

**DENALI – THE ALASKA GAS PIPELINE LLC
PROPOSED PRO FORMA PRECEDENT AGREEMENT
JUNE 28, 2010**

This binding Precedent Agreement (the “Precedent Agreement”) is made and entered into this ___ day of _____, 2010, by and between Denali – The Alaska Gas Pipeline LLC (“Transporter”) and _____ (“Shipper”). Transporter and Shipper are sometimes referred to herein individually as a “Party,” or collectively as the “Parties.”

RECITALS

A. Transporter is developing, subject to FERC approval, an Alaska natural gas transportation system to carry Alaska natural gas to the border between Alaska and Canada, which system will include all related facilities such as the Gas Treatment Plant, compressor stations, and any transmission lines (collectively, the “Project”).

B. Shipper desires to obtain Firm Service on the Project, or portions of the Project, subject to the terms and conditions of this Precedent Agreement.

C. On July 6, 2010, Transporter initiated an Open Season with respect to the Capacity on the Project.

D. The facilities and capacities described in this Precedent Agreement could change based on the final project design, shipper commitments, and regulatory authorizations.

E. The commitment provided by Shipper in this Precedent Agreement, together with other similar agreements, will be used as support for the financing, construction, and operation of the Project.

F. Transporter is willing to continue its efforts to develop the Project and to proceed with obtaining governmental authorizations to construct and acquire the required facilities; provided that Transporter receives sufficient commitments from prospective shippers.

G. Transporter shall seek negotiated rate authority from FERC and, where necessary, shall use such authority to effectuate the terms of this Precedent Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, and intending to be legally bound, Transporter and Shipper agree to the following:

Article 1. Definitions and Interpretive Conventions.

1.1 Definitions. Capitalized terms used in this Precedent Agreement shall have the following meanings:

“Acid Gas” means the stream of gas removed at the Gas Treatment Plant consisting primarily of carbon dioxide.

“Affiliate” when used to indicate a relationship with a specific Person, means another Person that directly, or indirectly through one or more intermediaries or otherwise, controls, is controlled by, or is under common control with, such specific Person. A corporation shall be deemed to be an Affiliate of another corporation if one directly or indirectly controls the other or if each of them is directly or indirectly controlled by the same Person.

“AFUDC” means the allowance for funds used during construction, and is defined as an amount allowed to compensate Transporter for the cost of funds during the period of Project Development.

“Alaska Mainline” means Transporter’s large diameter, high-pressure natural gas pipeline and all pipeline related facilities that will carry natural gas from the outlet of the GTP about 730 miles (1175 kilometers) to the international border between Alaska and Canada.

“Alaska Natural Gas Pipeline Act” means Sections 720 through 720n of Title 15 of the United States Code, as amended or recodified from time to time.

“AOS” means authorized overrun service, and is defined as Shipper’s right to a pro-rata share of available capacity, above its MDQ, as specified in Transporter’s Tariff.

“Btu” means British thermal unit, and is defined as the amount of heat required to raise the temperature of one pound of water one degree Fahrenheit from 59 degrees Fahrenheit to 60 degrees Fahrenheit at a standard pressure of 14.73 psia.

“Business Day” means Monday through Friday, excluding U.S. federal banking holidays and statutory holidays in the Province of Alberta, Canada.

“Canada Mainline” means the natural gas transportation system and all pipeline related facilities to be owned by Canadian Transporter that will carry Gas within Canada.

“Canadian Transporter” means Denali Canada – The Alaska Gas Pipeline (West), Inc.

“Capacity” means Shipper’s capacity (in Dth) held under an agreement for Firm Service, together, if applicable, with the AOS rights associated with Shipper’s capacity.

“Central Clock Time” means central daylight time when daylight savings time is in effect and central standard time when daylight savings time is not in effect.

“Compression Agreement” means an agreement, substantially in the form attached hereto as Exhibit G, which, subject to the terms and conditions of this Precedent Agreement, will be entered into by Transporter and Shipper and under which Transporter shall provide Compression Service to Shipper.

“Compression Service” means compressing Shipper’s Gas under Rate Schedule FC of Transporter’s Tariff pursuant to a Compression Agreement at the First Stage Compression Facility so that the Gas has a pressure and temperature sufficient to enter Transporter’s pipeline facilities at the outlet of the First Stage Compression Facility.

“CPCN” means a certificate of public convenience and necessity issued by FERC authorizing Transporter to provide services identified in Transporter’s Tariff.

“Cubic Foot” means that volume of Gas occupying one cubic foot when such Gas is at a temperature of 60 degrees Fahrenheit and at a pressure of 14.73 psia.

“Daily” or “Day” means a period beginning at 9:00 a.m. Central Clock Time on a calendar day and ending at 9:00 a.m. Central Clock Time on the following calendar day, unless otherwise mutually agreed in writing by Shipper and Transporter.

“Decatherm,” “Dekatherm,” or “Dth” means the Quantity of energy that is equivalent to ten therms or 1,000,000 Btus.

“Delivery Point” means, for each Firm Service, a point identified on Exhibit A of this Precedent Agreement and in Attachment 1 of the applicable Service Agreement, where Transporter will deliver Gas to Shipper or for Shipper’s Account in accordance with the applicable Service Agreement.

“FERC” means the Federal Energy Regulatory Commission.

“Firm Service” means one or any combination of Transmission Service, Gas Treating Service, Compression Service, or Transportation Service, as applicable.

“First Stage Compression Facility” means Transporter’s compression facility to be located at, or adjacent to, the Gas Treatment Plant where Gas will be compressed prior to entering Transporter’s high-pressure pipeline system.

“Foundation Shipper” means a Shipper who satisfies the criteria specified in Section 6.1 of this Precedent Agreement.

“Fuel” means Gas consumed in Transporter’s operation of the Project.

“Fuel Requirement” means the sum of: (a) a Quantity of Gas equal to the applicable Monthly Fuel percentage established by Transporter for the applicable service, (b) a Quantity of Gas equal to Transporter’s reasonable estimate of Lost or Unaccounted for Gas attributable to such service; and (c) a Quantity of Gas equal to the Monthly fuel percentage established by Canadian Transporter for transportation service on the Canada Mainline, if applicable.

“Gas” means methane, and such other hydrocarbon and non-hydrocarbon constituents, or a mixture of two or more of them that, in any case, meets the applicable Gas Quality Standards.

“Gas Quality Standards” means the applicable quality standards specified in Transporter’s Tariff.

“Gas Treating Agreement” means an agreement, substantially in the form attached hereto as Exhibit F, which, subject to the terms and conditions of this Precedent Agreement, will be entered into by Transporter and Shipper and under which Transporter shall provide Gas Treating Service to Shipper.

“Gas Treating Service” means the separation of Acid Gas from Shipper’s Gas delivered into the Gas Treatment Plant and the dehydration of Shipper’s Gas under Rate Schedule FGT of Transporter’s Tariff pursuant to a Gas Treating Agreement so that it meets the Gas Quality Standards applicable downstream of the Gas Treatment Plant for Transportation Service and Compression Service.

