

ACTION SHEET
CITY COUNCIL COMMITTEE MEETING OF 06/25/14
ITEM FROM FINANCE COMMITTEE MEETING OF 06/16/14

ISSUE:

19. Request for Approval of Procurement under State Price Agreement – State of New Mexico Agreement for Sale and Purchase of Natural Gas for Distribution to City-Wide Facilities; BP Energy Company. (Nick Schiavo)

FINANCE COMMITTEE ACTION: APPROVED AS CONSENT ITEM

Requested approval of procurement under state price agreement for State of New Mexico agreement for sale and purchase of natural gas for distribution to City wide facilities with BP Energy Company in the amount to exceed \$50,000. Budget is available in various funds.

SPECIAL CONDITIONS OR AMENDMENTS

STAFF FOLLOW-UP:

VOTE	FOR	AGAINST	ABSTAIN
COUNCILOR TRUJILLO	X		
COUNCILOR RIVERA	X		
COUNCILOR LINDELL	X		
COUNCILOR MAESTAS	X		
CHAIRPERSON DOMINGUEZ			

3-17/14/FCMissue

City of Santa Fe, New Mexico

memo

DATE: June 12, 2014

TO: Finance Committee

FROM: Robert Rodarte, Officer
Purchasing Division

VIA: Marcos A. Tapia, Director
Finance Department

SUMMARY: Natural Gas Service Provider:
State Price Agreement 70-000-00-04056:
BP Energy Company (Salt Lake City, Utah)

The Purchasing Division is requesting to use the aforementioned State Price Agreement for the procurement of Natural Gas Services and Distribution to all City wide facilities.

The State of New Mexico General Services Department extended the Contract with BP Energy Company until June 30, 2015. The contract offers a reliable and cost-effective natural gas supply base, along with updated information on market trends and conditions. BP Energy Company is also responsible for verifying monthly invoices from gas suppliers and transporters for accuracy and discrepancies. .

Funding for this procurement is available in the assigned City Business Units. The payment process is conducted at the Purchasing Office.

Payment Distribution History to BP Energy utilizing this contract: Citywide

Year ending 6/30/2010: \$534,370.13
Year ending 6/30/2011: \$463,600.47
Year ending 6/30/2012: \$416,882.86
Year ending 6/30/2013: \$456,247.02
Year ending 6/30/2014: \$493,016.06 (as of June 12, 2014)
Year ending 6/30/2015 \$510,000.00 (projected)

By City policy, the City can use State or Federal Price Agreements without having to bid the items on its own. By City policy, procurement from State of Federal Price Agreements over \$50,000, require City Council approval (City Purchasing Manual Section 11.1).

ACTION REQUESTED:

It is requested that this purchase award to BP Energy Company, from State Price Agreement # 70-000-00-04056, be reviewed, approved and submitted to the City Council for its consideration.

City of Santa Fe, New Mexico

memo

Date: June 2, 2014

To: Finance Committee and City Council

From: Nicholas Schiavo, Acting Director, Public Utilities Department ^{NS}

Copy: Robert Rodarte, Purchasing Director

ITEM & ISSUE

Utilizing the State of New Mexico Agreement for Sale and Purchase of Natural Gas, Price Agreement No. 70-000-00-04056 between the State of New Mexico and BP Energy Company, (the "Natural Gas Sales Agreement"). The contract originally approved on July 1, 2007 has been extended through June 30, 2015 and is eligible for an additional one (1) year extension on a year to year basis.

BACKGROUND & SUMMARY

The City of Santa Fe is currently using the BP Energy Company agreement approved in October 2013. The contract will expire on June 30, 2014 and per section 2 of the contract will continue on a month to month basis.

The State of New Mexico Pricing Agreement No. 70-000-00-04056 outlines the following pricing options:

1. Index Price – Inside the San Juan Index shall be first of the month index price plus \$0.04/Decatherm.
2. Fixed Price – A fixed price may be negotiated between the Contractor and end user as opportunities arise and is subject to the final price for a specific term.
3. Guaranteed Percentage Savings – A guaranteed percentage savings of 8% less than the NM Gas Company's cost of gas during a one (1) year term. The end user must make this election for a full year prior the commencement of any one (1) year term.

For all options listed above, the vendor additionally shall be reimbursed for expenses as follows:

- New Mexico Gas Company line loss. (Currently 1%)
- New Mexico Gas Company Monthly Access Fee
- New Mexico Gas Company Distribution Charges
- New Mexico Gas Company Transmission Charges
- New Mexico Gas Company RR 8 & 9 Charges discounted for transportation
- Above New Mexico Gas Company rates are subject to oversight by the Public Regulation Commission (PRC) and may be subject to change during the term of this agreement, based on PRC approval.

