, within two years after the Month of Gas delivery. All retroactive adjustments under Section 7 shall be paid in full by the party owing payment within 30 days of notice and substantiation of such inaccuracy.

7.5. **Add netting language**

## SECTION 8. TITLE, WARRANTY, AND INDEMNITY

8.1. Unless otherwise specifically agreed, title to the Gas shall pass from Seller to Buyer at the Delivery Point(s). Seller shall have responsibility for and assume any liability with respect to the Gas prior to its delivery to Buyer at the

specified Delivery Point(s). Buyer shall have responsibility for and any liability with respect to said Gas after its delivery to Buyer at the Delivery Point(s).

8.2. Seller warrants that it will have the right to convey and will transfer good and merchantable title to all Gas sold hereunder and delivered by it to Buyer, free and clear of all liens, encumbrances, and claims. **ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR PURPOSE, ARE DISCLAIMED.**

8.3. Seller agrees to indemnify Buyer and save it harmless from all losses, liabilities or claims including attorneys' fees and costs of court ("Claims"), from any and all persons, arising from or out of claims of title, personal injury or property damage from said Gas or other charges thereon which attach before title passes to Buyer. Buyer agrees to indemnify Seller and save it harmless from all Claims, from any and all persons, arising from or out of claims regarding payment, personal injury or property damage from said Gas or other charges thereon which attach after title passes to Buyer. **Seller will indemnify and save Buyer harmless against all loss, damage, and expense of every character on account of adverse claims to the Gas delivered by Seller, or on royalties, Taxes, payment, or any other charges thereon applicable before delivery to Buyer. Buyer will indemnify and save Seller harmless against all loss, damage, and expense of every character on account of adverse claims to the Gas delivered by Buyer or of royalties, Taxes, payments or any other charges thereon applicable after receipt of the Gas by Buyer.**

8.4. Notwithstanding the other provisions of this Section 8, as between Seller and Buyer, Seller will be liable for all Claims to the extent that such arise from the failure of Gas delivered by Seller to meet the quality requirements of Section 5.

8.5. **EXCEPT FOR THE WARRANTIES CONTAINED IN SECTION 5 [??] AND Section 8, SELLER MAKES NO OTHER WARRANTIES HEREUNDER AND EXPRESSLY DISCLAIMS ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE GAS DELIVERED HEREUNDER.**

## SECTION 9. NOTICES

9.1. All Transaction Confirmations, invoices, payments and other communications made pursuant to the Base Contract ("Notices") shall be made to the addresses specified in writing by the respective parties from time to time.

9.2. All Notices required hereunder may be sent by facsimile or mutually acceptable electronic means, a nationally recognized overnight courier service, first class mail or hand delivered.

9.3. Notice shall be given when received on a Business Day by the addressee. In the absence of proof of the actual receipt date, the following presumptions will apply. Notices sent by facsimile shall be deemed to have been received upon the sending party's receipt of its facsimile machine's confirmation of successful transmission, ~~if~~. If the day on which such facsimile is received is not a Business Day or is after five p.m. on a Business Day, then such facsimile shall be deemed to have been received on the next following Business Day. Notice by overnight mail or courier shall be deemed to have been received on the next Business Day after it was sent or such earlier time as is confirmed by the receiving party. Notice via first class mail shall be considered delivered two Business Days after mailing.

## SECTION 10. FINANCIAL RESPONSIBILITY

~~10.1. When reasonable grounds for insecurity of payment or title to the Gas arise, either party may demand adequate assurance of performance. Adequate assurance shall mean sufficient security in the form and for the term reasonably specified by the party demanding assurance, including, but not limited to, a standby irrevocable letter of credit, a prepayment, a security interest in an asset acceptable to the demanding party or a performance bond or guarantee by a creditworthy entity. In the event either party shall (i) make an assignment or any general arrangement for the benefit of creditors; (ii) default in the payment obligation to the other party; (iii) file a petition or otherwise commence, authorize, or acquiesce in the commencement of a proceeding or cause under any bankruptcy or similar law for the protection of creditors or have such petition filed or proceeding commenced against it; (iv) otherwise become bankrupt or insolvent (however evidenced); or (v) be unable to pay its debts as they fall due; then the other party shall have the right to either withhold and/or suspend deliveries or payment, or terminate the Contract without prior notice, in addition to any and all other remedies available hereunder. Seller may immediately suspend deliveries to Buyer hereunder in the event Buyer has not paid any amount due Seller hereunder on or before the second day following the date such payment is due. When reasonable grounds for insecurity of payment or title to the Gas arise with respect to a party (including, without limitation, the occurrence of a Material Adverse Change with respect to a party), the other party may demand adequate assurance of performance. Adequate assurance shall mean sufficient security in the form, amount and for the term reasonably specified by the party demanding assurance, including, but not limited to, a standby irrevocable letter of credit, a prepayment, a security interest in an asset acceptable to the demanding party or a performance bond or guarantee by a creditworthy entity. In the event (each an "Event of Default") either party (the "Defaulting Party") (A) shall: (i) make an assignment or any general arrangement for the benefit of creditors; (ii) file a petition or otherwise commence, authorize, or acquiesce in the commencement of a proceeding or case under any bankruptcy or similar law for the protection of creditors or have such petition filed or proceeding commenced against it; (iii) otherwise become bankrupt or insolvent (however evidenced); (iv) be unable to pay its debts~~