“Gas Treatment Plant” or “GTP” means the gas treatment facility, which will be subject to the jurisdiction of FERC under the Alaska Natural Gas Pipeline Act.

“In-Service Date” means the date that the ramp-up phase described in Section 2.3(a)(iii) begins.

“Lenders” means any Person with whom Transporter, from time to time, has entered into a debt financing arrangement or other loan or credit facility with respect to the financing of Transporter’s facilities, or with whom Canadian Transporter, from time to time, has entered into a debt financing arrangement or other loan or credit facility with respect to the financing of Canadian Transporter’s facilities.

“Lost or Unaccounted for Gas” means the Quantity of Gas reasonably determined by Transporter to be lost, or gained, during the provision of any service, expressed as Dth, other than Gas consumed and measured in Transporter’s operations.

“Maximum Rate” means the applicable maximum rate Transporter can charge for the applicable Service under Transporter’s Tariff, as amended and approved from time to time by FERC.

“Mcf” means 1,000 Cubic Feet.

“MDQ” means the maximum Capacity, not including Fuel and Lost or Unaccounted for Gas, expressed in Dth per Day, Transporter shall make available to a Shipper on a firm basis under an agreement for Firm Service, as specified in Attachment 1 of the applicable Service Agreement.

“Month” or “Monthly” means a period extending from 9:00 a.m. Central Clock Time on the first Day of a calendar month and ending at 9:00 a.m. Central Clock Time on the first Day of the succeeding calendar month, or at such other hour as Shipper and Transporter agree upon.

“Moody’s” means Moody’s Investors Services, Inc., a Delaware corporation.

“NEB” means the National Energy Board established pursuant to the Canada *National Energy Board Act*.

“Notice” has the meaning ascribed to such term in Section 20.1.

“Negotiated Rate” means the rates calculated in accordance with Exhibit C, which Transporter and Shipper have agreed will be charged for Firm Service under a Service Agreement entered into pursuant to this Precedent Agreement.

“Open Season” means an open season seeking shippers to commit to Firm Service prior to the installation of the applicable facilities, which has been conducted pursuant to FERC regulations.

“Party” and “Parties” have the meaning ascribed to such terms in the preamble.

“Person” means an individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company, or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator, or other legal personal representative, regulatory body or agency, government or governmental agency, authority or entity however designated or constituted.

“PPBoRs” has the meaning ascribed to such term in Section 7.2(b).

“Precedent Agreement” has the meaning ascribed to such term in the preamble.

“Project” has the meaning ascribed to such term in Recital A.

“Project Development” means all development or construction activities related to the Project.

“Pro-Rata Development Cost” has the meaning ascribed to such term in Section 11.5.

“Psia” or “psia” means pounds per square inch absolute.

“Quantity” means the applicable amount of Gas calculated in Btu or Dth.

“Reasonable Efforts” means, with respect to a given goal, the efforts that a reasonable Person in the position of the applicable Party would use to achieve the goal expeditiously.

“Receipt Point” means, for each Firm Service, a point on Exhibit A of this Precedent Agreement and in Attachment 1 of the applicable Service Agreement, where Shipper will tender, or cause to be tendered, Gas for Firm Service.

“Recourse Rate” has the meaning ascribed to such term in Section 3.2.

“Service Agreement” means a Transportation Agreement, a Gas Treating Agreement, a Compression Agreement, or a Transmission Agreement between Transporter and Shipper entered into pursuant to the terms of this Precedent Agreement.

“Shipper” has the meaning ascribed to such term in the preamble.

“Shipper Conditions Precedent” has the meaning ascribed to such term in Article 10.

“Shipper’s Account” means Shipper’s Gas account under the applicable Service Agreement.

“Shipper’s Capital Cost Share” has the meaning ascribed to such term in Section 9.4(a)(ii).

“Standard & Poor’s” means Standard & Poor’s Financial Services LLC, a Delaware limited liability company, which is a subsidiary of The McGraw-Hill Companies, Inc.

“Tangible Net Worth” has the meaning ascribed to such term in Section 9.4(a)(ii).

“Transmission” means the receipt of Gas for Shipper’s Account at the Receipt Point pursuant to Shipper’s Transmission Agreement, and the delivery of equivalent Quantities of Gas, adjusted for the Fuel Requirement, for Shipper’s Account at the applicable Delivery Point.

“Transmission Agreement” means an agreement, substantially in the form attached hereto as Exhibit E, which, subject to the terms and conditions of this Precedent Agreement, will be entered into by Transporter and Shipper and under which Transporter shall provide Transmission Service to Shipper.

“Transmission Service” means the Transmission of Shipper’s Gas under Rate Schedule FTR of Transporter’s Tariff pursuant to a Transmission Agreement.

“Transportation” means the receipt of Gas for Shipper’s Account at a Receipt Point that is available to Shipper pursuant to Shipper’s Transportation Agreement, and the delivery of Gas, adjusted for the Fuel Requirement, for Shipper’s Account at a Delivery Point available to Shipper pursuant to Shipper’s Transportation Agreement.

“Transportation Agreement” means an agreement, substantially in the form attached hereto as Exhibit H, which, subject to the terms and conditions of this Precedent Agreement, will be entered into by Transporter and Shipper and under which Transporter shall provide Transportation Service to Shipper.

“Transportation Service” means the Transportation of Shipper’s Gas under Rate Schedule FT of Transporter’s Tariff pursuant to a Transportation Agreement.

“Transporter” has the meaning ascribed to such term in the preamble.

“Transporter Condition Precedent” has the meaning ascribed to such term in Article 8.

“Transporter’s Tariff” means Transporter’s FERC Gas Tariff, as amended by Transporter and approved by FERC from time to time.

“Year” means a period of 365 consecutive days, provided, however, that any such year containing a date of February 29 shall consist of 366 consecutive days.

1.2 Interpretive Conventions. Unless otherwise specifically provided, the following interpretative conventions apply to the interpretation of this Precedent Agreement:

- (a) *Gender*. A reference to one gender includes the others.

- (b) *References.* A reference to an “Article,” “Section,” or “Exhibit” is to an Article, Section, or Exhibit, as appropriate, of this Precedent Agreement.
- (c) *Conjunctions.*
- (i) And. The word “and” can have two different connotations:
- (1) the several “and”: A and B, jointly or severally; or
 - (2) the joint “and”: A and B, jointly but not severally.
- In this Agreement, “and” should be interpreted in the joint sense, uniting things as a whole group, not in the several sense.
- (ii) Or. The word “or” can have two different connotations:
- (1) the inclusive “or”: A or B, or both; or
 - (2) the exclusive “or”: A or B, but not both.
- In this Agreement, “or” should be interpreted in the inclusive sense, not in the exclusive sense. If “or” is used in the exclusive sense, it is written as “either A or B” or other phrase indicating the exclusive connotation.
- (d) *Singular/Plural.* A word denoting the singular only includes the plural, or vice versa, where the context requires.
- (e) *Amended Statutes & Regulations.* A reference to a statute or regulation is a reference to the law as later changed or a change caused by a change to another law.
- (f) *Amended Agreement.* A reference to an agreement is a reference to the agreement as later changed.
- (g) *Include.* The words “including,” “includes,” and “include” are deemed to be followed by the words “without limitation.”
- (h) *Headings.* The headings in this Precedent Agreement are included for convenience and do not affect the construction of this Precedent Agreement.
- (i) *Drafting Construction.* Each Party has had the opportunity to consult attorneys and other advisors in connection with entering into this Precedent Agreement, and as a consequence the rule calling for an agreement to be construed against the drafter does not apply.
- (j) *May.* The word “may” means “is authorized or permitted to in its sole discretion.”