The attached graph shows a comparison between BP Energy and NM Gas Co's weighted average cost of natural gas. BP Energy has been an average of \$.81 per month lower than the New Mexico Gas Company's (NMGC) cost over the last 12 months. It should be noted that this does not account for the additional fees associated with using NMGC's facilities.

Option One: Index Price – Based on the first of the month San Juan index plus \$0.04/Decatherm. **This is the recommended option.**

Option Two: Fixed Price (Hedged Price) – This option is not recommended as the price of natural gas should be low over the next two years. Note this option is available to the City throughout the term of the contract.

Option Three: Guaranteed Percentage Savings – A guaranteed percentage savings of 8% less than the NM Gas Co's cost of gas during a one (1) year term. This option is not recommended as the cost from BP Energy has been lower than NM Gas Co's cost by an average of 21.6 % over the last 12 months.

The Public Utilities Department is requesting that the Purchasing Division forward the below listed recommendation to the Finance Committee and City Council meetings scheduled for June 16th and 25th, 2014 respectively for approval.

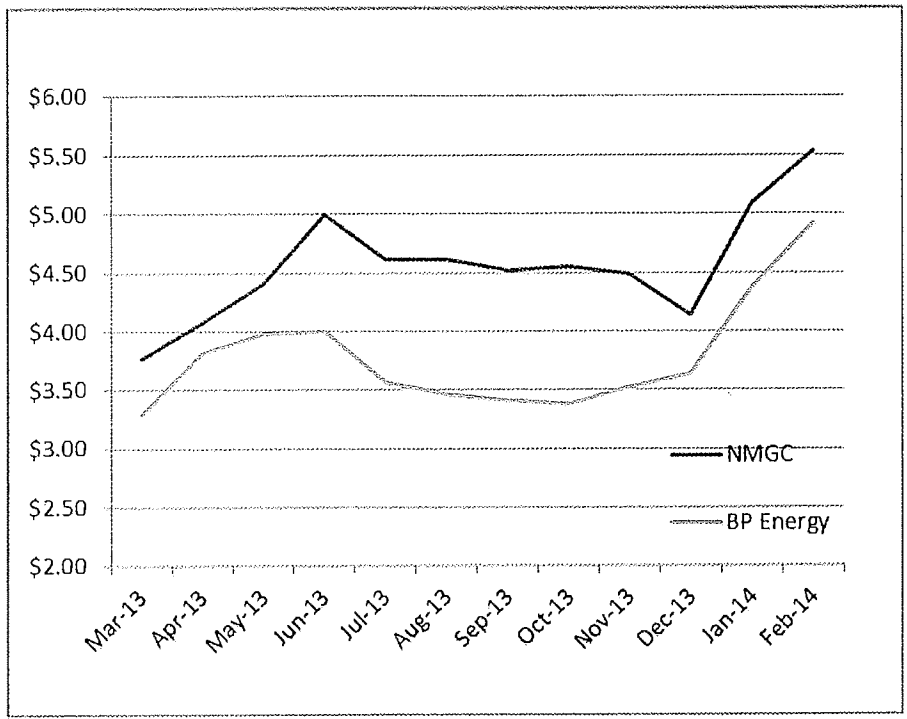
RECOMMENDATION

The Public Utilities Department recommends:

1. The continued utilization of the State of New Mexico Agreement for Sale and Purchase of Natural Gas, Price Agreement No. 70-000-00-04056 between the State of New Mexico and BP Energy Company, (the "Natural Gas Sales Agreement").

Attachments:

1. BP Energy and NMGC WACOG Graph
2. BP Energy Company Contract





State of New Mexico
General Services Department
Purchasing Division

Statewide Price Agreement Amendment

Awarded Vendor:
0000064781
BP Energy Company
1010 North 500 East, Ste. 200
North Salt Lake, Utah 84054

Telephone No. 801-939-9128

Price Agreement Number: 70-000-00-04056

Price Agreement Amendment No.: Eight

Term: July 1, 2007 - June 30, 2015

Ship To:
All State of New Mexico agencies, commissions,
institutions, political subdivisions and local public bodies
allowed by law.

Procurement Specialist: Natalie Martinez *NM*

Telephone No.: (505) 827-0251

Invoice:

As Requested

Title: Natural Gas Marketer Services

This Price Agreement Amendment is to be attached to the respective Price Agreement and become a part thereof.

