

MASTER F.O.B. LNG SALE & PURCHASE AGREEMENT

DCEP GAS MANAGEMENT LTD
(as Seller)

and

BC LNG EXPORT CO-OPERATIVE LLC AND ITS NOMINEE
(as Buyer)

Date: 7 March 2011

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MASTER F.O.B. LNG SALE & PURCHASE AGREEMENT

THIS AGREEMENT is made this 7th day of March, 2011

BETWEEN

- i) DCEP GAS MANAGEMENT LTD. a company limited by shares organised and existing under the laws of British Columbia and having its place of business at 1600-925 West Georgia Street, Vancouver, British Columbia, V6C 3L2 (“Seller”); and
- ii) BC LNG EXPORT CO-OPERATIVE LLC, a company organised and existing under the laws of the Marshall Islands and having its registered office at P.O. Box 601; Majuro, MH 96960 and/or its NOMINEE or NOMINEES (“Buyer”).

Seller and Buyer are herein also referred to individually as a party (“Party”) and collectively as the parties (“Parties”).

WHEREAS:

- A. Seller has or will have available for sale LNG from operations near Kitimat, British Columbia, Canada
- B. Buyer has a requirement for LNG and also has or will make available LNG Ships suitable to take delivery of LNG from Seller at the Delivery Point.
- C. Seller and Buyer wish to enter into the sale and purchase of LNG in accordance with the terms and conditions set out in this Agreement.
- D. This Agreement shall serve as the “Master F.O.B. LNG Sale & Purchase Agreement” to cover transactions between the Parties which shall be described more specifically by each LNG Sales Confirmation Notice, in the general form attached as Annexure A.

THE PARTIES NOW AGREE AS FOLLOWS:

ARTICLE ONE
DEFINITIONS AND INTERPRETATION

1.1 For all purposes of this Agreement, the following terms shall have the following meanings:

“Accepted LNG Ship” has the meaning specified in Annexure B, Article B 1.2.

“Accepted Nomination” has the meaning specified in Annexure B, Article B 1.2.

“Affiliate” means in relation to either Party, a company or other legal entity that directly or indirectly Controls, is Controlled by, or is under common Control with such Party. For the purposes of this definition, the term “Control” shall mean the beneficial ownership of more than fifty percent (50%) of the voting shares of a company or other entity or of the equivalent rights to determine the decisions of such a company or other entity.

“Agent” means all employees, contractors, sub-contractors and agents of Buyer or Seller and includes the owner and operators of any LNG Ship and Seller’s Facilities and their employees, contractors, sub-contractors and agents.

“Agreement” means the legally binding relationship established by (i) this Master F.O.B. LNG Sale and Purchase Agreement and (ii) the provisions contained in any LNG Sales Confirmation Notice(s) (Annexure A) together with Annexures B, C and D hereto.

“Allowed Laytime” has the meaning specified in Annexure B, Article B 3.1(a).

“Banking Day” means a day on which banks are open for business in the country of Seller’s bank nominated in the LNG Sales Confirmation Notice.

“BTU” means a British Thermal Unit, being that amount of heat which is equal to one thousand and fifty five decimal zero six (1,055.06) joules.

“BTU/SCF” means the number of BTU contained in a SCF of Natural Gas at a temperature of sixty (60) degrees Fahrenheit and at an absolute pressure of fourteen decimal six nine six (14.696) pounds per square inch, the Natural Gas being assumed to be an ideal gas.

“Buyer’s Amount” has the meaning specified in Article 9.1(b)(ii).

“CLC” shall mean the International Convention on Civil Liability for Oil Pollution Damage of 1969, as amended by the related Protocol of 1976 and otherwise as amended or supplemented from time to time.

“Contract Sales Price” has the meaning specified in Article 8.1.

“Day” shall mean a period, unless otherwise provided herein, of time of twenty-four (24) consecutive hours beginning at 8:00AM local time in British Columbia, and any Day of a Month shall begin at 8:00AM local time in British Columbia.

“Deficient LNG Quantity” means the Estimated Load Quantity minus the Quantity Delivered, provided that if the Seller delivers not less than ninety-eight (98) percent of the Estimated Load Quantity, then the Deficient LNG Quantity shall be deemed to be zero (0).

“Delivery Point” shall mean the junction point of the flange connecting the loading arm or loading hose of the Loading Point terminal facilities with the receiving manifold of Buyer's LNG Ship.

“Demurrage Rate” is the rate for demurrage specified in paragraph 5 of the LNG Sales Confirmation Notice.

“Discharge Port” means the port specified in paragraph 7 in the LNG Sales Confirmation Notice.

“Estimated Load Quantity” means, in relation to a specific Agreement between the Parties for the sale and purchase of a cargo of LNG, the quantity specified in paragraph 3 of the relevant LNG Sales Confirmation Notice.

“Export Co-Op Member” means a party which has become eligible to participate in Buyer’s Nomination Procedures.

“Fax” shall mean an electronic facsimile transmission.

“F.O.B.” shall have the meaning ascribed thereto in Incoterms (2000 edition). Should any specific provision of this Agreement conflict with the terms contained in the Incoterms definition, then the specific provision shall prevail.

“Force Majeure” has the meaning specified in Article 12.1.

“Full Cargo Lot” means each cargo of LNG which is the maximum quantity which the relevant LNG Ship can safely load and carry.

“GPA” means Gas Processors Association, U.S.A.

“Gross Heating Value (Mass Based)” shall mean that quantity of heat in BTU produced by the complete combustion of one (1) kilogram mass of Natural Gas at fifteen (15) degrees Celsius and an absolute pressure of one thousand thirteen decimal two five (1,013.25) millibars with excess air at the same temperature and pressure as the Natural Gas when the products of combustion are cooled to fifteen (15) degrees Celsius and when the water formed by combustion is condensed to the liquid state and the products of

combustion contain the same total mass of water vapour as the Natural Gas and air before combustion, the gas being under ideal conditions.

“Gross Heating Value (Volume Based)” shall mean that quantity of heat in BTU produced by the complete combustion of one (1) SCF of Natural Gas at sixty (60) degrees Fahrenheit and an absolute pressure of fourteen decimal six nine six (14.696) pounds per square inch with excess air at the same temperature and pressure as the Natural Gas when the products of combustion are cooled to sixty (60) degrees Fahrenheit and when the water formed by combustion is condensed to the liquid state and the products of combustion contain the same total mass of water vapour as the Natural Gas and air before combustion, the gas being under ideal conditions.

“International Standards” means the international standards and practices applicable to the ownership, design, equipment, operation or maintenance of LNG tankers (in Buyer’s case) or loading terminal (in Seller’s case) established by any internationally recognised agency or organisation with whose standards and practices it is customary for reasonable and prudent owners or operators of such tankers or terminals to comply provided that, in the event of any conflict between International Standards and legal requirements, legal requirements (if stricter) shall prevail.

“LNG” means liquefied Natural Gas, being a mixture of hydrocarbons, predominantly methane with other naturally occurring gases, produced at the Plant, of a typical quality referred to in Annexure A.

“LNG Sales Confirmation Notice” means a written agreement between Seller and Buyer entered into substantially in the form set forth in Annexure A of this Agreement wherein Seller agrees to sell and Buyer to purchase LNG and setting out the relevant terms in respect of such sale including price, quantity and quality.

“LNG Ship” shall mean any ship designed, constructed, equipped, and maintained to safely load and carry LNG and which is fully compatible with the Loading Point and which is nominated by Buyer, accepted by Seller and is specified in paragraph 2 in the LNG Sales Confirmation Notice.

“Loading Point” shall mean the relevant facilities for the berthing and loading of the Buyer’s LNG Ship.

“Loading Point Anchorage” shall mean the anchorage or other holding area designated by the Seller from time to time for liquefied Natural Gas ships when offtaking from the Seller’s Facilities.

“MARPOL” shall mean the IMO document - MARPOL 73-78 Convention and 1989 Protocol on marine pollution as amended or supplemented from time to time.

“MJ” means a megajoule, one million (1,000,000) joules.

“MMBTU” means one (1) million BTU.

“Month” shall mean a period of time beginning at 00.00 on the first Day of a calendar month (Gregorian Calendar) and ending at 24.00 on the last Day of such calendar month and “Monthly” shall be construed accordingly.

“MT” shall mean a metric ton, being equal to one thousand (1,000) kilograms or two thousand two hundred and four decimal six two (2,204.62) pounds.

“Natural Gas” means any hydrocarbon or mixture of hydrocarbons consisting essentially of methane, other hydrocarbons and non-combustible gases in a gaseous state and which is extracted from the subsurface of the earth in its natural state, separately or together with liquid hydrocarbons.

“NCM” of regasified LNG means a normal cubic metre, the quantity of regasified LNG, which at zero (0) degree Celsius and at an absolute pressure of one decimal zero one three two five (1.01325) bar and when free of water vapour occupies the volume of one (1) cubic metre.

“Notice of Readiness” shall have the meaning set forth in Annexure B, Article B 2.2.

“Plant” shall mean Seller's natural gas liquefaction plant located at or near Seller's Loading Point.

“Quantity Delivered” means the number of MMBTU contained in a cargo of LNG delivered by Seller to Buyer hereunder, determined in accordance with the provisions of Article 6 and Annexure C.

“Reasonable and Prudent LNG Operator” shall mean a person seeking in good faith to perform its contractual obligations and, in so doing and in the general conduct of its undertaking, exercising that degree of skill, diligence, prudence and foresight which would reasonably and ordinarily be expected from a skilled and experienced operator complying with all applicable laws engaged in the same type of undertaking under the same or similar circumstances and conditions and the expression “standard of a Reasonable and Prudent LNG Operator” shall be construed accordingly.

“Rounded” or “Rounding” means the method for eliminating figures which are not required in order to establish a required number as specified below:

- (a) If the first of the figures to be discarded is five (5) or greater, the last of the figures to be retained is increased by one (1); or

- (b) If the first of the figures to be discarded is four (4) or less, the last of the figures to be retained is not altered.

“SCF” of regasified LNG means a standard cubic foot, the quantity of regasified LNG which at sixty (60) degrees Fahrenheit and at an absolute pressure of fourteen decimal six nine six (14.696) pounds per square inch and when free of water vapour occupies the volume of one (1) cubic foot.

“Seller’s Amount” has the meaning specified in Article 9.2(b)(ii).

“Seller’s Facilities” means the Plant and associated storage and loading facilities at the Delivery Point to be operated by Douglas Channel Energy Partnership.

“Set Range” means the period during which Buyer’s LNG Ship is to arrive for and complete loading as specified in paragraph 3 in the LNG Sales Confirmation Notice.

