National Energy Board

Reasons for Decision

Coastal Gas Marketing Company
(Producers Supply)

Coastal Gas Marketing Company
(Morrison Supply)

Coastal Gas Marketing Company
(Petro-Canada Supply)

Morgan Hydrocarbons Inc. and Coastal Gas Marketing Company

Renaissance Energy Ltd.

St. Lawrence Gas Company, Inc.

Talisman Energy Inc.
(Glenns Ferry)

Talisman Energy Inc.
(Rupert)

GHW-1-96

September 1996

Gas Exports

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Talisman Energy Inc.
(Rupert)

Applications Pursuant to Part VI of the *National Energy Board Act* for Licences to Export Natural Gas

GHW-1-96

September 1996

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Abbreviations

ACS	American Crystal Sugar Company
Act	*National Energy Board Act*
APMC	Alberta Petroleum Marketing Commission
Bcf	billion cubic feet
Board	National Energy Board
Cimarron	Cimarron Petroleum Ltd.
CNRL	Canadian Natural Resources Limited
Coastal	Coastal Gas Marketing Company
CRP	corporate reserves pool
DCV	Daily Contract Volume
DOE/FE	(United States of America) Department of Energy, Office of Fossil Energy
EIA	Export Impact Assessment
Empire	Empire State Pipeline Corporation
ERC	Energy Removal Certificate
EUB	Alberta Energy and Utilities Board
FERC	(United States of America) Federal Energy Regulatory Commission
FS	Firm Service
GFCP	Glenns Ferry cogeneration facility or project
GHR-1-87	*Review of Natural Gas Surplus Determination Procedures*
GHW-1-91	*Proposed Changes to the Application of the Market-Based Procedure*
GHW-4-89	*Review of Certain Aspects of the Market-Based Procedure*
GJ	gigajoule(s)

IEB	Iroquois Energy Brokers, LLC
IGTS	Iroquois Gas Transmission Company
Intermountain	Intermountain Gas Company
Jordan	Jordan Petroleum Ltd.
LDC	local distribution company
MAQ	Minimum Annual Quantity
MBP	Market-Based Procedure
Mcf	thousand cubic feet
MMBtu	million Btu
MMcf	million cubic feet
MDQ	Maximum Daily Quantity
Morgan	Morgan Hydrocarbons Inc.
Morrison	Morrison Petroleums Ltd.
National	National Fuel Gas Supply Corporation
Niagara	Niagara Gas Transmission Company
NEB	National Energy Board
NGMA	Natural Gas Market Assessment
Northwest	Northwest Pipeline Company
NOVA	NOVA Gas Transmission Ltd.
Orbit	Orbit Oil & Gas Ltd.
ProGold	ProGold Limited Liability Company
RCP	Rupert cogeneration facility or project
Renaissance	Renaissance Energy Ltd.
Rigel	Rigel Energy Corporation
Rio Alto	Rio Alto Exploration Ltd.

RR/P	remaining reserves to production ratio
St. Lawrence	St. Lawrence Gas Company, Inc.
STS	Storage Transportation Service
Talisman	Talisman Energy Inc.
Tcf	trillion cubic feet
TCGS	TransCanada Gas Services Limited
TransCanada	TransCanada PipeLines Limited
Union	Union Gas Limited
Viking	Viking Gas Transmission Company
Wainoco	Wainoco Oil Corporation
Westcoast	Westcoast Energy Inc.

Recital

IN THE MATTER OF the National Energy Board Act and the Regulations made thereunder; and

IN THE MATTER OF applications under Part VI of the *National Energy Board Act* for new licences to export natural gas by:

Coastal Gas Marketing Company, a joint application by Morgan Hydrocarbons Inc. and Coastal Gas Marketing Company, Renaissance Energy Ltd., St. Lawrence Gas Company, Inc. and Talisman Energy Inc.

AND IN THE MATTER OF Hearing Order GHW-1-96;

HEARD in Calgary, Alberta, by written proceeding.

BEFORE:

K. W. Vollman	Presiding Member
R. Illing	Member
R. L. Andrew	Member

Chapter 1

Part VI - Gas Export Applications

1.1 The Applications

During the GHW-1-96 proceeding, the National Energy Board (the "Board" or "NEB") examined eight applications for gas export licences from the following parties:

1. Coastal Gas Marketing Company ("Coastal (Producers Supply)");
2. Coastal Gas Marketing Company ("Coastal (Morrison Supply)");
3. Coastal Gas Marketing Company ("Coastal (Petro-Canada Supply)");
4. Morgan Hydrocarbons Inc. and Coastal Gas Marketing Company ("Morgan-Coastal");
5. Renaissance Energy Ltd. ("Renaissance");
6. St. Lawrence Gas Company, Inc. ("St. Lawrence");
7. Talisman Energy Inc. ("Talisman-Glenns Ferry"); and
8. Talisman Energy Inc. ("Talisman-Rupert").

Table 1-1 provides a summary of each export licence application considered during the GHW-1-96 hearing.

Table 1-1
Summary of Applied-for Licences

Application		Buyer (Type of market)	Term	Export Point(s)	Maximum Quantities Applied For: Daily 10^3m^3 (MMcf)	Annual 10^6m^3 (Bcf)	Term 10^6m^3 (Bcf)
1.	Coastal (Producers Supply)	Coastal (U.S. Northeast sales portfolio)	1 November 1997 to 31 October 2007	Chippawa, Ontario	1 367.5 (48.3)	500.0 (17.7)	5 000 (177.0)
2.	Coastal (Morrison Supply)	Am. Crystal Sugar/ProGold (sales portfolio)	1 November 1997 to 31 October 2007	Emerson, Manitoba	199.1 (7.0)	73.0 (2.6)	730 (25.5)
3.	Coastal (Petro-Canada Supply)	Am. Crystal Sugar/ProGold (sales portfolio)	1 November 1997 to 31 October 2007	Emerson, Manitoba	313.5 (11.1)	114.4 (4.0)	1 144 (40.4)
4.	Morgan/ Coastal	Coastal (U.S. Northeast sales portfolio)	1 November 1996 to 31 October 2006	Iroquois, Ontario	283.3 (10.0)	104.0 (3.7)	1 040.0 (37.0)
5.	Renaissance	Iroquois Energy (U.S. Northeast system supply)	1 November 1997 to 1 November 2002	Niagara Falls, Ontario	281.9 (10.0)	102.9 (3.6)	514.5 (18.2)
6.	St. Lawrence	St. Lawrence (U.S. Northeast system supply)	1 November 1996 to 31 October 2002	Cornwall and Iroquois, Ontario	574.3 (20.3)	106.2 (3.7)	637.2 (22.5)
7.	Talisman (Glenns Ferry)	Eastern Energy (Glenns Ferry cogen. plant, Idaho)	1 January 1997 to 31 December 2016	Huntingdon, British Columbia	74.7 (2.6)	27.3 (1.0)	545.5 (19.0)
8.	Talisman (Rupert)	Eastern Energy (Rupert cogen. plant, Idaho)	1 January 1997 to 31 December 2016	Huntingdon, British Columbia	78.9 (2.8)	28.8 (1.0)	575.9 (20.3)

Chapter 2

Market-Based Procedure

The Board is directed by section 118 of the National Board Act, in its consideration of applications to obtain a licence to export oil or gas, to have regard to all considerations that appear to it to be relevant. This exercise should enable the Board to satisfy itself, in accordance with subsection 118(a), that the quantity of gas to be exported does not exceed the surplus remaining after due allowance has been made for the reasonably forseeable requirements for use in Canada, having regard to the trends in the discovery of gas in Canada.

In July 1987, pursuant to a *Review of Natural Gas Surplus Determination Procedures* (GHR-1-87), the Board implemented a procedure, known as the Market-Based Procedure ("MBP"), by which the Board assesses the merits of applications to obtain a gas export licence. The MBP is founded on the premise that the marketplace will generally operate in such a way that Canadian requirements for natural gas will be met at fair market prices. The MBP was modified following subsequent public hearings GHW-4-89 and GHW-1-91. The modifications do not affect the premise on which the MBP was founded.

The MBP provides that the Board will act in two ways to ensure that natural gas to be licensed for export is both surplus to reasonably forseeable Canadian requirements and in the public interest: it will hold public hearings to consider applications for licences to export natural gas; and it will monitor Canadian energy usage and markets on an ongoing basis.

2.1 Public Hearings

During public hearings, the Board evaluates whether the market is functioning well. The three components considered by the Board are:

1) Complaints Procedure. The Board must consider any complaints from Canadian gas buyers who object to the proposed export on the grounds that they have not had an opportunity to buy gas on terms and conditions, including price, similar to those of the proposed export. The Complaints Procedure seeks to ensure that Canadian buyers, who have been active in the market, have access to gas supply on terms and conditions similar to those of export customers;

2) Export Impact Assessment ("EIA"). The EIA assists the Board in its determination of whether a proposed export is likely to cause Canadians difficulty in meeting their energy requirements at fair market prices. The EIA sets out the impact of the proposed export on Canadian energy and natural gas markets. The Board's most recent EIA, which was prepared in consultation with the energy industry and other interested parties, was included in Chapter 6 of the NEB report entitled *Canadian Energy Supply and Demand 1993-2010 - Technical Report*, released in December 1994; and

3) Public Interest Determination. In order to determine whether the proposed export is in the public interest, the Board will assess any other factors that it deems relevant. Such factors include the following other public interest considerations which the Board will normally examine in conjunction with an export application:

- the likelihood that the licensed volumes will be taken;
- the durability of the export sales contract;
- whether the export sales contract was negotiated at arm's length;
- producer support for the gas export application;
- provisions in the export sales contracts for the payment of the associated transportation charges on Canadian pipelines over the term of the export sales contract; and
- the appropriate length for an export licence having regard to the adequacy of gas supply and associated export sales and transportation contracts.

The above-noted other public interest considerations are examples of the factors which the Board normally has regard to when assessing the merits of gas export licence applications. However, in specific proceedings, the Board may also consider any additional factors that appear to it to be relevant in the circumstances.

2.2 Ongoing Monitoring

There are two main components to the Board's ongoing monitoring responsibility under the MBP:

1) assessments of Canadian energy supply and demand; and

2) natural gas market assessments.

