

Subject to Contract

August 2001

**Indicative Terms and Conditions Applicable to the
Processing of
[Insert field name] Gas by CATS**

Note: Conversion of cubic feet to cubic metres will be at 35.3730664 standard cubic feet per cubic metre.

1. General

This document sets forth certain indicative commercial terms upon which the CATS Parties are prepared, subject to the approval of their respective Boards of Directors, to negotiate with the [insert field name] Owners (the “Shippers”) with a view to reaching terms for the processing by CATS of [insert field name] gas (“Shipper Gas”) which are acceptable to both Parties. It is not intended [to be an offer or acceptance or] to create, nor shall it create, any legally binding arrangement or obligation and matters shall remain on a subject-to-contract basis unless and until legally binding agreements are executed. When agreed, these commercial terms will be embodied in a fully-termed processing agreement (the “Agreement”). [CATS Parties may revise, update or replace any or all of the following terms from time to time. This document is dated []].

2. Term

- i) The Agreement shall, unless otherwise terminated in accordance with its terms, remain in full force and effect for so long as the Daily Reserved Capacity Rate (“DRCR”) is greater than agree lower limit MMSCFD.
- ii) The Commencement Date shall be [agree date].
- iii) The CATS Parties shall use reasonable endeavours to accept Shipper Gas delivered prior to the Commencement Date.

3. Reservation of Capacity

- i) The Shippers shall, with effect on and from the Commencement Date, reserve [agree capacity requirement] MMSCFD of capacity in CATS for the processing of Shipper Gas.
- ii) Such capacity so reserved by the Shippers may not be increased although the CATS Parties will use reasonable endeavours to accept quantities of Shipper Gas at rates in excess thereof (“Excess Gas”), subject to the payment of an Excess Gas Tariff pursuant to sub-paragraph 8 (iii).

- iii) Such capacity may not be reduced otherwise than pursuant to sub-paragraph 3(iv). The amount of capacity reserved by the Shippers in CATS and expressed in millions of standard cubic feet per day is hereinafter referred to as the “DRCR”. [Note: to be converted to and expressed in cubic metres.]
- iv) The Shippers may reduce the DRCR provided that:
 - a) They serve at least three years’ notice to such effect on the CATS Parties;
 - b) such notice may not have effect prior to 1st October [*agree first reduction year*], and any such reduction shall only be effective as of the first day of a Contract Year. A Contract Year is a period commencing at 06:00 on 1st October of any calendar year and ending at the same hour on 1st October of the following calendar year; and
 - c) From 1st October [*agree year*] until 1st October [*agree year*], no such reduction shall exceed 20% of the DRCR prevailing in the year immediately preceding the relevant reduction year; and
 - d) once reduced, the DRCR may not be increased.

4. Dedication

Dedication of Shipper Gas reserves as appropriate to commercial circumstances.

5. Capital Expenditure

- i) The Shippers will, at their sole cost, provide all facilities upstream of the CATS System (the “Shipper Facilities”), such facilities to be compatible with the CATS System.
- ii) Subject to iii) below, the CATS Parties will, at their sole cost, provide facilities (the “CATS Processing Facilities”) for the processing of Shipper Gas from the Delivery Point to the Gas Redelivery Point and Product Redelivery Point(s) at Teesside, including metering, processing equipment, pipework, instrumentation, etc.
- iii) The Shippers will pay all tie-in and commissioning costs, all costs associated with delivering gas to the Delivery Point, and all costs associated with evacuating gas and product from the Gas Redelivery Point and Product Redelivery Points respectively.
- iv) The ownership of the CATS System, including the CATS Processing Facilities, will be vested in the CATS Parties.

6. Delivery Conditions

- i) Shipper Gas shall, at the Delivery Point, comply with the Delivery Specification (Attachment A).
- ii) The CATS Parties shall be entitled to refuse acceptance of any Shipper Gas which does not comply with the Delivery Specification and/or to take any operational action which may be required (including flaring and/or venting the same) in order to dispose of any such Shipper Gas.