“SOLAS” shall mean the International Convention on the Safety of Life at Sea Convention, 1974, and the related protocol of 1978, both as amended from time to time.

“Specification” shall mean the quality of the LNG as stated in paragraph 6 of the relevant LNG Sales Confirmation Notice.

“STCW” means the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers of 1978, as amended or supplemented from time to time.

“Third Party” has the meaning specified in Article 18.8.

“United States Dollars” means the legal currency of the United States of America.

“Used Laytime” has the meaning specified in Annexure B, Article B 3.1(c).

1.2 In this Agreement, unless the context otherwise requires:

- (a) Words denoting the singular include the plural and *vice versa*;
- (b) Words denoting persons include corporations and *vice versa*;
- (c) Any reference to a document is to that document as from time to time amended or supplemented;
- (d) Reference to one gender includes the other gender; and
- (e) References in this Agreement to Articles and Annexures are to Articles and Annexures of this Agreement.

- 1.3 The headings of Articles are inserted for convenience of reference only and shall not affect the construction of this Agreement.

ARTICLE TWO
SALE AND PURCHASE

- 2.1 Subject to the terms and conditions of this Agreement, upon execution of a LNG Sales Confirmation Notice Seller shall sell and deliver, and Buyer shall purchase and take delivery of LNG at the Delivery Point, in the quantity, at the price and otherwise in accordance with the terms and conditions set out in this Agreement thereby established.
- 2.2 The execution of a LNG Sales Confirmation Notice shall constitute (together with the terms of this Master F.O.B. LNG Sale & Purchase Agreement and the Annexures hereto) a separate and independent contract governed by the terms of the LNG Sales Confirmation Notice, and references herein to “this Agreement” shall be construed accordingly.
- 2.3 LNG shall be sold in Full Cargo Lots, unless otherwise specified in the LNG Sales Confirmation Notice.

ARTICLE THREE
QUANTITY AND DELIVERY

- 3.1 In relation to a specific Agreement between the Parties for the sale and purchase of LNG, the quantity that Seller expects to sell and deliver to Buyer in each Full Cargo Lot, and which Buyer expects to purchase and receive, shall be the Estimated Load Quantity specified in paragraph 3 of the LNG Sales Confirmation Notice, such quantity being the Parties' reasonable commercial estimate of the quantity of LNG to be loaded on to the Accepted LNG Ship or Ships .
- 3.2 Notwithstanding the foregoing, Buyer shall be required to pay for only the Quantity Delivered, delivered to Buyer at the Delivery Point.

ARTICLE FOUR
QUALITY

- 4.1 The quality of LNG delivered hereunder shall comply with the Specification.
- 4.2 Seller shall notify Buyer as soon as reasonably practicable upon becoming aware that the quality of LNG to be loaded hereunder is at any time likely to fall outside the Specification, in which case the Parties shall consult on what actions to take.

- 4.3 If the quality of the LNG to be loaded or being loaded is outside the Specification, Buyer shall use reasonable endeavours to accept the LNG. Buyer shall give notice to Seller that:
- (a) It is able to accept the LNG with such specification, subject to the incurrence of such costs as are identified by Buyer in its notice, in which case Seller shall reimburse Buyer for any reasonable incremental documented costs incurred by Buyer in relation to acceptance of such LNG; or
 - (b) It is not able to accept LNG with such specification, in which case Buyer shall not be bound to accept delivery of and purchase such LNG, and Seller shall not load the LNG onto the LNG Ship. However, should the LNG have already been loaded onto the LNG Ship:
 - (i) Seller shall make a proposal to Buyer in relation to the disposal of such LNG. Buyer shall not unreasonably withhold its consent to such proposal made by Seller in relation to the disposal of such LNG; and
 - (ii) Seller shall reimburse Buyer for all reasonable incremental documented costs incurred in disposing of such LNG.

If Buyer has not responded to Seller’s notice under Article 4.2 within forty-eight (48) hours, Buyer shall be deemed to have given notice of non-acceptance under sub-Article 4.3(b).

- 4.4 In either case described in Article 4.3, such costs shall include those incurred in respect of services provided by Third Parties in relation to the acceptance or disposal of such LNG, whether the LNG is intended for Buyer's own use or to meet Buyer's obligations to Third Parties, but shall not include any amount for which Buyer may be liable in respect of loss or damage of any person to whom Natural Gas (resulting from regasification of LNG) is sold, supplied or delivered.
- 4.5 The provisions of this Article 4 shall be Buyer’s only remedies in respect of the LNG’s non-compliance with the Specification.
- 4.6 Seller does not represent, undertake or warrant that the LNG to be sold and delivered hereunder shall be fit or merchantable for any particular purpose. All conditions, undertakings and warranties inconsistent with the foregoing whether expressed or implied, statutory, collateral hereto, or otherwise, are hereby excluded and extinguished. Notwithstanding anything in this Article 4.6 to the contrary, nothing herein shall relieve Seller of its obligations to deliver LNG which meets the Specification.

ARTICLE FIVE
SHIPPING

- 5.1 The provisions which shall govern LNG Ship nominations, LNG Ship arrival and loading, and Demurrage Rate are set forth in Annexure B hereto. Each LNG Ship tendered by Buyer to lift LNG shall be designed, constructed, equipped and maintained to safely load and carry LNG.
- 5.2 Buyer shall cause the LNG purchased and sold hereunder to be transported and discharged by LNG Ships having specifications and characteristics compatible with the requirements of the Seller's Facilities and the facilities at the Discharge Port. Buyer shall furnish to Seller the technical specification for each of the LNG Ships to be used hereunder. Seller shall review and approve each LNG Ship in accordance with Seller's vetting and other procedures (which term shall include obtaining Third Party approval where required). Any modifications to the LNG Ship required to be compatible with Seller's Facilities or required to obtain Seller's vetting approval shall be for Buyer's account. However, if any additional modifications are requested by Seller, then such additional modifications shall be for Seller's account. For the avoidance of doubt, notwithstanding any vetting process undertaken by Seller, Buyer shall remain responsible for the specification, compatibility and performance of the LNG Ship.
- 5.3 Buyer shall, at all times throughout the period of supply of LNG, provide, maintain and operate or cause to be provided, maintained and operated in good working order, the LNG Ship, such that it is able to fulfill its obligations under this Agreement with the LNG Ship at all times to be equipped and manned so as to be able to meet all applicable International Standards required in the countries in which the LNG Ship will call.
- 5.4 If the LNG Ship requires assistance from or the use in any manner of tugs, pilots, escort vessels or other support vessels in connection with the safe berthing or maneuvering at the Load Point of the LNG Ship, Seller shall procure the availability of and provide Buyer (and the owner and/or operator of the LNG Ship and its Agents) reasonable assistance in procuring the use of such tugs, pilots, escort or other support vessels, provided that the assistance or use of such tugs, pilots, escort or other support vessels shall be at the sole risk and expense of Buyer.
- 5.5 Seller shall indemnify Buyer if and to the extent that the costs of marine charges, fees and dues (including without limitation tugs, pilots or escort or other support vessels expenses and duties) associated with the LNG Ship calling at the Loading Point charged to and payable by Buyer (and the owner and/or operator of the LNG Ship) are less favourable than those charged to and payable in relation to Seller's other buyers and its own LNG ships (if applicable).
- 5.6 Buyer shall ensure that the LNG Ship gives Seller notice of its estimated time of arrival at the Loading Point, and provides such updates of its estimated time of arrival in accordance with Article B 2.1 of Annexure B.

- 5.7 Upon the arrival of the LNG Ship at the Loading Point Anchorage for the purpose of loading LNG hereunder, Buyer, after the LNG Ship has cleared any necessary formalities with the relevant authorities, shall cause the LNG Ship to be berthed safely and expeditiously at Seller’s terminal facilities and Seller shall co-operate in the LNG Ship’s being so berthed. If requested by Buyer, Seller shall provide assistance to Seller in clearing the aforementioned formalities.
- 5.8 Seller shall arrange for the loading of the LNG Ship at a safe berth, which Seller shall provide or cause to be provided free of charge to Buyer or to the LNG Ship in accordance with Article B 2.3 of Annexure B. Seller shall exercise due diligence to ascertain that the LNG Ship can always lie safely afloat at such berth, but Seller does not warrant the safety of any berth and shall be under no liability thereof except for loss or damage caused by Seller’s failure to exercise due diligence. If a shift away from the berth is required by Seller, then the cost shall be paid by Seller unless such shift has been necessitated solely by an action or inaction of Buyer or its Agent.
- 5.9 When an LNG Ship is due to arrive at the berth at the Loading Point Anchorage on the same day that another liquefied Natural Gas ship is due to arrive at the berth, then:
- (a) If the LNG Ship is due to arrive in its Set Range and would in Seller’s opinion be able to complete loading within the Set Range, the LNG Ship shall be berthed in priority to the other liquefied Natural Gas ship; and
 - (b) If the LNG Ship is outside its Set Range or arrives during her Set Range but would not in Seller’s opinion be able to complete loading within the Set Range, Seller shall make the berth available for the LNG Ship as soon as possible.
- 5.10 Seller and Buyer shall commence loading or cause it to be commenced as soon as practicable after the completion of berthing and shall complete loading or cause it to be completed safely, effectively and expeditiously within a target period of time to be mutually agreed between Seller and Buyer.
- 5.11 Buyer shall cause the LNG Ship to depart safely and expeditiously from the berth after the completion of loading and Seller shall co-operate, or cause the operator of the Seller’s Facilities to co-operate, in the safe and expeditious departure of the LNG Ship from the berth.
- 5.12 Any delay to the LNG Ships and any demurrage incurred shall be calculated in accordance with Article 3 of Annexure B.
- 5.13 Buyer, with regard to the navigation and management of the LNG Ship, and Buyer and Seller, with regard to the LNG Ship’s berthing, loading and putting to sea, shall keep in close touch with relevant maritime or other authorities and shall abide by all relevant

laws, regulations and lawful orders, as well as International Standards and regulations, and shall pay due regard to relevant guidance and other restrictions. Seller and Buyer, in performance of this undertaking, shall make appropriate arrangements with the parties concerned with those matters.

- 5.14 Buyer shall cause that the owner, operator or master of the LNG Ship to sign and accept the conditions of use of the Loading Point and to abide by all statutory requirements and regulations applicable thereto from time to time **provided that**, prior to entering into a Confirmation Notice, the Buyer shall have been provided with the conditions of use which shall be no more onerous than those provided to any other user of the Loading Point.
- 5.15 In the event of damage to the Loading Point or any of the facilities thereon or adjacent thereto Buyer and its Agents shall co-operate and comply fully with Seller's or its Agents' accident procedures then in effect at the Loading Point.

