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APPLICATION OF UNITED STATES GYPSUM COMPANY
FOR AN ORDER AUTHORIZING THE IMPORT OF
NATURAL GAS FROM CANADA

Pursuant to Section 3 of the Natural Gas Act ("NGA"),¹ Department of Energy ("DOE")
Delegation Order Nos. 0204-111 and 0204-127,² and Office of Fossil Energy ("FE")
regulations,³ United States Gypsum Company ("U.S. Gypsum") submits this application for an
order authorizing long-term authority to import natural gas from Canada. Specifically, U.S.
Gypsum requests authority to import up to 4,950,000 Mcf per year (approximately 13,500
Mcf/day) of natural gas for a 10-year term commencing on November 1, 1997 through November
1, 2007.

I. IDENTITY OF THE APPLICANT

The exact legal name of the applicant is United States Gypsum Company. U.S. Gypsum is
a manufacturer of wallboard and other products with plants located in more than 20 states. U.S.
Gypsum requires a substantial quantity of natural gas in its manufacturing processes. The location

² 49 Fed. Reg. 6690 (Feb 22, 1984), 1 ERA ¶70,032 (1984); 54 Fed. Reg. 11437 (Mar. 20,
1989), 1 FE ¶70.051 (1989).
of U.S. Gypsum's principal place of business is 125 South Franklin St., Chicago, Illinois 60606-4678. The names, titles, and mailing addresses of persons to whom official correspondence concerning this application should be addressed are:

Robert B. Cooper  
United States Gypsum Company  
Energy Department #143-65  
125 South Franklin Street  
Chicago, IL 60606-4678  
(312) 606-4140

and

William H. Penniman  
Paul F. Forshay  
Sutherland, Asbill & Brennan  
1275 Pennsylvania Avenue, N.W.  
Washington, DC 20004-2404  
(202) 383-0100

II. RELATED U.S. REGULATORY PROCEEDINGS

There are no other filings or any related matters pending before any other part of the DOE, including the Federal Energy Regulatory Commission ("FERC"), or any other Federal agency or department.4'

III. THE PROPOSED EXPORT ACTIVITY

A. Scope of the Activity

U.S. Gypsum seeks authority to import from Canada up to 4,950,000 Mcf of natural gas per year (approximately 13,500 MMBtu/day of gas) for use in the industrial facilities

4' U.S. Gypsum has submitted an application to the Canadian National Energy Board ("NEB") for an Export License covering all natural gas referenced in the instant application.
of U.S. Gypsum and its affiliates and for sale to others during periods when this gas is not needed in or deliverable to the manufacturing facilities of U.S. Gypsum or its affiliates.

B. Source and Security of Gas Supply

U.S. Gypsum has entered into a firm Gas Sales Contract ("Contract") with Renaissance Energy Ltd. ("Renaissance"), a Canadian corporation, to purchase 13,500 Mcf/day of natural gas (plus a quantity equal to the fuel retainage requirements on TransCanada PipeLines, Ltd. ("TCPL"), for a 10-year term beginning on November 1, 1997. Under the terms of the Contract, U.S. Gypsum will receive natural gas produced from reserves located in Alberta, Canada. Renaissance is obligated to sell and U.S. Gypsum is obligated to purchase the full 13,500 Mcf/day. 22 Renaissance has applied for a Removal Permit and submitted data to demonstrate to the Alberta Energy and Utilities Board ("AEUB") that Renaissance possesses the necessary reserves to support issuance of a Removal Permit by AEUB to Renaissance. Similarly, Renaissance has submitted data to the NEB to support issuance of an Export License to U.S. Gypsum. (See note 4, supra) If Renaissance fails to meet its contract obligations (e.g., due to force majeure), U.S. Gypsum will purchase replacement supplies from others at then applicable market prices.

C. Transportation Arrangements

Pursuant to the terms of the Contract, Renaissance has filed an application with NOVA Gas Transmission Ltd. ("NOVA") to transport gas from Renaissance's production and gathering facilities to NOVA's interconnection with TCPL at Empress, Alberta. At the Empress

22 In the event of an unexcused failure to sell or purchase gas, the party failing to meet its obligations will reimburse the performing party for its "cover costs", if any, in a replacement purchase or sale.
interconnection point, U.S. Gypsum will take title to the gas. U.S. Gypsum has arranged for firm transportation of the gas on TCPL to the U.S. - Canada border at a primary delivery point of Emerson, Manitoba. The gas will then be transported from Emerson, Manitoba to U.S. Gypsum's industrial facilities through a firm transportation agreement with Great Lakes Gas Transmission Limited Partnership ("Great Lakes") and, as necessary, under arrangements with other U.S. pipelines. U.S. Gypsum has executed firm transportation service agreements with TCPL and Great Lakes.

D. **Gas Purchase Price**

The contract specifies that U.S. Gypsum shall pay an amount that will be adjusted monthly based on a spot market "Price Reference" published in the *Canadian Natural Gas Market Report*. Renaissance and U.S. Gypsum have also agreed that if at any time during the term of the Contract the Price Reference (1) ceases to be published, (2) is no longer available, or (3) no longer reasonably reflects current market prices, the parties will negotiate in good faith to establish a new Price Reference. Finally, Renaissance and U.S. Gypsum have agreed that if such negotiations fail to yield a new Price Reference, either party is entitled to refer the matter to binding arbitration in order to establish a new Price Reference that is tied to a market measure comparable to the one originally used by the parties.

E. **Reporting Requirements**

Consistent with the reporting requirements outlined by FE in its guidance document issued on October 4, 1993, U.S. Gypsum will notify FE in writing, within two weeks after import

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* Depending upon the needs of its manufacturing facilities, U.S. Gypsum may arrange, from time-to-time, for delivery of gas purchased from Renaissance to other locations where U.S. transportation arrangements can be made.
deliveries begin, of the date that the first import delivery occurred. Additionally, unless such
reporting is waived by FE, U.S. Gypsum will provide to FE Quarterly Reports, filed the month
following each calendar quarter, indicating by month:

a. The total volume of imports in Mcf;
b. Average purchase price per MMBtu at the international border;
c. Identity of the seller;
d. Estimated or actual duration of each purchase agreement;
e. Identity of transporters;
f. Point(s) of entry;
g. Markets served; and
h. Whether imports are being made on an interruptible or firm basis.

F. Potential Environmental Impact

No construction of new or additional facilities is required to perform the proposed import
activity. Accordingly, granting the requested authorization would have no significant
environmental impact.

IV. STANDARD OF REVIEW

Section 3 of the Natural Gas Act ("NGA"), as amended by the Energy Policy Act of
1992,\(^7\) states that

the importation of natural gas . . . or the exportation of natural gas
to a nation with which there is in effect a free trade agreement
requiring national treatment for trade in natural gas, shall be
deemed to be consistent with the public interest, and applications

for such importation or exportation shall be granted without modification or delay.

The U.S. and Canada are parties to a free trade agreement. Accordingly, the NGA requires FE to approve the U.S. Gypsum application for an order authorizing long-term imports of natural gas pursuant to the Contract "without modification or delay."

V. EXHIBITS

In support of its application, U.S. Gypsum submits the following exhibits:

Exhibit A - Opinion of Counsel required by FE regulation.

Exhibit B - Gas Sales Contract between Renaissance Energy Ltd. and United States Gypsum Company.

VI. ACTION REQUESTED

U.S. Gypsum requests that FE issue an order granting U.S. Gypsum authority to import up to 4,950,000 Mcf of natural gas annually (approximately 13,500 Mcf/day) from Canada to the

---

United States over a 10-year period commencing on November 1, 1997 through November 1, 2007, pursuant to a Gas Sales Contract it has entered into with Renaissance Energy Ltd.

Respectfully submitted,

By: [Signature]

William H. Penniman
Paul F. Forshay
SUTHERLAND, ASBILL & BRENNAN, L.L.P.
1275 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-2404
(202) 383-0100
Attorneys for
United States Gypsum Company

October 23, 1996
OPINION OF COUNSEL

Pursuant to the regulations of the Office of Fossil Energy, 10 C.F.R. §590.202(c), I have examined the articles of incorporation and the bylaws of United States Gypsum Company and have determined that the proposed importation of natural gas is within the corporate powers of such corporation.