The Act requires the Board to monitor the outlook for Canadian supply of all major energy commodities, including electricity, oil and natural gas and their by-products, and the demand for energy in Canada and abroad. Accordingly, the Board prepares and maintains forecasts of energy supply and demand and has, periodically, issued reports after obtaining the views of provincial governments, industry and other parties.

Among matters analyzed are trends in the discovery of oil and natural gas in Canada, the evolving shares of the energy market served by various energy forms and the implications for the adjustment of the natural gas market in response to alternative supply and demand assumptions. These matters and others are contained in the Board's latest report, entitled *Canadian Energy Supply and Demand 1993-2010 - Trends and Issues*, released in July 1994, and the companion *Technical Report*, released in December 1994.

As the second part of its ongoing monitoring role, the Board will analyze shorter-term developments in natural gas supply, demand and prices, and publish reports on its findings. Generally, the Natural Gas Market Assessment ("NGMA") study and related statistical reports provide coverage of recent developments and near-term prospects for natural gas markets, competitive market activity, pipeline utilization for Canadian and export purposes, and the quantity of gas supply.

2.3 The Determination of Surplus by the MBP

In summary, the Board determines that the gas to be exported is surplus to Canadian needs if:

1) there are no complaints registered under the Complaints Procedure;

2) the EIA indicates that Canadians will have no difficulty in meeting their energy requirements at fair market prices;

3) in the view of the Board, there are no other major public interest concerns; and

4) ongoing monitoring suggests that markets are functioning normally and identifies no other issues relating to the evolution of supply or demand which cast doubt on the future ability of Canadians to meet their energy requirements.

Views of the Board

No complaints were received in respect of the applications, thus the Board finds that the Complaints Procedure component of the MBP need not be further considered.

In respect of the EIA component of the MBP, all GHW-1-96 applicants chose to rely on the EIA prepared by the Board in its 1994 Technical Report.

The overall forecast of supply and demand for the period extending through 2010, as contained in the Board’s Technical Report, indicates that Canadians would not likely experience difficulty in meeting their energy requirements at fair market prices with respect to the applications included in the GHW-1-96 proceeding. The Board is of the view that approval of the applied-for export licences, which total 10.2 10^9m^3 (360 Bcf) of gas proposed for export, would not change this conclusion.

In the case of the two Talisman applications, the applicant relied on its own qualitative assessment, for the period extending from 2011 to 2017, as well as Natural Resources Canada’s analysis entitled *Canada’s Energy Outlook: 1992 - 2020*, dated October 1994. These indicate that there will be adequate availability of natural gas resources for domestic consumption and other exports over the period covered by the proposed exports. Talisman also indicated that its export volumes were extremely small over this period.

Given the relatively small quantity of applied-for volumes of 1.1 10^9m^3 (39 Bcf) in the Talisman applications, along with a reasonable certainty that some level of natural gas

exports will be sustainable beyond 2010, the Board is satisfied that the export of the applied-for volumes of natural gas by Talisman would not cause difficulties for Canadians in meeting their future energy requirements at fair market prices in the period 2011 to 2017.

With respect to the other various public interest considerations, the evidence of each applicant is presented in the individual chapters of these Reasons. The findings of the Board with respect to these considerations, and any other factors the Board has considered to be relevant, are contained in the "Views of the Board" section at the end of each chapter.

In the GHW-1-96 proceeding, as part of its examination of other public interest considerations, the Board considered the potential environmental effects of the proposed exports. For this purpose, the Board decided to rely on the necessary connection test described in the NEB Review of its Decision in GH-5-93 and the Reasons for Decision in GH-3-94. This test is used to establish the scope of the Board's assessment of the potential environmental effects of the applications to export gas. The Board will consider the environmental effects of new upstream facilities and activities only when those facilities or activities are necessarily connected to the requirements of the export licence. For a necessary connection to exist, the export licence and new upstream facilities or activities must be integrated to the extent that they can be seen to form part of a single course of action. In the current proceeding, the Board has determined there is no necessary connection between the applied-for export licences and any new upstream facilities or activities.

The public hearing components of the MBP, including the Complaints Procedure, the EIA and other public interest considerations, combined with the Board's ongoing monitoring of activities of the industry through its NGMAs, supply and demand forecasts, and statistical reports, all contribute to the Board's overall understanding of whether or not natural gas can be viewed as surplus to the forseeable requirements of Canadians.

Taking all such factors into consideration in the current proceeding, the Board is satisfied that the quantity of gas proposed to be exported does not exceed the surplus remaining after due allowance has been made for the reasonably forseeable requirements for use in Canada, having regard to future trends in the discovery of gas in Canada.

Chapter 3

Sunset Clauses

3.1 Sunset Clauses

It has generally been Board practice in issuing a gas export licence to set an initial period of time during which, if the export of gas commences, the licence becomes effective for the full period of time approved by the Board. This condition in the licence is referred to as a sunset clause because the licence will expire if the export has not commenced within the specified timeframe. Inclusion of the sunset clause is intended to limit outstanding licences to those for which the gas actually starts to flow within a reasonable period of time after the decision. In the current proceeding, the Board questioned all applicants concerning the acceptability of a sunset clause in the applied-for licences.

As a matter of general practice, the Board has set the timeframe by which exports must commence at two years from the expected start of the licence term.

Chapter 4

Coastal Gas Marketing Company (Producers Supply)

4.1 Application Summary

By application dated 29 March 1996, as amended, Coastal Gas Marketing Company ("Coastal") sought, pursuant to Part VI of the Act, a licence for the export of natural gas with the following terms and conditions:

Term	-	commencing on 1 November 1997 and ending 31 October 2007	
Point of Export	-	Chippawa, Ontario	
Maximum Daily Quantity	-	1 367.5 10^3m^3	(48.3 MMcf)
Maximum Annual Quantity	-	500.0 10^6m^3	(17.7 Bcf)
Maximum Term Quantity	-	5 000 10^6m^3	(177.0 Bcf)
Tolerances	-	ten percent per day and two percent per year	

The gas proposed to be exported by Coastal would be produced from the corporate supply pools of Canadian Natural Resources Limited ("CNRL"), Cimarron Petroleum Ltd. ("Cimarron"), Jordan Petroleum Ltd. ("Jordan"), Orbit Oil & Gas Ltd. ("Orbit"), Rigel Energy Corporation ("Rigel"), Rio Alto Exploration Ltd. ("Rio Alto") and Wainoco Oil Corporation ("Wainoco"), collectively; "the Producers". The gas would be transported on the NOVA system to the Alberta border near Empress. TransCanada PipeLines Limited ("TransCanada") would then deliver the gas to the export point at Chippawa, Ontario. From the international border, the gas would be shipped on the Empire State Pipeline Corporation ("Empire") system to interconnecting pipelines for shipment primarily to markets in the U.S. Northeast.

4.2 Gas Supply

4.2.1 Supply Sources

The Producers would provide gas from their corporate supply pools located in Alberta, British Columbia and Saskatchewan. No individual gas pools have been contractually dedicated by the Producers to Coastal.

4.2.2 Reserves

Coastal provided the Board with estimates of reserves for each Producer using either an Alberta Energy and Utilities Board ("EUB") reserves under control listing, estimates of reserves prepared by the Producer or estimates of reserves prepared by its consultant. The following table contains estimates for each Producer's corporate reserves pool:

Company	Alberta Reserves		Corporate Reserves	
CNRL	22 428 10^6m^3	(796 Bcf)	30 539 10^6m^3	(1,084 Bcf)
Cimarron	432 10^6m^3	(15 Bcf)	5 354 10^6m^3	(189 Bcf)
Jordan	524 10^6m^3	(18 Bcf)	4 459 10^6m^3	(157 Bcf)
Orbit	1 227 10^6m^3	(43 Bcf)	2 899 10^6m^3	(103 Bcf)
Rigel	725 10^6m^3	(26 Bcf)	not available	
Rio Alto	3 457 10^6m^3	(123 Bcf)	9 645 10^6m^3	(340 Bcf)
Wainoco	402 10^6m^3	(14 Bcf)	3 768 10^6m^3	(134 Bcf)

Overall, the total submitted corporate reserves of 57 389 10^6m^3 (2,026 Bcf) exceed the total commitments of 37 631 10^6m^3 (1,328 Bcf) against those reserves including the proposed export volume.

4.2.3 Productive Capacity

Coastal submitted a comparison of productive capacity and annual requirements for each of the Producers. In the majority of cases, the Producers will be able to meet their contractual commitments using current established reserves. However, CNRL is relying upon future growth in both reserves and productive capacity to satisfy its commitments. CNRL stated that the two growth scenarios it provided to the Board - 10 percent and 15 percent - are both conservative estimates based on its historical average rate of growth in production of 28 percent per year over the last six years. Overall, Coastal's comparisons demonstrate that productive capacity is adequate for the majority of the term of the applied-for licence.

4.3 Transportation

Coastal has indicated that each of the Producers holds sufficient firm transportation on the NOVA system for delivery of the gas to Empress, Alberta. The terms of the agreements extend to 31 October 2007.

Coastal has filed a precedent agreement to transport the gas on the TransCanada system from the Empress delivery point to the international border at Chippawa, Ontario. The term of the agreement commences on 1 November 1997 and extends to 31 October 2007.

Coastal also executed a precedent agreement with Empire for a term of ten years commencing 1 November 1997. This agreement is for gas transportation from the international border to Coastal's specified delivery point.

4.4 Market

The gas proposed for export will form part of Coastal's corporate gas supply portfolio. Coastal markets more than 14.1 $10^6m^3/d$ (500.0 MMcf/d) of gas in the U.S. Northeast. Coastal has stated that the gas will be used to serve its markets in the U.S. Northeast, which consist primarily of local distribution companies, as well as electrical generation companies and industrial end-users.

4.5 Gas Sales Contracts

Coastal submitted executed gas purchase agreements with each of the Producers. The agreements commence on their respective execution dates and terminate on 31 October 2007.