ARTICLE SIX
MEASUREMENT, SAMPLING AND TESTING

- 6.1 Buyer shall cause to be supplied, operated and maintained equipment for accurately gauging the level of liquid and liquid temperature in the tanks of the LNG Ship. Seller shall cause to be supplied, operated and maintained all equipment, instruments and devices used for the sampling of and for the determination of the density, quality and composition of the LNG loaded.
- 6.2 The volume of LNG in each cargo loaded at the Delivery Point shall be measured in metric units by gauging of the liquid in the tanks of the LNG Ship using the LNG Ship's Custody Transfer and Measurement System (CTMS) and associated documentation. Buyer shall cause the first gauging to be made after the LNG Ship has berthed and connected to the Seller's Facilities. A second gauging operation shall take place immediately after completion of loading. Representatives of Buyer and Seller shall have the right to be present at such gaugings, but the absence of a duly summoned representative of Seller shall not prevent the carrying out of the measurement. Buyer shall notify Seller the volume of LNG loaded promptly following completion of loading. Buyer shall make available to Seller a copy of the gauging standards for each tank of the LNG Ship, in metric units approved by the appropriate authority, as well as correction charts (list, trim, tank's contraction, etc.). Each tank shall be equipped with two level measuring devices of different types. The LNG Ship shall periodically have its level measuring devices calibrated by an approved independent surveyor.
- 6.3 Samples of LNG shall be taken by Seller or the operator of the Seller's Facilities in accordance with the procedures applicable at the Loading Point, with a frequency adequate to assure a representative analysis of the LNG being loaded. The sampling device shall be such as to permit the total vaporisation of a quantity of LNG sufficient for

taking of a gaseous sample representative of the LNG then being delivered. Such samples shall be analysed by means of a suitable gas chromatograph. The analysis or the average of such analysis shall determine the molecular composition of the LNG. A calibration of the gas chromatograph utilised shall be performed before the analysis of the samples taken from each loading. Representatives of Seller and Buyer shall have the right to be present, but absence of a duly summoned representative of Seller or Buyer shall not prevent the carrying out of calibration and sampling. Such calibration shall be effected with the aid of a gaseous mixture having a known composition closely similar to the vaporised LNG being measured.

- 6.4 All measurements and all calculations relating to gauging and determination of the density of the LNG, and all measurements and all computations relating to the determination and testing of the quality and composition of the LNG, shall be performed by Seller or the operator of the Seller’s Facilities. Representatives of Seller or Buyer shall have the right to be present, but absence of a duly summoned representative of Seller or Buyer shall not prevent the carrying out of the measurement or the preparation of the relevant calculation. Seller shall notify Buyer of the quality promptly after completion of loading.
- 6.5 Notwithstanding the foregoing, the Gross Heating Value (Volume Based) and the Quantity Delivered shall be calculated as set forth in Annexure C by Seller.
- 6.6 Any measurements, gauging and/or analyses provided for in Articles 6.2, 6.3, 6.4 and 6.5 hereof shall be witnessed and verified by an independent surveyor agreed upon by Buyer and Seller. The results of such surveyor’s verifications shall be made available promptly to each Party. The cost of an independent surveyor at the Loading Point shall be shared equally by Seller and Buyer.
- 6.7 In the event of a disagreement on the accuracy of any measuring equipment or device, either Party may request an inspection by an independent surveyor. Either Party may have a representative present to witness the measurement, sampling and testing of LNG. In the event of disagreement between the Parties, the independent surveyor’s determination shall be final. All cost and expenses for testing and verifying the accuracy of measurement, sampling and analysis equipment shall be borne by the Party whose equipment is being tested and verified unless the test is conducted at the request of the other Party and such test does not disclose errors or inaccuracies in such measurement devices, in which case, the Party requesting such test shall bear such costs. If, at the time of testing and verification, the measuring equipment is found to result in errors of one (1) percent or less of the LNG loaded, such equipment’s previous measurements shall be considered accurate for purposes of delivery calculations and such equipment shall be adjusted forthwith. If, at the time of testing and verification, the measuring equipment is found to result in errors of more than one (1) percent of the LNG loaded, such equipment’s previous measurements shall be brought to a zero difference by comparison with calibration results for any period known definitively or agreed to have been affected by such error, and the calculation of deliveries made during said period shall be corrected

accordingly; however, in the event that the period during which such error occurred is not known or agreed upon, corrections shall be made for those quantities delivered during the last half of the period since the date of the last calibration.

ARTICLE SEVEN
TRANSFER OF TITLE AND RISK

- 7.1 In respect of LNG delivered by Seller and taken by Buyer pursuant to this Agreement:
- (a) Title to and property and risk in LNG delivered by Seller hereunder shall pass simultaneously from Seller to Buyer at the point in time when LNG passes the Delivery Point; and
 - (b) Buyer shall assume all risk of, and full responsibility for, any loss, deterioration, evaporation and damage of whatsoever nature to or in respect of or caused by the LNG howsoever arising after the LNG has passed the Delivery Point.
- 7.2 All LNG sold hereunder shall be for Buyer’s account or the account of Buyer’s nominee only. Buyer or Buyer’s nominee may be free to change the cargo destination to any port without the need to obtain the prior consent of Seller.

ARTICLE EIGHT
PRICE AND PAYMENT

- 8.1 The contract sales price in United States Dollars per MMBTU, Rounded to three (3) decimal places (“Contract Sales Price”), shall be as specified in paragraph 4 of the relevant LNG Sales Confirmation Notice.
- 8.2 Unless agreed otherwise by Seller, payment pursuant to sub-Article 8.1 shall be made in immediately available funds by wire transfer in United States Dollars free of all charges and without asserting any set-off or counter-claim or making any deductions into the bank account nominated by Seller in paragraph 10 of the LNG Sales Confirmation Notice.
- 8.3 The amount payable by Buyer to Seller for the cargoes of LNG sold under this Agreement shall be calculated by multiplying the Quantity Delivered (calculated pursuant to sub-Article 6.5) by the Contract Sales Price specified in paragraph 4 of the LNG Sales Confirmation Notice.
- 8.4 Seller shall send to Buyer an invoice promptly following delivery of the LNG to the Delivery Point, showing the amount payable calculated pursuant to sub-Article 8.3.

- 8.5 Buyer shall pay the amount payable under the invoice specified in sub-Article 8.4 within ten (10) Banking Days after the receipt of the invoice.
- 8.6 If Seller or Buyer is liable to pay any other amount to Buyer or Seller respectively for any other reason under this Agreement, Buyer or Seller as the case may be shall furnish to Seller or Buyer respectively an invoice in respect of such amount promptly after such liability arises. Unless agreed otherwise, payment shall be made in immediately available funds by wire transfer in United States Dollars free of all charges and without asserting any set-off or counter-claim or making any deductions into the bank account nominated by Buyer or Seller in paragraph 9 of the LNG Sales Confirmation Notice. Seller or Buyer as the case may be shall make payment for each invoice, within a period of ten (10) Banking Days from the date of receipt of the invoice.
- 8.7 If Buyer fails to pay Seller an amount due by the due date for payment, then Seller shall issue a notice of non-payment, and if Buyer has not paid the amount due within a period of eight (8) Banking Days from the date of receipt of such notice, Seller may suspend further loading of LNG under this or any other Agreement until payment is made and, if the amounts due are not paid within thirty (30) days, may terminate any LNG Sales confirmation Notice then in effect to the extent it has not already been performed.
- 8.8 If any Party fails to pay the other Party an amount due under any invoice by the due date for payment, the defaulting Party shall pay interest thereon to the other Party for the period commencing on and including the day following the date payment was due up to and including the day when payment is made. Interest shall be calculated at the rate of one (1) percent above the rate per annum which Lloyds TSB Bank plc was offering to prime banks in the London Interbank market for deposits in United States Dollars for a three (3) Month Period, determined at 11.00 London time, as quoted on the date when payment was due. Interest shall be calculated on the basis of a three hundred and sixty five (365) day year and shall be paid on the date when payment of the amount due is made.
- 8.9 In the event Buyer disagrees with Seller’s invoice issued in accordance with Article 8.3, it shall nevertheless make provisional payment of the total amount thereof and shall immediately notify the Seller of the reasons for such disagreement, except that in the case of obvious error in computation the Buyer shall pay the correct amount after disregarding such error. An invoice may be contested by the Buyer, or modified by the Seller, by written notice delivered to the other Party within a period of ninety (90) Days after such receipt or sending, as the case may be. If no such notice is served, such invoice shall be deemed correct and accepted by both Parties. Promptly after resolution of any dispute as to an invoice, the amount of any over-payment or under-payment shall be paid by Seller or Buyer (as the case may be) to the other Party, together with interest thereon at the rate provided in Article 8.8 from the date payment was due up to and including the day when payment is made.

ARTICLE NINE
FAILURE TO LIFT; FAILURE TO SUPPLY

- 9.1
- (a) If Buyer encounters or expects to encounter technical or operational difficulties affecting the LNG Ship that may result in a delay in loading or receiving a cargo of LNG scheduled for delivery to Buyer, or that may otherwise prevent Buyer from receiving such cargo within the Set Range, Buyer shall promptly notify Seller and the Parties shall use their reasonable endeavours to make appropriate changes to the Set Range having regard to Seller's delivery obligations to its other customers and Buyer's unloading obligations at the Discharge Port, provided that Seller shall have no obligation to change the Set Range if to do so would require Seller to curtail production of LNG.
 - (b) Except as otherwise provided in this Agreement, in the event that Buyer fails or refuses to lift part or all of the Estimated Load Quantity within the Set Range for any reason whatsoever then provided that such failure to lift is not attributable to the fault of Seller or its Agents or to Force Majeure:
 - (i) Seller shall be entitled to cause curtailment of production of LNG to the extent of Buyer's failure to lift, provided however that it shall have first used all reasonable endeavours to sell such LNG to a Third Party or make any other disposition of such LNG as Seller deems commercially appropriate; and
 - (ii) The amount of such LNG not lifted shall be deemed to be an amount lifted by Buyer and, subject to Article 9.1(b)(iii), Buyer shall make payment in respect thereof against Seller's written certificate certifying the amount of LNG not lifted, together with Seller's invoice for the sum equal to the Contract Sales Price which would have been payable by Buyer had such LNG been lifted by Buyer hereunder multiplied by the amount of such LNG not lifted (“Buyer's Amount”); and
 - (iii) Seller shall use reasonable endeavours to dispose of the LNG at the best price reasonably available under the circumstances. From the proceeds of any such sale(s) shall be deducted Seller's expenses incurred including but not limited to any interest payable in accordance with Article 8.8 through Buyer's failure to lift (“Net Proceeds”) and the remainder shall be applied towards the Buyer's Amount due under this Agreement and Buyer shall pay to Seller the balance, if any, of the Buyer's Amount promptly on demand of Seller. If the Buyer has already made payment under Article 9.1(b)(ii), the Seller shall pay the Net Proceeds to the Buyer promptly on demand of the Buyer.
 - (c) The provisions of this Article 9.1 shall be the Seller's exclusive remedy in respect of the Buyer's failure to lift LNG.