as they fall due; (v) have a receiver, provisional liquidator, conservator, custodian, trustee or other similar official appointed with respect to it or substantially all of its assets; (vi) fail to pay or perform any obligation to the other party with respect to any credit support obligations relating to the Contract; (vii) fail to give adequate assurance of performance under this Section 10.1 within forty-eight (48) hours but at least one (1) Business Day of a reasonable written request by the other party; or (viii) not have paid any amount due the other party hereunder on or before the second (2<sup>nd</sup>) Business Day following written notice that such payment is due; or (B) with respect to such party's guarantor, if any: (i) the occurrence of any of the events set forth in clauses (A)(i)-(v), or (vii) above with respect to such guarantor; or (ii) the failure of the guarantor's guaranty to be in full force and effect (other than in accordance with its terms) prior to the satisfaction of all of the obligations of such party under each transaction to which such guaranty relates without the written consent of the other party; then the other party (the "Non-Defaulting Party") shall have the right, at its sole election, to immediately withhold and/or suspend deliveries or payments and/or to terminate and liquidate the Contract, in the manner provided in Sections 10.2, without prior notice, in addition to any and all other remedies available hereunder.

10.2. ~~Each party reserves to itself all rights, set-offs, counterclaims, and other defenses which it is or may be entitled to arising from the Contract.~~ If an Event of Default has occurred and is continuing, the Non-Defaulting Party shall have the right, by notice to the Defaulting Party, to designate a day, no earlier than the day such notice is effective and no later than 20 days after such notice is effective, as an early termination date (the "Early Termination Date") for the liquidation and termination of any and all transactions under the Contract (other than those transactions, if any, that may not be liquidated and terminated under applicable law or that are, in the reasonable opinion of the Non-Defaulting Party, commercially impracticable to liquidate and terminate), as follows:

10.2.1. Upon the designation of an Early Termination Date, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, the amount owed, if any, by each party with respect to all Gas delivered and received between the parties under transactions on and before the Early Termination Date, and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts due under Section 3.2), for which payment has not yet been made by the party that owes such payment under this Contract.

**Section 10.2.2 below will be applicable unless the parties have indicated otherwise in the Base Contract.**

10.2.2. Upon the designation of an Early Termination Date and in addition to Section 10.2.1 above, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, the Market Value, as defined below, of each transaction closed out pursuant to Section 10.2. The Non-Defaulting Party shall (i) liquidate each closed-out transaction at its Market Value, as defined below, so that each such amount equal to the difference between such Market Value and the Contract Value, as defined below, of such transaction(s) shall be due to the Buyer under the transaction(s) if such Market Value exceeds the Contract Value and to the Seller if the opposite is the case; and (ii) discount each amount then due under clause (i) above to present value in a commercially reasonable manner as of the Early Termination Date (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 transactions).

For purposes of this Section 10.2.2, "Contract Value" means the amount of Gas remaining to be delivered or purchased on a Firm basis under a transaction multiplied by the Contract Price, and "Market Value" means the amount of Gas remaining to be delivered or purchased on a Firm basis under a transaction multiplied by the market price determined by the Non-Defaulting Party in a commercially reasonable manner. To ascertain the Market Value, the Non-Defaulting Party may consider, among other valuations, any or all of the settlement prices of NYMEX Gas futures contracts, quotations from leading dealers in energy swap contracts, similar sales or purchases and any other bona fide third-party offers, all adjusted for the length of the term and differences in transportation costs. A party shall not be required to enter into a replacement transaction(s) in order to determine the Market Value. Any extension(s) of the term of a transaction to which the parties are not bound as of the Early Termination Date (including but not limited to "Evergreen" provisions and options to extend) shall not be considered in determining Contract Values and Market Values. The rate of interest used in calculating net present value shall be determined by the Non-Defaulting Party in a commercially reasonable manner.