In accordance with Price Agreement provisions, and by mutual agreement of all parties, this Price Agreement is extended from July 1, 2014 to June 30, 2015 at the same price, terms and conditions.

Except as modified by this amendment, the provisions of the Price Agreement shall remain in full force and effect.

Accepted for the State of New Mexico

[Signature]

New Mexico State Purchasing Agent

Date: 04/22/2014

Purchasing Division, 1100 St. Francis Drive 87505, PO Box 6850, Santa Fe, NM 87502-6850 (505) 827-0472

nm



State of New Mexico
General Services Department
Purchasing Division

Statewide Price Agreement Amendment

Awarded Vendor
0000064781
BP Energy Company
1010 North 500 East, Ste. 200
North Salt Lake, Utah 84054

Telephone No. 801-939-9128

Price Agreement Number: 70-000-00-04056

Price Agreement Amendment No.: Seven

Term: July 1, 2007 - June 30, 2014

Ship To:
All State of New Mexico agencies, commissions,
institutions, political subdivisions and local public bodies
allowed by law.

Procurement Specialist: Natalie Martinez nm

Telephone No.: (505) 827-0251

Invoice:

As Requested

Title: Natural Gas Marketer Services

This Price Agreement Amendment is to be attached to the respective Price Agreement and become a part thereof.

In accordance with Price Agreement provisions, and by mutual agreement of all parties, this Price Agreement is extended from July 1, 2013 to June 30, 2014 at the same price, terms and conditions.

Except as modified by this amendment, the provisions of the Price Agreement shall remain in full force and effect.

Accepted for the State of New Mexico

Sandra K. Landry
New Mexico State Purchasing Agent

Date: 06/11/2013

Purchasing Division, 1100 St. Francis Drive 87505, PO Box 6850, Santa Fe, NM 87502-6850 (505) 827-0472

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State of New Mexico
General Services Department
Purchasing Division

Statewide Price Agreement Amendment

Awarded Vendor
0000064781
BP Energy Company
1010 North 500 East, Ste. 200
North Salt Lake, UT 84054

Telephone No. (801) 939-9138

Price Agreement Number: 70-000-00-04056

Price Agreement Amendment No.: Six

Term: July 1, 2007 - June 30, 2013

Ship To:
All State of New Mexico agencies, commissions,
institutions, political subdivisions and local public bodies
allowed by law.

Procurement Specialist: Natalie Martinez *NM*

Telephone No.: (505) 827-0251

Invoice:

As Requested

Title: Natural Gas Marketer Services

This Price Agreement Amendment is to be attached to the respective Price Agreement and become a part thereof.

In accordance with Price Agreement provisions, and by mutual agreement of all parties, this Price Agreement is extended from July 1, 2012 to June 30, 2013 at the same price, terms and conditions.

Except as modified by this amendment, the provisions of the Price Agreement shall remain in full force and effect.

Accepted for the State of New Mexico

New Mexico State Purchasing Agent

Date: 5/1/12



State of New Mexico
General Services Department
Purchasing Division

Statewide Price Agreement Amendment

Awarded Vendor
0000064781
BP Energy Company
1010 North 500 East, Ste. 200
North Salt Lake, Utah 84054

Telephone No. 801-939-9128

Price Agreement Number: 70-000-00-04056

Price Agreement Amendment No.: Five

Term: July 1, 2007 - June 30, 2011

Ship To:
All State of New Mexico agencies, commissions,
institutions, political subdivisions and local public bodies
allowed by law.

Procurement Specialist: Natalie Martinez *NM*

Telephone No.: (505) 827-0251

Invoice:

As Requested

Title: Natural Gas Marketer Services

This Price Agreement Amendment is to be attached to the respective Price Agreement and become a part thereof.

In accordance with Price Agreement provisions, and by mutual agreement of all parties, this Price Agreement is extended from July 1, 2011 to June 30, 2012 at the same price, terms and conditions.

Except as modified by this amendment, the provisions of the Price Agreement shall remain in full force and effect.