- 9.2 (a) If Seller encounters or expects to encounter technical or operational difficulties at Seller's Facilities that may result in a delay in loading or delivering a cargo of LNG scheduled for delivery to Buyer, or that may otherwise prevent Seller from delivering such cargo within the Set Range, Seller shall promptly notify Buyer and the Parties shall use their reasonable endeavours to make appropriate changes to the Set Range having regard to Seller's delivery obligations to its other customers and Buyer's unloading obligations at the Discharge Port.
- (b) Except as otherwise provided in this Agreement, in the event that Seller fails or refuses to deliver part or all of the Estimated Load Quantity within the Set Range then provided that such failure to deliver is not attributable to the fault of Buyer or its Agents or to Force Majeure:
- (i) Buyer shall be entitled to purchase or procure the purchase of replacement LNG or Natural Gas equivalent to the amount of LNG not delivered from a Third Party to the extent of Seller's failure to supply Buyer shall use reasonable endeavours to obtain replacement LNG or Natural Gas at the best price reasonably available under the circumstances;
- (ii) Seller shall make payment against Buyer's written certificate certifying the amount of LNG not delivered, together with Buyer's invoice for the sum equal to the excess of (A) the costs of such replacement LNG or Natural Gas (including any Buyer's expenses incurred through Seller's failure to deliver), over (B) the Contract Sales Price which would have been payable by Buyer had such LNG been delivered by Seller hereunder multiplied by the amount of LNG not delivered (“Seller's Amount”).
- (c) Should Buyer not have been able to procure replacement LNG or Natural Gas, then sub-Article 9.2(b)(ii) shall not apply and such failure to deliver part or all of the Estimated Load Quantity shall be deemed to be a breach by Seller and Article 13 shall apply, with a cap of 50% of the amount otherwise due for the Estimated Load Quantity for the cargo in question.
- (d) The provisions of this Article 9.2 shall be Buyer's exclusive remedy in respect of the Seller's failure to deliver LNG

ARTICLE TEN
TAXES AND CHARGES

- 10.1 All Taxes (as defined in sub-Article 10.3 below) imposed on the LNG sold hereunder subsequent to the Delivery Point shall be paid or borne by Buyer except as provided in

Article 10.2. Buyer shall reimburse Seller for any such Taxes which Seller is obliged to pay.

- 10.2 All Taxes (as defined in sub-Article 10.3 below) imposed on LNG at or prior to the Delivery Point as well as any export charges or similar charges imposed by a government or duly constituted authority having legal jurisdiction at the location of Seller’s Facilities located adjacent or in the Kitimat Arm of the Douglas Channel, British Columbia, Canada within which the Delivery Point is located shall be paid or borne by Seller. Seller shall reimburse Buyer for any such Taxes which Buyer is obliged to pay.
- 10.3 In this Article, “Taxes” means all taxes, charges, royalties, duties, or other imposts whatsoever levied by a government or duly constituted authority on the LNG sold hereunder or on the Natural Gas from which it was derived or in respect of the act, right or privilege of producing, processing or selling that LNG or Natural Gas imposed by any relevant government authority, but does not include any form of tax payable on income or profits.

ARTICLE ELEVEN
PERMISSIONS AND APPROVALS

- 11.1 Seller shall obtain or cause to be obtained all necessary permissions, authorisation, approvals and other requirements from any relevant government or any other duly constituted authority necessary to enable it to perform its obligations under this Agreement.
- 11.2 Buyer shall obtain or cause to be obtained all necessary permissions, authorisation, approvals and other requirements from all federal, provincial and local governmental authorities having jurisdiction at the Delivery Point at which the LNG is to be discharged or any duly constituted authority necessary to enable it to perform its obligations under this Agreement and shall obtain or cause to be obtained all necessary permissions, authorizations, approvals and other requirements in connection with the LNG Ship’s performance of its obligations in connection with this Agreement.
- 11.3 Without prejudice to the obligations contained in this Article 11, if permissions and approvals described in Article 11.1 and 11.2 are not obtained prior to issuance of an LNG Sales Confirmation Notice, Seller and Buyer shall consult in good faith on how to proceed.

ARTICLE TWELVE
FORCE MAJEURE

12.1 A Party is not liable for a failure to fulfill an obligation under this Agreement (other than an obligation to pay money or where a Party may perform this Agreement through payment of money) and is not in breach of this Agreement, if and to the extent to which fulfillment has been delayed, interfered with or prevented by Force Majeure. In this Agreement, “Force Majeure” shall be defined as any circumstance whatsoever which is beyond the reasonable control of the Party affected, such Party having acted as a Reasonable and Prudent LNG Operator, and which cannot be overcome by the exercise of reasonable diligence.

12.2 In this Agreement, provided the requirements of Article 12.1 are met, Force Majeure includes but is not limited to:

- (a) The compliance by the Party affected with an act, order or demand of an international, national, port transportation, local or other authority or agency or of any body or person purporting to be or act for such an authority or agency;
- (b) A strike or any other kind of labour dispute;
- (c) In the case of Seller, loss of or damage to Seller's Facilities, or to such wells, gathering lines, processing facilities or pipelines upstream of Seller's Facilities as are necessary for the performance of the Seller's Facilities;
- (d) In the case of Buyer, loss of or damage to the LNG Ship; or
- (e) Fire, flood, adverse weather, seismic activity, subsidence or other natural disaster or act of God, as well as acts of war (whether declared or not declared), invasion, civil unrest, insurrection, piracy, embargo, acts of terrorism, blockade, acts of public enemies and riots.

Each of paragraphs (a), (b), (c), (d) and (e) of this Article 12.2 shall be read and construed independently.

12.3 A Party seeking to rely on Force Majeure shall promptly advise the other Party of Force Majeure and will keep the other Party advised of the situation and shall use reasonable endeavours in all the circumstances;

- (a) To eliminate as expeditiously as possible the circumstance of Force Majeure relied on to enable it to resume full performance of its obligations; and
- (b) To minimise the effects of the circumstance of Force Majeure;

Provided however that a strike or any other kind of labour dispute may be settled by the Party concerned at its absolute discretion.

- 12.4 For the purpose of this Article 12, unless a circumstance is beyond the reasonable control of Seller itself and all of the following persons who are in any way related to the circumstance, it is deemed to be within the reasonable control of Seller:
- (a) The operator or delegated operator of Seller’s Facilities;
 - (b) A servant or Agent of one or more of the foregoing.
- 12.5 For the purpose of this Article 12, unless a circumstance is beyond the reasonable control of Buyer itself and all of the following persons who are in any way related to the circumstance, it is deemed to be within the reasonable control of Buyer:
- (a) The owner, operator, manager or charterer of the LNG Ship;
 - (b) A servant or Agent of one or more of the foregoing persons.
- 12.6 For the purpose of Articles 12.4 and 12.5, the negligence of any one or more of the persons described in sub-Articles 12.4(a) or (b) in the case of Seller, and sub-Articles 12.5(a), (b) or (c) in the case of Buyer, is deemed to be the negligence of Seller or Buyer respectively.
- 12.7 In the event that any circumstance of Force Majeure continues for thirty (30) days or more, or is likely to continue for thirty (30) days or more, then either Party shall be entitled (upon notice hereunder) to terminate this Agreement without further obligations or liability of either Party.

ARTICLE THIRTEEN
LIMITATION OF LIABILITY

- 13.1 Subject to Article 13.2, except where expressly provided for in this Agreement Seller shall be liable to Buyer and Buyer shall be liable to Seller for direct loss or damage which has been suffered as a result of the breach by the Party liable of any one or more of its obligations hereunder, to the extent that the Party liable should reasonably have foreseen the loss or damage.
- 13.2
- (a) A Party is not liable to the other Party under this Agreement or in negligence or otherwise howsoever, as a result of any act or omission in the course of or in connection with the carrying out of this Agreement, for or in respect of any consequential loss or damage, including any loss of income or profits and any

claim, demand or action made or brought against that other Party by a Third Party; and

- (b) A Party's sole remedy against the other Party for non-performance or breach of this Agreement or for any other claim of whatsoever nature arising out of or in relation to this Agreement shall be in contract and no Party shall be liable to another Party (or its Affiliates or Agents) in respect of any damages or losses suffered or claims which arise out of, under or in any alleged breach of statutory duty or tortuous act or omission or otherwise; provided that this limitation shall not operate to exclude any equitable remedies to which the Parties may be entitled.

13.3 Notwithstanding the foregoing, nothing in this Agreement shall exclude or limit a Party's liability for personal injury or death resulting from that Party's negligence.

ARTICLE FOURTEEN
GOVERNING LAW AND ARBITRATION

- 14.1 (a) The construction, validity and performance of this Agreement shall be governed by the laws of England and Wales.
- (b) The United Nations Convention on Contracts for International Sale of Goods (the Vienna Sales Conventions) shall not apply to this Agreement.
- 14.2 (a) Any dispute arising out of or in connection with this contract, including any question regarding its existence, validity or termination, shall be referred to and finally resolved by arbitration under the LCIA Rules, which Rules are deemed to be incorporated by reference into this clause.
- (b) The number of arbitrators shall be three. The parties agree that they will each nominate an arbitrator for appointment by the LCIA. The third arbitrator will be nominated by agreement between the two arbitrators nominated by the parties, and then appointed by the LCIA. Nothing herein shall prevent the parties agreeing in writing to vary these provisions for the nomination and appointment of a sole arbitrator.
- (c) The seat, or legal place, of arbitration shall be London, England.
- (d) The language to be used in the arbitral proceedings shall be English.

