

# Base Contract for Sale and Purchase of Natural Gas

## Canadian Addendum

This Canadian Addendum ("Canadian Addendum") is entered into as of the following date: \_\_\_\_\_.

The parties to this Canadian Addendum are the following:

\_\_\_\_\_ and \_\_\_\_\_  
\_\_\_\_\_  
Duns Number \_\_\_\_\_ Duns Number \_\_\_\_\_  
Base Contract Number \_\_\_\_\_ Base Contract Number \_\_\_\_\_  
Base Contract Date \_\_\_\_\_ Base Contract Date \_\_\_\_\_  
U.S. Federal Tax ID Number \_\_\_\_\_ U.S. Federal Tax ID Number \_\_\_\_\_  
Canadian GST Number \_\_\_\_\_ Canadian GST Number \_\_\_\_\_

IN WITNESS WHEREOF, the parties hereto agree to the terms and conditions set forth herein and have executed this Canadian Addendum in duplicate.

Party \_\_\_\_\_ Party \_\_\_\_\_  
By \_\_\_\_\_ By \_\_\_\_\_  
Name \_\_\_\_\_ Name \_\_\_\_\_  
Title \_\_\_\_\_ Title \_\_\_\_\_

**Addendum:** This Canadian Addendum constitutes an Addendum to that certain Base Contract for Sale and Purchase of Natural Gas, as identified above, between the parties ("Base Contract"), and supplements and amends the Base Contract affecting transactions thereunder. Unless amended herein, the Base Contract continues to apply. Capitalized terms used in this Canadian Addendum which are not herein defined will have the meanings ascribed to them in the Base Contract. In the event of a conflict between the terms of this Canadian Addendum and the Base Contract, the terms of this Canadian Addendum shall apply.

**Term:** This Canadian Addendum shall be effective from and after the date on which it is entered into and continue in effect until terminated by either party upon 30 days' written notice to the other party; provided, however, that this Canadian Addendum may not be terminated prior to the expiration of the latest Delivery Period of any transactions previously agreed to by the parties which are subject to this Canadian Addendum. The obligation to make payment hereunder, including any related adjustments, shall survive the termination of this Canadian Addendum.

The parties hereby agree to the following provisions. In the event the parties fail to check a box, the default provision for each section shall apply. **Select only 1 box from each section:**

**Section 2.25: Spot Price Publication: Delete the selection made on the Cover Page of the Base Contract and replace it with the following:**

- Canadian Gas Price Reporter (default if the Delivery Point is in Canada)
- Gas Daily Midpoint (default if the Delivery Point is in the United States)
- \_\_\_\_\_

**Section 10.4: Termination Currency**

- U. S. Dollars (default)
- Canadian Dollars
- \_\_\_\_\_

**Section 14.5: Choice of Law: If a selection is made herein, delete the selection made on the Cover Page of the Base Contract and replace it with the following:**

- \_\_\_\_\_

**Delete Section 2.3 and replace it with the following:**

2.3 "Business Day" shall mean any day except Saturday, Sunday, or a statutory or banking holiday observed in the jurisdiction specified pursuant to Section 14.5. A Business Day shall open at 8:00 a.m. and close at 5:00 p.m. local time for the relevant party's principal place of business. The relevant party, in each instance unless otherwise specified, shall be the party to whom the Notice is being sent and by whom the Notice is to be received.

**Delete Section 2.7 and replace it with the following:**

2.7 "Contract Price" shall mean, if the Delivery Point is in the United States, the amount expressed in U.S. Dollars per MMBtu or, if the Delivery Point is in Canada, the amount expressed in Canadian Dollars per GJ, unless specified otherwise in a transaction.

**Add the following as Section 2.28:**

2.28 "GJ" shall mean 1 gigajoule; 1 gigajoule = 1,000,000,000 Joules. The standard conversion factor between Dekatherms and GJ's is 1.055056 GJ's per Dekatherm.

**Add the following as Section 2.29:**

2.29 "Joule" shall mean the joule specified in the SI system of units.