The gas purchase agreements provide for a Maximum Daily Quantity ("MDQ") for each of the respective Producers as follows:

Company	10^3m^3	MMcf
CNRL	418.5	14.8
Cimmaron	139.0	4.9
Jordan	112.0	4.0
Orbit	280.0	9.9
Rigel	140.0	4.9
Rio Alto	139.0	4.9
Wainoco	139.0	4.9
Total	1367.5	48.3

Each of the Producers is required to deliver the quantities of gas requested by Coastal up to the MDQ. Should a Producer fail to deliver the quantity requested, it shall indemnify Coastal for all incremental costs needed to acquire replacement volumes. Coastal is required to purchase a Minimum Annual Quantity ("MAQ") equal to 95 percent of the sum of the MDQ's. If Coastal fails to purchase the MAQ, it is responsible for the theoretical opportunity costs associated with sales to replacement markets.

The price to be paid to each Producer is based on netback revenues calculated as the volume weighted average price per MMBtu received by Coastal from customers during the preceding month, plus any hedging gains, minus transportation costs from Empress, Alberta to the applicable delivery point off of

Empire State, operations and incentive fees, expenses incurred by Coastal to deliver the gas to its market, any hedging losses, and any costs associated with replacing gas not delivered by the Producer.

Coastal estimated that the weighted average price, for the month of January 1996 at the Alberta border, would have been $Cdn. 3.80/GJ ($Cdn. 3.99/MMBtu).

4.6 Status of Regulatory Authorizations

Coastal stated that the Producers anticipate filing their respective applications for gas removal permits with the EUB by no later than 1 September 1996. Additionally, Coastal indicated that it planned to file an application with the U.S. Department of Energy - Office of Fossil Energy ("DOE/FE") for an import authorization by 15 July 1996.

Views of the Board

The Board recognizes that Coastal is a major marketer of gas in the U.S. Northeast and notes that Coastal must purchase a MAQ equal to 95 percent of the MDQ. Therefore, the Board is satisfied that there is a reasonable expectation that the volumes sought to be licensed will be taken.

The Board recognizes that the netback pricing contained in the gas sales contracts is market-oriented; therefore, the gas purchase agreements are likely to be durable over the proposed term.

The Board has examined the gas purchase agreements between Coastal and the Producers and is satisfied that the agreements have been negotiated at arm's length.

Since the Producers own the gas supply supporting this export licence application, a finding of producer support is not necessary.

The Board's examination of Coastal's submitted supply indicates that the estimates of corporate reserves from the Producers exceed the total commitments against those reserves and that Coastal has adequate productive capacity to meet its requirements over the majority of the term of the applied-for licence.

The Board notes that Coastal is responsible for the transportation charges on the TransCanada system and that revenues generated under the gas sales contracts will likely be sufficient to enable the Producers to cover demand charges on the NOVA system. The Board is, therefore, satisfied that there are provisions in the gas sales agreements for the payment of the associated transportation charges on Canadian pipelines over the term of the proposed export.

The Board notes that the gas purchase and transportation agreements are for a term and volume commensurate with the requested licence. The Board is, therefore, satisfied that the applied-for term is appropriate.

Decision

The Board has decided to issue a gas export licence to Coastal Gas Marketing Company, subject to the approval of the Governor-in-Council. Appendix 1 contains the terms and conditions of the licence to be issued.

Chapter 5

Coastal Gas Marketing Company (Morrison Supply)

5.1 Application Summary

By application dated 29 March 1996, Coastal sought, pursuant to Part VI of the Act, a licence for the export of natural gas with the following terms and conditions:

Term	-	commencing on 1 November 1997 and ending on 31 October 2007	
Point of Export	-	Emerson, Manitoba	
Maximum Daily Quantity	-	199.1 10^3m^3	(7.0 MMcf)
Maximum Annual Quantity	-	73.0 10^6m^3	(2.6 Bcf)
Maximum Term Quantity	-	730 10^6m^3	(25.5 Bcf)
Tolerances	-	ten percent per day and two percent per year	

The gas proposed to be exported by Coastal would be produced from the corporate supply pool of Morrison Petroleums Ltd. ("Morrison"). The gas would be transported on the NOVA system to the Alberta border near Empress. TransCanada would then deliver the gas to the export point at Emerson, Manitoba. From the international border, the gas would be shipped on the Viking Gas Transmission Company ("Viking") system to interconnecting pipelines for shipment to the American Crystal Sugar Company ("ACS") and ProGold Limited Liability Company ("ProGold") plants.

5.2 Gas Supply

5.2.1 Supply Sources

The gas to be exported under the applied-for licence would be produced from Morrison's corporate supply pool in Alberta. No specific pools are contractually dedicated to Coastal.

5.2.2 Reserves

Morrison stated that an independent analysis of its total corporate supply pool amounted to 11 249 10^6m^3 (397 Bcf) of established reserves. Morrison submitted an EUB reserves under control listing of its undedicated Alberta corporate reserves totalling 4 901 10^6m^3 (173 Bcf) as of 31 December 1995. The EUB reserves estimate excludes those Morrison reserves dedicated to long-term aggregator contracts and thus reflects undedicated supply available to other markets. Morrison's total

firm sales commitments against this corporate supply pool, including the Coastal sale, are 3 760 10^6m^3 (133 Bcf).

5.2.3 Productive Capacity

Morrison submitted a forecast of the annual deliverability from its corporate reserves pool compared to the annual commitments against those reserves. The forecast demonstrates that Morrison has adequate productive capacity for the majority of the term of the applied-for licence.

5.3 Transportation

Morrison has a Firm Service ("FS") transportation agreement for the requisite capacity on the NOVA system in Alberta. Coastal has executed a precedent agreement with TransCanada for the requisite FS transportation on its system. Viking has executed 15-year precedent agreements with each of ACS and ProGold to provide FS transportation of the gas from the international border to their plants in the States of Minnesota and North Dakota.

5.4 Market

Coastal is a gas marketing company serving a diverse portfolio of markets in Canada and the United States. Coastal currently markets 99 10^6m^3 per day (3.5 Bcf/d) of natural gas in Canada and the U.S., of which 42.5 10^6m^3 per day (1.5 Bcf/d) is marketed in the U.S. Midwest.

The proposed gas export by Coastal would primarily serve ACS's sugar factories in the states of Minnesota and North Dakota and ProGold's corn wet-milling plant in North Dakota.

5.5 Gas Sales Contracts

Coastal and Morrison executed a gas purchase agreement, dated 14 March 1996, with a termination date of 31 October 2007. The gas purchase agreement is subject to certain conditions precedent with regard to regulatory authorizations and downstream FS capacity from Emerson, Manitoba.

The gas purchase agreement between Coastal and Morrison provides for a MDQ of 199.1 10^3m^3 (7.0 MMcf), plus associated fuel. The gas purchase agreement provides for a load factor of essentially 100 percent and for penalties to Coastal for its failure to take at least 85 percent of its requirements as Term Market Gas. All volumes of gas not requested as Term Market Gas are deemed to be Spot Gas. If Coastal does not nominate at least 50 percent of the MDQ for a period of 10 consecutive days, or a cumulative period of 15 days during any contract year, Morrison may elect to terminate the gas purchase agreement. If Morrison fails to deliver to Coastal (other than in the cases of *force majeure*) the quantity of gas requested up to the MDQ, Coastal would be reimbursed for the incremental cost of acquiring replacement gas.

The export price is determined on a netback basis using the average of both Term Market Gas and Spot Gas. The price for Term Market Gas would be indexed to the Ventura price index as published in "*Inside FERC's Gas Market Report*", with a basis differential adjustment. The Spot Gas price is the

Emerson price index, as published in Pasha Publications Inc.'s "*Gas Daily*". The monthly Term Market Gas and Spot Gas prices provide for a reduction for operations fees and other costs. Morrison is responsible for the payment of the NOVA charges, while Coastal is responsible for the TransCanada transportation costs. The gas purchase agreement provides for renegotiation of the Term Market Gas pricing provisions and operations fee after 31 October 2001.

Coastal and Morrison have agreed to submit to arbitration any unresolved dispute that arises from the gas purchase agreement.

Coastal estimated that the netback price, for the month of January 1996 at the Alberta border, would have been $Can. 2.28/GJ ($Can. 2.39/MMBtu).

The gas sales contracts between Coastal and each of ACS and ProGold are to be for a term commensurate with the Coastal and Morrison gas purchase agreement.

5.6 Status of Regulatory Authorizations

Morrison has applied to the EUB for a removal permit. The DOE/FE application for import authorization was expected to be filed by 15 July 1996.

Views of the Board

The Board notes that the gas purchase agreement provides for a minimum load factor of 85 percent of the annualized MDQ over the term of the proposed export. The Board also notes that there are penalties for deficient volumes. The Board is, therefore, satisfied that there is a reasonable expectation that the volumes sought to be licensed will be taken.

The Board notes the market-oriented approach, used to determine the gas price, in which the prices for Term Market Gas and Spot Gas are indexed to the Ventura price index and Emerson price index, respectively. The Board also notes that the gas purchase agreement provides for renegotiation of the Term Market Gas pricing provisions and operations fee after 31 October 2001. Additionally, the Board notes the binding arbitration provisions of the gas purchase agreement. The Board is, thus, satisfied that the gas purchase contract will remain attractive to the parties over the proposed term and is, therefore, durable.

The Board has examined the gas purchase agreement between Coastal and Morrison, and is satisfied that the agreement has been negotiated at arm's length.

The Board is satisfied that the pricing provisions of the gas purchase agreement provide for the payment of associated transportation charges on Canadian pipelines over the term of the contract.

The Board's examination of Morrison's submitted gas supply indicates that Morrison's reserves exceed the total commitments against those reserves. Morrison's estimate of

productive capacity from those reserves also exceeds Morrison's demand against those reserves for the majority of the term of the applied-for licence.

Since Morrison owns the gas supply destined for the export, a finding of producer support is not necessary.

The Board notes that the gas purchase and transportation agreements are for a term and volume commensurate with the requested licence. The Board is, therefore, satisfied that the requested licence term is appropriate.

Decision

The Board has decided to issue a gas export licence to Coastal Gas Marketing Company, subject to the approval of the Governor-in-Council. Appendix 1 contains the terms and conditions of the licence to be issued.