ARTICLE FIFTEEN
SAFETY

- 15.1 Seller and Buyer recognise the importance of securing and maintaining safety in all matters contemplated in this Agreement including the operation of facilities and the transportation of LNG and it is their intention to secure and maintain International Standards of safety in accordance with the generally accepted standards prevailing in the liquefied Natural Gas industry from time to time.
- 15.2 Seller and Buyer shall use all reasonable efforts to ensure that their respective employees, Agents, contractors and suppliers have due regard to safety and abide by the relevant regulations while they are performing works and services within and around the area of the loading terminal and on board the LNG Ship.

ARTICLE SIXTEEN
FACILITIES

- 16.1 Seller shall, at all times throughout the period of supply of LNG hereunder, provide, maintain and operate or cause to be provided, maintained and operated in good working order to the International Standards of safety, the Seller's Facilities necessary in order to fulfill its obligations in a safe and efficient manner under this Agreement and in accordance with the standards of a Reasonable and Prudent LNG Operator.
- 16.2 Buyer shall, at all times throughout the period of supply of LNG hereunder, provide, maintain and operate or cause to be provided maintained and operated in good working order to the International Standards of safety, each LNG Ship necessary in order to fulfill its obligations in a safe and efficient manner under this Agreement and in accordance with the standards of a Reasonable and Prudent LNG Operator.

ARTICLE SEVENTEEN
TERM

- 17.1 This Agreement shall be in force from the date of signature and shall remain in force for a period of twenty (20) years from first deliveries hereunder and thereafter until either Party gives a notice of termination after which this Agreement shall terminate once all obligations of the Parties to be performed in accordance with this Agreement and any LNG Sales Confirmation Notice then in force have been carried out.
- 17.2 If either Party defaults in the performance of any of its obligations under this Agreement and such default is not cured within thirty (30) days after the Party not in default has given written notice of default, then the Party not in default may forthwith cancel and

terminate this Agreement. If the default is cured on or before the fifteenth (15th) day after the giving of such notice, then such notice shall be nullified and of no effect.

- 17.3 Termination of this Master F.O.B. LNG Sale and Purchase Agreement or any Agreement, howsoever caused, shall be without prejudice to any rights or remedies that may have accrued to Seller and/or Buyer prior to the date thereof, and any provisions of this Master F.O.B. LNG Sale and Purchase Agreement or any LNG Sales Confirmation Notice necessary for the exercise of such accrued rights or remedies shall survive termination of this Master F.O.B. LNG Sale and Purchase Agreement or such Agreement.

ARTICLE EIGHTEEN
GENERAL PROVISIONS

- 18.1 Unless otherwise agreed all notices to be given under this Agreement by one Party to the other are sufficiently given if in English, in writing and either delivered in person or sent by prepaid mail or Fax to the other Party at its address as specified below, or as stated in any subsequent LNG Sales Confirmation Notice. Except for any notification made to an LNG Ship, a notice given by Fax shall be subsequently confirmed by letter, unless otherwise agreed, but without prejudice to the validity of the original notice.
- 18.2 The Parties agree to treat the contents of this Agreement and any information disclosed in an arbitration conducted under this Agreement as strictly confidential and agree not to disclose any provision of this Agreement or any confidential information in connection with the performance of this Agreement to any Third Party without the prior written consent of the other Party hereto, except for such information which is already part of the public domain, and except for disclosure by either Party to this Agreement to its Affiliate, shareholders or any court or governmental authority requiring such or any other appropriate Third Party to the extent necessary to comply with any legal or governmental requirement. Except in the case of such information already forming part of the public domain, such disclosing Party shall make all reasonable endeavours to ensure that the party or parties receiving such confidential information maintain its confidentiality. This Article 18.2 shall remain in force for three (3) years after the expiry of this Agreement.
- 18.3 Neither Party may assign any of its rights and obligations under this Agreement without first obtaining the consent in writing of the other Party, such consent not to be unreasonably withheld; provided, however, that either Party shall be entitled to assign this Agreement to its Affiliate or Export Co-Op Member but for only so long as such Affiliate or Export Co-Op Member remains an Affiliate or Export Co-Op Member and that the assigning Party, unless agreed otherwise with the non-assigning Party, remains liable for performance of all its outstanding obligations under this Agreement.
- 18.4 The failure of either Party at any time to require performance of any provision of this Agreement shall not affect its right to require subsequent performance pursuant to that

provision, nor shall the waiver by either Party of any breach of any provision or this Agreement be deemed to be a waiver of any subsequent breach of such provision.

- 18.5 This Agreement constitutes the entire agreement between the Parties on the subject matter of this Agreement and supersedes and replaces any provisions on that subject contained in any other agreement between the Parties, whether written or oral, entered into by the Parties prior to the date of execution hereof.
- 18.6 This Agreement does not constitute either Party as the Agent, partner or legal representative of the other for any purposes whatsoever, and neither Party shall have any express or implied right or authority to assume or to create any obligation or responsibility on behalf of or in the name of the other Party.
- 18.7 This Agreement may not be supplemented, amended, modified or changed except by an instrument in writing signed by Seller and Buyer and expressed to be a supplement, amendment, modification or change to this Agreement.
- 18.8 Except for the provisions of Article 18.3, the Parties do not intend that any term of this Agreement shall be enforceable solely by virtue of the Contracts (Right of Third Parties) Act 1999 by any person who is not a party to this Agreement (“Third Party”) and this Agreement may be rescinded or varied on whole or in part, without the consent of any Third Party, except for those referred to in Article 18.3.
- 18.9 Except where otherwise specifically provided herein, any claim whatsoever arising under or in connection with this Agreement shall be irrevocably waived if written notice is not given by the aggrieved Party within one (1) year from the date the aggrieved Party learns

of the claim or, through the exercise of ordinary diligence, should have learned of such claim.

IN WITNESS WHEREOF, the Parties hereto have executed this Master F.O.B. LNG Sale and Purchase Agreement as of the date first written above.

(Seller):

DCEP GAS MANAGEMENT LTD.

By: 

Name: Glenn H. Tatham

Title: President

(Buyer):

BC LNG EXPORT CO-OPERATIVE LLC

By: 

Name: Thomas P. Tatham

Title: Chairman

5) Demurrage Rate: United States Dollars \$50,000 per day.

6) Specification

a) Gross Heating Value (Volume Based)

LNG to be loaded by Seller to Buyer at the Delivery Point shall, upon loading, when converted to a gaseous state, comply with the following specifications:

Gross Heating Value (Volume Based)	(BTU/SCF)	<u>Maximum</u>	<u>Minimum</u>
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b) Impurities

The composition of the LNG loaded at the Delivery Point shall when converted to a gaseous state contain impurities (in milligrams per NCM except as otherwise stated) of not more than:

Mercury		Xng/NCM	
Hydrogen Sulphide		Xmg/NCM	
Carbonyl Sulphide plus Hydrogen Sulphide		Xmg/NCM	
Total Sulphur		Xmg/NCM	
Carbon Dioxide		X ppm on v volume maximum	
Oxygen		0 ppm on volume maximum	

c) Composition

The composition of the LNG loaded at the Delivery Point shall when converted to a gaseous state be within the following ranges (mole%):

		<u>Max.</u>	<u>Min.</u>
Nitrogen	(N ₂)		
Methane	(C ₁)		
Ethane	(C ₂)		

Propane	(C ₃)
i-Butane	(i-C ₄)
n-Butane	(n-C ₄)
i-Pentane	(i-C ₅)
n-Pentane	(n-C ₅)
n-Hexane plus	(n-C ₆₊)

d) Objectionable solids and solid or impurities

The LNG loaded at the Delivery Point shall when converted to a gaseous state contain no water, no active bacterial or bacterial agent, including but not limited to sulphate reducing bacteria and no hazardous or toxic substance.

7) Discharge Port:

8) Laytime: Not more than 30 days per vessel nominated.

9) Notices

Any notices to be given by Seller to Buyer or the master of the LNG Ship, or vice versa, pursuant to Article B 3.7 of Annexure B shall be given to the nominee of Seller or Buyer, as the case may be, by Fax or (where permitted by the Parties) by email, as set out below:

Buyer's nominee

Seller's nominee

Tel: _____

Tel: _____

Fax: _____

Fax: _____

Email: _____

Email: _____

All other notices given by a Party shall be addressed as follows:

To Seller:

DCEP GAS MANAGEMENT LTD.

Attention: Glenn H. Tatham

By FAX and Email: _____; _____

Telephone:

To Buyer:

BC LNG EXPORT CO-OPERATIVE LLC
Attention: Thomas P. Tatham
By FAX and Email: _____; _____
Telephone: _____

For also to the attention of: The General Manager
Facsimile number: _____
Email address: _____
Telephone: _____

10) Payment (by wire transfer):

Seller's bank account details are as follows:

Buyer's bank account details are as follows:

11) Other Terms:

AGREED and ACCEPTED this day _____ of _____

Buyer:

Seller:

By: _____

By: _____

Title: _____

Title: _____

For: **BC LNG EXPORT CO-OPERATIVE LLC** For: **DCEP GAS MANAGEMENT LTD**

Buyer's Nominee:

Agreed to and accepted this _____ day of _____

By: _____

Title: _____

For: _____

ANNEXURE B
LOADING TERMS AND RELATED MATTERS

ARTICLE ONE
LNG SHIP NOMINATION

Article B 1.1

- a) Each shipment of LNG shall be delivered at the Loading Point to an LNG Ship nominated by Buyer in paragraph 2 of the LNG Sales Confirmation Notice, being the LNG Ship which will be deemed upon execution by both Parties of the LNG Sales Confirmation Notice to be the Accepted LNG Ship(s). If this Accepted LNG Ship is unavailable, Buyer may nominate another LNG Ship compatible with the Loading Point as a replacement. If the nominated replacement LNG Ship is substantially larger or smaller than the Accepted LNG Ship(s), then the substitution of such LNG Ship shall be subject to the consent of Seller which shall not be unreasonably withheld if Seller is able to accommodate such LNG Ship within its production and lifting schedules at the Loading Point. Buyer shall comply with all conditions contained in Article B 1.3 and such nomination of replacement vessel shall specify as to each such LNG Ship:
- i) The technical specification of the LNG Ship;
 - ii) The Estimated Load Quantity of LNG to be loaded;
 - iii) The expected date of arrival of the LNG Ship at the Loading Point which must be a date within the Set Range for the originally scheduled LNG Ship;
 - iv) The destination and receiver of the LNG and documentation schedule; and
 - v) Confirmation that all discharges and emissions from the vessel are within the guidelines in MARPOL.
- b) The Set Range for each lifting is set out in paragraph 3 of Annexure A.