Dean H. Goossen

Dated: September 23, 1996
GAS SALES CONTRACT

BETWEEN

RENAISSANCE ENERGY LTD.

AND

UNITED STATES GYPSUM COMPANY
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GAS SALES CONTRACT

THIS GAS SALES CONTRACT is made as of the 1st day of August, 1996.

BETWEEN:

RENAISSANCE ENERGY LTD., an Alberta corporation ("Seller"), and

UNITED STATES GYPSUM COMPANY, an Illinois corporation ("Buyer"),
collectively referred to as "Parties" and singularly as "Party".

WITNESSETH:

WHEREAS, Seller desires to sell and deliver to Buyer on a firm basis, and Buyer
desires to purchase and take from Seller on a firm basis, quantities of Gas, produced from
Seller’s Alberta gas reserves under the terms and conditions hereinafter set forth; and

WHEREAS, Seller and Buyer intend to commence deliveries and receipts of Gas
under this Agreement on November 1, 1997 contingent upon the satisfaction or waiver of the
Conditions Precedent set forth herein.

NOW, THEREFORE, in consideration of these premises and of the mutual
covenants and agreements herein contained, the Parties agree as follows:

ARTICLE I

DEFINITIONS

1.1 Definitions

The following terms, when used in this Contract, shall mean:

(a) "AEUB" shall mean the Alberta Energy and Utilities Board, and its successors.

(b) "Business Day" shall mean any day other than a Saturday, Sunday or holiday
recognized by Federal Reserve member banks in New York City, or by major commercial
banks in Alberta and Canada.

(c) "Buyer’s First Transporter" shall mean TransCanada PipeLines Limited, and its
successors.
(d) "Canadian Regulatory Approvals" shall mean all permits, certificates, licences, orders, consents, authorizations and approvals as may be required by any governments, governmental agencies or regulatory bodies in Canada to permit the removal of the Gas to be sold hereunder from the province of production and the export of the Gas from Canada, and otherwise to allow the transactions contemplated hereunder to commence and to be performed over the Term, including but not limited to:
(i) a long term permit from the AEUB ("Removal Permit"); and
(ii) a long term licence from the NEB ("Export Licence").

(e) "Contract" shall mean this agreement, and all written amendments from time to time signed by the Parties.

(f) "Contract Year" shall mean a period of 12 consecutive Months beginning on the first Day of November and ending at the beginning of the first Day of November next following.

(g) "Date of First Delivery" shall mean November 1, 1997.

(h) "Day" shall mean a period of 24 consecutive hours, beginning and ending at 8:00 a.m. Mountain Standard Time ("MST"), or at such other hour as Buyer and Seller agree upon.

(i) "Delivery Point" shall mean the interconnection of the pipeline systems of NOVA and TCPL at or near Empress, Alberta ("Empress"), downstream of the liquids extraction facilities located near Empress.

(j) "Dollars" or "$" shall mean the lawful currency of Canada unless otherwise indicated.

(k) "Force Majeure" shall have the meaning ascribed to this term in Section 11.1

(l) "Gas" shall mean residue natural gas remaining after conditioning and processing of raw natural gas and consisting primarily of methane, and shall be of a quality acceptable to NOVA and TCPL.

(m) "GLGT" shall mean Great Lakes Gas Transmission Limited Partnership, and its successors.

(n) "GLGT Service Agreement" shall mean the firm transportation service agreement between GLGT and Buyer for 12,999 Mcf/d at Emerson, Manitoba ("Emerson").

(o) "Interest" means interest at the rate per annum equal to the prime lending rate announced and published from time to time by the Main Branch at Calgary for the Toronto-Dominion Bank, Canada for Canadian dollar commercial loans made in Canada, plus 2%.
(p) "Maximum Daily Quantity" or "MDQ" shall mean a quantity of Gas equal to 13,500 Mcf per Day, plus the quantity of fuel gas required each day by TCPL to move the MDQ from Empress to Emerson.

(q) "Mcf" shall mean one thousand (1000) cubic feet of gas.

(r) "Month" shall mean a period beginning on the first Day of a calendar month and ending at the beginning of the first Day of the next succeeding calendar month.

(s) "Monthly Statement" shall have the meaning ascribed to this term in Section 10.1.

(t) "NEB" shall mean the National Energy Board (Canada) and its successors.

(u) "Nominated Quantity" shall have the meaning ascribed to it in Section 3.1.

(v) "NOVA" shall mean NOVA Gas Transmission Ltd. and its successors.

(w) "Price" shall mean the calculated value as described in Section 5.1.

(x) "TCPL" shall mean TransCanada PipeLines Limited and its successors.

(y) "TCPL Service Agreement" shall mean the transportation service agreement to be obtained by Buyer for firm transportation for the MDQ on TCPL's pipeline system from Empress to Emerson for the Term.

(z) "Term" shall have the meaning ascribed to it in Section 4.1.

(aa) "Transporters" shall mean NOVA and TCPL, and "Transporter" shall mean either of them.

(bb) "United States Regulatory Approvals" means all permits, certificates, licences, orders, consents, authorizations and approvals as may be required by any governments, governmental agencies or regulatory bodies in the United States to permit the importation into the United States of the Gas to be sold hereunder, and otherwise to allow the transactions contemplated hereunder to commence and to be performed over the Term.

ARTICLE II
CONDITIONS PRECEDENT

2.1 Conditions Precedent

The obligations of each of Seller and Buyer under this Contract are subject to the satisfaction or waiver of each of the following conditions (in accordance with the terms of this Article II):

(a) Seller obtaining the Removal Permit as part of the Canadian Regulatory Approvals required to give effect to this Contract; and
(b) Buyer obtaining the Export Licence as part of the Canadian Regulatory Approvals required to give effect to this Contract; and

(c) Buyer obtaining the TCPL Service Agreement on or before November 1, 1997; and

(d) Buyer obtaining all United States Regulatory Approvals required to give effect to this Contract.

2.2 Satisfaction of Conditions

Each Party shall use commercially reasonable efforts and proceed in a timely manner to satisfy each of the conditions for which it is responsible. Without limiting the foregoing:

(a) Seller and Buyer shall file applications for the required Canadian Regulatory Approvals by September 30, 1996.

(b) Seller shall file an application with NOVA requesting firm transportation service by August 1, 1996.

c) Buyer shall file an application with TCPL requesting the TCPL Service Agreement by August 1, 1996.

(d) Buyer shall file an application for the required United States Regulatory Approvals by April 1, 1997.

2.3 Status Reports

(a) Each Party, upon the written request of the other Party, shall provide the other Party with a written status report (not more often than once every Month) outlining its progress in satisfying the conditions for which it is responsible. Each such report shall include information outlining any anticipated delay or impediment to the satisfaction of any condition and, in the case of an anticipated delay, the report shall specify the expected length of the delay. However, any such anticipated delay shall not extend the time periods established in Section 2.4.

(b) Each Party shall respond to all reasonable requests from the other Party for information relating to this Contract.

2.4 Timing for Completion of Conditions

The conditions in Section 2.1 must be completed to the satisfaction (as to form and substance) of both Parties, acting reasonably, or have been waived by the Parties, by not later than September 1, 1997 and in accordance with Section 2.6.
2.5 Failure to Complete Conditions Precedent

In the event that any of the conditions precedent are not satisfied by the Party charged with the responsibility for the satisfaction of such condition to the satisfaction of both Parties, acting reasonably, or waived (by both Parties) by the applicable date specified in Section 2.4, then, at any time following such date and until such time as the condition precedent is satisfied or waived, either Party shall be entitled at any time after the specified date until the satisfaction or waiver of the outstanding condition precedent, to terminate this Contract. Any such termination shall be effective upon the terminating Party giving written notice to the other Party; provided, that any such termination shall not affect the rights and obligations of the Parties which accrued prior to the time of termination.