- (k) *Successor/Assigns.* A reference to a Person includes that Person's permitted successors and assigns and, in the case of any governmental Person, the Person succeeding to the relevant functions of that governmental Person.
- (l) *References to Agencies or Officials.* A reference to a governmental department, division, agency, or official continues to apply regardless of any changes in name or title, and applies to the successor department, division, agency, or official to which the referenced responsibilities or functions might be transferred. A reference to a government official includes the official's designee.
- (m) *Successor Publications.* Where this Precedent Agreement references information or uses an information source that is no longer available, the Parties shall reference information or use an information source that is substantially similar.

Article 2. Effective Date and Term

2.1 This Precedent Agreement begins upon Transporter's execution of this Precedent Agreement, and ends on the earlier of: (i) termination under Article 11; or (ii) execution of all of Shipper's Service Agreements.

2.2 The primary term of a Service Agreement begins upon execution of the Service Agreement by Transporter and ends the number of Years that Shipper specifies in the Service Agreement after the In-Service Date. But, if that term is less than 20 Years, the bid is deemed to be a non-conforming bid.

2.3 Phases and Services before Full Service.

- (a) **Phases.** The GTP and the Alaska Mainline will become operational in phases.
 - (i) The "line-fill phase" begins upon the completion of construction of the Alaska Mainline and the Canada Mainline and will end upon the completion of the line fill deliveries for the Alaska Mainline and the Canada Mainline.
 - (ii) The "start-up phase" begins upon the end of the line-fill phase and will end upon the reliable delivery of Gas for Firm Service, as determined by Transporter, at a capacity less than the full certificated capacity.
 - (iii) The "ramp-up phase" begins upon the end of the start-up phase and will end upon the reliable delivery of Gas for Firm Service, as determined by Transporter, at a capacity of 100% of all shippers' non-reduced MDQ.
 - (iv) The "full-service phase" begins upon the end of the ramp-up phase.
- (b) **Services before Full Service.**
 - (i) During the line-fill and the start-up phases, Transporter may make intermittent service available to shippers, with priority given to firm

shippers pro-rata based on their respective MDQs. Before electing to make the intermittent service available to shippers, Transporter shall file the specifics of the intermittent service, such as the terms and conditions of service and the cost of service, with FERC for approval.

- (ii) During the ramp-up phase, Transporter shall provide each firm shipper with Firm Service at a reduced MDQ, determined as follows:
 - (A) multiply the applicable shipper's MDQ by the available capacity for the applicable Firm Service during the period; and
 - (B) divide the result by the non-reduced contracted MDQs for all shippers for the applicable Firm Service.
- (iii) If, during the ramp-up phase, a shipper's maximum daily quantity for Firm Service or firm service on the Canada Mainline is reduced and such reduction impacts the ability of that shipper to use other Firm Services, then the MDQ for each impacted Firm Service for such shipper shall, during the ramp-up phase but only for so long, and to the extent that, the reduction of the maximum daily quantity continues, be the lesser of:
 - (A) the reduced MDQ determined in accordance with Section 2.3(b)(ii); or
 - (B) a reduced MDQ equal to the difference of the applicable shipper's MDQ minus an amount equal to the amount of reduction on the Canada Mainline.

Article 3. Firm Service and Rates

3.1 Shipper's MDQ, Receipt Point(s), and Delivery Point(s) under each applicable agreement for Firm Service are set forth on Exhibit A.

3.2 Shipper shall pay the Maximum Rate for the applicable Firm Service, and any other additional charges approved by FERC, as stated in Transporter's Tariff (the "Recourse Rate"); provided, however, Shipper and Transporter may mutually agree to a Negotiated Rate to replace the otherwise applicable Maximum Rate. The initial Recourse Rate proposed by Transporter will be based on the principles set forth in Exhibit B. Transporter may file rate cases with FERC from time to time during the term of any agreement for Firm Service and, unless Shipper and Transporter mutually agree to a Negotiated Rate, Shipper shall be responsible to pay the applicable Maximum Rate resulting from any such rate case.

3.3 If the Parties agree to a Negotiated Rate, such Negotiated Rate shall be calculated in accordance with the principles set forth in Exhibit C, and Shipper shall pay under the applicable agreements for Firm Service according to such Negotiated Rate.

3.4 The standard for review of any challenge to a Negotiated Rate, if any, will be the "public interest" standard of review set forth in *United Gas Pipe Line Co. v. Mobile Sierra Gas*

Service Corp., 350 U.S. 332 (1956) and *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956), as interpreted in *NRG Power Marketing L.L.C. v. Maine PUC, et al.*, ___ U.S. ___ (2010) and *Morgan Stanley Capital Group Inc. v. Public Util. Dist. No. 1 of Snohomish Cty.*, 554 U.S. ___ (2008).

Article 4. Open Season, Post Open Season, and Capacity

4.1 Shipper and Transporter have entered into this Precedent Agreement as a result of the Open Season conducted by Transporter.

4.2 If Transporter receives bids for more capacity than is available in the initial Open Season, Transporter may re-design the Project to accommodate all bids accepted by Transporter for Firm Service within the feasible design capacity determined by Transporter, taking into account economic, engineering, design, capacity, and operational constraints and potential impacts on timely Project Development. In the event bids accepted by Transporter for Firm Service received from shippers during the initial Open Season exceed the feasible design capacity, or Transporter chooses not to re-design the Project, Transporter shall award capacity in the following order:

- (a) first, to conforming bids; and
- (b) second, to non-conforming bids submitted before the close of the initial Open Season, which Transporter ultimately accepts on a not unduly discriminatory basis.

Capacity awarded for each category listed above, to the extent capacity exists, will be handled on a pro-rata basis among all shippers within the same category. Pre-subscription agreements and late bids will be handled in accordance with 18 C.F.R. § 157.34(c)(15) and 18 C.F.R. § 157.34(d)(2), respectively. If applicable, Transporter shall reduce each bidder's MDQs indicated on Exhibit A to the applicable precedent agreements pro rata based solely on each bidder's proportion of the total quantity of Firm Service capacity reflected in all bids accepted by Transporter in the initial Open Season for a particular category, and Transporter shall provide Notice to each shipper regarding the reduced MDQs. If Shipper's MDQ is reduced for one Firm Service and the reduction impacts the ability to utilize other Firm Services, Transporter may consult with Shipper to attempt reconciliation of capacity for other Firm Services. Shipper will have 15 days after receipt of the Notice of reduced MDQs to either accept or reject any reduced award of capacity. In the event a shipper rejects the reduced award of capacity, the returned capacity will be made available to the remaining shippers on a pro-rata basis within the same category.