Article B 1.2

If a nomination of a replacement LNG Ship is accepted by Seller, then such nomination shall be known as an “Accepted Nomination” and the LNG Ship which is the subject of the Accepted Nomination shall be known as an “Accepted LNG Ship”. Except as otherwise provided herein, each Accepted LNG Ship shall lift the Estimated Load Quantity of LNG specified in its nomination during the corresponding Set Range and Seller shall have the right to postpone the loading of any LNG Ship which arrives at the Loading Point after the expiry of her Set Range or any LNG Ship which arrives during her Set Range but would not in Seller's opinion be able to complete loading within the Set Range. Such postponement shall take into account the existing loading commitment of Seller, if any.

Article B 1.3

- a) It is understood that, to the extent previously provided to Buyer or its Agent, Buyer is familiar with the LNG Ship restrictions regarding overall length, loaded draught, displacement tonnage and other relevant limitations currently in effect at the Loading Point. Buyer shall keep itself familiar with all changes which may occur from time to time in the vessel restrictions in force at the Loading Point and shall not tender any vessel with specifications not in compliance with the said restrictions, provided that Seller shall advise Buyer of any changes of which Seller becomes aware after execution of a LNG Sales Confirmation Notice.
- b) Buyer shall ensure that all LNG Ships tendered for loading hereunder, (i) shall be fully covered under / by insurance satisfying the requirements of CLC, as applicable, and is insured with reputable insurance underwriters to a level and extent which is not less than would generally be taken out on vessels of its type, including hull and machinery, protection and indemnity, pollution and such other coverage as is customary in the liquefied Natural Gas industry or required by operation of applicable law, (ii) shall be manned, operated and maintained in good working order and condition by a competent and reputable operator so as fully to comply with the standards set out in the applicable IMO Gas Carrier Codes of Construction and manned in accordance with STCW (or such other safety guides and International Standards as may be issued in replacement thereof) and Buyer shall provide to Seller such information reasonably requested from time to time in relation to arrangements made in this respect, (iii) shall be of such size and draught and be so manned and equipped as to be in every way fit for entering, berthing at, loading at and leaving the Loading Point safely and without delay, (iv) shall comply in all respects with the standards established by SOLAS, (v) shall have a current SIRE report less than twelve (12) months old issued in respect of it.
- c) Buyer shall ensure that such LNG Ships and those on board shall comply at all times with all regulations and customs of the Loading Point, the loading installations, and the authorities in control thereof. If Buyer nominates a vessel more than sixteen (16) years of age then in addition to the other requirements of this section, Buyer shall furnish a complete copy of the Certificate of Fitness or Letter of Compliance for the vessel issued under the applicable IMO Gas Carrier Codes of Construction.
- d) Before the commencement of loading of any Accepted LNG Ship at the Loading Point, Seller shall have the right at Seller's discretion to conduct a safety inspection and to inspect and test the vessel and the tanks therein to determine, inter alia, the oxygen content and dew point. Seller shall conduct its inspection as soon as reasonably practicable after nomination by Buyer of an LNG Ship, without prejudice to Seller's right to conduct a further inspection at the Loading Point. Buyer shall provide Seller or its Agents with all reasonable access to the vessel. Seller shall have the right to reject the LNG Ship if, following an inspection (or refusal of inspection by Buyer), with reasons given to Buyer in writing, Seller determines in its reasonable discretion that

such LNG Ship's condition is such as to cause a substantial risk of loss, damage or injury ashore or afloat. Until such time as it has been demonstrated to Seller's reasonable satisfaction that the LNG Ship has been made suitable and is able to comply with the requirements of this Agreement, Seller can refuse to berth and load such LNG Ship.

- e) Seller shall not be liable for any costs and expenses incurred from Seller's rejection of an LNG Ship, including costs of delays to the LNG Ship which, if incurred, shall be solely for Buyer's account, and Seller shall be under no liability of any nature whatsoever arising from Seller's inspection of or failure to inspect any LNG Ship and any subsequent acceptance or rejection thereof.
- f) Buyer shall ensure that no lifting of LNG causes the LNG Ship in question to exceed the draught limitations (if any) at the Loading Point, or contravene the International Load Line Regulations.

ARTICLE TWO

LNG SHIP ARRIVAL AND LOADING

Article B 2.1

- a) Buyer or his Agent shall notify Seller and the Loading Point by Fax or email not less than seventy-two (72) and forty-eight (48) hours and twenty-four (24) hours in advance of the estimated time of arrival at the Loading Point anchorage or holding area of each Accepted LNG Ship furnished by Buyer. Buyer shall notify Seller and the Loading Port immediately upon learning of any reason whereby any such estimated time of arrival is unlikely to be achieved.
- b) Buyer shall provide Seller by Fax or email the documentation required for each LNG Ship furnished by Buyer at least ninety-six (96) hours prior to the first Day of the Set Range for such LNG Ship.

Article B 2.2

The master of each Accepted LNG Ship shall give Seller a written “Notice of Readiness” to load at the Loading Point, such notice to be given only after such LNG Ship's arrival at the Loading Point Anchorage and when the ship is fit in every way ready to receive cargo, having received the required clearance(s) from customs and other governmental authorities to load LNG and berth. A Notice of Readiness may be tendered whether the LNG Ship has arrived in sanitary and customs free pratique or not, but should such sanitary and customs free pratique be subsequently not granted, to the extent Used Laytime has started, it shall be suspended and not restart until so granted.

Article B 2.3

- a) Seller shall provide a berth at which a fully laden Accepted LNG Ship having an overall length, loaded draught and displacement tonnage consistent with the restrictions in effect at the Loading Point can safely reach and leave and at which it can always lie safely afloat.
- b) Seller's Facilities shall include, without limitation, appropriate systems for necessary Fax, telephone, electronic mail and radio communications with the LNG Ship, and all communications with the LNG Ship and her master, officers and crew shall be in English.
- c) Seller and Buyer shall agree on the conditions as to quantity, rate, pressure and temperature with regard to the capability of the relevant facilities of Seller and the LNG Ship necessary to ensure safe loading. Buyer shall return that vaporised Natural Gas to the Loading Point during loading or cooling operations (where available).

Article B 2.4

Seller shall develop, maintain and revise from time to time an operations manual that will govern activities at the Seller's Facilities (“Marine Operations Manual”) relating to LNG Ship handling including, but not limited to, vapour handling systems. The Marine Operations Manual shall apply equally to all liquefied Natural Gas ships calling at the Seller's Facilities and shall be consistent with International Standards in effect from time to time and with the terms of this Agreement.

ARTICLE THREE
LAYTIME

Article B 3.1

- a) The laytime allowed to Seller for the loading of each shipment of LNG (“Allowed Laytime”) shall be as stated in paragraph 8 of the relevant LNG Sales Confirmation Notice.
- b) Laytime used in loading the LNG Ship (“Used Laytime”) shall commence as indicated below. When an Accepted LNG Ship has arrived at the Loading Point Anchorage and tendered its Notice of Readiness, Used Laytime shall commence as follows:
 - i) Within its Set Range, Used Laytime shall commence either six (6) hours after Notice of Readiness has been given or when actually all fast at berth, whichever occurs first;

- ii) Prior to the first Day of its Set Range, Used Laytime shall commence at 06.00 hours on the first Day of its Set Range or when actually all fast at berth, whichever occurs first; and
 - iii) If the LNG Ship gives Notice of Readiness after its Set Range, when actually all fast at berth.
- c) Loading shall be deemed to be completed and time shall cease to count towards Used Laytime upon disconnection of the loading arms (or other loading system, as appropriate).

Article B 3.2

- a) Buyer shall endeavour to ensure that the LNG Ship shall arrive at the Loading Point cooled and ready for loading. If for any reason an LNG Ship tendered by Buyer should require gassing up or cooling down or both or is, in any other respect, in the judgment of Seller unable to receive LNG upon arrival at the Loading Point, Used Laytime shall not commence until in the judgment of Seller the vessel is fit and ready to load safely at the normal loading rates at the Loading Point..
- b) Notwithstanding sub-Article B3.2 (a), in case of an LNG Ship only requiring gassing up and cooling-down or cooling-down (as the case may be) to be ready to load, Seller shall not refuse berthing if such gassing up and cooling-down or cooling-down (as the case may be), was provided for in the specific loading schedule, or does not cause a material disruption to the overall loading schedule for Seller’s Facilities or was required due to the fault of Seller. Should Buyer notify the Seller that an LNG Ship will require gassing up and cool-down or cool-down (as the case may be), Seller shall use reasonable endeavours to make provision therefor without disrupting the overall loading schedule for Seller’s Facilities.
- c) After any LNG Ship requiring gassing-up and cooling-down or cooling-down (as the case may be) has been gassed-up and cooled-down or cooled-down (as the case may be) the total elapsed time taken to prepare all tanks of such LNG Ship to reach their Loading Temperatures and the total quantity of LNG used in gassing-up and cooling-down or cooling-down shall be agreed by the Parties or their representatives and a statement specifying such total elapsed time period and quantity shall be signed by both Parties (or their representatives). All costs incurred in consequence, including the cost of LNG used for gassing up or cooling down or both may be invoiced by Seller at the price calculated under Article 8.1

Article B 3.3

- a) If loading is prevented or hindered by reason of any cause or circumstance whatsoever beyond the reasonable control of Seller or its Agents, then Seller shall be under no liability in respect of any loss or damage arising therefrom and time shall not count towards Used Laytime to the extent Used Laytime exceeds Allowed Laytime as a result of such prevention or hindrance. Such causes shall include, without limitation:
- i) Moving in from the holding area or anchorage to completion of mooring at the loading berth;
 - ii) Awaiting pratique, pilot, tugs or tides;
 - iii) LNG Ship inspection that is not concurrent with the loading of LNG (unless Seller had prior reasonable opportunity to conduct an inspection and declined to do so);
 - iv) The LNG Ship's breakdown, inefficiency or other causes attributable to the LNG Ship, her master or crew, leading to an inability or failure of such LNG Ship to be loaded at the normal pumping rate in effect from time to time in respect of the equipment used by or on behalf of Seller at the Loading Point after the maximum loading flowrate is sufficiently stabilised;
 - v) Restrictions, including those as to loading rate, imposed by the owner, charterer or master of the LNG Ship (provided that ramp up or ramp down of loading rate at the commencement and completion of loading under normal operating conditions shall not be deemed to be a restriction);
 - vi) Any action taken by an independent representative, if any, appointed under the provisions of Article C 1.1 of Annexure C or any action taken by Seller at the said independent representative's request;
 - vii) Adverse weather conditions;
 - viii) Industrial disturbance including, without limitation, any strike, lock-out, stoppage or restraint of labour of the master, officers or crew of the LNG Ship or tugboat or pilot;
 - ix) Any other matter attributable to the LNG Ship, her master or crew; and
 - x) Any event that constitutes Force Majeure.
- b) In the event of the LNG Ship's failure or inability, due to breakdown, inefficiency or other causes attributable to the LNG Ship, her master or crew to carry out deballasting, loading, or shifting operations efficiently and without delay, Seller shall have the right to require the LNG Ship to defer berthing or loading or to vacate the loading berth until the

LNG Ship is again in an efficient state and ready to carry out such operations efficiently and without delay, and any time thereby lost shall not count towards Used Laytime.