2.6 Notice - Completion of Conditions

(a) Each Party shall forthwith give notice to the other Party when it believes that a condition has been satisfied. If a Party receives an authorization or agreement which it is not prepared to accept or which the other Party is not prepared to accept (acting reasonably) and if the date for the satisfaction of the condition has not yet passed, then Section 2.2 shall continue to apply and such Party shall continue to use all commercially reasonable efforts to obtain an acceptable authorization or agreement.

(b) The Party receiving notice that a condition has been satisfied shall, within 10 Business Days from the receipt, pursuant to subsection 2.6(a), of any notice and copies of the relevant authorizations or agreements, as applicable, advise of its acceptance or rejection thereof and, if rejected, detailed reasons for the rejection. If such Party from whom acceptance is required has not provided written notice of its acceptance or rejection within such 10 Business Day period, then the condition shall be deemed to have been satisfied in an acceptable manner to both Parties. If such Party from whom acceptance is required has rejected such satisfaction of the condition and provided reasons within such 10 Business Day period, then this Contract may be terminated by either Party unless the deadline for the satisfaction of the condition has not passed. If a replacement authorization or agreement (for the one rejected) is not obtained before the specified date for the completion of the condition, then Section 2.5 shall be applicable.

2.7 Commencement of Obligations

Delivery, purchase, payment and all other obligations under this Contract, other than those in Article II, shall begin, subject to Section 3.2, on the Date of First Delivery and shall remain in full force and effect for the Term unless the conditions in Section 2.1 have not been completed or waived pursuant to Section 2.5.
ARTICLE III
GAS SUPPLY AND PURCHASE OBLIGATIONS; NOMINATIONS

3.1 Nominations

Commencing on the Date of First Delivery and subject to the terms and conditions of this Contract, (1) Buyer shall have the right on each Day during the Term to nominate for delivery to Buyer and purchase from Seller a quantity of Gas ("Nominated Quantity") not exceeding the MDQ and (2) Seller shall, on each Day during the Term, sell and deliver the Nominated Quantity to Buyer.

3.2 Nomination Procedure

(a) Buyer shall make a written nomination to Seller for each Month at least 48 hours prior to the date which is the latest date that a shipper can give its nomination to utilize firm transportation service on the first Day of the Month on Buyer's First Transporter. Unless changed as hereinafter provided, any such nomination shall remain in effect for the entire Month. In the event that a change in nomination is required, Seller shall not be required to accept a nomination change from Buyer unless Seller has received the nomination change from Buyer by not later than 8:00 a.m. MST on the Day prior to the Day that the change in nomination is to take effect; however, Seller will make reasonable efforts to accommodate a later nomination change. Seller shall be responsible for all nominations with Transporters upstream of the Delivery Point and Buyer shall be responsible for all nominations with Transporters at and downstream of the Delivery Point, provided that, upon written request from Buyer to Seller, and written notice to TCPL, Seller shall assume responsibility for nominations with TCPL on behalf of Buyer.

(b) Buyer, when providing any nomination for Gas hereunder, shall firstly telephone the nomination to Seller's Gas Operations personnel at the telephone number as specified in Section 16.4 and in all cases promptly, and prior to the deadline indicated in 3.2(a), provide written confirmation of the nomination via facsimile transmission to Seller's Gas Operations personnel at the facsimile number so provided in Section 16.4 hereof. When communicating with Buyer in respect to any nominations received from Buyer, Seller shall contact Buyer's Gas Operations personnel as specified in Section 16.4.

(c) In the event that the nomination procedures of any of the Transporters are changed at any time in a manner which adversely affects a Party's ability to timely perform its obligations hereunder, then Buyer and Seller shall work together in good faith and use all commercially reasonable efforts to develop, amend, implement and maintain nomination procedures that are consistent with the nomination and operational requirements of the Transporters.
3.3 Minimum Purchase Obligation

(a) In this Section, "Minimum Annual Quantity" or "MAQ" shall mean, for any Contract Year, 100% of the MDQ in effect on the first Day of the Contract Year multiplied by the number of Days in the applicable Contract Year less any quantity of Gas which Buyer was unable to nominate and/or take delivery of due to a Force Majeure event affecting either Party.

(b) During each Contract Year, Buyer shall be obligated to nominate for, take and purchase, and Seller shall be obligated to deliver and sell a quantity of Gas equal to the MAQ (not exceeding the MDQ for any Day). The remedies for failure to purchase or sell the MAQ shall be governed by Article VII.

3.4 Maintenance of Authorizations and Arrangements

Each Party shall use all commercially reasonable efforts during the Term to maintain in effect sufficient regulatory authorizations and other arrangements in order to ensure the full performance of its obligations under this Contract.

3.5 Exclusivity

Buyer shall not use the TCPL Service Agreement to transport Gas purchased or obtained from any other person, or to transport Gas which Buyer might otherwise own or to transport Gas for any other party (except Seller under Article XII) except for those Days when Seller does not deliver the entire Nominated Quantity. Without limiting the foregoing, and for the purposes of clarification, no Gas shall be transported by Buyer under the TCPL Service Agreement when Seller has suspended deliveries hereunder in accordance with Section 10.2 or 10.3.

ARTICLE IV
TERM OF CONTRACT

4.1 Term

(a) This Contract shall commence on the date hereof and shall, subject to any provisions relating to earlier termination and subsection 4.1(b), continue in full force and effect until the beginning of the Day on November 1, 2007 ("Term").

(b) Not less than 6 months prior to the end of the Term, either Party shall be entitled to notify the other Party ("Extension Notice") that it wishes to negotiate an extension to the Term. Unless the Party receiving the Extension Notice notifies the other Party that it does not wish to extend this Contract (such notice to be given with 15 Days of receiving the Extension Notice), then the Parties shall meet for the purposes of agreeing upon the Price, and other terms which shall apply during the extended period. If the Parties fail to reach agreement on all terms within 90 Days from the date the Extension Notice was received by the receiving Party, then the negotiations shall terminate, neither Party shall have any further obligations to the other Party under this subsection, and this Contract shall terminate at the end of the Term. Any extension
of the Term is subject to each Party obtaining the authorizations, approvals and transportation service arrangements required by that Party in order to perform its obligations during the extended period.

ARTICLE V
RATES AND CHARGES

5.1 Monthly Charges

For each Month from and after the Date of First Delivery, Buyer shall pay Seller, in Dollars and as invoiced by Seller pursuant to Section 10.1, a price which shall be equal to the "Alberta One-Month Firm Spot Prices Alberta Border (Empress) Avg #" expressed in $/Mcf (Cdn), in the section titled "Domestic Spot Gas Prices" as reported in Canadian Natural Gas Market Report published by Canadian Enerdata Ltd. ("Price Reference"), plus $0.05/Mcf (Cdn), for each Mcf of Gas delivered by Seller hereunder for that Month (including Gas intended for use by Buyer as fuel gas).

5.2 Redetermination of the Price Reference

If at any time during the Term, the Price Reference ceases to be published, is no longer available or no longer reasonably reflects current market prices for firm one month contracts at the Delivery Point ("Redetermination Time"), the Parties agree to negotiate in good faith to establish a new Price Reference to be effective as of the Redetermination Time. If the Parties agree upon a new Price Reference, such new Price Reference shall be used for the purposes of this Contract retroactively to the Redetermination Time. Failure of the Parties to agree upon a new Price Reference for any reason whatsoever within 15 days of the Redetermination Time, shall entitle either Party to refer the issue to binding arbitration pursuant to Article XV and Section 5.3, and the last available Price Reference shall remain in effect until the arbitrator's decision is rendered. Upon either the Parties agreeing to an alternate Price Reference or such alternate Price Reference being determined by arbitration, the Parties shall adjust all payments made subsequent to the Redetermination Time to reflect the new Price Reference from and after that time. Any dispute respecting such retroactive adjustments shall be resolved through arbitration and either Party shall be entitled to refer the dispute to arbitration. For greater certainty, the $0.05/Mcf payable in addition to the Price Reference shall not be open to redetermination, or taken into consideration when a new Price Reference is to be selected.