**Add the following as Section 2.30:**

2.30 "Termination Currency Equivalent" shall mean, in respect of any amount denominated in a currency other than the Termination Currency (the "Other Currency"), the amount in the Termination Currency that the Non-Defaulting Party would be required to pay, on the Early Termination Date, to purchase such amount of Other Currency for spot delivery, as determined by the Non-Defaulting Party in a commercially reasonable manner.

**Delete Section 5 and replace it with the following:**

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 or one GJ, as agreed to by the parties in a transaction. Measurement of Gas quantities hereunder shall be in accordance with the established procedures of the Receiving Transporter.

**Add the following to Section 6:**

**Sections 6.2, 6.3 and 6.4 apply if the Delivery Point is in Canada.**

6.2 The Contract Price does not include any amounts payable by Buyer for the goods and services tax ("GST") imposed pursuant to the Excise Tax Act (Canada) ("ETA") or any similar or replacement value added or sales or use tax enacted under successor legislation. Notwithstanding the selection made pursuant to Section 6.1, Buyer will pay to Seller the amount of GST payable for the purchase of Gas in addition to all other amounts payable under the Contract. Seller will hold the GST paid by Buyer and will remit such GST as required by law. Buyer and Seller will provide each other with the information required to make such GST remittance or claim any corresponding input tax credits, including GST registration numbers.

6.3 Where Buyer indicates to Seller that Gas will be exported from Canada, the following shall apply:

6.3.1 Where Buyer is not registered for GST under the ETA and Buyer indicates to Seller that Gas will be exported from Canada, Buyer may request Seller treat such Gas as "zero-rated" Gas for export within the meaning of the ETA for billing purposes. If Seller, in its sole discretion, agrees to so treat such Gas, then Buyer hereby declares, represents and warrants to Seller that Buyer will: (i) export such Gas as soon as is reasonably possible after Seller delivers such Gas to Buyer (or after such Gas is delivered to Buyer after a zero-rated storage service under the ETA) having regard to the circumstances surrounding the export and, where applicable, normal business practice; (ii) not acquire such Gas for consumption or use in Canada (other than as fuel or compressor gas to transport such Gas by pipeline) or for supply in Canada (other than to supply natural gas liquids or ethane the consideration for which is deemed by the ETA to be nil) before export of such Gas; (iii) ensure that, after such Gas is delivered and before export, such Gas is not further processed, transformed or altered in Canada (except to the extent reasonably necessary or incidental to its transportation and other than to recover natural gas liquids or ethane from such Gas at a straddle plant); (iv) maintain on file, and provide to Seller, if required, or to the Canada Customs and Revenue Agency, evidence satisfactory to the Minister of National Revenue of the export of such Gas by Buyer; and/or (v) comply with all other requirements prescribed by the ETA for a zero-rated export of such Gas.

6.3.2 Where Buyer is registered for GST under the ETA and Buyer indicates to Seller that Gas will be exported from Canada, Buyer may request Seller treat such Gas as "zero-rated" Gas for export within the meaning of the ETA for billing purposes, and Buyer hereby declares, represents and warrants to Seller that Buyer intends to export such Gas by means of pipeline or other conduit in circumstances described in Section 6.3.1 (i) to (iii).

6.3.3 Without limiting the generality of Section 8.3, Buyer indemnifies Seller for any GST, penalties and interest and all other damages and costs of any nature arising from breach of the declarations, representations and warranties contained in Section 6.3.1 or 6.3.2, or otherwise from application of GST to Gas declared, represented and warranted by Buyer to be acquired for export from Canada.

6.4 In the event that any amount becomes payable pursuant to the Contract as a result of a breach, modification or termination of the Contract, the amount payable shall be increased by any applicable Taxes or GST remittable by the recipient in respect of that amount.

**Delete Section 7.3 and replace it with the following:**

7.3 If Buyer fails to remit the full amount payable by it when due, interest on the unpaid portion shall accrue from the date due until the date of payment at a rate equal to the lower of: (i) if the amount payable is in United States currency, the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum ; or, if the amount payable is in Canadian currency, the per annum rate of interest identified from time to time as the prime lending rate charged to its most credit worthy customers for commercial loans by The Toronto Dominion Bank, Main Branch, Calgary, Alberta, Canada, plus two percent per annum ; or (ii) the maximum applicable lawful interest rate.