Accepted for the State of New Mexico

Natalie Martinez

New Mexico State Purchasing Agent

Date: 03/04/2011

Purchasing Division, 1100 St. Francis Drive 87505, PO Box 6850, Santa Fe, NM 87502-6850 (505) 827-0472

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STATE OF NEW MEXICO
GENERAL SERVICES DEPARTMENT
PURCHASING DIVISION

GSD/PD 003-D2 (Rev. 01/09)

Awarded Vendor
0000064781
BP Energy Company
1010 North 500 East, Ste. 200
North Salt Lake, Utah 84054

Telephone No. 801-939-9128

**Price Agreement
Amendment**

Price Agreement Number: 70-000-00-04056

Price Agreement Amendment No.: Four

Term: July 1, 2007-June 30, 2010

Ship To:
All State of New Mexico Agencies, Commissions,
Institutions, Political Sub-Divisions and Local Public
Bodies allowed by Law.

Invoice:

As requested

Procurement Specialist: Natalie Jimenez

Telephone No.: (505) 827-0251

Commodity: Natural Gas Marketer Services

This Price Agreement Amendment is to be attached to the respective Price Agreement and become a part thereof.

In accordance with Contract provisions, and by mutual agreement of all parties, this Price Agreement is extended from July 1, 2010 to June 30, 2011 at the same price, terms and conditions.

Except as modified by this amendment, the provisions of the Price Agreement shall remain in full force and effect.

Accepted for the State of New Mexico

New Mexico State Purchasing Agent

Date: 03/17/2010

Purchasing Division, 1100 St. Francis Drive 87505, PO Box 6850, Santa Fe, NM 87502-6850 (505) 827-0472



STATE OF NEW MEXICO
GENERAL SERVICES DEPARTMENT
PURCHASING DIVISION

GSD/PD 003-D2 (Rev. 01/09)

Awarded Vendor
0000064781
BP Energy Company
1010 North 500 East, Ste. 200
North Salt Lake, Utah 84054

Telephone No. (801) 939-9128

**Price Agreement
Amendment**

Price Agreement Number: 70-000-00-04056

Price Agreement Amendment No.: Three

Term: July 01, 2007 – June 30, 2009

Ship To:
All State of New Mexico Agencies, Commissions,
Institutions, Political Sub-divisions and Local Public
Bodies allowed by law.

Invoice:
As Requested

Procurement Specialist: Mona Espinosa

Telephone No.: (505) 827-0218

Commodity: Natural Gas Marketer Services

This Price Agreement Amendment is to be attached to the respective Price Agreement and become a part thereof.

In accordance with contract provisions, and by mutual agreement of all parties, this price agreement is extended from July 01, 2009 to June 30, 2010 at the same price, terms and conditions.

Except as modified by this Amendment, the provisions of the Price Agreement shall remain in full force and effect.

Accepted for the State of New Mexico

Mona Espinosa
New Mexico State Purchasing Agent

Date: 01/29/09

Purchasing Division, 1100 St. Francis Drive 87505, Po Box 6850, Santa Fe, NM 87502-6850 (505) 827-0472

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STATE OF NEW MEXICO
GENERAL SERVICES DEPARTMENT
PURCHASING DIVISION

AWARDED VENDOR
(0000064781)
BP ENERGY COMPANY
1010 NORTH 500 EAST, STE. 200
NORTH SALT LAKE, UT 84054

Telephone No. 801-939-9128

PRICE AGREEMENT
AMENDMENT

PRICE AGREEMENT NUMBER: 70-000-00-04056
PRICE AGREEMENT AMENDMENT NO.: TWO
TERM: JULY 1, 2007 - JUNE 30, 2009

SHIP TO:
All State of New Mexico Agencies, Commissions, Institutions,
Political Sub-divisions and Local Public Bodies allowed by law.

INVOICE:

AS REQUESTED

CONTRACT ORDERS WILL INDICATE AGENCY CONTACT
PERSON

AG
Procurement Specialist: ANDREA GALLEGOS
Telephone No.: 505-827 - 0477

COMMODITY: NATURAL GAS MARKETER SERVICES

THIS PRICE AGREEMENT AMENDMENT IS TO BE ATTACHED TO THE RESPECTIVE PRICE AGREEMENT AND BECOME A PART THERE OF.

THIS AMENDMENT IS ISSUED TO REFLECT THE FOLLOWING EFFECTIVE IMMEDIATELY.

REPLACE APPENDIX F WITH ATTACHED REVISED APPENDIX F.

REASON: LANGUAGE REGARDING PNM REMOTE AREAS WAS INADVERTANTLY LEFT OFF ORIGINAL PRICE AGREEMENT.

EXCEPT AS MODIFIED BY THIS AMENDMENT, THE PROVISIONS OF THE PRICE AGREEMENT SHALL REMAIN IN FULL FORCE AND EFFECT.