Chapter 6

Coastal Gas Marketing Company (Petro-Canada Supply)

6.1 Application Summary

By application dated 29 March 1996, Coastal sought, pursuant to Part VI of the Act, a licence for the export of natural gas with the following terms and conditions:

Term	-	commencing on 1 November 1997 and ending on 31 October 2007	
Point of Export	-	Emerson, Manitoba	
Maximum Daily Quantity	-	313.5 10^3m^3	(11.1 MMcf)
Maximum Annual Quantity	-	114.4 10^6m^3	(4.0 Bcf)
Maximum Term Quantity	-	1 144 10^6m^3	(40.4 Bcf)
Tolerances	-	ten percent per day and two percent per year	

The gas proposed to be exported by Coastal would be produced from the corporate supply pool of Petro-Canada ("Petro-Canada"). The gas would be transported on the NOVA system to the Alberta border near Empress. TransCanada would then deliver the gas to the export point at Emerson, Manitoba. From the international border, the gas would be shipped on the Viking system to interconnecting pipelines for shipment to the ACS and ProGold plants.

6.2 Gas Supply

6.2.1 Supply Sources

Petro-Canada would provide the gas from its corporate supply pool located within Alberta. No specific pools are contractually dedicated to Coastal.

6.2.2 Reserves

Petro-Canada submitted an estimate of its total natural gas reserves as of 31 December 1995, in Alberta, British Columbia and Saskatchewan, of approximately 58 497 10^6m^3 (2.1 Tcf). Petro-Canada’s uncontracted supply in Alberta consists of a corporate reserves pool and decontracted reserves that have been evaluated by the EUB. As of 31 December 1994, EUB’s estimate of Petro-Canada’s uncontracted remaining Alberta reserves was 15 774 10^6m^3 (557 Bcf). Petro-Canada’s estimated production from these reserves in 1995 was 1 577 10^6m^3 (55.7 Bcf) leaving 14 197 10^6m^3

(501 Bcf) of remaining reserves as of 31 December 1995. These reserves exceed projected production of 12 713 10^6m^3 (449 Bcf), including the applied-for licence volumes, over the proposed licence term.

6.2.3 Productive Capacity

Petro-Canada provided a table comparing its long-term market demand to its Alberta productive capacity. The comparison shows that Petro-Canada's productive capacity exceeds its long-term market requirements over the term of the proposed licence.

6.3 Transportation

Petro-Canada has a FS agreement covering the requisite capacity on the NOVA system. Coastal has executed a precedent agreement for the required FS capacity with TransCanada. Viking has executed 15-year precedent agreements with each of ACS and ProGold to provide FS transportation of the gas from the international border, to their plants in the States of Minnesota and North Dakota.

6.4 Market

Coastal is a gas marketing company serving a diverse portfolio of markets in Canada and the United States. Coastal currently markets 99 10^6m^3 per day (3.5 Bcf/d) of natural gas in Canada and the U.S., of which 42.5 10^6m^3 per day (1.5 Bcf/d) is marketed in the U.S. Midwest.

The proposed gas export by Coastal would primarily serve ACS's sugar factories in the states of Minnesota and North Dakota and ProGold's corn wet-milling plant in North Dakota.

6.5 Gas Sales Contracts

Coastal and Petro-Canada executed a gas purchase agreement, dated 1 March 1996, with a termination date of 31 October 2007. The gas purchase agreement is subject to certain conditions precedent with regard to regulatory authorizations, FS transportation on TransCanada and downstream FS capacity from Emerson, Manitoba.

The gas purchase agreement between Coastal and Petro-Canada provides for a MDQ of 313.5 10^3m^3 (11.1 MMcf), plus associated fuel. The gas purchase agreement provides for a penalty to Coastal for failure to take at least 85 percent of its requirements as Term Market Gas. All volumes of gas not requested as Term Market Gas are deemed to be Spot Gas. If Petro-Canada fails to deliver to Coastal (other than in cases of *force majeure*) the quantity of gas requested up to the MDQ, Coastal would be reimbursed for the incremental cost of acquiring replacement gas.

The export price is determined on a netback basis using the volume weighted average price per MMBtu of both Term Market Gas and Spot Gas. The price for Term Market Gas would be indexed to the Ventura price index as published in "*Inside FERC's Gas Market Report*", with a basis differential and annual C.P.I. adjustment, subject to a specific cap. The Spot Gas price is the average price for spot gas transactions at the TransCanada and Great Lakes/Viking interconnect at Emerson. Petro-Canada is responsible for the payment of the NOVA charges, while Coastal is responsible for the

TransCanada transportation. The gas purchase agreement provides for renegotiation of the Term Market Gas pricing provisions after 31 October 2001.

Coastal and PetroCanada have agreed to submit to arbitration any dispute that arises from the pricing mechanism of the gas purchase agreement or material changes in government regulations that frustrate the agreement.

Coastal estimated that the netback price, for the month of January 1996 at the Alberta border, would have been $Can. 2.28/GJ ($Can. 2.39/MMBtu).

The gas sales contracts between Coastal and each of ACS and ProGold are expected to be for terms commensurate with the Coastal and Petro-Canada gas purchase agreement.

6.6 Status of Regulatory Authorizations

Petro-Canada has applied to the EUB for a removal permit. The DOE/FE application for import authorization was expected to be filed by 15 July 1996.

Views of the Board

The Board notes that Coastal is obligated to purchase a minimum of 85 percent of the annualized MDQ as Term Market Gas. The Board also notes that there are penalties for deficient volumes. The Board is, therefore, satisfied that there is a reasonable expectation that the volumes sought to be licensed will be taken.

The Board notes the market-oriented approach in the determination of the gas price, which provides for Term Market Gas to be indexed to the Ventura price index and the Spot Gas price to be the average price for spot gas transactions at the TransCanada and Great Lakes/Viking interconnect at Emerson. The Board also notes that the gas purchase agreement provides for renegotiation of the Term Market Gas pricing provisions after 31 October 2001. Furthermore, the Board notes that the gas purchase agreement provides for binding arbitration. The Board is, thus, satisfied that the gas purchase agreement will remain attractive to the parties over the proposed term and is, therefore, durable.

The Board has examined the gas purchase agreement between Coastal and Petro-Canada, and is satisfied that it has been negotiated at arm's length.

The Board is satisfied that the pricing provisions of the gas purchase agreement provide for the payment of associated transportation charges on Canadian pipelines over the term of the contract.

The Board's examination of Petro-Canada's submitted gas supply indicates that Petro-Canada's reserves exceed the total commitments against those reserves, and that Petro-Canada has adequate productive capacity to meet its total requirements over the applied-for term.

Since PetroCanada owns the gas supply for the export, a finding of producer support is not necessary.

The Board notes that the gas purchase and transportation contracts are for a term and volume commensurate with the requested licence. The Board is, therefore, satisfied that the requested licence term is appropriate.

Decision

The Board has decided to issue a gas export licence to Coastal Gas Marketing Company, subject to the approval of the Governor-in-Council. Appendix 1 contains the terms and conditions of the licence to be issued.

Chapter 7

Morgan Hydrocarbons Inc. and Coastal Gas Marketing Company

7.1 Application Summary

By application dated 12 April 1996, Morgan Hydrocarbons Inc. and Coastal ("Morgan and Coastal") sought, pursuant to Part VI of the Act, a licence for the export of natural gas with the following terms and conditions:

Term	-	commencing on 1 November 1996 and ending on 31 October 2006	
Point of Export	-	Iroquois, Ontario	
Maximum Daily Quantity	-	283.3 10^3m^3	(10.0 MMcf)
Maximum Annual Quantity	-	104.0 10^6m^3	(3.7 Bcf)
Maximum Term Quantity	-	1 040 10^6m^3	(37.0 Bcf)
Tolerances	-	ten percent per day and two percent per year	

The gas proposed to be exported by Morgan and Coastal would be produced from the corporate supply pool of Morgan. The gas would be transported on the NOVA system to the Alberta border near Empress. TransCanada would then deliver the gas to the export point at Iroquois, Ontario. From the international border, the gas would be shipped on the Iroquois Gas Transmission Company ("IGTS") system to interconnecting pipelines for shipment to various markets in the U.S. Northeast.

7.2 Gas Supply

7.2.1 Supply Sources

The gas for the applied-for licence would be produced from Morgan's corporate supply pool. Morgan's submitted evidence included reserves in the Marten Creek field which were recently sold to Amber Energy Inc.; however, the Martin Creek reserves are currently committed to Morgan subject to thirty days' notice of cancellation by Amber. Reserves acquired by Morgan in its recent merger with International Colin were also submitted as part of Morgan's supply. No specific pools are contractually dedicated to Coastal.

7.2.2 Reserves

The estimate of Morgan's corporate reserves prepared by its consultants was 5 767 10^6m^3 (205 Bcf) as of 31 December 1995. These reserves are approximately equal to Morgan's total commitments of 6 005 10^6m^3 (212 BCF) which include the applied-for licence volume.

7.2.3 Productive Capacity

Morgan submitted a comparison of its projected productive capacity and its annual commitments assuming a 100 percent load factor. The productive capacity forecast assumes a growth rate of five percent per year. Morgan demonstrated that its productive capacity had grown at an average rate of 38 percent per year over the last three years. The comparison shows that Morgan has adequate productive capacity to meet its annual requirements throughout the term of the applied-for licence.

7.3 Transportation

Morgan holds firm transportation on the NOVA system. Coastal would take possession of the gas at the Empress delivery point. The gas would then be transported by TransCanada to the primary export point at Iroquois. Coastal has executed a precedent agreement with TransCanada for the requisite capacity and term. From the international border, IGTS would transport the gas to South Commack, Long Island pursuant to a precedent agreement dated 2 May 1995.

7.4 Market

Coastal markets more than 14 000 $10^3m^3/d$ (500 MMcf/d) in the U.S. Northeast, specifically to local distribution companies, electric generation companies and industrial end-users. The proposed exports will also be used to partially serve the gas requirements of Coastal's Eagle Point Oil Company refinery at Westville, New Jersey.

7.5 Gas Sales Contracts

Morgan and Coastal executed a gas purchase agreement on 14 October 1994. The term of the contract is from 1 November 1995 to the earlier of 1 November 2006 or the time when service on TransCanada and IGTS have terminated.

The gas purchase agreement provides for a DCQ of 11 535 GJ (305.8 10^3m^3), inclusive of fuel gas. Coastal is obligated to purchase a MAQ of 95 percent of the DCQs in each contract year. For those volumes not purchased up to the MAQ, Coastal will pay Morgan ten percent of the weighted average netback price for that contact year. Should Morgan fail to deliver the quantity of gas nominated on any one day, Coastal will be indemnified for the incremental costs of purchasing replacement gas supplies and any transportation penalty costs.

