

September 17, 2002

North American Energy Standards Board  
1100 Louisiana, Suite 3625  
Houston, Texas 77002

Attention: Bill Boswell

Re: NAESB Board of Directors Resolution dated September 9, 2002

Dear Bill:

The parties to this letter are voting against the referenced resolution and have concerns regarding the means being utilized to modify NAESB's processes. Furthermore, the parties have additional concerns about the authority and composition of the recently created Managing Committee. The September 9, 2002 resolution purports to grant the Executive Committee the authority to establish subcommittees but actually limits its authority by requiring the prior approval of the recently created Managing Committee. We desire to explain our rationale and seek specific actions as more fully described below.

We are very concerned that this and earlier resolutions are being circulated for approval without an opportunity for open discussion by the full Board of Directors. We are equally concerned about the procedures that have recently been followed in seeking these types of important changes through notational votes without such open disclosure and discussion. Additionally, we have serious substantive concerns about the appropriateness of changes that may conflict with the existing governance documents of NAESB.

With regard to the September 9, 2002 resolution, the Executive Committee already has the authority to appoint subcommittees under Section 10.5 of the Bylaws. This resolution appears to limit the existing authority of the Executive Committee by requiring it to seek the approval of the Managing Committee before establishing subcommittees. Article 5 of NAESB's Certificate of Incorporation vests the Executive Committee with, among other things, the responsibility for supervising NAESB's affairs, in general, and establishing committees, in particular. We are concerned that requiring the approval of the Managing Committee before the Executive Committee can take action, for which it is clearly responsible, conflicts with the existing governance documents and runs afoul of the well-established and highly-regarded processes upon which our organization is based.

NAESB is founded on the principles that the organization is to be open, inclusive and represent a balance of interests. These basic principles require that there be an open discussion before a vote is taken. An open discussion will ensure a clear explanation of the purpose and consequences of the resolution prior to any vote. There has been no opportunity for an open dialogue on this resolution, as well as other resolutions that recently have been voted notationally. Our concern is heightened by the fact that the notational vote on the September 9,

2002 resolution is being conducted only one week before a scheduled Board of Directors meeting. This resolution, as well as the other recent resolutions, could have, and we believe should have, been openly and fully discussed, the pros and cons considered, and possible modifications made to assure that the resolutions are consistent with the organization's certificate, bylaws and the will of its members.

There is a concern that the powers being granted to the Managing Committee by this and earlier resolutions are overly broad and not consistent with the spirit or the letter of NAESB's organizational documents. We believe that the Managing Committee was established to facilitate the activities of the Board of Directors and was not intended to replace the authority of the Board of Directors. Without open discussion, we cannot determine the intent of the framer(s) or validate our belief.

In light of the concerns we and others within the organization have, we respectfully request that the following specific actions be taken:

First, we ask that the vote on the September 9, 2002 resolution be deferred until the upcoming Board of Directors meeting. This will provide an opportunity for the framer(s) to explain the intent and necessity of the resolution and will give others the opportunity to express any concerns. After this discussion, it would be possible for the Board of Directors to vote on the matter.

Second, we request that at the upcoming Board of Directors meeting, an open discussion be held regarding the other resolutions that recently have been passed notationally.

In order that these matters can be fully understood and discussed by the full Board of Directors, we ask that a copy of this letter be provided to all members of the Board of Directors and posted on the NAESB web site prior to the upcoming meeting of September 23, 2002.

We look forward to seeing you at the upcoming Board of Directors meeting and having a full discussion of these important matters.

Very truly yours,

Shelley Corman  
Richard Kruse  
Terry McGill  
Ron Mucci  
John Somerhalder

cc: Jim Buccigross  
Rae McQuade  
Jim Minneman