4.3 Transporter shall inform shippers of the total Firm Service commitments within 10 days of execution by Transporter of all precedent agreements.

- (a) If the sum of the total Firm Service commitments in the precedent agreements executed by Transporter is greater than or equal to 85% of the design capacity of the Alaska Mainline, Transporter may reconfigure the current design to match the capacity reservation. If the reconfiguration materially changes transportation

rates or capacity allotments, Transporter shall provide Notice to shippers of the revised rate estimates or capacity allotments. No later than 15 days after the Notice, Shipper may terminate this Precedent Agreement by providing Notice to Transporter.

- (b) If the sum of the total Firm Service commitments in the precedent agreements executed by Transporter is less than 85% of the design capacity of the Alaska Mainline, the following procedures apply:
 - (i) between the execution of this Precedent Agreement and December 31, 2011, Transporter shall consult with shippers to determine if shippers are:
 - (A) willing to make additional Firm Service commitments to progress Project Development, or
 - (B) interested in Transporter developing a modified project design to deliver gas to North America or to a natural gas liquefaction facility.
 - (ii) if interest exists in a modified project, Transporter and Shipper may undertake an engineering study to estimate the cost of the modified project. After (1) completion of the re-design study or (2) receipt of sufficient additional commitments to allow the original Project to proceed, Transporter and Shipper may agree to proceed with a modified project or the original Project under an amended Precedent Agreement.
 - (iii) Transporter's and Shipper's obligations (other than Shipper's obligations under Section 9.4) are suspended until the earlier of: (A) December 31, 2011, or (B) additional commitments are secured. If either sufficient commitments for the current project design are not received by Transporter or either Party does not elect to proceed under an amended Precedent Agreement for a modified project by December 31, 2011, then either Party may terminate this Precedent Agreement by providing at least 30 days' prior Notice to the other Party.

4.4 In the event Transporter, after establishing the design capacity based on Precedent Agreements entered as a result of the initial Open Season or thereafter, receives indications of interest for new capacity which cannot be satisfied by the certificated capacity, Transporter shall, prior to expanding such capacity, conduct a reverse open season pursuant to which Shipper may offer to reduce all or a portion of Shipper's MDQ up to an amount sufficient to satisfy the requests for new capacity. Transporter shall utilize the capacity turned back by shippers during the reverse open season prior to pursuing an expansion. If shippers, including Shipper, have offered capacity reductions in an amount that exceeds the requests for new capacity, Transporter shall reduce the capacity for existing shippers, including Shipper on a pro-rata basis. In the event aggregate offers to reduce capacity are less than requests for new capacity, and the difference cannot be provided by reasonable capital expenditures associated with facilities expansion, Transporter may deny all or a portion of Shipper's requested reduction in capacity in the reverse

open season. Any reduction of capacity pursuant to a reverse open season shall be subject to the shippers seeking new capacity meeting all applicable Transporter requirements, including creditworthiness. In no event shall Transporter be obligated to accept an offer to reduce capacity if such reduction, after taking into account the commercial arrangement with shippers seeking new capacity, results in a decrease of Transporter's revenues or is otherwise inconsistent with Transporter's economic interests. In the event a reverse open season does not provide adequate capacity, Transporter shall determine if a re-design is feasible for the requested capacity taking into account economic, engineering, design, capacity, and operational constraints and potential impacts on timely Project Development.

Article 5. Firm Service Commitment

Transporter shall provide Shipper, if requested on the attached Exhibit A and subject to available capacity at the requested Receipt Point(s) and Delivery Point(s), with one or any combination of Transmission Service under a Transmission Agreement, Gas Treating Service under a Gas Treating Agreement, Compression Service under a Compression Agreement, or Transportation Service under a Transportation Agreement, as applicable, through the elected services within the Project in accordance with and subject to the provisions of the applicable agreements for Firm Service.

Article 6. Foundation Shippers

6.1 A Shipper qualifies as a Foundation Shipper if (i) Shipper meets the minimum creditworthiness requirements set forth in Section 9.4, (ii) Shipper's bid is for a minimum of 20 years of Firm Service, (iii) Shipper executes this Precedent Agreement before the close of the Open Season, and (iv) Shipper obtains all requisite internal approvals to perform its obligations under this Precedent Agreement by February 1, 2011.

6.2 If Shipper is deemed a Foundation Shipper pursuant to Section 6.1, then Shipper shall be entitled to:

- (a) Negotiated Rates calculated in accordance with the principles set forth in Exhibit C;
- (b) the termination rights specified in Section 11.2;
- (c) a one-time option, which may be exercised by Shipper with at least 42 months' advance Notice to Transporter, to extend the term of each agreement for Firm Service entered into pursuant to this Precedent Agreement for five additional Years after the end of the primary term specified in the applicable agreement for Firm Service. Shipper shall elect one of the following rate options for the five-Year extension term:
 - (i) the Recourse Rate, calculated in accordance with the principles set forth in Exhibit B; or

- (ii) a negotiated rate for the five-Year extension term, to be negotiated in good faith between Transporter and Shipper in the six months following receipt of Shipper's Notice. The depreciation rate assigned to such negotiated rate shall be based on the remaining life of the Project. In the event the Parties are unable to agree upon a Negotiated Rate during such six-month period, and either Party does not wish to continue negotiations, Shipper may elect to accept the applicable Recourse Rate for such five-Year extension term or elect not to extend its capacity reservation for Firm Service.

- (d) a most-favored nation right as follows: If Transporter, prior to the In-Service Date under Foundation Shipper's applicable Service Agreement, enters into an agreement for Firm Service on the same path with any other Shipper, at rates lower than the rates applicable to Foundation Shipper's Service Agreement, then Transporter shall so notify Foundation Shipper and Foundation Shipper, upon providing Notice to Transporter, shall have the right to receive Firm Service with respect to its MDQ specified in the applicable Service Agreement, under the same terms and conditions for the same time period. In the event Shipper's rates have been levelized for the term of the applicable agreements for Firm Service, this provision shall only apply with respect to other shippers with levelized rates who have committed to the same path for the same time period.

6.3 Foundation Shipper status is non-transferrable unless to a Person that meets the Foundation Shipper requirements set forth in this Article 6.

Article 7. Transporter Obligations

7.1 Transporter shall use Reasonable Efforts to file for and pursue FERC authorization for the construction and operation of the Project, and shall cause Canadian Transporter to use Reasonable Efforts to file for and pursue with the NEB authorization for the construction and operation of the Canada Mainline.

7.2 Transporter shall provide to each shipper an updated cost estimate and revised rate estimates for the Firm Service awarded, together with an updated construction schedule for the Project and the Canada Mainline, no later than 30 days after:

- (a) the later of (i) the conclusion of the front-end engineering and design phase for the Project or (ii) the submission to FERC of an application for a CPCN, and
- (b) the later of (i) the acceptance of the CPCN or (ii) the approval of Canadian Transporter's plans, profiles, and books of reference (the "PPBoRs") for the entire Canada Mainline by the NEB.