Article B 3.4

- a) If any problem not caused by the LNG Ship occurs or is foreseen to occur which will or may cause delay to the LNG Ship in berthing or loading, Seller and Buyer shall discuss in good faith and use all reasonable endeavours to minimise or to avoid such delay, and the Parties shall co-operate with each other to find counter-measures to minimise or to avoid the occurrence of any similar delay in the future.
- b) If despite the above provision, the loading of the cargo has not been completed within the Allowed Laytime, Seller will pay to Buyer demurrage at the Demurrage Rate in United States Dollars per day as specified in paragraph 5 of the LNG Sales Confirmation Notice and pro rata for any shorter period applicable for the time by which Used Laytime exceeds Allowed Laytime.
- c) If the loading of the LNG Ship has not been completed within the Allowed Laytime or the LNG Ship is preventing the berthing of another vessel, and such delay is attributable to Buyer or its Agents and as a result another LNG ship (which would have been loaded had this delay not occurred) is prevented from or delayed in loading, then Buyer shall reimburse to Seller the costs reasonably incurred by Seller as a result of such delay including demurrage payable in respect of such LNG ship costs, not to exceed one hundred and fifty percent (150%) of the Demurrage Rate in United States Dollars per day as specified in paragraph 5 of the LNG Sales Confirmation Notice.

Article B 3.5

If an LNG Ship furnished by Buyer arrives and tenders its Notice of Readiness to load after the expiry of its Set Range or within its Set Range but in Seller's opinion the LNG Ship would be unable to complete loading within its Set Range, then Used Laytime shall be calculated from the commencement of loading of the LNG Ship. If a LNG Ship arrives prior to the beginning of its Set Range, the calculation of Used Laytime shall be subject to Article B 3.1(c)(ii) of this Annexure B.

Article B 3.6

Buyer shall cause the LNG Ship to depart safely and expeditiously from the berth after the completion of loading. Buyer undertakes that the master or Agents of any LNG Ship which loads hereunder at the Loading Point shall promptly on completion of loading sign as presented by or on behalf of Seller a full set of original negotiable bills of lading in respect of the LNG loaded, and shall thereupon return the same to Seller. Documentation shall be completed at the berth or at anchor at Seller's discretion.

Article B 3.7

- a) Any notices to be given by the master of the LNG Ship or Buyer pursuant to Articles Two and Three of this Annexure B may be given to the nominee of Seller set out in the LNG Sales Confirmation Notice. Buyer or the owner of the LNG Ship may appoint an Agent to act on its behalf to provide such notices and communications. Buyer must notify Seller of such appointment.

- b) Any notices to be given by Seller to Buyer or the master of the LNG Ship pursuant to Annexure B shall be given to the nominee of Buyer as specified in the LNG Sales Confirmation Notice.

ANNEXURE C
CALCULATION OF QUANTITY AND QUALITY

ARTICLE ONE
MEASUREMENT OF QUANTITY AND QUALITY

Article C 1.1

- a) In accordance with Article 6.5, all measurements, gauging and/or analyses provided for in Article Six of the Agreement and this Article One of Annexure C shall be witnessed and verified by an independent surveyor agreed upon by Buyer and Seller. The results of such surveyor’s verifications shall be made available promptly to each Party.

- b) The quantity delivered in a cargo of LNG in MMBTU (“Quantity Delivered”) and quality of each shipment of LNG shall be determined by Seller or its representative at the Loading Point in accordance with the requirements of this Article One of Annexure C, and shall be set forth in a certificate of quantity and a certificate of quality. Buyer shall have the right to designate an independent representative at its own expense, who shall have the right to witness the determination of Quantity Delivered and quality at the time of loading. All reasonable facilities shall be supplied, as necessary, to such representative of Buyer at the Loading Point to enable him to witness any measurements taken and the taking of the samples.

- c) If Buyer does not designate an independent representative, the determination(s) of Quantity Delivered and quality made by Seller or its representative at the Loading Point as witnessed and verified by the independent surveyor and as stated in the relative certificates of quantity and certificate of quality shall be final, binding and conclusive on Buyer and Seller, manifest errors excluded.

- d) If Buyer designates an independent representative and such representative agrees with the determination(s) of Quantity Delivered and quality made by Seller or its representative, he shall so indicate by signing or countersigning the said certificates of quantity and certificate of quality, which shall be final, binding and conclusive on Buyer and Seller, manifest errors excluded.

- e) To the extent they are binding and conclusive on Buyer as provided in the foregoing subparagraphs of this Article C 1.1:

- i) The Quantity Delivered and quality determined by Seller or its representative shall be used for all references to Quantity Delivered and quality in documentation, including the invoice and bill of lading; and
- ii) A certificate of quantity and a certificate of quality prepared by Seller (whether or not signed by Buyer's representative) shall be accepted by Buyer and any Third Party for the purpose of payment of LNG sold hereunder.

Article C 1.2

- a) The volume of LNG delivered or lifted for any given shipment shall be determined by calculation based on measurement of level, temperature and pressure in the LNG Ship's cargo tanks.
- b) Measurement of the liquid level in each LNG tank of the LNG Ship shall be made to the nearest millimetre by using the main liquid level gauging devices. Should the main devices fail, the auxiliary device(s) shall be used. Five (5) readings shall be made following manufacturer's recommendations on reading interval. The arithmetic average of the readings Rounded to the nearest millimetre using one (1) decimal place shall be deemed the liquid level. The measurements referred to shall be made immediately before loading commences and immediately after loading is completed. The volume of LNG loaded shall be determined by deducting the total volume of LNG in all LNG tanks immediately after loading is completed from the total volume in all LNG tanks immediately before loading commences. The volume of LNG stated in cubic metres to the nearest zero decimal zero zero one (0.001) cubic metre, shall be determined by using the tank calibration tables referred to in Article C 1.2(e) and by applying the volume corrections set forth therein.
- c) The temperature of the LNG and vapour contained in the tanks of the LNG Ship shall be determined by using the arithmetic average of the temperature indicated by special thermocouples or resistance thermometers spaced at various locations from top to bottom of each tank with an accuracy of plus or minus zero decimal two (+/- 0.2) of a degree Celsius. The arithmetic average shall be calculated using only those temperature measurement devices located either in the LNG space or the vapour space of the cargo tank as appropriate for the determination of the volume of LNG or vapour contained in that cargo tank. Such temperatures shall be logged or printed.
- d) The absolute pressure in each LNG tank shall be measured to the nearest zero decimal one (0.1) kPa by using the pressure gauging device. The determination of the absolute pressure in the LNG tanks of the LNG Ship shall be made by taking one (1) reading of the pressure gauging device in each LNG tank, and then by taking an arithmetic average Rounded to the nearest zero decimal one (0.1) kPa.

- e) Measurement shall be carried out with properly certified and calibrated instruments and calculation shall be based upon tank calibration tables for the LNG Ship approved by a recognized authority and a procedure recommended by ISO 13398 (1997) Procedure for LNG Custody Transfer on Board Ship. The calculation methods for the quantity and quality of the LNG delivered by Seller are set out in Article Two of this Annexure C.
- f) Seller’s independent representative (if any) may witness and attest for the validity of ship measurement instruments and calculation method.

Article C 1.3

- a) Unless otherwise agreed between Buyer and Seller, the hydrocarbon component analysis on each shipment of LNG shall be made in accordance with the methods of the GPA or ISO approved for use at the Loading Point at the time of lifting by any applicable Government or other authorities . For invoicing purposes, representative samples shall be obtained continuously and at an even rate during the period of stable loading. Such representative sample shall be taken in accordance with ISO 8943. The standard to be followed for calculating the Gross Heating Value (Volume Based) and Gross Heating Value (Mass Based) shall be as set out in Article 2 of this Annexure. Three (3) sets of representative samples of each shipment of LNG shall be taken, in accordance with ISO/DIS 8943 (2007), from the tanks from which the LNG has been lifted at the Seller’s Facilities. One set of representative samples shall be analysed in accordance with GPA 2261-90 or ISO 6974 (2001) by Seller and witnessed by Buyer’s independent representative, if any, appointed pursuant to Article C 1.1(a) above. The second set (which shall be for Buyer) and third set (to be retained in case of a dispute) of representative samples shall be sealed and signed by Seller and by Buyer’s independent representative, if any, and shall be retained by Seller as a reference sample and properly kept for forty (40) days, unless there is a dispute in respect of quality in which case the third set shall be retained until the dispute is resolved.
- b) The gas chromatograph used for custody transfer shall be calibrated by Seller (witnessed by the independent surveyor and/or Buyer or its representative) prior to the start of the bulk loading using a standard gas supplied by a reliable and reputable manufacturer with known accuracy and traceability. The quality of the standard gas shall be in accordance with ISO 6142 and ISO 14111 in accordance with the customary practises and procedures at the Loading Point and shall be certified traceable to International Standards by an organisation in accordance with the customary procedures of the Loading Point. The composition of the standard gas shall be similar to the sample composition of the LNG. Validation of the gas chromatograph analysers shall be done by Seller in accordance with the latest version of ISO 6974 (parts 3 or 5) for off-line gas chromatograph analysers and ISO 10723 for on-line gas chromatograph analysers current at the time of validation.
- c) The Quantity Delivered shall be the calculated quantities expressed in terms of BTU at Sixty (60) degrees Fahrenheit.