10.2.3. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.2.1 and, if applicable, Section 10.2.2, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its option, the Non-Defaulting Party may setoff any Net Settlement Amount owed to it against any margin or other collateral held by it in connection with any credit support obligation relating to this Contract.

**Section 10.2.4 below will be applicable unless the parties have indicated otherwise in the Base Contract.**

10.2.4. Upon the occurrence of an Early Termination Date, the Non-Defaulting Party may set-off, without prior notice to the Defaulting Party, any Net Settlement Amount payable to the Defaulting Party against any amount(s) payable by the Defaulting Party to the Non-Defaulting Party under any other agreement or arrangement between the parties.

10.2.5. If any obligation that is to be included in any netting, aggregation or setoff pursuant to Section 10.2.3 or, if applicable, Section 10.2.4 is unascertained, the Non-Defaulting Party may in good faith estimate that obligation and net, aggregate or set-off, as applicable, in respect of the estimate, subject to the Non-Defaulting Party accounting to the Defaulting Party when the obligation is ascertained. Any amount not then due which is included in any netting, aggregation or setoff pursuant to Section 10.2.3 or, if applicable, Section [add this word?] 10.2.4 shall be discounted to net present value in a commercially reasonable manner determined by the Non-Defaulting Party.

10.2.6. The Non-Defaulting Party shall give notice that a liquidation pursuant to Section 10.2 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 net amount due pursuant to Section 10.2.3 or, if applicable, Section 10.2.4 shall be paid by the close of business on the fifth (5th) Business Day following notice of the Early Termination Date.

10.2.7. The parties agree that each transaction terminated and liquidated under Section 10.2 shall constitute a "forward contract" within the meaning of the United States Bankruptcy Code and that Buyer and Seller are each "forward contract merchants" within the meaning of the United States Bankruptcy Code.

10.3. The Non-Defaulting Party's remedies under this Section 10 are the exclusive and sole remedies of the Non-Defaulting Party with respect to the occurrence of any Early Termination Date. Each party reserves to itself all other rights, set-offs, counterclaims and other defenses which it is or may be entitled to arising from the Contract.

## SECTION 11. FORCE MAJEURE

11.1. Except with regard to a party's obligation to make payment due under Section 7 and Imbalance Charges under Section 4, neither party shall be liable to the other for failure to perform a Firm obligation, to the extent such failure was caused by Force Majeure. The term "Force Majeure" as employed herein means any cause not reasonably within the control of the party claiming suspension, as further defined in Section 11.2.

11.2. Force Majeure shall include but not be limited to the following: (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe; (ii) weather related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells or lines of pipe; (iii) interruption of firm transportation and/or storage by Transporters; (iv) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections or wars; and (v) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, or regulation promulgated by a governmental authority having jurisdiction. Seller and Buyer shall make reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance.

11.3. Neither party shall be entitled to the benefit of the provisions of Force Majeure to the extent performance is affected by any or all of the following circumstances: (i) the curtailment of interruptible or secondary firm transportation unless primary, in-path, firm transportation is also curtailed; (ii) the party claiming excuse failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch; or (iii) economic hardship, to include, without limitation, Seller's ability to sell Gas at a higher or more advantageous price than the Contract Price, Buyer's ability to purchase Gas at a lower or more advantageous price than the Contract Price, or a regulatory agency disallowing, in whole or in part, the pass through of costs resulting from this Agreement; (iv) the loss of Buyer's market(s) or Buyer's inability to use or resell Gas purchased hereunder, except, in either case, as provided in Section 11.2; or (v) the loss or failure of Seller's gas supply or depletion of reserves, except, in either case, as provided in Section 11.2. The party claiming Force Majeure shall not be excused from its responsibility for Imbalance Charges.

11.4. Notwithstanding anything to the contrary herein, the parties agree that the settlement of strikes, lockouts or other industrial disturbances shall be entirely within the sole discretion of the party experiencing such disturbance.

