



Department of Energy

Washington, DC 20585

November 7, 1997

Ms. Rae McQuade
Executive Director
Gas Industry Standards Board
1100 Louisiana
Suite 4925
Houston, Texas 77002

Re: Carolyn S. Hazel, Conoco, redraft of paragraph 3 "No Modification" of the FTA Special Provisions document to the GISB Natural Gas Sales and Purchase Contract

The Department of Energy (DOE) has reviewed the redraft of paragraph 3 "No Modification" of the FTA Special Provisions and we agree with the findings and concerns addressed by Conoco, Visage Energy, Union Bank, and So Cal Gas. DOE recommends that GISB Executive Committee amend the FTA Task Force recommendation on paragraph 3 "No Modifications" of the FTA Special Provisions to include the Conoco redraft of paragraph 3 "No Modification" language. See attachment.

Sincerely,

A handwritten signature in cursive script that reads "Christopher J. Freitas".

Christopher J. Freitas
Program Manager,
Office of Natural Gas and Petroleum Technology



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1 SPECIAL PROVISION TO NATURAL GAS SALE AND PURCHASE CONTRACT:

2 This Special Provision amends that certain Base Contract for Short-Term Sale and Purchase of
3 Natural Gas dated _____, 199_, between [Repurchaser] and [Marketer] ("Base
4 Contract"), and is intended to supplement the General Terms and Conditions ("GT&C") affecting
5 all Transactions thereunder wherein [Repurchaser] is buyer and [Marketer] is seller. Capitalized
6 terms used in this Agreement, which are not herein defined, will have the meanings ascribed to
7 them in the GT&C.

8 1. DEFINITION OF "FTA": The term "FTA" or "Funds Transfer Agent" will refer to.
9 [Bank]
10 [Bank's address]

11 2. CONFIRMATION OF TRANSACTION BY FTA: Buyer and Seller will send copies of
12 their respective Transaction Confirmations to FTA. Seller will obtain confirmation by the FTA that
13 Seller has contracted with a supplier to deliver a like quantity of gas at the Delivery Point(s)
14 identified on the Transaction Confirmation, under the same Performance Obligation (firm or
15 interruptible) and at a price no greater than the price set out on the Transaction Confirmation
16 between Buyer and Seller. Such confirmation will be documented by the FTA's execution of the
17 FTA Confirmation Statement, as provided below, as a Special Condition at the bottom of the
18 Transaction Confirmation sent by Seller to Buyer. (An example of this form of Transaction
19 Confirmation is attached as Exhibit A-2.)

20 Special Condition - FTA Confirmation Statement
21 _____, as the Fund Transfer Agent (FTA), has reviewed
22 the foregoing Transaction Confirmation and confirms that Seller has contracted for delivery
23 of a corresponding quantity of gas at the Delivery Point(s) identified above, under the
24 same Performance Obligation and at a price no greater than the price set out above. FTA
25 will accept payment from Buyer on behalf of Seller under the terms and conditions of the
26 Base Contract.

27 [FTA]: _____

28 3. NO MODIFICATION: The payment instructions may not be modified during the
29 operative period of a binding Transaction Confirmation. Any modification to a binding
30 Transaction Confirmation must be in the form of a revised Transaction Confirmation and subject
31 to the same confirmation process set out in paragraph 2 above.