**Delete Section 7.6 and replace it with the following:**

7.6 Unless the parties have elected on the Base Contract not to make this Section 7.6 applicable to this Contract, the parties shall net all undisputed amounts due and owing, and/or past due, in the same currency, arising under the Contract such that the party owing the greater amount shall make a single payment of the net amount to the other party in accordance with Section 7; provided that no payment required to be made pursuant to the terms of any Credit Support Obligation shall be subject to netting under this Section. If the parties have executed a separate netting agreement, the terms and conditions therein shall prevail to the extent inconsistent herewith.

**Add the following as Section 7.7:**

7.7 For each transaction, all associated payments shall be made in the currency of the Contract Price for such transaction.

**Add the following as Section 10.3.4:**

10.3.4 The Non-Defaulting Party shall use the Termination Currency Equivalent of any amount denominated in a currency other than the Termination Currency in performing any netting, aggregation or setoff required or permitted by Section 10.3.1 or 10.3.2.

**Delete Section 10.4 and replace it with the following:**

10.4. As soon as practicable after a liquidation, notice shall be given by the Non-Defaulting Party to the Defaulting Party of the Net Settlement Amount, and whether the Net Settlement Amount is due to or due from the Non-Defaulting Party. The notice shall include a written statement explaining in reasonable detail the calculation of such amount, 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 Settlement amount shall be paid, in the Termination Currency, by the close of business on the second (2nd) Business Day following such notice, which date shall not be earlier than the Early Termination Date.

**Delete Section 10.5 and replace it with the following:**

10.5 The parties agree that each transaction terminated and liquidated under Section 10.3 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. The parties also agree that each transaction terminated and liquidated under Section 10.3 shall constitute an "eligible financial contract" within the meaning of the Bankruptcy and Insolvency Act (Canada) and the Companies Creditors Arrangements Act (Canada), and similar Canadian legislation.

**Delete Exhibit A ("Transaction Confirmation") and replace it with the following:**

Letterhead/Logo		Date: _____, ____ Transaction Confirmation #: _____	
This Transaction Confirmation is subject to the Base Contract between Seller and Buyer dated _____.			
This Transaction Confirmation is also subject to the Canadian Addendum between Seller and Buyer dated _____: <input type="checkbox"/> Yes (default) <input type="checkbox"/> No			
The terms of this Transaction Confirmation are binding unless disputed in writing within 2 Business Days of receipt unless otherwise specified in the Base Contract.			
<b>SELLER:</b> _____ _____ _____ Attn: _____ Phone: _____ Fax: _____ Base Contract No. _____ Transporter: _____ Transporter Contract Number: _____		<b>BUYER:</b> _____ _____ _____ Attn: _____ Phone: _____ Fax: _____ Base Contract No. _____ Transporter: _____ Transporter Contract Number: _____	
Contract Price: U.S. \$ _____/MMBtu or Canadian \$ _____/GJ or _____			
Delivery Period: Begin: _____, ____		End: _____, ____	
<b>Performance Obligation and Contract Quantity: (Select One)</b> <b>Units:</b> <input type="checkbox"/> MMBtu or <input type="checkbox"/> GJ or <input type="checkbox"/> Other _____			
<b>Firm (Fixed Quantity):</b> _____ Units/day <input type="checkbox"/> EFP		<b>Firm (Variable Quantity):</b> _____ Units/day Minimum _____ Units/day Maximum subject to Section 4.2. at election of <input type="checkbox"/> Buyer or <input type="checkbox"/> Seller	
<b>Interruptible:</b> Up to _____ Units/day			
<b>Delivery Point(s):</b> _____ (If a pooling point is used, list a specific geographic and pipeline location):			
<b>Canadian Export Zero Rating (Section 6.3):</b> <input type="checkbox"/> No (default) <input type="checkbox"/> Yes			
<b>Special Conditions:</b>   			
Seller: _____  By: _____  Title: _____  Date: _____		Buyer: _____  By: _____  Title: _____  Date: _____	