7.3 Transporter shall tender to Shipper, no later than 60 days after the later of (i) Transporter's acceptance of a CPCN, or (ii) the approval of Canadian Transporter's PPBoRs for the entire Canada Mainline by the NEB, executable copies of all Service Agreements necessary as a result of Shipper's elections in Exhibit A; provided, that Transporter shall not

tender any such agreement for Firm Service to Shipper prior to the date it provides to Shipper the updated information specified in Section 7.2 above. Transporter shall execute each Service Agreement within 30 days after all of the following have occurred: (a) Shipper executes and returns the Service Agreement; (b) all service agreements are executed and returned to Transporter by all shippers who have been awarded capacity in the initial Open Season; and (c) all firm transportation service agreements are executed and returned to Canadian Transporter by shippers who have been awarded capacity in Canadian Transporter's initial open season.

7.4 If shippers agree on a Gas component tracking methodology, then Transporter shall allow for the establishment and implementation of a Gas component tracking system, which may be implemented and administered by an independent third party and would be funded by the shippers.

7.5 Transporter shall discuss with Shipper other services desired by Shipper, and in the event Transporter is agreeable to providing such services, Transporter shall file a request with FERC to include such additional services in Transporter's Tariff.

Article 8. Conditions to Transporter's Obligations

Transporter's obligations under Article 5 and Section 7.3 are subject to satisfaction of the following conditions (each, a "Transporter Condition Precedent"), unless waived in writing by an authorized representative of Transporter:

- (a) all requisite approvals for the Project and the Canada Mainline must be obtained and maintained on terms acceptable to Transporter and Canadian Transporter, including approval of construction, operation, rates, tolls, or principles for the calculation of tolls, and terms and conditions of service;
- (b) Transporter has estimated that required modifications to the application for a CPCN do not materially decrease projected revenues, or materially increase costs (without receipt of commensurate revenue), to Transporter, or materially impair recovery of costs incurred by Transporter in constructing and operating the Project;
- (c) Canadian Transporter has estimated that required modifications to the application to the NEB for a certificate of public convenience and necessity or the application for the PPBoRs in respect of the Canada Mainline do not materially decrease projected revenues, or materially increase costs (without receipt of commensurate revenue), to Canadian Transporter, or materially impair recovery of costs incurred by Canadian Transporter in constructing and operating the Canada Mainline;
- (d) Transporter and Canadian Transporter have each received and maintained sufficient firm commitments at acceptable rates, in their sole discretion, from Shipper and other shippers to support the construction and operation of the Project and the Canada Mainline;

- (e) Transporter and Canadian Transporter have received and maintained sufficient financial commitments and capital commitments, in form and substance satisfactory to them in their sole discretion, for funding the debt and equity requirements of the Project and the Canada Mainline;
- (f) Shipper has entered into, and is in compliance with, precedent agreements, transportation service agreements, or such other agreements as necessary to secure service, with interconnecting facilities to move Shipper's MDQ on and off the Project;
- (g) Transporter and Canadian Transporter have received all requisite internal approvals for Project Development and development or construction of the Canada Mainline, respectively, and have received internal approvals to accept the CPCN (in the case of Transporter) and of any terms of, or conditions imposed by, the certificate of public convenience and necessity for the Canadian Mainline issued by the NEB and the terms and conditions on the PPBoRs as established by the NEB (in the case of Canadian Transporter), no later than one Year after issuance of such documents or authorizations;
- (h) The operator of each critical facility interconnected or to be interconnected with the Project or the Canada Mainline has provided written notice to Transporter of receipt of all approvals (government, corporate, and other) necessary to site, construct, and operate such facilities, along with notice of secured financing, if necessary, to effect those facilities to operational status for the duration of the primary term, in substance satisfactory to Transporter; and
- (i) Transporter has received reliable evidence that each condition precedent specified in this Precedent Agreement has been satisfied or waived.

Article 9. Shipper's Obligations

9.1 Consistent with the terms of this Precedent Agreement, Shipper shall execute the applicable Service Agreements within thirty days after tender by Transporter.

9.2 Shipper shall not oppose any filing made by Transporter with FERC or any other forum in furtherance of Project Development with respect to any of the issues addressed directly or indirectly by this Precedent Agreement or a Service Agreement; nor shall Shipper take any actions to impede or delay Project Development. Notwithstanding the foregoing, nothing contained in this Precedent Agreement is intended to preclude Shipper from challenging (i) the proposed size and configuration of the Project or the applicable rates for the same in any proceeding, subject to Section 3.4, or (ii) Transporter's proposed Tariff general terms and conditions.

9.3 Upon request by Transporter, Shipper shall promptly provide evidence to Transporter of creditworthiness which Transporter may share with its Lenders. Shipper shall assist Transporter in establishing financing commitments, including agreeing to reasonable

modifications of agreement terms and executing consent agreements as reasonably required by the Lenders.

9.4 Creditworthiness. The following creditworthiness standards apply for purposes of this Precedent Agreement. These creditworthiness standards shall continue to apply to Shipper (or assignees) through the term of this Precedent Agreement. Transporter shall not be required to continue to perform its obligations under this Precedent Agreement for any Shipper that fails to establish and maintain creditworthiness or fails to cause an Affiliate of Shipper to establish and maintain creditworthiness as required under any firm transportation service agreement made between such Affiliate and Canadian Transporter. Transporter shall determine Shipper's creditworthiness in accordance with the following:

(a) Creditworthiness Standard.

(i) Shipper will be deemed creditworthy so long as:

(1) Shipper is the ultimate parent of its controlled corporate structure or Shipper is the State of Alaska and, in either event:

(A) Shipper's long-term unenhanced senior unsecured debt securities are rated at least BBB by Standard & Poor's or at least Baa2 by Moody's in each case with a stable or better outlook; and

(B) Shipper's Tangible Net Worth is, in Transporter's assessment, equal to or greater than Shipper's Capital Cost Share;

(2) Shipper provides a guarantee from its ultimate parent or from the State of Alaska that is sufficient to cover Shipper's contractual obligations to Transporter in a form satisfactory to Transporter in Transporter's sole discretion and:

(A) the long-term unenhanced senior unsecured debt securities of the guarantor are rated at least BBB by Standard & Poor's or at least Baa2 by Moody's in each case with a stable or better outlook; and

(B) the Tangible Net Worth of the guarantor is, in Transporter's assessment, equal to or greater than Shipper's Capital Cost Share;

(3) Shipper provides a guarantee from an Affiliate other than Shipper's ultimate parent that is sufficient to cover Shipper's contractual obligations to Transporter in a form satisfactory to Transporter in Transporter's sole discretion and:

- (A) the long-term unenhanced senior unsecured debt securities of the guarantor are rated at least A- by Standard & Poor's or at least A3 by Moody's in each case with a stable or better outlook; and
 - (B) the Tangible Net Worth of the guarantor is, in Transporter's assessment, equal to or greater than Shipper's Capital Cost Share; or
- (4) Shipper does not meet the conditions in (1), (2), or (3) above and:
- (A) Shipper's long-term unenhanced senior unsecured debt securities are rated at least A- by Standard & Poor's or at least A3 by Moody's in each case with a stable or better outlook; and
 - (B) Shipper's Tangible Net Worth is, in Transporter's assessment, equal to or greater than Shipper's Capital Cost Share.