Upon notice, Morgan may propose to sell a certain portion of the DCQ to a third party. Coastal would have the option to match such offer and to provide the transportation for such volumes. If

Coastal elects to provide the transportation service, Morgan would pay Coastal a fee in addition to transportation charges.

The monthly price to be paid to Morgan is a netback price. Morgan will be paid the revenues received from the resale of its gas, less demand charges on the TransCanada and IGTS systems, and certain fees to be paid to Coastal.

The applicants estimated that the netback price, on 1 January 1996 at the Alberta border, would have been $Cdn. 3.21/GJ ($Cdn. 3.37/MMBtu).

7.6 Status of Regulatory Authorizations

Morgan has applied to the EUB for a long-term energy removal permit. Coastal has obtained an import authorization permit from the DOE/FE.

Views of the Board

The Board notes that the gas sales contract requires Coastal to purchase a MAQ equal to 95 percent of the DCQ. Additionally, the Board recognizes that Coastal is a major marketer of gas in the U.S. Northeast and, therefore, the Board is satisfied that there is a reasonable expectation that the volumes sought to be licensed will be taken.

The Board recognizes the netback pricing contained in the gas sales contract is market-oriented and thus the gas purchase agreement is likely to be durable over the proposed term.

The Board has examined the gas purchase contract between Morgan and Coastal and is satisfied that it has been negotiated at arm's length.

Since Morgan owns the gas supply supporting this export licence application, a finding of producer support is not necessary.

The Board's examination of Morgan's submitted supply indicates that Morgan's reserves are approximately equal to the total commitments against those reserves and that Morgan has adequate productive capacity to exceed its requirements for the majority of the term of the applied-for licence.

The Board notes that Coastal is responsible for the transportation charges on the TransCanada system and that the revenues generated under the gas sales contract will likely be sufficient to enable Morgan to cover demand charges on the NOVA system. The Board is, therefore, satisfied that there are provisions in the gas sales contract for the payment of the associated transportation charges on Canadian pipelines over the term of the gas sales agreement.

The term of the gas sales contract is consistent with the applied-for term of the proposed export. Transportation has also been arranged on all required pipelines for the proposed export term. The Board also notes that Morgan and Coastal hold or have

applied for regulatory authorizations which are for a term commensurate with the requested licence. The Board is, therefore, satisfied that the requested licence term is appropriate.

Decision

The Board has decided to issue a gas export licence to Morgan Hydrocarbons Inc. and Coastal Gas Marketing Company, subject to the approval of the Governor-in-Council. Appendix 1 contains the terms and conditions of the licence to be issued.

Chapter 8

Renaissance Energy Ltd.

8.1 Application Summary

By application dated 27 March 1996, Renaissance Energy Ltd. ("Renaissance") sought, pursuant to Part VI of the Act, a licence for the export of natural gas with the following terms and conditions:

Term	-	commencing on 1 November 1997 and extending to 1 November 2002	
Point of Export	-	Niagara Falls, Ontario	
Maximum Daily Quantity	-	281.9 10^3m^3	(10.0 MMcf)
Maximum Annual Quantity	-	102.9 10^6m^3	(3.6 Bcf)
Maximum Term Quantity	-	514.5 10^6m^3	(18.2 Bcf)
Tolerances	-	ten percent per day and two percent per year	

The gas proposed to be exported by Renaissance would be produced from its corporate supply pool. The gas would be transported on the NOVA system to the Alberta border near Empress. TransCanada would then deliver the gas to the export point at Niagara Falls, Ontario. From the international border, the gas would be shipped on the National Fuel Gas Supply Corporation ("National") system for shipment into various Iroquois Energy Brokers, LLC ("IEB") markets in the U.S. Northeast.

8.2 Gas Supply

8.2.1 Supply Sources

Renaissance would be providing gas for the proposed export from its Alberta Corporate Reserves Pool ("CRP"). These reserves are not contractually dedicated to any specific contract but, in aggregate, serve Renaissance's long-term commitments.

8.2.2 Reserves

Renaissance's reserves were evaluated by Renaissance and Sproule Associates Limited. The estimate as of 31 December 1995 was 45 241 10^6m^3 (1,597 Bcf) . The EUB currently recognizes 8 524 10^6m^3 (302.5 Bcf) for Renaissance's CRP. The total volume of all long-term sales, including the proposed export, over the applied-for licence term is 7 550 10^6m^3 (267 Bcf).

8.2.3 Productive Capacity

Renaissance submitted a comparison of its estimated annual corporate deliverability and its annual commitments. The comparison demonstrated that Renaissance has sufficient productive capacity to supply its annual commitments throughout the term of the applied-for licence.

8.3 Transportation

Renaissance has a FS agreement for the requisite capacity on the NOVA system. Renaissance has also executed a precedent agreement with TransCanada for the requisite FS capacity on the TransCanada system to transport the gas to Niagara Falls, Ontario. From the international border, IEB would then ship the gas to its markets in New York and Pennsylvania, pursuant to its ten-year renewable FS agreement with National Fuel.

8.4 Market

IEB is a non-regulated natural gas marketing company located in Hamburg, New York. The company aggregates gas supply for distribution and resale to over 300 small industrial and commercial customers. IEB has annual sales of 212.5 10^6m^3 (7.5 Bcf) which are expected to grow at a rate of 20 percent per year.

The proposed export would represent approximately 40 percent of IEB's long-term supply portfolio.

8.5 Gas Sales Contract

Renaissance and IEB executed a gas sales contract dated 1 March 1996, with a term which extends to 1 November 2002. An extension of the contract is subject to the prior agreement of the parties on price and other terms for the extension period. The gas purchase contract is subject to certain conditions precedent with respect to regulatory authorizations and FS transportation on the TransCanada system.

The gas sales contract between Renaissance and IEB provides for a MDQ of 10 600 GJ (10,100 MMBtu) and a MAQ equal to 75 percent of the MDQ. Should IEB fail to nominate and purchase the MAQ, Renaissance has the option to reduce the MDQ to a level not less than the average of the nominated quantities in effect during the contract year. If Renaissance fails to deliver (other than in cases of *force majeure*) to IEB the nominated quantity up to the MDQ, IEB would be reimbursed for the incremental cost of acquiring substitute gas or an alternative fuel.

The export price is comprised of a demand charge and a commodity charge. The demand charge consists of TransCanada's FS demand charge from Empress to the export point. The commodity charge determination is based on a market index for the total gas price, such as the Niagara Index, less the demand charge. The commodity charge is subject to annual redetermination, either by mutual agreement or by binding arbitration.

Renaissance estimated that the netback price, at the Alberta border for the month of January 1996, would have been $Can. 3.82/GJ ($Can. 4.01/MMBtu).

8.6 Status of Regulatory Authorizations

IEB has filed its application with the DOE/FE to amend its current authorization to import gas to provide for the full contract term. Renaissance has also applied to the EUB for a gas removal permit. The terms and volumes are commensurate with the gas export application.

Views of the Board

The Board notes that the gas sales agreement requires Renaissance to purchase a minimum of 75 percent of the annualized MDQ, and that there are penalties for deficient volumes. The Board is, therefore, satisfied that there is a reasonable expectation that the volumes sought to be licensed will be taken.

The Board notes the market-oriented approach used to determine the gas price, in which the commodity charge is market indexed and is also subject to binding arbitration. The Board is thus satisfied that the gas sales contract will remain attractive to the parties over the proposed term and is, therefore, durable.

The Board has examined the gas sales contract between Renaissance and IEB, and is satisfied that it has been negotiated at arm's length.

The Board is satisfied that the pricing provisions of the gas sales contract provide for the payment of associated transportation charges on Canadian pipelines over the term of the contract.

The Board's examination of Renaissance's submitted gas supply evidence indicates that Renaissance's reserves exceed its commitments against those reserves. Furthermore, Renaissance's productive capacity is expected to exceed its firm requirements over the term of the applied-for licence.

Since Renaissance owns the gas destined for the export, a finding of producer support is not necessary.

The Board notes that the gas sales and transportation agreements, as well as the applied-for requisite regulatory authorizations, are all for a term and volume commensurate with the requested licence. The Board is, therefore, satisfied that the requested licence term is appropriate.

Decision

The Board has decided to issue a gas export licence to Renaissance Energy Ltd., subject to the approval of the Governor-in-Council. Appendix 1 contains the terms and conditions of the licence to be issued.

Chapter 9

St. Lawrence Gas Company, Inc.

9.1 Application Summary

By application dated 27 March 1996, as amended 31 May 1996, St. Lawrence Gas Company, Inc. ("St. Lawrence") sought, pursuant to Part VI of the Act, a licence for the export of natural gas with the following terms and conditions:

Term	-	commencing on 1 November 1996 and ending on 31 October 2002	
Maximum Daily Quantity	-	574.3 10^3m^3	(20.3 MMcf)
Maximum Annual Quantity	-	106.2 10^6m^3	(3.7 Bcf)
Maximum Term Quantity	-	637.2 10^6m^3	(22.5 Bcf)
Tolerances	-	ten percent per day and two percent per year	

St. Lawrence applied for a licence to export gas from Canada, with Cornwall and Iroquois, Ontario as the primary export points.

The gas proposed to be exported by St. Lawrence would be produced from the netback supply pool of TransCanada with TransCanada Gas Service Limited ("TCGS") acting as TransCanada's agent. The gas would be transported on the NOVA system to the Alberta border near Empress. TransCanada would then deliver the gas to the export points at Cornwall and/or Iroquois, Ontario. From the international border at Cornwall, the gas would be shipped on the Niagara Gas Transmission Company ("Niagara") system while from Iroquois, it would be transported on the IGTS system to St. Lawrence's distribution systems in the U.S. Northeast.

In addition, TransCanada will deliver a portion of the applied-for gas volume to Union Gas Limited's ("Union") Dawn and Parkway storage facilities. From these facilities, Union will then transport the gas back to TransCanada at the Parkway junction to meet seasonal demands.

St. Lawrence is currently exporting gas under a short-term export order.

9.2 Gas Supply

9.2.1 Supply Sources

Gas for the proposed export would be supplied to St. Lawrence from reserves in the TransCanada netback supply pool under St. Lawrence's gas purchase contracts with TCGS. No pools in the netback supply pool are specifically dedicated to St. Lawrence.