5.3 Price Reference Redetermination Procedure

When setting a new Price Reference (when required under Section 5.2), the Parties or the arbitrator, as applicable, shall use all commercially reasonable efforts to ensure that the new Price Reference results in the Price payable under this Contract, following the Redetermination Time, reflecting prices which are then being paid under gas sale contracts having similar terms and conditions to one month firm contracts relied upon in establishing the original Price Reference, at the Delivery Point. Any arbitration conducted pursuant to this Section 5.3 and Article XV shall be governed by the foregoing principles and the following:
(a) the Party claiming that the existing Price Reference no longer reasonably reflects current market prices must first persuade the arbitrator(s) that, taking into account foreseeable patterns, the existing Price Reference no longer reasonably reflects current market prices for firm one month contracts at the Delivery Point before the arbitrator(s) will decide between new Price References proposed by the parties.

(b) each Party will submit to the arbitrator(s) (within 15 Business Days of the appointment of the arbitrator(s)), its arguments concerning the appropriateness of the existing Price Reference, and its proposed new Price Reference (which can include modifications) to be used hereunder, for the remainder of the Term, including its reasons in support of the amount, price reference or formula submitted by that Party.

(c) once the arbitrator(s) has received the submissions of each Party, the arbitrator(s) shall provide each Party with a copy of the other Party's entire submission;

(d) the arbitrator(s) shall hear the arguments of each Party and make a decision within 15 Business Days of the receipt of each Party's submissions of the appropriate Price Reference;

(e) for the purposes of his decision, the arbitrator(s) shall not be entitled to propose a compromise and must select either continuation of the existing Price Reference or one of the new Price References proposed by one of the Parties in its entirety and without alteration in any way.

In the event that a Party fails to submit arguments either supporting the existing Price Reference or its proposed determination of the appropriate Price Reference within the above specified time period, then the arbitrator(s) shall be required to select the submission made by the other Party. Nothing shall prevent a Party from arguing that the existing Price Reference is satisfactory and proposing alternatively, a new Price Reference, if the arbitrator(s) finds that the existing Price Reference no longer reasonably reflects current market prices for firm one month contracts at the Delivery Point. If a Party submits that the existing Price Reference continues to reflect current market prices for firm one month contracts at the Delivery Point and does not submit an alternative Price Reference, then the Price Reference proposed by the other Party shall be selected by the arbitrator(s) if the arbitrator(s) determines that the existing Price Reference no longer reflects current market prices for firm one month contracts at the Delivery Point. The arbitrator's decision shall be retroactive to the Redetermination Time.

ARTICLE VI
RESERVES FOR REQUIRED AUTHORIZATIONS

6.1 Reserves

Seller shall submit sufficient Alberta Gas reserves to both the AEUB and the NEB in support of the applications for a Removal Permit and Export Licence as contemplated in Section 2.1. The submission of reserves to the AEUB and the NEB shall not be construed as a dedication of those reserves to this Contract. No reserves are being dedicated to this Contract. Seller warrants that it shall maintain sufficient deliverability throughout the Term to meet all of its obligations under this Contract.
ARTICLE VII
REMEDIES

7.1 Buyer's Remedies

If, for any reason (including without limitation, Force Majeure) other than (but only to the extent of) a curtailment of Seller's NOVA firm service beyond Seller's control, or an exercise by Seller of its suspension rights under either of Sections 10.2 or 10.3, Seller fails to supply any portion of the Nominated Quantity on any Day up to the MDQ (the undelivered volume being the "Shortfall Quantity"), then Buyer shall have the right to obtain gas to replace the Shortfall Quantity ("Replacement Gas") at the Delivery Point in accordance with the terms hereof to replace the Shortfall Quantity, plus Seller shall pay Buyer an amount ("Buyer's Deficiency Charge") equal to $0.05/Mcf multiplied by the Shortfall Quantity. Buyer shall notify Seller of its acquisition of Replacement Gas as promptly as is practical under the circumstances. Seller shall reimburse Buyer, within 10 Business Days after Buyer has delivered an invoice and supporting documentation to Seller, for the following incremental costs incurred by Buyer as a direct result of Seller's unexcused non-performance, plus Buyer's Deficiency Charge. Such incremental costs shall consist of:

(a) the product of (i) the difference, if positive, between the weighted average price per Mcf paid by Buyer for Replacement Gas at the Delivery Point less the Price payable as calculated under Section 5.1 for the Month in which the Shortfall Quantity occurs, and (ii) the Shortfall Quantity. Buyer agrees to use reasonable efforts to obtain the lowest priced Replacement Gas reasonably obtainable so as to minimize Seller's obligations to Buyer under this Section 7.1; and

(b) the penalties assessed by TCPL for any imbalances caused by Seller, when Seller has failed to advise Buyer of any Shortfall Quantity sufficiently in advance of nomination deadlines on TCPL, so as to reasonably permit Buyer to alter its nomination at the Delivery Point, which Buyer incurs as a result of Seller's failure to deliver the Shortfall Quantity.

Buyer shall consult with Seller prior to obtaining supplies of Replacement Gas to try to reasonably determine the expected duration of the Shortfall Quantity, and will secure supplies of Replacement Gas only for the length of the expected duration of the Shortfall Quantity.

Buyer's right to recover its incremental costs of purchasing Replacement Gas and imbalance charges in accordance with this Section, plus payment of the Buyer's Deficiency Charge shall be Buyer's sole and exclusive remedy for Seller's failure to deliver Gas hereunder.

7.2 Seller's Remedies

If, for any reason (including, without limitation, Force Majeure) other than (but only to the extent of) a curtailment of firm service under the TCPL Service Agreement beyond Buyer's control, Buyer fails to nominate for, purchase and take delivery of the entire MDQ each Day (the volume not nominated or taken being the "Shortfall Take"), then Buyer shall pay Seller for any loss resulting from Seller's third party sale of the Shortfall Take, as calculated below, plus an amount ("Seller's Deficiency Charge") equal to $0.05/Mcf multiplied by the Shortfall Take. For greater certainty, if Seller has suspended deliveries for any Day pursuant to Article X, then Buyer
shall be deemed to have failed to nominate for the MDQ for that Day. The amount payable by Buyer to Seller for the Shortfall Take hereunder shall be calculated as the sum of:

(a) the product of (i) the difference, if positive, between the Price payable as calculated under Section 5.1 for the Month in which the Shortfall Take occurs less the weighted average price per Mcf received by Seller from one or more third party purchasers at the Delivery Point, and (ii) the Shortfall Take; and

(b) penalties assessed by NOVA for any imbalances caused by Buyer, when Buyer failed to advise Seller of any Shortfall Take sufficiently in advance of nomination deadlines on NOVA, so as to reasonably permit Seller to alter its nomination, which Seller incurs as a result of Buyer's failure to purchase and take the nominated portion of the Shortfall Take.

Buyer shall pay Seller within 10 Business Days after Seller has delivered an invoice and supporting documentation to Buyer setting forth the amounts payable for the Shortfall Take and Seller's Deficiency Charge. Subject also to Seller's other rights under Article XII, Seller's right to payment by Buyer of the charges set forth in this Section 7.2 and Seller's Deficiency Charge shall be Seller's sole and exclusive remedy for Buyer's failure to nominate for, purchase and take Gas hereunder. Seller agrees to use reasonable efforts to obtain the highest sale prices reasonably obtainable when reselling the Shortfall Take in order to minimize Buyer's obligations to Seller under this Section 7.1.

7.3 Limitation

Except as may otherwise be specifically provided in this Contract, each Party waives entitlement to claim for punitive, special, exemplary and consequential damages arising from a breach of this Contract by the other Party. The remedies and measure of damages set forth above are not a penalty but represent the Parties' reasonable estimate of damages incurred as a result of the other Party's failure to sell or purchase Gas hereunder.

ARTICLE VIII
DELIVERY POINT; TITLE

8.1 Title

Title to all Gas purchased and sold hereunder shall pass from Seller to Buyer at the Delivery Point.