11.5. The party whose performance is prevented by Force Majeure must provide notice to the other party. Initial notice may be given orally; however, written notification with reasonably full particulars of the event or occurrence is required as soon as reasonably possible. Upon providing written notification of Force Majeure to the other party, the affected party will be relieved of its obligation to make or accept delivery of Gas as applicable to the extent and for the duration of Force Majeure, and neither party shall be deemed to have failed in such obligations to the other during such occurrence or event.

## SECTION 12. TERM

This Contract may be terminated on 30 days' written notice, but shall remain in effect until the expiration of the latest Delivery Period of any Transaction Confirmation(s). The rights of either party pursuant to Section 7.4, the obligations to make payment hereunder, and the obligation of either party to indemnify the other, pursuant hereto shall survive the termination of the Base Contract or any Transaction Confirmation.

## SECTION 13. MISCELLANEOUS

13.1. This Contract shall be binding upon and inure to the benefit of the successors, assigns, personal representatives, and heirs of the respective parties hereto, and the covenants, conditions, rights and obligations of this Contract shall run for the full term of this Contract. No assignment of this Contract, in whole or in part, will be made without the prior written consent of the non-assigning party, (and without relieving itself from liability hereunder) which consent will not be unreasonably withheld or delayed; provided, either party may (i) transfer, sell, pledge, encumber, or assign this Contract or the accounts, revenues, or proceeds hereof in connection with any financing or other financial arrangements, or (ii) transfer its interest to any parent or affiliate by assignment, merger or otherwise without the prior approval of the other party. Upon any transfer and assumption, the transferor shall not be relieved of or discharged from any obligations hereunder.

13.2. If any provision in this Contract is determined to be invalid, void or unenforceable by any court having jurisdiction, such determination shall not invalidate, void, or make unenforceable any other provision, agreement or covenant of this Contract.

13.3. No waiver of any breach of this Contract shall be held to be a waiver of any other or subsequent breach.

13.4. This Contract sets forth all understandings between the parties respecting each transaction subject hereto, and any prior contracts, understandings and representations, whether oral or written, relating to such transactions are merged into and superseded by this Contract and any effective Transaction Confirmation(s). This Contract may be amended only by a writing executed by both parties.

13.5. The interpretation and performance of this Contract shall be governed by the laws of the state specified by the parties in the Base Contract, excluding, however, any conflict of laws rule which would apply the law of another jurisdiction.

13.6. This Contract and all provisions herein will be subject to all applicable and valid statutes, rules, orders and regulations of any Federal, State, or local governmental authority having jurisdiction over the parties, their facilities, or Gas supply, this Contract or Transaction Confirmation or any provisions thereof.

13.7. There is no third party beneficiary to this Contract.

13.8. Each party to this Contract represents and warrants that it has full and complete authority to enter into and perform this Contract. Each person who executes this Contract on behalf of either party represents and warrants that it has full and complete authority to do so and that such party will be bound thereby.

13.9. The headings and subheadings contained in this Contract are used solely for convenience and do not constitute a part of this Contract between the parties and shall not be used to construe or interpret the provisions of this Contract.

13.10. Unless the Parties have elected on the Cover Sheet not to make this Section 13.10 applicable to this Master Agreement, neither Party shall disclose without the prior consent of the other Party the terms of any Transaction to a third party (other than the employees, lenders, counsel, or accountants of the Party and its Affiliates or prospective purchasers, directly or indirectly, of a Party of all or substantially all of a Party's assets or of any rights under this Agreement, provided such Persons shall have agreed to keep such terms confidential) except (i) in order to comply with any applicable law, order, regulation, or exchange rule, (ii) to the extent necessary to implement any Transaction, or (iii) to the extent such information is delivered to such third party for the sole purpose of calculating a published index. Each Party shall notify the other Party of any proceeding of which it is aware which may result in disclosure of the terms of any Transaction (other than as permitted hereunder) and use reasonable efforts to prevent or limit the disclosure. The existence of this Master Agreement is not subject to this confidentiality obligation. Subject to Article 7, the Parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with this confidentiality obligation. [is this the correct location – minutes has 10.14?]

In the event that disclosure is required by a governmental body or applicable law, the Party subject to such requirement may disclose the material terms of this contract to the extent so required, but shall promptly notify the other Party and shall cooperate (consistent with the disclosing Party's legal obligations) with the other Party's efforts to obtain protective orders or similar restraints with respect to such disclosure at the expense of the other Party.