7. Services

The CATS Parties will provide the Shippers with certain services (the “Services”); the Services are:

- i) to receive at the Delivery Point quantities of Shipper Gas, that meets the Delivery Specification, up to the DRCR;
- ii) to process Shipper Gas in the CATS Processing Facilities;
- iii) to redeliver Redelivery Gas to the Shippers at the Gas Redelivery Point in accordance with the CATS Processing Allocation Agreement, which Redelivery Gas shall comply with the Gas Redelivery Specification (Attachment B). The Shippers shall use reasonable endeavours to accept for redelivery Redelivery Gas which fails to meet the Gas Redelivery Specification; and
- iv) to redeliver Shipper Product to the Shippers at the Product Redelivery Point(s) in accordance with the CATS Processing Allocation Agreement, which Shipper Product shall comply with the relevant Product Specification (Attachment C). The Shippers shall use reasonable endeavours to accept for redelivery Shipper Product, which fails to meet the relevant Product Specification.

The Delivery Point shall be the point of entry to the CATS Processing Facilities immediately downstream of the point of re-delivery of gas from the CATS Transportation Facilities known as the Ex1 Redelivery Point. The CATS Transportation Facilities are those parts of the CATS System, which are upstream of the Delivery Point.

The Gas Redelivery Point(s) and the Product Redelivery Point(s) shall be located at the boundary fence of the land upon which the CATS Processing Facilities are located.

8. Tariff

- i) The Shippers shall pay the CATS Parties on a monthly basis for each thousand standard cubic foot reserved for each day a tariff (the “Tariff”). The Tariff

shall have effect from the date of the Agreement and shall be re-calculated annually with a view to such re-calculated tariff having effect from the following 1st October in each year. The Tariff shall be calculated in accordance with the following formula:

$$T = T_o \times \frac{PPI_n}{PPI_o}$$

where

T = the Tariff, expressed in pounds sterling per thousand standard cubic feet of reserved capacity, per day, for the relevant Contract Year;

T_o = £0.10 (zero decimal one zero), being the tariff, expressed in pounds sterling per one thousand standard cubic feet of reserved capacity, per day, payable for the Contract Year commencing on 1st October 2000;

PPI_o = the arithmetic average of PPI for the twelve month period ending 31st March 2000; and

PPI_n = the arithmetic average of PPI for the twelve month period ending on the 31st March which immediately precedes the commencement of the relevant Contract Year.

ii) At any time on or after 1st October 2009, the CATS Parties may elect that, in lieu of the Tariff, the Shippers pay to the CATS Parties 110% of the Shippers' pro-rata share of the operating costs of the CATS Processing Facilities.

iii) If at any time Shipper Gas is accepted by the CATS Parties at a rate in excess of the DRGR pursuant to sub paragraph 3 (ii) the Shippers shall pay the CATS Parties a tariff (the "Excess Gas Tariff") for each thousand standard cubic foot of such Shipper Gas calculated in accordance with the following formula:

$$A = T_o \times \frac{PPI_n}{PPI_o} \times V \times 1.3$$

Where A = the Excess Gas Tariff, expressed in pounds sterling, payable pursuant to this paragraph;

T_o, PPI_n and PPI_o, shall have the meanings ascribed respectively thereto in sub-paragraph 8(i); and

V = the quantity, expressed in thousands of standard cubic feet, of Excess Gas accepted by the CATS Parties pursuant to sub-paragraph 3 (ii).

9. Priorities

If at any time the capacity of the CATS Processing Facilities is reduced so that the available capacity is insufficient to meet the requirements of all the Users of the CATS Processing Facilities and if such reduction is not caused by an act or omission of the Shippers, the available capacity shall be allocated amongst such Users in accordance with the following principles:

- i) for the remainder of the day on which the reduction in capacity first occurs and the next following day, capacity shall be allocated pro-rata to nominations of CATS gas to be redelivered from the CATS Processing Facilities as in force immediately prior to such reduction in capacity; and
- ii) in the event that the reduction in capacity continues thereafter, the Shipper shall be entitled to a proportion of the available capacity equal to the proportion, which the DRCCR bears to the total capacity reserved by all CATS Users in the CATS Processing Facilities.