If the rating of Shipper or the applicable guarantor has a negative outlook or is on creditwatch for downgrade, Shipper's rating or the guarantor's rating will be reduced by one rating level. If Shipper or the applicable guarantor is rated by both Standard & Poor's and Moody's, only the lower rating will be taken into account.

- (ii) "Tangible Net Worth," for purposes of this Section 9.4(a), means total assets, less total liabilities, less intangible assets, less off-balance sheet obligations Shipper is obligated to disclose to Transporter. Intangible assets include, but are not limited to, goodwill, patents, copyrights, and unamortized loan costs. Only actual tangible assets are included for purposes of assessing creditworthiness.

"Shipper's Capital Cost Share" is calculated using the following steps:

- (a) *divide* Shipper's total capacity commitments for the applicable Firm Service by all shippers' total capacity commitments for the same Firm Service;
- (b) *multiply* the quotient in step (a) by the sum of the capitalized costs, AFUDC, and other expenditures incurred or to be incurred by Transporter, in Transporter's estimation, in developing or constructing its facilities for that Firm Service;
- (c) *add* the products in step (b) for each Firm Service;

- (d) *add* to the sum in step (c), the Shipper's capital cost share under all precedent agreements or firm transportation service agreements between Shipper and Canadian Transporter; and
- (e) *add* to the sum in step (d), the amount of any guaranty given, or proposed to be given, by Shipper's guarantor to support Affiliated shipper's obligations under all precedent agreements or firm transportation service agreements between the Affiliated shipper and Canadian Transporter.

If Shipper is the State of Alaska, is guaranteed by the State of Alaska, or otherwise is supported by the full faith and credit of the State of Alaska, Shipper will be deemed to have a Tangible Net Worth equal to or greater than Shipper's Capital Cost Share.

- (b) Determination of Creditworthiness. In the event Shipper does not meet the requirements specified in Section 9.4(a) above, in determining Shipper's creditworthiness Transporter may consider in addition to the factors set forth in Section 9.4(a), one or more of the following categories of additional information and factors, but in making all creditworthiness determinations, Transporter shall act in a not unduly discriminatory manner:
 - (i) opinions, outlooks, watch alerts, and rating actions of Standard & Poor's and Moody's and other credit reporting agencies;
 - (ii) the pro forma effect on Shipper's debt rating of execution by Shipper of any Service Agreement;
 - (iii) financial statements and reports;
 - (iv) whether a petition, under any chapter of the bankruptcy code of the United States, or under legislation of a similar nature of the United States, Canada, or any other nation, is filed by or against Shipper, any of its affiliates, or any guarantor of Shipper's obligations hereunder;
 - (v) whether Shipper is subject to any lawsuits or outstanding judgments, which could materially impair its ability to remain solvent;
 - (vi) the nature of Shipper's business and the effect on that business of general economic conditions and economic conditions specific to it, including Shipper's ability to recover the costs of Transporter's services through filings with regulatory agencies or otherwise to pass on such costs to its customers;
 - (vii) whether Shipper has or has had any delinquent balances outstanding for services provided previously by Transporter and whether Shipper is paying and has paid to Transporter its account balances according to the

terms established in its agreement(s) (excluding amounts as to which there is a good faith dispute); and

- (viii) any other information, including any information provided by Shipper or requested by Transporter, that is relevant to Shipper's creditworthiness.
- (c) Creditworthiness of Assignee. As indicated further in Article 16 of this Precedent Agreement, the creditworthiness requirements applicable to Shipper shall apply to any assignee pursuant to an assignment (in whole or part) of this Precedent Agreement or to any permanent release, in whole or part, pursuant to a Service Agreement.
- (d) Failure to Satisfy Creditworthiness – Alternatives. If Shipper fails or ceases to satisfy the creditworthiness standards or criteria as described above, Shipper must provide and maintain one or more of the following credit alternatives, in lieu of the creditworthiness standard requirements outlined in Section 9.4(a):
 - (i) (1) Shipper may provide an irrevocable standby letter of credit in a form and from a financial institution acceptable to Transporter in Transporter's sole discretion in an amount equal to Shipper's pro-rata share of all expenditures and costs projected to be incurred by Transporter related to Project Development between the conclusion of Transporter's Open Season and the execution by the Parties of the applicable Service Agreements. If Shipper does not, at least 20 Business Days prior to the conclusion of the letter of credit's term, provide Transporter with a replacement letter of credit, or alternate security that meets the requirements set out in this Section 9.4(d)(i)(1), reasonably acceptable to Transporter, Transporter may draw upon the full value of the letter of credit;
 - (2) Shipper may provide a cash security deposit acceptable to Transporter in Transporter's sole discretion in an amount equal to Shipper's pro-rata share of all expenditures and costs projected to be incurred by Transporter related to Project Development between the conclusion of Transporter's Open Season and the execution by the Parties of the applicable Service Agreements; or
 - (3) Shipper may provide any other security or collateral acceptable to Transporter in Transporter's sole discretion.
- (ii) Upon termination in whole or part of this Precedent Agreement, if not superseded by a Service Agreement, any guarantee or collateral provided by Shipper shall first be applied to meet any obligation of Shipper to Transporter, and any remaining balance shall thereafter be returned to Shipper.

- (e) Ongoing Creditworthiness Review. Transporter may review a Shipper's creditworthiness and the continued acceptability of any credit alternative provided on an ongoing basis, and Shipper shall provide, within ten Business Days of Transporter's request, any requested information in order to determine the continuing creditworthiness of Shipper and acceptability of any credit alternative provided. If Shipper or credit alternative provider is not subject to regulation by the Securities and Exchange Commission, Shipper shall provide Notice to Transporter within ten Business Days of the details of any material adverse change in its or its credit alternative provider's business, properties, conditions, or results of operations (financial or otherwise). If Shipper does not provide such information or Notice within ten Business Days of Transporter's request or occurrence of material adverse change, Transporter may deem that it cannot determine the Shipper's or its guarantor's Tangible Net Worth, and the Transporter may set the Shipper's or its guarantor's Tangible Net Worth to zero.
- (f) Notice of Failure to Meet Creditworthiness. Upon Notice by Transporter, in accordance with Article 20, that Shipper no longer meets Transporter's creditworthiness standards or criteria, Shipper must within fifteen Business Days provide additional payment, guaranty, collateral, or other mutually agreed security sufficient to meet the creditworthiness requirements set forth in this Section 9.4.
- (i) If Shipper fails to provide one of the credit alternatives within this time period, Transporter may terminate this Precedent Agreement. Transporter can, after terminating this Precedent Agreement, resell capacity previously secured by Shipper. Nothing in this paragraph limits other remedies, including actions for damages, Transporter can seek against Shipper.
- (ii) If Shipper at any time fails to provide one of the credit alternatives at the time Transporter terminates this Precedent Agreement, Transporter is entitled to collect, and Shipper shall be immediately obligated to pay, all amounts due to Transporter from Shipper during the full term of this Precedent Agreement and the amounts that would be due under the Service Agreement(s) Shipper is obligated to enter into pursuant to Section 9.1; these rights shall be in addition to other rights of and remedies available to Transporter, including those set forth in Section 9.4(f)(i) and Article 11. Notwithstanding anything in this Precedent Agreement that could be construed to the contrary, where Transporter terminates this Precedent Agreement as a result of Shipper's failure to meet the requirements of this Section 9.4 and Shipper pays to Transporter the amounts specified in this Section 9.4(f)(ii), Shipper will not be required to pay any additional amounts specified in Section 11.3 as a result of the termination.
- (iii) If Shipper has multiple agreements with Transporter and defaults on one agreement, Transporter may deem a default by Shipper on that one agreement as a loss of creditworthiness on any other agreement(s) Shipper has with Transporter, and, in the event of a termination of such

agreements, Transporter may set-off any amounts due by Transporter to Shipper under any such agreement.