ACCEPTED FOR THE STATE OF NEW MEXICO
Michael R. De la For
NEW MEXICO STATE PURCHASING AGENT

DATE: 7/16/07

PURCHASING DIVISION, 1100 ST. FRANCIS DRIVE 87505 / , PO BOX 26110, SANTA FE, NM 87502-0110 (505) 827-0472

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Appendix F

Appendix F TRANSACTION CONFIRMATION ISSUED UNDER STATE OF NEW MEXICO AGREEMENT FOR SALE AND PURCHASE OF NATURAL GAS

This Transaction Confirmation incorporates by reference and is subject to all terms and conditions of State of New Mexico Agreement for Sale and Purchase of Natural Gas, Price Agreement No. 70-000-00-04056 between The State of New Mexico and BP Energy Company, (the "Natural Gas Sales Agreement"). This Transaction Confirmation is between _____ (Buyer) and BP Energy Company ("Seller"). Buyer hereby adopts the Natural Gas Sales Agreement and agrees to be bound by the terms thereof as if it had executed such Agreement as Procuring State and Local Public Bodies (as defined in the Agreement). The terms of this Transaction Confirmation Agreement are binding unless disputed in writing within two (2) business days of receipt.

Buyer:

Tel: ()
Fax: ()
Contact:
Tax ID No.:

Seller:

Tel: ()
Fax: ()
Contact:
Tax ID No.:

Buyer and Seller confirm the following transaction between Buyer and Seller pursuant to the Natural Gas Sales Agreement identified above:

Confirmation Date:

Period of Delivery: _____ through _____

Purchase Price: (Select one)

Fixed price of _____ per Dth plus \$0.04/Dth fee; plus posted tariff rate transportation, 1% fuel, and fees on the PNM system.

Month	\$ / Dth	Month	\$ / Dth

Index Price: _____ plus \$0.04/Dth plus posted tariff rate transportation, 1% fuel, and fees on the PNM system.

For PNM remote areas, pricing will be inside FERC, El Paso Permian index plus \$0.32/Dth, plus fuel on El Paso Pipeline, plus posted tariff rate transportation, 1% fuel, and fees on the PNM system.

Guaranteed Percentage Savings (as defined in the Natural Gas Sales Agreement)

Quantity of Natural Gas: MMBtu/Month

Month	MMBtu/ Mo	Month	MMBtu/ Mo

Point(s) of Delivery: PNM City Gate _____

Additional Provisions:

If Buyer does not use the Quantity of Natural Gas posted above and the Price listed above is greater than the monthly index price for El Paso Pipeline, then Buyer is liable to Seller for the difference between the Price and the El Paso Pipeline, San Juan monthly index price multiplied by the difference between the actual volume used and the Quantity of Natural Gas posted above. In the event of a conflict between any term or provision of the Natural Gas Sale and Purchase Agreement identified above and any term or provision of this Confirmation Letter, the term or provision of this Confirmation Letter shall control.

Buyer:

Seller:

By: _____

By: _____

Date: _____

Date: _____



STATE OF NEW MEXICO
GENERAL SERVICES DEPARTMENT
PURCHASING DIVISION

AWARDED VENDOR
(0000064781)
BP ENERGY COMPANY
1010 NORTH 500 EAST, STE. 200
NORTH SALT LAKE, UT 84054

Telephone No. 801-939-9128

PRICE AGREEMENT
AMENDMENT

PRICE AGREEMENT NUMBER: 70-000-00-04056

PRICE AGREEMENT AMENDMENT NO.: ONE

TERM: JULY 1, 2007 - JUNE 30, 2009

SHIP TO:

All State of New Mexico Agencies, Commissions, Institutions,
Political Sub-divisions and Local Public Bodies allowed by law.

INVOICE:

AS REQUESTED

CONTRACT ORDERS WILL INDICATE AGENCY CONTACT
PERSON

Procurement Specialist: ANDREA GALLEGOS

Telephone No.: 505-827 - 0477

COMMODITY: NATURAL GAS MARKETER SERVICES

THIS PRICE AGREEMENT AMENDMENT IS TO BE ATTACHED TO THE RESPECTIVE PRICE AGREEMENT AND BECOME A PART THERE OF.

**THIS AMENDMENT IS ISSUED TO REFLECT THE FOLLOWING
EFFECTIVE JULY 11, 2007.**

REPLACE APPENDIX F WITH ATTACHED REVISED APPENDIX F.