10. Suspension of Service

- i) The CATS Parties shall be entitled to suspend the provision of the Services or reduce the acceptance of Shipper Gas at the Delivery Point in any of the following circumstances:
 - a) Scheduled maintenance of the CATS Processing Facilities which, otherwise than in exceptional circumstances, will take place between May and September inclusive; the aggregate number of days of suspension not to exceed twenty one in any one Contract Year;
 - b) for the performance of any works pursuant to paragraph 12;
 - c) for the tie-in of fields to CATS;
 - d) if and for whatever reason, either Redelivery Gas or Shipper Product is not being satisfactorily evacuated from the terminal;
 - e) if and for whatever reason, the flow of gas in any part of the CATS Processing Facilities falls below the minimum flow of gas required to operate such facilities in the manner of a Reasonable and Prudent Operator; and
 - f) the Shipper fails to comply with laws or regulations relevant to its performance, or is in breach of the Agreement.
- ii) The CATS Parties shall be entitled to suspend, reduce receipt at the Delivery Point or vent Shipper Gas in the event of environmental, pollution or safety problems relating to the CATS System or any part thereof or any breakdown or failure of equipment within the CATS System, or any emergency involving the safeguarding of lives or property.

11. Redelivery Gas and Shipper Product

Provided that the same comply with the Gas Redelivery Specification and the Product Specifications respectively, the Shippers undertake to accept Redelivery Gas and Shipper Product at the Gas Redelivery Point and the Product Redelivery Point(s) respectively and to evacuate the same from the CATS Processing Facilities. The Shippers shall use reasonable endeavours to accept for redelivery gas and product at alternative gas redelivery points and product redelivery points respectively and to evacuate the same from the CATS Processing Facilities.

12. Necessary Investment

- i) If, at any time and from time to time on or after 1st October 2009, the CATS Parties anticipates that it will have to make an investment of a major and/or non-routine nature in any part of the CATS Processing Facilities, in order to be able to continue to provide the Services, the CATS Parties shall be entitled to elect that the Shippers contribute a proportion of such investment, such proportion being that proportion which the DRCCR bears to the total capacity reserved by all CATS Users in such facilities.
- ii)
 - a) If the CATS Parties so elects, the Shippers shall elect either to terminate the Agreement or to contribute such proportion.
 - b) If the Shippers elect to contribute as aforesaid, the Shippers shall, upon completion of the investment, no longer be obliged to pay the Tariff but, in lieu thereof, shall pay 110% of their pro-rata share of operating costs of the CATS Processing Facilities.

13. De-commissioning

- i) At any time on or after 1st October 2009, the CATS Parties shall be entitled to give the Shippers two years' notice of the CATS Parties' intention to de-commission all or part of the CATS Processing Facilities, which notice shall contain an election by the CATS Parties either:
 - (a) to sell a share (pro-rata to the Shippers' DRCCR) of the CATS Processing Facilities or of such part to the Shippers; or
 - (b) to grant a lease of the CATS Processing Facilities or of such part to all Users; or
 - (c) to continue to provide the Services provided that an operating charge of 110% of the Shippers' pro-rata share of all expenses necessary to operate and to maintain the CATS Processing Facilities is substituted for the Tariff or for any payment, which may already have been substituted therefor.

- ii) The Shippers may either agree to the course of action elected by the CATS Parties or elect to terminate the Agreement, with effect from the expiry of the notice given by the CATS Parties.

14. Scope

“Shipper Gas” shall mean only [*insert field name*] gas [to be defined].