- (g) Replacement Guarantor. Upon Notice by Shipper, Shipper may replace a guarantor previously provided under Section 9.4(a) with a replacement guarantor, provided that the replacement guarantor qualifies under the requirements of Section 9.4(a).

Article 10. Conditions Precedent to Shipper's Obligations

The following are conditions precedent ("Shipper Conditions Precedent") to Shipper's obligations:

- (a) Shipper has obtained all requisite internal approvals to perform its obligations; and
- (b) any conditions precedent on Exhibit D.

On or before February 1, 2011, Shipper shall provide Notice to Transporter of the satisfaction or failure of the condition in Section 10(a). Shipper shall provide timely Notice to Transporter of the satisfaction, waiver, or failure of any condition referenced in Section 10(b).

Article 11. Termination

11.1 Termination by Transporter. By giving Notice of termination, Transporter may terminate this Precedent Agreement and its obligations under it if any one or more of the following conditions are met:

- (a) any Transporter Condition Precedent is not satisfied or waived at any time prior to the execution by Shipper and Transporter of Shipper's Service Agreements;
- (b) a petition, under any chapter of the bankruptcy code of the United States, or under legislation of a similar nature of the United States, Canada, or any other nation, is filed by or against Shipper, any of its Affiliates, or any guarantor of Shipper's obligations under this Precedent Agreement;
- (c) Shipper fails to perform any of its obligations under this Precedent Agreement or under a precedent agreement with Canadian Transporter, or Shipper fails to cause an Affiliate of Shipper to perform its obligations under any precedent agreement made between such Affiliate and Canadian Transporter, and Shipper has not remedied the failure, or caused the remedy of such failure, within ten days (or such other period specified in this Precedent Agreement) after receiving Notice of the failure from Transporter;
- (d) Transporter has reasonable grounds for insecurity regarding whether a condition in Article 8 can be satisfied and Transporter's Notice of termination specifies the condition and the reasonable grounds for the insecurity; and

- (e) the conditions for Transporter's termination specified in Section 4.3(b)(iii) or Section 9.4(f)(i) have been met.

11.2 Termination by Shipper. By giving Notice of termination, Shipper may terminate this Precedent Agreement and obligations under it if:

- (a) Shipper has not obtained all requisite internal approvals set forth in Section 10(a) before February 1, 2011;
- (b) any Shipper Condition Precedent has not been satisfied or waived before the date specified for the applicable Shipper Condition Precedent in Exhibit D;
- (c) Shipper is a Foundation Shipper and the Shipper's Notice of termination is provided to Transporter within 30 Days after receipt of any updated information provided by Transporter in accordance with Section 7.2;
- (d) the conditions for Shipper's termination specified in Section 4.3(a) have been met; or
- (e) the conditions for Shipper's termination specified in Section 4.3(b)(iii) have been met.

11.3 Effect of Termination.

- (a) **Duty to Pay Pro-Rata Development Cost.** Shipper shall pay, no later than 15 Business Days after receipt of an invoice for the same, to Transporter a sum equal to Pro-Rata Development Cost if:
 - (i) Transporter submits a Notice of termination under Section 11.1(a) or Section 11.1(d); or
 - (ii) Shipper submits a Notice of termination under Section 11.2 (b), Section 11.2(c), or Section 11.2(d).
- (b) **Right to Remedies in Excess of Pro-Rata Development Cost.** If Transporter terminates this Precedent Agreement under Section 11.1(b) or Section 11.1(c), Transporter is entitled to all available remedies at law or in equity, including payments for all amounts that would be due under the Service Agreement(s) Shipper is obligated to enter into pursuant to Section 9.1 and other damages even if such damages are in excess of the Pro-Rata Development Cost.
- (c) **Accrued Rights, Liabilities, and Obligations.** Except as limited by Section 25, the termination of this Precedent Agreement does not relieve any Party from any right, liability, or other obligation, or any remedy or limitation of remedies, which has accrued or been incurred before the date of, or as a result of, the termination.

11.4 Effective Date of Termination. Despite the date when a Notice is deemed given under Section 20.2, a Notice of termination under Sections 11.1 or 11.2 is

effective on the later of (a) seven Business Days after the giving of the Notice; and (b) two Business Days after full satisfaction of Shipper's obligations under Section 11.3.

- 11.5 Pro-Rata Development Cost. For purposes of this Article 11, Pro-Rata Development Cost is calculated using the following steps:
- (a) *divide* Shipper's total capacity commitments for the applicable Firm Service by all shippers' total capacity commitments for the same Firm Service as of the date of the Notice of termination;
 - (b) *multiply* the quotient in step (a) by the sum of the capitalized costs, AFUDC, and other expenditures incurred or to be incurred by Transporter, in Transporter's estimation, in developing or constructing its facilities for that Firm Service, between the end of Transporter's Open Season and Notice of termination, (even if required to be paid after the Notice for that Firm Service, including dissolution costs if termination causes Transporter not to proceed with Project Development) less any Pro-Rata Development Cost previously paid to Transporter;
 - (c) *add* the products for each Firm Service in step (b).

Article 12. Anticipated Commencement of Service

Transporter anticipates commencing Service on the Project in 2020; however, nothing contained in this Precedent Agreement shall be construed as a commitment by Transporter that the Project will be in service by such date. Transporter shall provide shippers with annual updates regarding the estimated initial service date.

Article 13. Authorities

Performance hereunder shall be subject to all valid laws, orders, decisions, rules, and regulations of duly constituted governmental authorities having jurisdiction or control of the matter related hereto. Should either Party, by force of any such law, order, decision, rule, or regulation, at any time during the term of this Precedent Agreement be ordered or required to do any act inconsistent with the provisions hereof, then for the period during which the requirements of such law, order, decision, rule, or regulation are applicable, this Precedent Agreement shall be deemed modified to conform with the requirement of such law, order, decision, rule, or regulation; provided, however, nothing herein shall alter, modify, or otherwise affect the respective rights of the Parties to cancel or terminate this Precedent Agreement under the terms and conditions hereof.

Article 14. Choice of Law and Venue

As to all matters of construction and interpretation, this Precedent Agreement shall be interpreted, construed, and governed by the laws of the State of Texas, without regard to the choice of law rules of that state, which might otherwise apply the laws of another jurisdiction.

