

VISAGE ENERGY CORP.

November 7, 1997

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

Dear Rae:

As we discussed, Section 3, "NO MODIFICATION" of draft B, 8/5/97, has a serious flaw. The phrase which I have underlined provides for changes if the changes are approved by the Buyer, Seller and the FTA. However, the problem is that the FTA, i.e., the Bank, is not a party to the Base Contract and, therefore, could not be expected to express a reasonably informed opinion about a particular change.

I have discussed this issue with Carolyn Hazel and she has drafted revised language which is designed to protect the interest of the Supplier when there is a subsequent change to the Transaction Confirmation (see "draft B, 10/29/97").

In discussions with Union Bank, this revised version appears to meet with their initial approval, whereas the draft B of 8/5/97 version was rejected because of the obvious flaw.

Hopefully, the latest revised version will be adopted and approved for inclusion in the final version of the FTAA.

Sincerely,



Will J. Johnson
President

WJJ:lm

6345 Green Valley Circle, Suite 216 • Culver City, CA 90230 • (310) 216-6887 • FAX (310) 645-7720

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 their
12 respective Transaction Confirmations to FTA. Seller will obtain confirmation by the FTA that Seller
13 has contracted with a supplier to deliver a like quantity of gas at the Delivery Point(s) identified on
14 the Transaction Confirmation, under the same Performance Obligation (firm or interruptible) and
15 at a price no greater than the price set out on the Transaction Confirmation between Buyer and
16 Seller. Such confirmation will be documented by the FTA's execution of the FTA Confirmation
17 Statement, as provided below, as a Special Condition at the bottom of the Transaction
18 Confirmation sent by Seller to Buyer. (An example of this form of Transaction Confirmation is
19 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 same
24 Performance Obligation and at a price no greater than the price set out above. FTA will
25 accept payment from Buyer on behalf of Seller under the terms and conditions of the Base
26 Contract.
27

28 [FTA]: _____

29 3. NO MODIFICATION: The payment instructions may not be modified during the operative
30 period of a binding Transaction Confirmation, nor may any other provision of the Base Contract
31 ~~or the Transaction Confirmation~~ be modified during the operative period of a binding Transaction
32 Confirmation without the written consent of Buyer, Seller and FTA. ~~and the FTA~~



Conoco Inc.
P.O. Box 4783
Houston, Texas 77210-4783

Facsimile Transmission

Date:

October 29, 1997

From:

Carolyn S. Hazel	Phone No: (281) 293-2939
Legal Department	Room No: ML-1040
Houston, Texas	Fax No.: (281) 293-3826

To:

Will Johnson, Visage Energy Co.	Fax No.: (310) 645-7720
Christopher Freitas, DOE	Fax No.: (202) 586-6221

No. of Pages: 1 pages + cover

Notes:

Attached is a redraft paragraph 3 of the FTA Special Provision document that addresses the concern expressed by SoCal and Union Bank. I have also emailed a copy to Rae McQuade.

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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.

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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.