15. Other Agreements

The following additional agreements shall be executed or acceded to (as appropriate) concurrently with the execution of any processing agreement (if they are already executed with existing CATS shippers, with the exception of the ESA which is Shipper specific):

- a) Deed of accession to the CATS Cross-User Liability Agreement;
- b) Deed of accession to the CATS Cross Indemnity Deed;
- c) CATS Processing Allocation Agreement (“PAA”);
- d) Engineering Services Agreement (“ESA”); and

16. Other Clauses in the Agreement shall include (without limitation):

- measurement
- consents, licences (conditions precedent and/or subsequent)
- force majeure
- liabilities & indemnities
- confidentiality
- notices
- governing law
- billing and payment
- allocation
- property, insurance and risk
- warranties

DELIVERY SPECIFICATION

In order to comply with the Delivery Specification, all Shipper Gas shall comply at the Delivery Point with the following requirements:

1. be delivered at the Delivery Point in gaseous single phase only and commercially free from objectionable odours and from materials and dusts or other solid or fluid matter which might cause injury to or interference with the proper operation of the CATS System and/or which could affect the merchantability of CATS Gas or CATS Product. For the avoidance of doubt, such materials shall include but not be limited to, lead, radioactive materials, waxes, gums, and gum forming constituents, foaming agents and excessive solids;
2. have a hydrocarbon dew point which at all pressures in excess of 10,340 KPa Gauge does not exceed -2 deg C;
3. have a maximum water content to be the lesser of:
 - (1) 15 Kg per million Cubic Metres or
 - (2) that content equivalent to a water dew point at 7,500 KPa Gauge of
-26 deg C;
4. have a maximum hydrogen sulphide content of 3.0 ppmv;
5. (a) have a maximum methyl + ethyl mercaptan sulphur content of 0.5 ppmv;
and
(b) have a maximum total mercaptan sulphur content of 3.1 ppmv;
6. have a maximum carbonyl sulphide content of 1.0 ppmv;

7. have a maximum total sulphur content of 14.4 ppmv measured as hydrogen sulphide;
8. have a maximum carbon dioxide content of 2.8 mol %;
9. have a maximum oxygen content of 9.0 ppmv;
10. have a maximum nitrogen content of 4.5 mol %;
11. have a total non-hydrocarbon content of 5.5 mol %;
12. have a maximum mercury content of 0.01 microgrammes per Cubic Metre;
13. have such delivery pressure at the Delivery Point as may be requested by the CATS Parties from time to time provided that such pressure shall not exceed seventeen thousand two hundred and thirty (17,230) KPa Gauge;
14. have a maximum temperature of 51 deg C.

GAS REDELIVERY SPECIFICATION

In order to comply with the Gas Redelivery Specification, all Shipper Gas shall comply at the Gas Redelivery Point with the following requirements:

1. commercially free from objectionable odours and from materials or other solid or fluid matter, which might cause injury to or interference with the Transco transportation and distribution network;
2. hydrocarbon dew point, which at all pressures up to and including 7,200 KPa Gauge does not exceed -2 deg C;
3. water dew point not greater than -10 deg C at a pressure of 7,200 KPa Gauge;
4. maximum hydrogen sulphide content to be 3.3 ppmv;
5. maximum total sulphur content to be 15 ppmv measured as hydrogen sulphide;
6. maximum carbon dioxide content to be 4.0 mol %;
7. maximum total non-hydrocarbon content to be 7.0 mol %;
8. maximum nitrogen content to be 5.0 mol %;
9. maximum oxygen content to be 10.0 ppmv;
10. Wobbe Index which is not more than 51.2 Megajoules per Cubic Metre and not less than 48.2 Megajoules per Cubic Metre;
11. Gross Calorific Value, which is not more than 42.3 Megajoules per Cubic Metre and not less than 36.9 Megajoules per Cubic Metre;
12. delivery pressure up to 7,200 KPa Gauge;
13. temperature not less than 1 deg C and not more than 38 deg C.