9.2.2 Reserves

St. Lawrence provided an EUB listing of remaining reserves for TransCanada's contracted lands. When adjusted for 1995 production, the total remaining marketable gas as of 31 December 1995 was 305 358 10^6m^3 (10.8 Tcf). These reserves exceed TransCanada's total contracted domestic and export requirements of 150 791 10^6m^3 (5.3 Tcf).

9.2.3 Productive Capacity

St. Lawrence submitted supply and demand balances for both TCGS' expected requirements and TCGS' currently contracted domestic and export requirements. The supply and demand comparison for currently contracted requirements shows that TGCS has sufficient supply to meet these requirements over the term of the applied-for licence.

9.3 Transportation

TCGS, as TranCanada Gas Marketing Limited's (formerly Western Gas Marketing Limited) agent, has a FS agreement for the requisite capacity on the NOVA system. St. Lawrence would transport 291.0 $10^3m^3/d$ (10.3 MMcf/d) to Cornwall, Ontario pursuant to a FS agreement, as amended, with TransCanada. TCGS would also make gas available to and from Union's Dawn and Parkway storage facilities. This gas would be stored by Consumers' Gas Company Limited ("Consumers'") and Union and, subsequently, would be delivered to St. Lawrence by Union's transmission facilities at the Parkway/TransCanada junction. This storage, pursuant to the Storage Transportation Service ("STS") contract among itself, TransCanada and St. Lawrence, is for 283.3 $10^3m^3/d$ (10 MMcf/d). St. Lawrence and Union are party to a M12 FS agreement, which also provides for the transportation of 283.3 $10^3m^3/d$ (10 MMcf/d) from Dawn to Parkway to facilitate transportation to and from storage. This storage agreement provides St. Lawrence the ability to manage the seasonal demand variations in St. Lawrence's market area.

St. Lawrence would ship up to 1 135 $10^3m^3/d$ (40 MMcf/d) directly or from storage, from TransCanada's Cornwall delivery point to St. Lawrence's distribution system, pursuant to its Cornwall Service Agreement with Niagara. In addition, St. Lawrence would transport the gas from the Iroquios delivery point to its market facilities near South Commack, New York, pursuant to the Firm Reserved Service agreement, for 0.6 $10^3m^3/d$ (20 Mcf/d) and the Interruptible Service agreement for 1 000 $10^3m^3/d$ (36.5 MMcf/d) with IGTS.

9.4 Market

St. Lawrence operates a natural gas distribution utility in northern New York State. The company began distributing gas in 1962 from which time St. Lawrence's entire gas supply has been from Canada. The company provides gas to over 13,600 residential, commercial and industrial customers.

The proposed export would represent virtually all of St. Lawrence's long-term market requirements.

9.5 Gas Sales Contract

On 14 July 1995, St. Lawrence and TCGS executed a gas sales contract to govern the proposed gas export. The terms of the agreement will come into effect upon the receipt of the necessary Canadian and U.S. regulatory authorizations and extend to 31 October 2002. Gas flowed to St. Lawrence from 1962 until 31 October 1992 under a number of previous export licences issued to Niagara. Since then, gas has been exported under short-term orders.

TCGS, under the terms of the initial gas sales contract with St. Lawrence, is obligated to deliver the daily contract volume ("DCV") up to a maximum of 424.0 10^3m^3 (15 MMcf). TCGS contemplates reducing the maximum DCV to 291.0 10^3m^3 (10.3 MMcf) to correspond with the DCV in effect under the updated Interim Gas Sales agreement. The storage component of the gas sales contract provides for an entitlement, under the TransCanada STS contract, of a maximum daily contract demand of 283.3 10^3m^3 (10 MMcf). During the first contract year, TCGS must provide the fuel requirements to the export point.

TCGS is not relieved from liability due to non-delivery of the DCV. On the other hand, St. Lawrence has an obligation not to purchase gas under any additional supply contract, if St. Lawrence is aware that such action would result in a volume of gas that is less than the sum of the annual DCVs in the gas sales contract. However, St. Lawrence has the option to reduce the DCV as a result of market displacement due to any direct purchase agreements or permanent loss of market. The volumetric cutback to St. Lawrence for reducing the DCV under these provisions is permanent, resulting in the loss of St. Lawrence's corresponding entitlement to TransCanada's FS transportation.

The price to be paid by St. Lawrence consists of a two-part demand/commodity charge. The demand component consists of the sum of the monthly demand charges on the NOVA and TransCanada systems. The monthly commodity charge is comprised of an average of all the prices payable by Consumers' under its long-term contracts. The commodity charge component is subject to annual redetermination, either by mutual agreement or by binding arbitration.

St. Lawrence estimated that the netback price, for the month of January 1996 at the Alberta border, would have been $Cdn. 1.95/GJ ($Cdn. 2.05/MMBtu).

9.6 Status of Regulatory Authorizations

TCGS has received a removal permit from the EUB (No. GR 91-9A). St. Lawrence has also received approval from DOE/FE, under Order No. 1190, to import gas under terms and volumes commensurate with those of the gas export application. As well, a finding of producer support was obtained from the Alberta Petroleum Marketing Commission ("APMC").

Views of the Board

The Board notes that St. Lawrence's applied-for export volume would flow to a market that has been served with essentially Canadian gas since the early 1960s. St. Lawrence has been exporting gas to satisfy its market requirements under short-term order since November 1992 at virtually a 100 percent load factor, which is expected to continue over the duration of the term of the proposed export. The Board also notes

St. Lawrence's obligation to purchase the DCVs in the gas sales agreement. The Board is, therefore, satisfied that there is a reasonable expectation that the applied-for volumes will be taken, recognizing the changing nature of the LDC market that may result in St. Lawrence incurring market displacement through direct purchase agreements.

The Board observes that market-oriented pricing is provided for in the gas sales contract and that the base price is referenced to an average price of Consumers' long-term gas contracts. The commodity charge of the pricing component is also subject to binding arbitration. The Board also notes the market adjustment provisions of the gas sales contract which provide for market displacement due to direct purchase agreements. The Board is, thus, satisfied that the gas sales agreement is likely to remain attractive to the parties over the proposed applied-for term and is, therefore, durable.

The Board has examined the gas sales contract between St. Lawrence and TCGS, and notes that it has been negotiated at arm's length.

The Board notes that a finding of producer support was received from the APMC.

The Board notes that the demand component of the gas price structure includes the transportation costs incurred on the NOVA and TransCanada systems. Therefore, the Board is satisfied that the gas sales agreement provides for the payment of associated transportation charges on Canadian pipelines over the term of the contract.

The Board's examination of St. Lawrence's submitted gas supply indicates that remaining reserves exceed the total contracted commitments against those reserves. St. Lawrence's submitted productive capacity exceeds contracted requirements over the term of the applied-for licence.

The required regulatory authorizations have been obtained or applied for. The Board notes that the requisite regulatory authorizations, as well as the transportation and gas sales agreements, are all for a term and volume commensurate with the requested licence. The Board is, therefore, satisfied that the requested licence term is appropriate.

Decision

The Board has decided to issue a gas export licence to St. Lawrence Gas Company Inc., subject to the approval of the Governor-in-Council. Appendix 1 contains the terms and conditions of the licence to be issued.

Chapter 10

Talisman Energy Inc. (Glenns Ferry)

10.1 Application Summary

By application dated 29 March 1996, Talisman Energy Inc. ("Talisman") sought, pursuant to Part VI of the Act, a licence for the export of natural gas with the following terms and conditions:

Term	-	commencing on 1 January 1997 or as soon thereafter as authorizations are available and the cogeneration facility is in full commercial operation, and extending for 20 years	
Point of Export:	-	Huntingdon, B.C.	
Maximum Daily Quantity	-	74.7 10^3m^3	(2.6 MMcf)
Maximum Annual Quantity	-	27.3 10^6m^3	(1.0 Bcf)
Maximum Term Quantity	-	545.5 10^6m^3	(19.0 Bcf)
Tolerances	-	ten percent per day and two percent per year	
	-	any volumes authorized for export which are not actually exported during any year may be exported during the remaining term of the authorization subject only to the maximum daily volume limitation and tolerance	

The gas proposed to be exported by Talisman would be produced from its own corporate supply pool in British Columbia. The gas would be transported on the Westcoast Energy Inc. ("Westcoast") system to the international border at Huntingdon, British Columbia. From the international border, the gas would be shipped on the Northwest Pipeline Company ("Northwest") system to the Glenns Ferry cogeneration facility ("GFCP") at Glenns Ferry, Idaho.

10.2 Gas Supply

10.2.1 Supply Sources

Talisman would provide the gas for the proposed export from its British Columbia CRP. The primary sources for this gas would be the Monkman area, the Slave Point play in the Northern Plains area and various wells in other areas of British Columbia. These reserves are not specifically dedicated to this contract.

10.2.2 Reserves

Talisman estimated remaining established gas reserves, as of 1 January 1997, to be 14 897 $10^6 m^3$ (529 Bcf) for its corporate pool. The Monkman area contains approximately 75 percent or 11 214 $10^6 m^3$ (398 Bcf) of the CRP reserves. The CRP's reserves exceed total commitments of 10 365 $10^6 m^3$ (366 Bcf) required from this supply pool.

10.2.3 Productive Capacity

Talisman submitted a forecast of productive capacity from its corporate pool compared to its currently known contract obligations. Talisman's forecast shows that it has sufficient productive capacity to meet its obligations over the majority of the term of the applied-for licence.

10.3 Transportation

Talisman has a FS agreement to transport 3 132.9 $10^3 m^3/d$ (112.3 MMcf/d) of gas on the Westcoast system to the delivery point of Sumas, Washington.

Eastern Energy Marketing, Inc. ("EEM"), the fuel purchaser for the project, has executed a FS transportation agreement with Northwest to transport the gas from the international border to the cogeneration facility in Glenns Ferry, Idaho. The agreement extends to 28 February 2007 and is renewable from year to year thereafter at EEM's option.

10.4 Market

The proposed export will be used to fuel a 9.0 MW combustion turbine generator that will provide heat to a heat recovery steam generator. The cogeneration facility, which is expected to commence commercial operations in December 1996, will be situated in Glenns Ferry. The entire electrical output of the facility will be sold under a 20-year firm energy sales agreement to Idaho Power Company. Steam output from the facility will be sold to Magic West, Inc. for use in its operations of processing potatoes.