Venue for all actions brought under this Precedent Agreement shall lie in federal or state courts of competent jurisdiction in the State of Texas.

Article 15. Confidentiality

Due to competitive concerns of Transporter and Shipper, each Party and its respective agents, employees, Affiliates, officers, directors, attorneys, auditors, consultants, partners, and other representatives shall keep and maintain this Precedent Agreement, the individual provisions hereof, and the information contained herein in strict confidence, and shall not transmit, reveal, disclose, or otherwise communicate any of the foregoing to any Person without first obtaining the express written consent of the other Party, which consent shall not be unreasonably withheld, conditioned, or delayed; provided, however, that such consent shall not be required to the extent that either Party determines in its reasonable judgment that any such disclosure is expressly contemplated or required by law, regulation, or order of any governmental authority of competent jurisdiction, including but not limited to FERC.

Article 16. Assignment

16.1 Shipper may assign all or a portion of its rights and obligations under this Precedent Agreement to any Person; provided, however, that any such assignee satisfies the creditworthiness provisions set forth in Section 9.4 or Shipper continues to provide credit support which satisfies the creditworthiness provisions set forth in Section 9.4 for such Person's obligations under this Precedent Agreement.

16.2 In the event Shipper partially assigns its rights and obligations hereunder, Transporter and Shipper shall amend this Precedent Agreement to reflect such partial assignment and Transporter shall enter into a new Precedent Agreement with such assignee in the same form as this Precedent Agreement, which reflects the portions of Shipper's rights and obligations assigned.

16.3 Transporter may refuse to release the assigning Shipper from its obligation if an assignment is likely to have any adverse effect upon Transporter.

Article 17. Amendments

No amendments to or modifications of this Precedent Agreement shall be effective unless agreed upon in writing by Transporter and Shipper.

Article 18. Counterparts

This Precedent Agreement might be executed in several counterparts, including by facsimile transmission, each of which will be an original and all of which will constitute one and the same instrument.

Article 19. Cooperation

Transporter and Shipper shall enter into such additional agreements, and perform such other acts, as reasonably requested by the other Party in furtherance of this Precedent Agreement,

to the extent the same are not inconsistent with the provisions of this Precedent Agreement and do not expand or modify the obligations of Transporter or Shipper, or otherwise impose costs upon one or the other. Shipper shall cooperate with, and shall file an intervention in support of the Project with FERC, including providing any information that is reasonably requested by Transporter in preparing applications for a CPCN or by any governmental body in connection with such application; provided in all cases that Transporter is not acting in contravention of this Agreement.

Article 20. Notices

20.1 Each notice and other communication hereunder (“Notice”) shall be in writing and shall be delivered to the applicable address specified below:

If to Transporter, addressed to:

Denali – The Alaska Gas Pipeline, LLC
188 W. Northern Lights Blvd., Suite 1300
P.O. Box 241747
Anchorage, Alaska 99524-1747
Attention: Commercial Manager

Fax: (907) 865-4304

If to Shipper, addressed to Shipper’s address specified in Exhibit A.

20.2 Either Party may change its address by Notice to that effect to the other Party. Except as provided in Section 11.4, Notices given hereunder shall be deemed effectively given upon the first Business Day at the recipient’s address following: (i) the day of delivery to the recipient’s address by registered mail, return receipt requested, or by a nationally recognized, overnight courier; or (ii) the day when the sender of the Notice received confirmation from its facsimile machine or other similar device that such Notice was successfully transmitted. Any Notices hereunder shall first be delivered by facsimile or other similar means, in accordance with the dates and times provided therein, and shall be mailed as soon as practicable thereafter.

Article 21. Surviving Provisions

The provisions of the following sections shall survive the termination or expiration of this Precedent Agreement and shall become conditions subsequent that apply under each Service Agreement entered into pursuant to this Precedent Agreement:

- (a) Section 2.3 shall survive until such time as Transporter determines that sufficient facilities to deliver 100% of shippers’ non-reduced MDQ are available;
- (b) if Shipper is a Foundation Shipper, Section 6.2(c) shall survive for the initial term of the applicable agreement for Firm Service; and
- (c) if Shipper is a Foundation Shipper Section 6.2(d) shall survive, until the In-Service Date of the applicable Firm Service.

Article 22. Entire Agreement

This Precedent Agreement contains the entire agreement between Transporter and Shipper with respect to the subject matter hereof, and supersedes any and all prior understandings and agreements, whether oral or written, concerning the subject matter hereof.

Article 23. Third Party Beneficiaries

This Precedent Agreement shall not create any rights in any third parties, and no provision hereof shall be construed as creating any obligations for the benefit of, or right in favor of, any person or entity other than Transporter and Shipper.

Article 24. Representations and Warranties

Each Party represents and warrants to the other Party, as of the date of this Precedent Agreement, that (a) it is duly organized, validly existing, and in good standing under the laws of its jurisdiction of formation and has all requisite legal power and authority to execute this Precedent Agreement and carry out the terms, conditions and provisions hereof; (b) this Precedent Agreement constitutes the valid, legal, and binding obligation of the Party, enforceable in accordance with the terms hereof; (c) the execution, delivery, and performance of this Precedent Agreement are not inconsistent with any obligations of such Party under any other agreement; (d) except for those actions, suits, or proceedings specifically identified by Shipper in a Notice to Transporter at or prior to Shipper's execution of this Precedent Agreement, there are no actions, suits, or proceedings pending or, to the Party's knowledge, threatened against or affecting the Party before any court or administrative body that might materially adversely affect the ability of the Party to meet and carry out its obligations hereunder; (e) all information provided pursuant to Section 9.4 is accurate at the time provided; and (f) the execution and delivery by the Party of this Precedent Agreement has been duly authorized by all requisite corporate, limited liability company, or partnership, as applicable, action.

Article 25. Limitation of Liability

Except where specifically identified in this Precedent Agreement, neither Party shall be liable to the other Party under this Precedent Agreement for any special, indirect, incidental, punitive, or consequential damages of any nature, or for any lost profits, however arising, even if such Party has been made aware of the possibility of such damages or lost profits.

Article 26. Waiver

Unless otherwise specifically indicated herein, any waiver, consent, or approval of any kind or character by a Party of any term or condition set forth in this Precedent Agreement, or for any breach or default hereunder, shall be given or withheld in the sole discretion of the waiving, consenting, or approving Party. All such waivers, consents, and approvals shall be in writing and signed by the waiving, consenting, or approving Party. No delay or omission to exercise any right, power, or remedy accruing to either Party as a result of any breach or default hereunder shall impair any such right, power, or remedy, nor shall it be construed to be a waiver of any such breach or default, or any acquiescence therein, or of any similar or breach thereafter

occurring, nor shall any waiver of any single breach or default be deemed or otherwise constitute a waiver of any other breach or default theretofore or thereafter occurring.

[signature page next page]

WHEREFORE, the Parties hereto have made and executed this Precedent Agreement, signed by their duly authorized officers below.

TRANSPORTER:

DENALI – THE ALASKA GAS PIPELINE LLC

By: _____

Name: _____

Title: _____

Date: _____

SHIPPER:

By: _____

Name: _____

Title: _____

Date: _____