Note:if the CATS Terminal NTS input specification agreed between the CATS Parties and the Owners of the NTS differs from this specification or is subsequently changed, to the extent they become less onerous this specification should be deemed to be amended to the CATS Terminal NTS input specification.

PRODUCT SPECIFICATIONS**A. PROPANE SPECIFICATION**

The Propane export specification is set out hereunder. The CATS Parties retain the right at its discretion to vary the specifications from time to time provided that at all times the delivered Product will be of merchantable quality. In all cases the test methods shall be based on the most recently published standards.

SPECIFICATION	TEST METHOD	VALUE
WATER		
Moisture Content	ASTM D-2713	pass
DEWPOINT		Less than -40°C at 1.013 Bara
VAPOUR PRESSURE @ 37.8 deg. C	ASTM D-2598	1434 KPa Gauge (maximum)
COMPOSITION	ASTM D-2163	(liquid volume)
NITROGEN		0.1% (maximum)
CARBON DIOXIDE		0.1% (maximum)
ETHANE (C2 hydrocarbons)		2.0% (maximum)
PROPANE		95.0% (minimum)
Mixed Butanes		2.5% (maximum)
Pentanes		0.1% (maximum)
Total unsaturated hydrocarbons (olefins)		1.0% (maximum)
RESIDUAL MATTER:		
Maximum R Number	ASTM D-2158	10
Maximum O Number	ASTM D-2158	pass
CORROSION, COPPER STRIP		
Maximum	ASTM D-1838	No. 1
H₂S	BS 4250	1 ppm (vol.)(maximum)
TOTAL SULPHUR	ASTM D-2784	50 ppm (wt)(maximum)
MERCURY		10 ppb (wt) maximum
DELIVERY PRESSURE		a maximum of 19 Barg
DELIVERY TEMPERATURE		33°C (maximum)

B. BUTANE SPECIFICATION

The Butane export specification is set out hereunder. The CATS Parties retain the right at its discretion to vary the specifications from time to time provided that at all times the delivered Product will be of merchantable quality. In all cases the test methods shall be based on the most recently published standards.

SPECIFICATION	TEST METHOD	VALUE
WATER		
DEWPOINT		Less than -30°C at 1.013 Bara
Free Water Content	ASTM D-1835	none
VAPOUR PRESSURE @ 37.8 deg. C	ASTM D-2598	483 KPa Gauge (maximum)
COMPOSITION	ASTM D-2163	(liquid volume)
NITROGEN		0.1% (maximum)
CARBON DIOXIDE		0.1% (maximum)
ETHANE		0.1% (maximum)
PROPANE		0.5% (maximum)
BUTANE		95.0% (minimum)
Pentane and heavier hydrocarbons		1.5% (maximum)
Total unsaturated hydrocarbons (olefins)		1.0% (maximum)
RESIDUAL MATTER:		
Maximum R Number	ASTM D-2158	10
Maximum O Number	ASTM D-2158	pass
CORROSION, COPPER STRIP		
Maximum	ASTM D-1838	No. 1
H₂S	BS 4250	1 ppm (vol.) (maximum)
MERCURY		10 ppb (wt) maximum
TOTAL SULPHUR	ASTM D-2784	50 ppm (wt) (maximum)
DELIVERY PRESSURE		a maximum of 10.5 Barg
DELIVERY TEMPERATURE		33°C maximum

C. CONDENSATE CHARACTERISTICS

Condensate shall be of average quality and merchantable and comply with the specification set out herein.

The CATS Parties retain the right at their discretion to vary the specifications from time to time provided that at all times the delivered Product will be of merchantable quality. In all cases the test methods shall be based on the most recently published standards.

SPECIFICATION	TEST METHOD	VALUE
WATER		
Free Water Content		none
REID VAPOUR PRESSURE @ 37.8 deg. C	ASTM D-323	12.54 psia (maximum)
DELIVERY PRESSURE		a maximum of 4.0 Barg
DELIVERY TEMPERATURE		33 deg. C (maximum)