Talisman stated that it anticipates that the gas would be taken at a 98 percent load factor for the term of the proposed licence.

10.5 Gas Sales Contracts

Talisman, EEM and GFCP have executed a gas sales agreement dated 21 December 1995. The term of the agreement extends for 20 years from the date that the facility commences operations.

The gas sales agreement provides for a DCQ of 2 650 GJ (2,525 MMBtu) comprising a fixed component of 1 910 GJ (1,818 MMBtu) and a market component of 740 GJ (707 MMBtu) plus up to a six percent allowance for fuel gas requirements and engine degradation at the project.

Under the terms of the gas sales agreement, EEM is required to purchase the full DCQ. Should EEM fail to take the full DCQ, Talisman would have the right to sell the remaining quantities to a third party. If the price of the quantities sold by Talisman into third-party markets is less than the contract sales price, EEM would be responsible for the difference plus $US 0.05/MMBtu. Remaining deficiency quantities not taken by EEM would be compensated for at fair market value. Should Talisman fail to deliver the full DCQ, EEM would be reimbursed for the incremental and direct costs and expenses of replacement gas supplies and transportation.

The price to be paid by EEM consists of a fixed component price and a market component price. The price to be paid for the fixed component quantity is fixed for the first five years of the contract. The fixed component will be an annually predetermined NYMEX price adjusted by a basis differential between NYMEX and the Sumas delivery point, provided that the predetermined price falls within a specified floor and ceiling price. The price to be paid for the market component quantity is an index price reflecting the spot price of gas delivered to Northwest, as published in *"Inside F.E.R.C.'s Gas Market Report"*. If the price index ceases to be published it will be replaced by another published index mutually agreed upon by the parties. Similarily, if the NYMEX ceases to provide a futures contract for natural gas, then the parties shall agree on another indicator of gas futures prices. If the parties fail to agree upon a replacement index or futures indicator, the recourse will be binding arbitration.

Talisman estimated that the netback price, for the month of January 1996, would have been $Cdn. 2.12/GJ ($Cdn. 2.22/MMBtu).

10.6 Status of Regulatory Authorizations

EEM has filed an application with the DOE/FE for a long-term authorization to import the applied-for volumes. Talisman has filed an application for a long-term Energy Removal Certificate ("ERC") with the B.C. Ministry of Employment and Investment. The authorization for the ERC is expected to be granted following the issuance of an export licence by the Board.

Views of the Board

The Board notes that the gas sales agreement requires EEM to purchase the full DCQ and that there are payment penalties with regard to deficiency volumes. Additionally, the Board notes that Talisman is the sole supplier for the entire fuel requirement for the facility. Therefore, the Board is satisfied that there is a reasonable expectation that the volumes sought to be licensed will be taken.

The Board is of the view that the market-oriented approach to pricing will allow the contract to remain attractive to the parties over the proposed term and is, therefore, durable.

The Board has examined the gas sales agreement between Talisman and EEM and is satisfied that it has been negotiated at arm's length.

The Board's examination of Talisman's submitted gas supply indicates that the established remaining reserves exceed the total contract obligations against those

reserves. Talisman's submitted productive capacity exceeds contracted requirements over the term of the applied-for licence.

Since Talisman owns the gas supply destined for the export, a finding of producer support is not necessary.

The Board notes that EEM is responsible for the transportation charges on Northwest and that the revenues generated under the gas sales agreement will likely be sufficient to enable Talisman to cover transportation charges on Westcoast. The Board is, therefore, satisfied that there are provisions in the gas sales agreement for the payment of the associated transportation charges on Canadian pipelines over the term of the agreement.

The Board notes that the gas sales and transportation agreements are for a term and volume commensurate with the requested licence. The Board is, therefore, satisfied that the requested licence term is appropriate.

With respect to Talisman's request regarding tolerances, the Board has historically included daily and annual operating tolerances in order to accommodate divergences due to operational and measurement discrepancies. The Board did not intend that these tolerances would be used to make up volumes that were not previously taken. Moreover, such volumes could be exported under a short-term export order. Accordingly, the Board has decided not to grant Talisman's request regarding tolerances for make up volumes.

Decision

The Board has decided to issue a gas export licence to Talisman Energy Inc., subject to the approval of the Governor-in-Council. Appendix 1 contains the terms and conditions of the licence to be issued.

Chapter 11

Talisman Energy Inc. (Rupert)

11.1 Application Summary

By application dated 29 March 1996, Talisman sought, pursuant to Part VI of the Act, a licence for the export of natural gas with the following terms and conditions:

Term:	-	commencing 1 January 1997, or as soon thereafter as authorizations are available and the cogeneration facility is in full commercial operation, and extending for 20 years	
Point of Export:	-	Huntingdon, B.C.	
Maximum Daily Quantity:	-	78.9 10^3m^3	(2.8 MMcf)
Maximum Annual Quantity:	-	28.8 10^6m^3	(1.0 Bcf)
Maximum Term Quantity:	-	575.9 10^6m^3	(20.3 Bcf)
Tolerances:	-	ten percent per day and two percent per year	
	-	any volumes authorized for export which are not actually exported during any year may be exported during the remaining term of the authorization subject only to the maximum daily volume limitation and tolerance	

The gas proposed to be exported by Talisman would be produced from its own corporate supply pool. The gas would be transported on the Westcoast system to the international border at Huntingdon, British Columbia. From the international border, the gas would be shipped on the Northwest system and on the Intermountain Gas Company ("Intermountain") system for delivery to the Rupert cogeneration facility ("RCP") in Rupert, Idaho.

11.2 Gas Supply

11.2.1 Supply Sources

Talisman would provide the gas for the proposed export from its British Columbia CRP. The primary sources for this gas would be the Monkman area, the Slave Point play in the Northern Plains area and various wells in other areas of British Columbia. These reserves are not specifically dedicated to this contract.

11.2.2 Reserves

Talisman estimated remaining established gas reserves, as of 1 January 1997, to be 14 897 10^6m^3 (529 Bcf) for its corporate pool. The Monkman area contains approximately 75 percent or 11 214 10^6m^3 (398 Bcf) of the corporate pool reserves. The CRP's reserves exceed total commitments of 10 365 10^6m^3 (366 BCF) required from this supply pool.

11.2.3 Productive Capacity

Talisman submitted a forecast of productive capacity from its corporate pool compared to its currently known contract obligations. Talisman's forecast shows that it has sufficient productive capacity to meet its obligations over the majority of the term of the applied-for licence.

11.3 Transportation

Talisman has a FS agreement to transport 3132.9 $10^3m^3/d$ (112.3 MMcf/d) of gas on the Westcoast system to the delivery point of Sumas, Washington.

EEM, the fuel purchaser for the project, has executed a FS transportation agreement with Northwest to transport the gas from the international border to the Intermountain system. The agreement extends to 28 February 2007 and is renewable from year to year thereafter at EEM's option. Intermountain would then transport the gas to the cogeneration facility in Rupert, Idaho.

11.4 Market

The proposed export will be used to fuel a 9.3 MW combustion turbine generator that will provide heat to a heat recovery steam generator. The cogeneration facility, which is expected to commence commercial operations in December 1996, will be situated in the City of Rupert, Idaho. The entire electrical output of the facility will be sold under a 20-year firm energy sales agreement to Idaho Power Company. Steam output from the facility will be sold to Magic Valley Foods, Inc. for use in its operations.

Talisman stated that it anticipates that the gas would be taken at a 98 percent load factor for the term of the proposed licence.

11.5 Gas Sales Contracts

Talisman, EEM and RCP have executed a gas sales agreement dated 21 December 1995. The term of the agreement extends for 20 years from the date that the facility commences operations.

The gas sales agreement provides for a DCQ of 2 800 GJ (2,666 MMBtu) comprising a fixed component of 1 945 GJ (1,853 MMBtu) and a market component of 855 GJ (813 MMBtu) plus up to a six percent allowance for fuel gas requirements and engine degradation at the project.

Under the terms of the gas sales agreement, EEM is required to purchase the full DCQ. Should EEM fail to take the full DCQ, Talisman would have the right to sell the remaining quantities to a third party. If the price of the quantities sold by Talisman into third-party markets is less than the contract sales price, EEM would be responsible for the difference plus $US 0.05/MMBtu. Remaining deficiency quantities not taken by EEM would be compensated for at fair market value. Should Talisman fail to deliver the full DCQ, EEM would be reimbursed for the incremental and direct costs and expenses of replacement gas supplies and transportation.

The price to be paid by EEM consists of a fixed component price and a market component price. The price to be paid for the fixed component quantity is fixed for the first five years of the contract. The fixed component will be an annually predetermined NYMEX price adjusted by a basis differential between NYMEX and the Sumas delivery point, provided that the predetermined price falls within a specified floor and ceiling price. The price to be paid for the market component quantity is an index price reflecting the spot price of gas delivered to Northwest, as published in *"Inside F.E.R.C.'s Gas Market Report"*. If the price index ceases to be published it will be replaced by another published index mutually agreed upon by the parties. Similarily, if the NYMEX ceases to provide a futures contract for natural gas, then the parties shall agree on another indicator of gas futures prices. If the parties fail to agree upon a replacement index or futures indicator, the recourse will be binding arbitration.

Talisman estimated that the netback price, for the month of January 1996, would have been $Cdn. 2.12/GJ ($Cdn. 2.22/MMBtu).

11.6 Status of Regulatory Authorizations

EEM has filed an application with the DOE/FE for a long-term authorization to import the applied-for volumes. Talisman has filed an application for a long-term ERC with the B.C. Ministry of Employment and Investment. The authorization for the ERC is expected to be granted following the issuance of an export licence by the Board.

Views of the Board

The Board notes that the gas sales agreement requires EEM to purchase the full DCQ and that there are payment penalties with regard to deficiency volumes. Additionally, the Board notes that Talisman is the sole supplier for the entire fuel requirement for the facility. Therefore, the Board is satisfied that there is a reasonable expectation that the volumes sought to be licensed will be taken.

The Board is of the view that the market-oriented approach to pricing will allow the contract to remain attractive to the parties over the proposed term and is, therefore, durable.