8.2 Transfer at Delivery Point

Seller shall arrange for the delivery of Gas purchased and sold hereunder to the Delivery Point and Buyer shall arrange for receipt of such Gas. For the Term of this Contract, each Party is obligated to maintain firm transportation service with its respective Transporter(s) to ensure the delivery and receipt of the Gas to be sold and purchased hereunder.
8.3 Taxes

Seller warrants title to all Gas sold and delivered hereunder and that it has the right and authority to sell such Gas. Subject to the following terms of this Section, Seller will pay or cause to be paid all royalties, present and future taxes and other charges due on production, gathering, severance or handling of the Gas prior to its delivery by Seller to or for the account of Buyer, and Seller will indemnify and hold Buyer harmless against all loss, damage and expense of every character on account of adverse claims to the Gas delivered by it or for such royalties, present and future taxes, and other charges thereon applicable before delivery to the Delivery Point, and for any breach of Seller's warranties contained herein.

Buyer shall pay or cause to be paid all present and future taxes and other charges attributable to the Gas at and after delivery to or for the account of Buyer and any and all other taxes and charges of any nature or kind whatsoever (including any export, import or use taxes or levies) which are imposed at or after the Delivery Point by any federal, state, provincial, district, municipal or governmental authority (including without limitation, any regulatory authority in the United States). In the event Seller is required to remit any tax or charge for which Buyer is responsible hereunder, Buyer shall reimburse Seller for such amount when included by Seller in a Monthly Statement. Buyer will indemnify and hold Seller harmless against all loss, damage and expense of every character on account of such present and future taxes and other charges, including without limitation, any penalty or interest arising directly or indirectly as a result of the Gas being sold hereunder ceasing to be zero rated supply under the Excise Tax Act. Without limiting the generality of the foregoing, Buyer shall pay to Seller any Goods and Services Tax which Seller is required to collect in respect of Gas delivered hereunder.

8.4 Possession

As between the Parties, Seller shall be deemed to be in exclusive control and possession of the Gas to be sold hereunder and responsible for any damage or injury caused thereby before the same shall have been delivered to Buyer at the Delivery Point, and Buyer shall be deemed to be in exclusive control and possession at and after the Delivery Point, and responsible for any damage or injury caused thereby. As between the Parties, the Party deemed to be in control and possession of the Gas shall be responsible for any loss and agrees to indemnify and hold the other harmless from third party claims, expenses, costs or losses of any nature while the Gas is, or is deemed to be, in its control and possession.

8.5 Imbalance Penalties

Each Party shall indemnify and hold the other harmless from any imbalance charges or penalties incurred by the other, caused by or attributable to the indemnifying Party (whether or not caused by a Force Majeure claimed by it) and which may be imposed by any Transporter arising out of the delivery or receipt of Gas by Seller and Buyer hereunder, and shall reasonably cooperate to minimize such penalties and charges.
ARTICLE IX
MEASUREMENT, QUALITY AND PRESSURE

9.1 Measurement

Measurement and determination of the volume of Gas delivered shall be made in accordance with the measurement procedures provided in TCPL’s tariff. Any measurement document Buyer or Seller may possess shall be provided to the other Party upon request by such Party.

9.2 Quality

Gas tendered for delivery to Buyer hereunder shall conform to the quality and thermal content specifications contained in TCPL’s tariff. Buyer recognizing that Gas delivered at the Delivery Point will be from a commingled stream.

ARTICLE X
BILLING AND PAYMENT

10.1 Monthly Statement

Not later than the 15th Day of each Month, Seller shall provide to Buyer a statement ("Monthly Statement") setting forth the volume of Gas delivered at the Delivery Point during the preceding Month, the amount payable by Buyer for such Gas, and any other amounts due from Buyer to Seller hereunder. If any actual information is not available to Seller by the 15th Day of any Month, Seller shall issue a Monthly Statement based on its reasonable estimates which shall be adjusted for in the following Monthly Statement. The Monthly Statement shall list all charges, including the daily volume and Price for that Month. The total amount payable shall be converted from Dollars to United States dollars using the simple average of the “Average Noon” day rate of the Bank of Canada for the Month of delivery. Buyer may elect, upon 90 days prior written notice to Seller that it wishes to pay the total amount due under the Monthly Statements in Dollars.

10.2 Payment Default

Buyer shall make payment to Seller by the 25th Day of such Month or 10 Days from the date of receipt of the Monthly Statement “Due Date”, whichever is later. If payment would otherwise be due on a day other than a Business Day, the Due Date for payment shall be the next Business Day. Subject to Section 10.1, payment shall be made in United States dollars by wire transfer of funds. In the event Buyer fails to pay all or any portion of the total amount due, interest shall accrue on the unpaid portion from the Due Date until the same is paid. If an unexcused failure to pay continues for 5 Days, Seller, in addition to all other remedies available, shall have the right on 3 Days verbal and written notice (which 3 Days shall include at least 2 Business Days) to suspend deliveries of Gas under this Contract, unless the failure is cured within the 3 Day period. If such unexcused failure is not cured within 5 Days following the suspension of deliveries, Seller, in addition to all other remedies available, may terminate this Contract on 10 Business Days prior written notice to Buyer, unless Buyer pays the amount due or tenders
reasonable security therefor prior to the expiration of such notice period. If Seller suspends deliveries at any time pursuant to this provision, the Nominated Quantity shall be deemed to have been reduced accordingly.

10.3 **Credit Requirements**

Seller may request Buyer to demonstrate credit worthiness any time if the financial condition of Buyer becomes unsatisfactory due to a material change in circumstances, in Seller's judgement, acting reasonably. In that event, reasonable credit support or other security (equal to the then current Price for 3 Months delivery of Gas at the MDQ for each Day) shall be given to Seller, by Buyer, upon demand by Seller. If Buyer fails to provide such credit support or security within 10 Business Days of Seller's demand, Seller in its sole discretion may, without further notice and without waiving any rights or remedies it has, withhold further deliveries, until such credit support or security is received.

10.4 **Errors**

In the event an error is discovered by either Party, or a reallocation of amounts received at the Delivery Point occurs, the Party discovering the error shall notify the other Party in writing within 20 Days of such discovery. If a correction results in an additional payment by Buyer or a refund by Seller, such payment or refund shall be made within 10 Days of receipt of the written notification. In the event of an error directly attributable to the Party which had been required to make the payment originally, the other Party shall also be entitled to interest on any payment or refund from the date such underpayment or overpayment was made until the date the payment or refund is received by the applicable Party.

10.5 **Good Faith Disputes**

Buyer may, in good faith, dispute any portion of an invoice or Monthly Statement. Buyer shall first attempt to resolve such dispute by notifying Seller prior to the Due Date of such invoice or Monthly Statement as to the portion being disputed and the reason for such dispute. Buyer shall pay the undisputed amount to Seller, and, if requested in writing by Seller due to good faith credit concerns, pay the disputed amount into an escrow account until such dispute is resolved. In the event that it is ultimately determined that any disputed amount is due to Seller, such amount shall be immediately payable to Seller by Buyer along with Interest on such amount to be accrued from the date Buyer should have originally made payment of the disputed amount to Seller.

10.6 **Seller's Deficiency Charge**

In the event Seller has suspended deliveries on any Day pursuant to this Article, Seller shall be entitled to receive the Seller's Deficiency Charge for that Day, calculated pursuant to Section 7.2 (with the Shortfall Take being equal to the MDQ) as if Buyer failed to nominate for the MDQ for that Day.
10.7 **Buyer’s Right of Set Off**

In the event Seller owes any amounts to Buyer, pursuant to any of the Articles of this Contract, Buyer shall have the right to set off such amounts against any amounts due from Buyer to Seller then or thereafter due or owing, provided that Buyer properly invoices Seller as required under this Contract and indicates on the invoice the amount of any setoff.