- d) The sampling guideline for impurities shall be in accordance with GPA 2166 or in accordance with the customary practises and procedures at the Loading Point. The ISO-6326/2 or ASTM D5504 or GPA 2199 (2000) procedure shall be used to determine the hydrogen sulphide content of the LNG unloaded, unless Seller and Buyer mutually agree that some other method should be used and shall be in accordance with the customary practises and procedures at the Loading Point.
- e) The ISO-6326/2 or ASTM D5504 or ASTM D5453 procedure shall be used to determine the total sulphur content of the LNG loaded, unless Seller and Buyer mutually agree that some other method should be used and shall be in accordance with the customary practises and procedures at the Loading Point. If the total sulphur content is less than five (5) mg/NCM, it is not necessary to analyse the sample for hydrogen sulphide.
- f) Buyer's independent representative (if any) may witness and attest for the validity of sampling and calculation method. The absence of either Party's representatives shall not prevent the taking or analysis of samples.
- g) If sampling and/or analysis fails for any reason, the arithmetic average of the analysis results of the five (5) immediately preceding cargoes including other buyers' cargoes LNG composition, Rounded to nearest two decimals, and the Gross Heating Value (Volume Based) and Gross Heating Value (Mass Based) derived from the average LNG composition calculated at the Loading Point, Rounded to the nearest whole number, shall be deemed to be the LNG composition and Gross Heating Value (Volume Based) and Gross Heating Value (Mass Based) for the LNG loaded.

Article C 1.4

- a) If the determination(s) of Quantity Delivered and quality by Seller or its representative has not been approved by Buyer's representative appointed in accordance with Article C 1.1(b) and a dispute arises between Buyer and Seller concerning the Quantity Delivered of LNG, then recourse shall be had to an independent expert who shall be selected on the basis of his special knowledge of the subject matter and will have access to the third set of retained sample as per Article C 1.3(a) above. Such expert shall be appointed by mutual agreement or, in the absence of such agreement, by the President of the London Court of International Arbitration. Such expert shall file his conclusions within thirty (30) days after his appointment. Any conclusion of such expert shall be binding upon Seller and Buyer and upon any arbitrator hearing any dispute between the Parties.
- b) The costs incurred in relation to the services of such expert shall be shared equally by Seller and Buyer.

ARTICLE TWO
CALCULATION OF QUANTITY AND QUALITY

Article C 2.1

a) Quantity Delivered

The quantity of energy delivered (the "**Quantity Delivered**" for the purposes of this Master Agreement) shall be calculated in accordance with the following formula:

$$Q = \frac{1}{1055.12} \times (V_{LNG} \times d_{LNG} \times H_m - Q_{gasdisplaced})$$

where

$$Q_{gas\ displaced} = \left[\left(V_{LNG} \times \frac{288.15}{273.15 + T_v} \times \frac{P}{1013.25} \times 37.7 \right) \right]$$

and:

Q = The Quantity Delivered in MMBtu, being the energy content of LNG unloaded, rounded to the nearest ten (10) MMBtu. For the purpose of this formula the conversion factor (1/1055.12) converts the energy content of LNG delivered from MJ to MMBtu.

V_{LNG} = The volume of LNG unloaded in cubic metres, determined in accordance with Article C.1.2 of this Annexure C

d_{LNG} = The density of LNG unloaded in kg/m³ (rounded to two (2) decimal places), calculated using the revised Klosek-McKinley method described in ISO 6578-1991, section 8.3. For the purpose of this calculation the molar mass of the individual components of LNG delivered shall be taken from ISO 6976-1995. In the application of this calculation no intermediate rounding shall be made.

H_m = Gross Heating Value (Mass Based) of the LNG unloaded in MJ/Kg, calculated in accordance with ISO 6976-1995 with a reference combustion temperature of fifteen (15) degrees Celsius.

T_v = The average temperature of vapour in the tanks of the LNG Ship immediately after unloading, in degrees Celsius, determined in accordance with Article C.1.2 of this Annexure C.

P = The average absolute pressure of vapour in the tanks of the LNG Ship immediately after unloading, in whole millibars, determined in accordance with Article C.1.2 of this Annexure C.

Vapour returned to the LNG Ship during unloading operations is taken into account in calculation of the Quantity Delivered by calculation of $Q_{\text{gas displaced}}$. For the purpose of this Agreement it is assumed that vapour returned consists of 100% methane having a gross heating value (volume based) of 37.7 MJ/m³ (per ISO 6976-1995 table 5, with reference combustion and metering temperature of 15 degrees Celsius and reference pressure of 1013.25 millibar absolute).

b) Gross Heating Value (Volume Based)

The calculation of the Gross Heating Value (Volume Based) of LNG unloaded in Btu/SCF, for the purpose of determining the quality of such LNG for comparison with the Specification, shall be derived from the same compositional analysis as is used for the purposes of calculating the Gross Heating Value (Mass Based) (“ H_m ”) and be calculated using ISO 6976-1995, Annex L, with a reference combusting and metering temperature of 60 degrees Fahrenheit and a reference pressure of 1013.25 millibar absolute and assuming an ideal gas.

c) Wobbe Index

Where specified in the Confirmation Notice, the Wobbe Index of LNG delivered in a given Transaction shall be calculated in accordance with ISO 6976-1995 and using the same reference conditions as for the determination of the Gross Heating Value (Volume Based).

LNG SALES CONFIRMATION NOTICE

1) Parties:

DCEP GAS MANAGEMENT LTD. BC LNG EXPORT CO-OPERATIVE LLC

ATTN: Glenn H. Tatham

ATTN: Thomas P. Tatham

PHONE: (415) 518-4593

PHONE: (713) 439-5506

FAX: (415) 422-0871

FAX: (713) 621-3553

The following confirmation confirms the agreement made between representatives of Buyer and Seller identified herein. This sale is subject to, and hereby incorporates, the terms and conditions of the existing Master F.O.B. LNG Sale and Purchase Agreement between the Parties (including the Annexures thereto). In the event of a conflict between the provisions of the Master F.O.B. LNG Sales Agreement and this LNG Sales Confirmation Notice, this LNG Sales Confirmation Notice will control.

- 2) LNG Ship or Ships to be used by Buyer: To be nominated within 30 days of the date specified by Seller upon receipt Seller's Notice of Commencement (as described in Section 11 below). LNG Ship or Ships nominated by Buyer shall accommodate Seller's estimated monthly LNG production.
- 3) Set Range and Estimated Load Quantity (net of heel requirement): To be specified by Buyer within 30 days of proposed date for commencement of service as set forth in Seller's Notice of Commencement. Set Range shall accommodate Seller's estimated monthly LNG production.
- 4) Contract Sales Price: The contract sales price all gas to be delivered hereunder shall be USD \$.05 plus an amount equal to Seller's cost of providing and loading all LNG under this LNG Sales Confirmation Notice. Seller's cost to include all costs related to purchase of natural gas pursuant to Buyer's Nomination Procedures, any applicable pipeline transportation costs pursuant to Buyer's Nomination Procedures and all applicable charges under Seller's Tolling Service Agreement with Douglas Channel Energy Partnership. Seller shall also reimburse Buyer for any applicable shipping license fees imposed by Seller's affiliates or predecessors.
- 5) Demurrage Rate: United States Dollars \$50,000 per day.
- 6) Specification:
 - a) Gross Heating Value (Volume Based)

LNG to be loaded by Seller to Buyer at the Delivery Point shall, upon loading, when converted to a gaseous state, comply with the following specifications:

Gross Heating Value (Volume Based)	(BTU/SCF)	<u>Maximum</u> 1,100	<u>Minimum</u> 1,000
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b) Impurities

The composition of the LNG loaded at the Delivery Point shall when converted to a gaseous state contain impurities (in milligrams per NCM except as otherwise stated) of not more than the impurities specified in the final Design Specifications for Seller's Facilities not to be unreasonable by industry standards. Seller to provide such specifications as soon as available, but not later than December 31, 2011.

Mercury	Xng/NCM
Hydrogen Sulphide	Xmg/NCM
Carbonyl Sulphide plus Hydrogen Sulphide	Xmg/NCM
Total Sulphur	Xmg/NCM
Carbon Dioxide	X ppm on v volume maximum
Oxygen	0 ppm on volume maximum

c) Composition

The composition of the LNG loaded at the Delivery Point shall when converted to a gaseous state be within the following ranges (mole%): (to be provided in conjunction with start up and commissioning of Seller's Facilities but in no event to be outside of accepted industry standard and range)

	<u>Max.</u>	<u>Min.</u>
Nitrogen (N ₂)		
Methane (C ₁)		
Ethane (C ₂)		
Propane (C ₃)		
i-Butane (i-C ₄)		
n-Butane (n-C ₄)		
i-Pentane (i-C ₅)		
n-Pentane (n-C ₅)		
n-Hexane plus (n-C ₆₊)		

or such other ranges as the Buyer and Seller may agree.

d) Objectionable solids and solid or impurities

The LNG loaded at the Delivery Point shall when converted to a gaseous state contain no water, no active bacterial or bacterial agent, including but not limited to sulphate reducing bacteria and no hazardous or toxic substance.

7) Discharge Port:

8) Laytime: Not more than 30 days per vessel nominated.

9) Notices:

Any notices to be given by Seller to Buyer or the master of the LNG Ship, or vice versa, pursuant to Article B 3.7 of Annexure B shall be given to the nominee of Seller or Buyer, as the case may be, by Fax or (where permitted by the Parties) by email. Particulars of Buyer's nominee and Seller's nominee will be provided within 3 days of nomination under Section 2.

All other notices given by a Party shall be addressed as follows:

To Seller:

DCEP GAS MANAGEMENT LTD.
Attention: Glenn H. Tatham
By Email: ght@lngpartners.com
Telephone: (415) 422-0871

To Buyer:

BC LNG EXPORT CO-OPERATIVE LLC
Attention: Thomas P. Tatham
By Email: tpt@lngpartners.com
Telephone: (713) 439-5506

10) Payment (by wire transfer):

Seller's bank account details are to be provided within 10 days of Seller's Notice of Commencement.


Buyer's bank account details are to be provided within 10 days of Seller's Notice of Commencement.

11) Other Terms:

The obligations of the Buyer and Seller under this LNG Sales Confirmation Notice are subject to (1) the award and commencement of contracts for the construction of Seller's Facilities (2) the execution of an acceptable Tolling Services Agreement between Seller and Douglas Channel Energy Partnership (3) receipt of all requisite regulatory approvals, including an Export Licence issued to Buyer by the National Energy Board (Canada) having been obtained. When these conditions precedent have been satisfied, Seller shall issue to Buyer a "Notice of Commencement" which shall provide a proposed date for commencement of service from Seller's Facilities immediately following estimated completion of construction and commissioning. Seller shall thereafter promptly advise Buyer of any expected delays or changes in the proposed date for commencement of service hereunder.

AGREED and ACCEPTED this 7th of March, 2011.

Buyer:

By: 

Title: Chairman

Seller:

By: 

Title: President

For: **BC LNG EXPORT CO-OPERATIVE LLC** For: **DCEP GAS MANAGEMENT LTD**

Buyer's Nominee:

Agreed to and accepted this _____ day of _____

By: _____

Title: _____

For: _____