The Board has examined the gas sales agreement between Talisman and EEM and is satisfied that it has been negotiated at arm's length.

The Board's examination of Talisman's submitted gas supply indicates that the established remaining reserves exceed the total contract obligations against those

reserves. Talisman's submitted productive capacity exceeds contracted requirements over the applied-for licence term.

Since Talisman owns the gas supply destined for the export, a finding of producer support is not necessary.

The Board notes that EEM is responsible for the transportation charges on Northwest and Intermountain, and that the revenues generated under the gas sales agreement will likely be sufficient to enable Talisman to cover transportation charges on Westcoast. The Board is, therefore, satisfied that there are provisions in the gas sales agreement for the payment of the associated transportation charges on Canadian pipelines over the term of the agreement.

The Board notes that the gas sales and transportation agreements are for a term and volume commensurate with the requested licence. The Board is, therefore, satisfied that the requested licence term is appropriate.

With respect to Talisman's request regarding tolerances, the Board has historically included daily and annual operating tolerances in order to accommodate divergences due to operational and measurement discrepancies. The Board did not intend that these tolerances would be used to make up volumes that were not previously taken. Moreover, such volumes could be exported under a short-term export order. Accordingly, the Board has decided not to grant Talisman's request regarding tolerances for make up volumes.

Decision

The Board has decided to issue a gas export licence to Talisman Energy Inc., subject to the approval of the Governor-in-Council. Appendix 1 contains the The

Chapter 12

Disposition

The foregoing chapters constitute our Reasons for Decision and Decision in respect of those applications heard by the Board in the GHW-1-96 proceeding.

K.W. Vollman
Presiding Member

R. Illing
Member

R. L. Andrew
Member

Calgary, Alberta
September 1996

Appendix I

Terms and Conditions of the Licences to be Issued

Terms and Conditions of the Licence to be Issued to Coastal Gas Marketing Company (Producers Supply)

1. (a) Subject to condition 1(b), the term of this Licence shall commence on 1 November 1997 and shall end on 31 October 2007.

   (b) The term of this Licence shall end on 1 November 1999 unless exports commence hereunder on or before that date.

2. Subject to condition 3, the quantity of gas that Coastal may export under the authority of this Licence shall not exceed:

(a) 1 367 500 cubic metres in any one day;

   (b) 500 000 000 cubic metres in any consecutive twelve-month period ending on 31 October; or

   (c) 5 000 000 000 cubic metres during the term of this Licence.

3. (a) As a tolerance, the amount that may be exported in any 24-hour period under the authority of this Licence may exceed the daily limitation imposed in condition 2 by ten percent.

   (b) As a tolerance, the amount that may be exported in any consecutive twelve-month period under the authority of this Licence may exceed the annual limitation imposed in condition 2 by two percent.

4. Gas exported under the authority of this Licence shall be delivered to the point of export near Chippawa, Ontario.

Terms and Conditions of the Licence to be Issued to Coastal Gas Marketing Company (Morrison Supply)

1. (a) Subject to condition 1(b), the term of this Licence shall commence on 1 November 1997 and shall end on 31 October 2007.

   (b) The term of this Licence shall end on 1 November 1999 unless exports commence hereunder on or before that date.

2. Subject to condition 3, the quantity of gas that Coastal may export under the authority of this Licence shall not exceed:

   (a) 199 100 cubic metres in any one day;

   (b) 73 000 000 cubic metres in any consecutive twelve-month period ending on 31 October; or

   (c) 730 000 000 cubic metres during the term of this Licence.

3. (a) As a tolerance, the amount that may be exported in any 24-hour period under the authority of this Licence may exceed the daily limitation imposed in condition 2 by ten percent.

   (b) As a tolerance, the amount that may be exported in any consecutive twelve-month period under the authority of this Licence may exceed the annual limitation imposed in condition 2 by two percent.

4. Gas exported under the authority of this Licence shall be delivered to the point of export near Emerson, Manitoba.

Terms and Conditions of the Licence to be Issued to Coastal Gas Marketing Company (Petro-Canada Supply)

1. (a) Subject to condition 1(b), the term of this Licence shall commence on 1 November 1997 and shall end on 31 October 2007.

   (b) The term of this Licence shall end on 1 November 1999 unless exports commence hereunder on or before that date.

2. Subject to condition 3, the quantity of gas that Coastal may export under the authority of this Licence shall not exceed:

   (a) 313 500 cubic metres in any one day;

   (b) 114 400 000 cubic metres in any consecutive twelve-month period ending on 31 October; or

   (c) 1 144 000 000 cubic metres during the term of this Licence.

3. (a) As a tolerance, the amount that may be exported in any 24-hour period under the authority of this Licence may exceed the daily limitation imposed in condition 2 by ten percent.

(b) As a tolerance, the amount that may be exported in any consecutive twelve-month period under the authority of this Licence may exceed the annual limitation imposed in condition 2 by two percent.

4. Gas exported under the authority of this Licence shall be delivered to the point of export near Emerson, Manitoba.

Terms and Conditions of the Licence to be Issued to Morgan Hydrocarbons Inc. and Coastal Gas Marketing Company

1. (a) Subject to condition 1(b), the term of this Licence shall commence on 1 November 1996 and shall end on 31 October 2006.

   (b) The term of this Licence shall end on 1 November 1998 unless exports commence hereunder on or before that date.

2. Subject to condition 3, the quantity of gas that Morgan and Coastal may export under the authority of this Licence shall not exceed:

   (a) 283 300 cubic metres in any one day;

   (b) 104 000 000 cubic metres in any consecutive twelve-month period ending on 31 October; or

   (c) 1 040 000 000 cubic metres during the term of this Licence.

3. (a) As a tolerance, the amount that may be exported in any 24-hour period under the authority of this Licence may exceed the daily limitation imposed in condition 2 by ten percent.

   (b) As a tolerance, the amount that may be exported in any consecutive twelve-month period under the authority of this Licence may exceed the annual limitation imposed in condition 2 by two percent.

4. Gas exported under the authority of this Licence shall be delivered to the point of export near Iroquois, Ontario.

Terms and Conditions of the Licence to be Issued to Renaissance Energy Ltd.

1. (a) Subject to condition 1(b), the term of this Licence shall commence on 1 November 1997 and shall end on 1 November 2002.

(b) The term of this Licence shall end on 1 November 1999 unless exports commence hereunder on or before that date.

2. Subject to condition 3, the quantity of gas that Renaissance may export under the authority of this Licence shall not exceed:

(a) 281 900 cubic metres in any one day;

(b) 102 900 000 cubic metres in any consecutive twelve-month period ending on 31 October; or

(c) 514 500 000 cubic metres during the term of this Licence.

3. (a) As a tolerance, the amount that may be exported in any 24-hour period under the authority of this Licence may exceed the daily limitation imposed in condition 2 by ten percent.

(b) As a tolerance, the amount that may be exported in any consecutive twelve-month period under the authority of this Licence may exceed the annual limitation imposed in condition 2 by two percent.

4. Gas exported under the authority of this Licence shall be delivered to the point of export near Niagara Falls, Ontario.

Terms and Conditions of the Licence to be Issued to St. Lawrence Gas Company, Inc.

1. (a) Subject to condition 1(b), the term of this Licence shall commence on 1 November 1996 and shall end on 31 October 2002.

(b) The term of this Licence shall end on 1 November 1998 unless exports commence hereunder on or before that date.

2. Subject to condition 3, the quantity of gas that St. Lawrence may export under the authority of this Licence shall not exceed:

(a) 574 300 cubic metres in any one day;

(b) 106 200 000 cubic metres in any consecutive twelve-month period ending on 31 October; or

(c) 637 200 000 cubic metres during the term of this Licence.

3. (a) As a tolerance, the amount that may be exported in any 24-hour period under the authority of this Licence may exceed the daily limitation imposed in condition 2 by ten percent.

(b) As a tolerance, the amount that may be exported in any consecutive twelve-month period under the authority of this Licence may exceed the annual limitation imposed in condition 2 by two percent.

4. Gas exported under the authority of this Licence shall be delivered to the points of export near Cornwall and/or Iroquois, Ontario.

Terms and Conditions of the Licence to be Issued to Talisman Energy Inc. (Glenns Ferry)

1. (a) Subject to condition 1(b), the term of this Licence shall commence on 1 January 1997 or as soon as authorizations are available and the cogeneration facility is in full commercial operation and shall end on 31 December 2016.

   (b) The term of this Licence shall end on 1 January 1999 unless exports commence hereunder on or before that date.

2. Subject to condition 3, the quantity of gas that Talisman may export under the authority of this Licence shall not exceed:

   (a) 74 700 cubic metres in any one day;

   (b) 27 300 000 cubic metres in any consecutive twelve-month period ending on 31 October; or

   (c) 545 500 000 cubic metres during the term of this Licence.

3. (a) As a tolerance, the amount that may be exported in any 24-hour period under the authority of this Licence may exceed the daily limitation imposed in condition 2 by ten percent.

   (b) As a tolerance, the amount that may be exported in any consecutive twelve-month period under the authority of this Licence may exceed the annual limitation imposed in condition 2 by two percent.

4. Gas exported under the authority of this Licence shall be delivered to the point of export near Huntingdon, British Columbia.

Terms and Conditions of the Licence to be Issued to Talisman Energy Inc. (Rupert)

1. (a) Subject to condition 1(b), the term of this Licence shall commence on 1 January 1997 or as soon as authorizations are available and the cogeneration facility is in full commercial operation and shall end on 31 December 2016.

   (b) The term of this Licence shall end on 1 January 1999 unless exports commence hereunder on or before that date.

2. Subject to condition 3, the quantity of gas that Talisman may export under the authority of this Licence shall not exceed:

   (a) 78 900 cubic metres in any one day;

   (b) 28 800 000 cubic metres in any consecutive twelve-month period ending on 31 October; or

   (c) 575 900 000 cubic metres during the term of this Licence.

3. (a) As a tolerance, the amount that may be exported in any 24-hour period under the authority of this Licence may exceed the daily limitation imposed in condition 2 by ten percent.

   (b) As a tolerance, the amount that may be exported in any consecutive twelve-month period under the authority of this Licence may exceed the annual limitation imposed in condition 2 by two percent.

4. Gas exported under the authority of this Licence shall be delivered to the point of export near Huntingdon, British Columbia.