**ARTICLE XI**  
**FORCE MAJEURE**

11.1 **Definition**

The term "**Force Majeure**" as employed herein shall mean acts of God including, strikes, lockouts, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, storms, floods and washouts, the order of any court or government authority having jurisdiction while the same is in force and effect, civil disturbances, fires, explosions, breakage, accidents to machinery or lines of pipe, freezing off or damage to wells or delivery facilities, well blowouts, curtailment of firm transportation or failure to transport under firm service by any Transporter(s) whether or not the Transporter has claimed force majeure, but nevertheless verifiable, inability to obtain or unavoidable delay in obtaining material or equipment, and any other cause of the kind herein enumerated or of a similar nature, not reasonably within the control of the Party claiming suspension and which by the exercise of due diligence such Party is unable to prevent or overcome. Notwithstanding the foregoing, a Force Majeure occurrence shall not suspend any payment obligations. Lack of funds shall not under any circumstances constitute an event of Force Majeure, nor shall lack of or interruption of transportation service or systems upstream or downstream of the Transporter(s), insufficient, lack of or loss of Buyer’s markets at any time or from time to time, or the ability of either Party to obtain a better price for Gas. For greater certainty, loss of Gas production from individual wells may not constitute Force Majeure unless the Force Majeure event affects gas producing wells over a broad geographic area in which the wells are located.

11.2 **Notice of Force Majeure**

In the event of either Party being rendered unable, wholly or in part, by Force Majeure to carry out its obligations (other than the obligations set forth hereinbelow), it is agreed that upon such Party giving notice and full particulars of such Force Majeure in writing to the other Party as soon as practicable and in any event within 2 Days after the occurrence of the cause relied upon, the obligations of both Parties, to the extent they are affected by such Force Majeure, shall be suspended during such period of Force Majeure, but for no longer period, and such cause shall so far as possible be remedied with all reasonable dispatch. Buyer shall reduce its Nominated Quantity to reflect any Force Majeure event declared by either Party.

11.3 **Estimate of Force Majeure Duration**

In the event of a Force Majeure, the Party declaring such Force Majeure shall use good faith efforts to estimate the length of time such Force Majeure will be in effect and immediately notify the other Party of such estimate. The Party claiming the Force Majeure shall promptly notify the other Party of any change in such estimate. When a Force Majeure claimed by Seller
requires Buyer to arrange for Replacement Gas during the period such conditions exist, Buyer shall use reasonable efforts to commit to purchase such supplies for a period consistent with the expected duration of the Force Majeure claimed by Seller. Seller shall not claim Force Majeure in order to reduce its obligation to deliver the Nominated Quantity on any Day hereunder, unless it has first interrupted all of its interruptible sales of gas at the Delivery Point; provided however, that Seller shall not be obligated to first interrupt its interruptible gas sales if or to the extent that to do so would not help to mitigate the Force Majeure being claimed. Any reduction in Seller's deliveries hereunder shall be in an amount which fairly represents the prorated reduction among Seller's firm customers based on the amount that the Nominated Quantity represents of Seller's total nominated firm sales, having similar terms and conditions to this Contract at the time, at the Delivery Point.

11.4 Termination Option

In the event of a Force Majeure condition claim by either Party, which prevents delivery or receipt of any material portion of the MDQ, and which lasts for 45 consecutive Days, the Party not claiming Force Majeure shall have the right to terminate this Contract, upon 10 Business Days prior notice, provided the Force Majeure condition was not remedied within the notice period.

11.5 Resumption of Performance

As soon as possible after a Force Majeure event shall have been remedied, the Party claiming Force Majeure shall likewise give notice to the effect that the same has been remedied and that the Party has resumed, or is then in a position to resume, the performance of such covenants or obligations.

ARTICLE XII
TRANSPORTATION SERVICE AGREEMENTS

12.1 Unutilized Transportation Capacity

(a) Except as provided in Section 12.2, on each Day during the Term that the Nominated Quantity is less than the MDQ (such difference being the "Unutilized Capacity"), for any reason whatsoever including Buyer's Force Majeure, other than due to Seller's default in connection with this Contract including its inability to deliver Gas for any reason, in addition to all of its other rights herein, Seller shall have the exclusive and unconditional first right (but not the obligation) to use any capacity under the TCPL Service Agreement and the GLGT Service Agreement which is up to the Unutilized Capacity for that Day for any purpose whatsoever. Seller shall have the daily right to reserve and use the Unutilized Capacity in priority to any other person, including Buyer. All arrangements between Seller and Buyer for the reservation and use of Unutilized Capacity shall be established orally and promptly confirmed in writing and transmitted by facsimile. Buyer shall provide all reasonably requested assistance to ensure Seller is able to utilize the Unutilized Capacity each Day.

(b) Each Month Seller shall pay to Buyer, in respect of the total Unutilized Capacity reserved by Seller (whether or not used by Seller) during the preceding Month (i) the product of the as-billed demand charge per Mcf (calculated on a 100% load factor basis) and the Unutilized
Capacity reserved by Seller and (ii) the pipeline commodity charges and all other applicable pipeline charges calculated on a per Mcf basis and on a 100% load factor basis and which are attributable to Seller’s use of the Unutilized Capacity, payable by Buyer to TCPL and GLGT according to each of their approved tariffs in effect at the time ("Unutilized Costs"). Seller shall be responsible for any imbalance penalties imposed by TCPL or GLGT due to its failure to properly use such reserved Unutilized Capacity.

(c) If and when Seller uses the Unutilized Capacity, the Parties recognize that Buyer will be invoiced by TCPL and GLGT for the Unutilized Costs. Buyer shall be responsible for paying the Unutilized Costs to TCPL and GLGT, in accordance with the provisions of their invoices, and shall promptly submit a statement to Seller specifying such costs. Seller shall make payment by setting off in the Monthly Statement the amount of the Unutilized Costs attributable to the portion of the Unutilized Capacity used by Seller against the amount which would otherwise be payable by Buyer to Seller as provided for in Section 10.1.

12.2 Released Transportation Capacity

(a) At any time during the Term if Seller exercises its termination rights under Section 10.2, or if Buyer seeks to assign all or any portion of its transportation capacity held under either or both of the TCPL Service Agreement and the GLGT Service Agreement ("Released Capacity") on either a temporary or permanent basis, Seller shall have the exclusive and unconditional right (but not the obligation) to take an assignment of any or all of the Released Capacity under the same terms and conditions to which Buyer is subject under such service agreements.

(b) Buyer shall notify Seller and afford Seller a reasonable opportunity to accept or reject such Released Capacity. If the period of the Released Capacity is less than 30 Days, Buyer shall immediately notify Seller by telephone and facsimile, and Seller shall make its election on the Business Day in which notification was received by Seller. If the period of the Released Capacity is greater than 30 Days Seller shall make its election, within 5 Days of receiving Buyer’s offer. If Seller fails to make its elections within the time set forth in this Section 12.2(b) then Buyer shall be free to assign such Released Capacity to any third party for the same period as was offered to Seller.

ARTICLE XIII
LAWS AND REGULATORY BODIES

13.1 Subject to Law

This Contract and the rights and obligations of the Parties hereunder are subject to all applicable present and future laws, rules, regulations and orders of any regulatory or legislative body or duly constituted authority having jurisdiction over Seller or Buyer or the sale, delivery or transportation of Gas hereunder.
ARTICLE XIV
TRANSFER AND ASSIGNMENT

14.1 Assignment

Any corporation which shall succeed by purchase, merger or consolidation of the properties, substantially as an entirety, of Buyer or Seller, as the case may be, shall be entitled to the rights of its predecessor in title under this Contract upon providing the other Party with a written undertaking agreeing to perform the obligations of its predecessor hereunder, provided that such successor is fully capable of performing its obligations hereunder. Seller or Buyer may, without relieving itself of its obligations under this Contract, assign any of its rights and obligations hereunder to a corporation with which it is affiliated at the time of such assignment. Otherwise, no assignment hereunder shall be made by Seller or Buyer without the written consent of the other having first been obtained, which consent shall not unreasonably be withheld.

ARTICLE XV
ARBITRATION

15.1 Arbitration Procedure

(a) All disputes or other matters arising out of or in connection with this Contract upon which the Parties have specifically agreed in this Contract shall be settled by arbitration and shall be referred to and resolved by arbitration pursuant to the terms of this Article. In addition, any other disputes which the Parties elect to have determined by arbitration shall be referred to and resolved by arbitration pursuant to the terms of this Article. All costs incurred under this Article XV shall be borne equally by both Parties, unless otherwise ordered by the arbitrator.

(b) Arbitrations shall be conducted pursuant to the Rules of British Columbia International Commercial Arbitration Centre. The arbitration shall be held in Vancouver, British Columbia and be administered by the British Columbia International Commercial Arbitration Centre ("Centre") in accordance with its "Procedures for Cases Under the BCICAC Rules".

(c) Unless both Parties agree to appoint a single arbitrator, then the Parties shall each appoint their own arbitrator and the two arbitrators so selected shall appoint the third arbitrator. If a Party fails to appoint its own arbitrator within 10 Business Days of the first Party having appointed its arbitrator or if the two arbitrators do not appoint the third arbitrator within 5 Business Days of their respective appointments, then either Party shall be entitled to apply to the Centre, to have the second or third arbitrator, as applicable, appointed. Each arbitrator shall be qualified by education or experience to settle the dispute or other matter in issue.

(d) Subject to the foregoing, the laws of the Province of Alberta shall continue to govern this Contract.

(e) The decision of the single arbitrator or the majority of the arbitrators as applicable, shall be final and binding on the Parties.
ARTICLE XVI
MISCELLANEOUS PROVISIONS

16.1 Waiver

No waiver by Buyer or Seller of any default of the other under this Contract shall operate as a waiver of any or all of such Party's rights with respect to all prior or subsequent obligations of the other Party.

16.2 Access to Records

The Parties shall have reasonable access to each other's accounts, books, and records to verify the accuracy of any statement, charge or calculation made pursuant to this Contract or any other matter reasonably relating to this Contract for a period of 2 years following the statement, charge, calculation or matter.

16.3 Headings

The headings used throughout this Contract are inserted for reference purposes only and are not to be considered or taken into account in construing the terms or provisions of any Article or Section hereof, nor in any way qualify, modify or explain the effect of any such provisions or terms.

16.4 Notices

Except as provided for in subsection 3.2(b) and Section 12.1, every notice, statement or other communication provided for in this Contract shall be in writing directed by prepaid courier, hand delivery or telephone facsimile to the Party to whom given, made or delivered at such Party's address as follows:

SELLER:
Notices: Renaissance Energy Ltd.
3000, 425 First Street S.W.
Calgary, Alberta
T2P 3L8

Attention: Manager, Marketing
Telephone: (403) 750-1400
Facsimile: (403) 750-1811

Billing and Payments: Wire Transfer Information specified on Invoice

Gas Operations: Attention: Gas Supply Operations
Telephone: (403) 750-1364
Facsimile: (403) 750-1811
BUYER:

Notices: United States Gypsum Company
125 South Franklin Street
Chicago, IL
60606-4678

Attention: Energy Department #143-65
Mr. Robert B. Cooper
Telephone: (312) 606-4140
Facsimile: (312) 606-4532

Billing and Payments: As above

Gas Operations:

Attention: Energy Department #143-65
Telephone: (312) 606-4140
Facsimile: (312) 606-4532

Either Party may change its address for service or other communications particulars from
time to time by giving written notice of such change to the other Party. Any notice, statement,
or other communication made, given or delivered hereunder by prepaid overnight courier shall
be deemed to have been effectively delivered to the addressee thereof at the end of the next
Business Day of the receiving Party after the date of forwarding by prepaid overnight courier. If
any such notice, statement, or other communication is delivered by electronic telecommunication
to the designated representative of the addressee during the normal business hours of the
addressee, it shall be deemed to have been received by the addressee within 2 hours of its
delivery to the addressee, and if delivered after the close of business of the addressee on the
Day that the transmission has been made to said designated representative, it shall be deemed
to have been received 2 hours following the start of the following Business Day of the addressee.
A notice of Force Majeure, suspension, termination or default shall be delivered both by facsimile
and overnight courier, and shall be deemed to be delivered at the end of the next Business Day
of the receiving Party.

16.5 Choice of Laws

This Contract shall be construed in accordance with the laws of the Province of Alberta,
excluding any conflicts of law, rule or principle that might otherwise refer construction or
interpretation of this Contract to the substantive law of another jurisdiction, and the Courts having
jurisdiction in the Province of Alberta at Calgary shall have exclusive jurisdiction in relation to any
legal proceedings arising in connection with this Contract.

16.6 Further Assurances

Each Party shall perform all acts, execute and deliver all documents and give all
assurances reasonably necessary to give effect to this Contract.
16.7 **Entire Agreement**

This Contract supersedes and replaces any oral or written communications heretofore made by and between the Parties (including the letter agreement dated May 2, 1996) to the subject matter hereof, and this Contract constitutes the entire agreement between the Parties.

16.8 **Joint Efforts**

This Contract shall be considered for all purposes as having been prepared through the joint effort of the Parties, and shall not be construed against one Party or the other as a result of the preparation, submittal or other event of negotiation, drafting or execution hereof.

16.9 **Time**

Time shall be of the essence in this Contract.

16.10 **Gender**

Whenever the singular or masculine or neuter is used in this Contract, the same shall be construed as meaning the plural or feminine or body politic or corporate and vice versa, as the context so requires.

16.11 **"Hereof Etc."**

"Hereof", "herein", "hereunder" and similar expressions refer to this Contract and not to any particular Article, Section, subsection, paragraph, exhibit or schedule.

16.12 **Severability**

Every provision of this Contract is intended to be severable. If any term or provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity of the remainder of this Contract.

16.13 **Inurement**

This Contract shall be binding upon the Parties, their successors, and permitted assigns, and shall inure to the benefit of the Parties and their successors and permitted assigns.
16.14 Confidentiality

The terms and conditions of this Contract shall be kept confidential by Buyer and Seller, except to the extent information must be disclosed in order to (1) obtain transportation, (2) allow for routine audit procedures, (3) comply with reporting obligations under applicable federal, provincial or state law, or as required by any court having jurisdiction, (4) obtain any necessary federal, provincial or state regulatory approvals required hereunder, (5) conduct any arbitration hereunder, or (6) by consent of both Parties.

IN WITNESS WHEREOF, the Parties hereto have, by their duly authorized officers, executed this Contract in multiple originals to be effective as of the date first hereinabove written.

RENAISSANCE ENERGY LTD.

[Signature]

JOHN A. CURKAN
MANAGER, MARKETING

UNITED STATES GYPSUM COMPANY

[Signature]

T. S. Snow
Vice-President, Manufacturing Services
Long-term Gas Removal Application
For Permit to Remove Gas from Alberta in Volumes Greater Than
3 Billion Cubic Metres or for Terms Greater Than 2 Years

This Application is made under section 2
of the Gas Resources Preservation Act.

Use this form for new permits and amendments of existing permits.

Remember to answer all questions and to add attachments if the space provided is inadequate. The Board reserves the right to require an applicant to furnish additional information as the Board deems necessary to complete or supplement the application.

1. Applicant (Permit Holder)__________________________________________
   Renaissance Energy Ltd.
   Mailing Address ____________________________ 3000, 425 - 1st Street S.W., Calgary, AB  T2P 3L8
   Contact Person (Please Print)________________________ Patricia M. Craddock
   (Permit Holder must be registered with Alberta Corporate Registry (403) 427-2311)
   Telephone ____________________________ Facsimile ____________________________
   (403) 750-1338 ________________________ (403) 750-1811

   Agent (if applicable) __________ N/A
   Mailing Address ________________________________________________
   Contact Person (Please Print) __________________________________
   Telephone ____________________________ Facsimile ____________________________

2. Request is for: ☑ New Permit
   ☐ Amendment to Permit No.

3. Assignment of an existing permit from one permit holder to another.
   Existing permit holder ____________________________________________
   Proposed permit holder ____________________________________________
   ☐ There is agreement between the existing and proposed permit holders that the existing permit holder assigns to the proposed permit holder its entire right, title, and interest in and to the permit, and the proposed permit holder agrees to assume and perform all of the obligations and duties of the existing permit holder under the permit.

4. Total volume of gas proposed for removal
   Existing volume authorized (if applicable) (cubic metres) __________
   Proposed volume authorized (cubic metres) ____________________________
   1,433,355,000
   Does the proposed total authorized volume of gas include all fuel needed to transport the gas from the Alberta border to the intended market(s), and if not, how would such fuel gas be accounted for? (Any gas, including fuel gas, removed from Alberta, must be authorized by and reported under a gas removal permit.)
   ☑ Yes
Long-term Gas Removal Application (Page 2)

5. Term of Permit

Existing term and commencement date (if applicable) __________________________________________

Proposed term and commencement date ________________________________________ Ten years commencing November 1, 1997.

If proposed term is greater than 15 years, attach a discussion describing how the circumstances relating to the sales contract involved could be considered as special ones that would justify the requested term, including an indication as to whether the proposed gas removals could proceed under a 15-year permit, and if not, why not.

6. Name of proposed market(s), and the location and type of end-use customer(s) to be served under the permit.

United States Gypsum Company ("US Gypsum"). US Gypsum is an industrial customer, and is the largest manufacturer and marketer of Gypsum-based products. It has several plants located in the Midwestern States.

7. Arrangements are in place for transporting the applied-for gas from the Alberta border to the intended end-use customer(s).

☐ Yes ☐ No

If no, describe the transportation arrangements involved, including comments on when it is anticipated that any new facilities to be built would be completed.

US Gypsum has applied to TransCanada PipeLines Limited for the required Firm Service from Empress, AB to Emerson, MB. The Application will be heard in the upcoming 1997-98 Facilities Hearing.
Long-term Gas Removal Application (Page 3)

8. Provide a summary of the pricing arrangements and how they were determined for the applied-for gas. Comment on any provisions to ensure that prices continue to reflect market conditions throughout the term of the permit. The price to be paid under this arrangement has been freely negotiated by the Parties. The price is calculated as the sum of (i) a published monthly index for one month Firm Contracts at Empress; and (ii) a premium of $0.05/GJ (Cdn.).

There is provision for redetermination of the price reference only, which can be initiated annually by either party, to ensure it is representative of the market at the delivery point.

9. Discuss how the applied-for removal of gas would be in Alberta public interest. The Contract which governs the gas removed from Alberta has been negotiated at arms-length between non-affiliated companies. Renaissance believes that the price paid will ensure recovery of all costs incurred in supplying the gas.

The gas proposed for removal will be produced from reserves which Renaissance has under control, and Renaissance does not anticipate any difficulty in meeting the obligations of the Contract. Renaissance's uncontracted reserves are well in excess of those required for this sale.

The gas proposed to be removed is surplus to Alberta's requirements as identified in Table 6-1 of the Board's Report issued in Proceeding 911586.
10. Attach a table or revised table as applicable of the lands/zones that would supply the permit or amended permit as applicable, on diskette and printed, which lists:

- the legal description of all the lands involved,
- the zone or zones under the applicant's control for the lands in question, and
- the working interest ownership under the applicant's control for the lands/zones.

11. Total gas reserves volume associated with the lands serving the proposed permit:

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<th>PERMIT</th>
<th>REMAINING VOLUME</th>
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12. Certification: the undersigned certifies that the information provided is correct.

Signature: [Signature] Date: 96-09-17

Reporting Requirements Associated With A Gas Removal Permit

EUB Form S-19 must be completed for each permit each month and filed with the Board's Calgary Office (Economics Department, 640 - 5 Avenue SW Calgary, Alberta T2P 3G4) no later than the month-end following the report month. The form must be completed and filed for each permit even if no gas has been removed. Detailed reporting instructions are available from the Board's Economics Department at the above-noted address.
### Exchange Rates

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### Other Currencies

- **Average of daily rates:**
- **Average of months' rates:**
- **Average of quarterly rates:**

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ORDER GRANTING LONG-TERM AUTHORIZATION TO IMPORT NATURAL GAS FROM CANADA

DOE/FE ORDER NO. 1220

OCTOBER 31, 1996
I. DESCRIPTION OF REQUEST

On October 23, 1996, United States Gypsum Company (U.S. Gypsum) filed an application with the Office of Fossil Energy (FE) of the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA) 1/ and DOE Delegation Order Nos. 0204-111 and 0204-127, requesting authorization to import from Canada up to 13,500 MMBtu per day of natural gas on a long-term basis, from November 1, 1997, through November 1, 2007. U.S. Gypsum is a corporation under the laws of the State of Delaware with its principal place of business in Chicago, Illinois.

Pursuant to the terms of a natural gas purchase agreement dated August 1, 1996, between U.S. Gypsum and Renaissance Energy Ltd. (Renaissance), U.S. Gypsum will purchase the natural gas at a price which is to be adjusted monthly based on a spot market price reference published in the Canadian Natural Gas Market Report. U.S. Gypsum states that the imported natural gas will enter the United States at the interconnection of TransCanada PipeLines Ltd. and Great Lakes Gas Transmission Limited Partnership at Emerson, Manitoba, (Noyes, Minnesota) to be used in its industrial facilities' and its affiliates. Depending upon the facilities needs, U.S. Gypsum will sell the natural gas to others where U.S. transportation arrangements can be made.

II. FINDING

The application filed by U.S. Gypsum has been evaluated to determine if the proposed import arrangement meets the public interest requirement of section 3 of the NGA, as amended by section 201 of the Energy Policy Act of 1992 (Pub. L. 102-486). Under section 3(c), the import of natural gas from a nation with which there is in effect a free trade agreement requiring national treatment for trade in natural gas is deemed to be consistent with the public interest and must be granted without modification or delay. The authorization sought by U.S. Gypsum to import natural gas from Canada, a nation with which a free trade agreement is in effect, meets the section 3(c) criterion and, therefore, is consistent with the public interest.

ORDER

Pursuant to section 3 of the Natural Gas Act, it is ordered that:

A. United States Gypsum Company (U.S. Gypsum) is authorized to import from Canada up to 13,500 Mcf per day of natural gas from November 1, 1997, through November 1, 2007, under the terms and conditions of the gas purchase and sales agreement dated August 1, 1996, between U.S. Gypsum and Renaissance Energy Ltd. (Renaissance). This natural gas may be imported at the interconnect of TransCanada PipeLines Ltd. and Great Lakes Gas Transmission Limited Partnership at the international border at Emerson, Manitoba, (Noyes, Minnesota) or other border points.
B. With respect to the natural gas imports authorized by this Order, U.S. Gypsum shall file with the Office of Fuels Programs, within 30 days following each calendar quarter, a quarterly report indicating by month the volumes and prices of natural gas imported pursuant to this Order. If no imports have been made, a report of "no activity" for that calendar quarter must be filed. If imports have occurred, U.S. Gypsum must report total monthly volumes in Mcf and the average purchase price of gas per MMBtu delivered at the international border and paid to Renaissance. The monthly price information shall itemize separately the monthly demand and commodity charges, and, if applicable, deficiency charges. U.S. Gypsum also shall provide a breakdown of the import volumes delivered to its facilities by State.

For any imported volumes sold to third parties, U.S. Gypsum shall report: (1) the name of the purchaser(s); (2) the estimated or actual duration of the agreement(s); (3) the name of the U.S. transporter(s); (4) the point(s) of entry; (5) the geographic market(s) served; and (6) whether sales are being made on an interruptible or firm basis.
C. The first quarterly report required by Ordering Paragraph B of this Order is due not later than January 30, 1998, and should cover the period from November 1, 1997, through the end of the fourth calendar quarter, December 31, 1997.

Issued in Washington, D.C., on October 31, 1996.

[Signature]

Anthony J. Compa
Director
Office of Coal & Electricity
Office of Fuels Programs
Office of Fossil Energy
January 27, 1998

Ms. Yvonne Caudillo
Department of Energy
Office of Natural Gas & Petroleum Imports
FE-34
1000 Independence Avenue S.W.
Washington, D.C. 20585

Re: DOE/FE No. 1220

Dear Ms. Caudillo:

Effective November 1, 1997, United States Gypsum Co. began importing natural gas from Canada under DOE/FE order 1220.

If additional information is needed, please contact me at (312) 606-4140.

Sincerely,

United States Gypsum Company

[Signature]

Robert B. Cooper
Energy Manager