REASON: LANGUAGE REGARDING INDEX PRICE WAS INADVERTANTLY LEFT OFF
ORIGINAL PRICE AGREEMENT.

ALL OTHER PRICES, TERMS AND CONDITIONS TO REMAIN THE SAME.

**EXCEPT AS MODIFIED BY THIS AMENDMENT, THE PROVISIONS OF THE
PRICE AGREEMENT SHALL REMAIN IN FULL FORCE AND EFFECT.**

ACCEPTED FOR THE STATE OF NEW MEXICO

NEW MEXICO STATE PURCHASING AGENT

DATE: 07/11/07

PURCHASING DIVISION, 1100 ST. FRANCIS DRIVE 87505 / , PO BOX 26110, SANTA FE, NM 87502-0110 (505) 827-0472

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Appendix F

Appendix F TRANSACTION CONFIRMATION ISSUED UNDER STATE OF NEW MEXICO AGREEMENT FOR SALE AND PURCHASE OF NATURAL GAS

This Transaction Confirmation incorporates by reference and is subject to all terms and conditions of State of New Mexico Agreement for Sale and Purchase of Natural Gas, Price Agreement No. 70-000-00-04056 between The State of New Mexico and BP Energy Company, (the "Natural Gas Sales Agreement"). This Transaction Confirmation is between _____ (Buyer") and BP Energy Company ("Seller"). Buyer hereby adopts the Natural Gas Sales Agreement and agrees to be bound by the terms thereof as if it had executed such Agreement as Procuring State and Local Public Bodies (as defined in the Agreement), The terms of this Transaction Confirmation Agreement are binding unless disputed in writing within two (2) business days of receipt.

Buyer:

Tel: ()
Fax: ()
Contact:
Tax ID No.:

Seller:

Tel: ()
Fax: ()
Contact:
Tax ID No.:

Buyer and Seller confirm the following transaction between Buyer and Seller pursuant to the Natural Gas Sales Agreement identified above:

Confirmation Date:

Period of Delivery: _____ through _____

Purchase Price: (Select one)

Fixed price of _____ per Dth plus \$0.04/Dth fee; plus posted tariff rate transportation, 1% fuel, and fees on the PNM system.

Month	\$ / Dth	Month	\$ / Dth

Index Price: _____ plus \$0.04/Dth plus posted tariff rate transportation, 1% fuel, and fees on the PNM system.

Guaranteed Percentage Savings (as defined in the Natural Gas Sales Agreement)

Quantity of Natural Gas: MMBtu/Month

Month	MMBtu/ Mo	Month	MMBtu/ Mo

Point(s) of Delivery: PNM City Gate _____.

Additional Provisions:

If Buyer does not use the Quantity of Natural Gas posted above and the Price listed above is greater than the monthly index price for El Paso Pipeline, then Buyer is liable to Seller for the difference between the Price and the El Paso Pipeline, San Juan monthly index price multiplied by the difference between the actual volume used and the Quantity of Natural Gas posted above. In the event of a conflict between any term or provision of the Natural Gas Sale and Purchase Agreement identified above and any term or provision of this Confirmation Letter, the term or provision of this Confirmation Letter shall control.

Buyer:

Seller:

By: _____

By: _____

Date: _____

Date: _____



STATE OF NEW MEXICO
GENERAL SERVICES DEPARTMENT

AWARDED VENDOR
(0000064781)
BP ENERGY COMPANY
1010 NORTH 500 EAST SUITE 200
NORTH SALT LAKE, UT 84054

Telephone No. 801-939-9128

**PRICE AGREEMENT
AWARD**

PRICE AGREEMENT NUMBER: 70-000-00-04056

PAYMENT TERMS: NET 30

F.O.B.: DESTINATION

SHIP TO:
All State of New Mexico Agencies, Commissions,
Institutions, Political Sub-divisions and Local Public Bodies
allowed by law.

DELIVERY: AS REQUESTED BY USER

INVOICE:

AS REQUESTED

Procurement Specialist: ANDREA GALLEGOS

Telephone No.: 505-827- 0477

CONTRACT ORDERS WILL INDICATE AGENCY
CONTACT PERSON
ANDREA GALLEGOS 505-827-0477

COMMODITY: NATURAL GAS MARKETER SERVICES

TERM: JULY 1, 2007 THRU JUNE 30, 2009

THIS CONTRACT IS MADE SUBJECT TO THE 'TERMS AND CONDITIONS' SHOWN ON THE REVERSE SIDE OF THIS PAGE, AND AS INDICATED IN THIS CONTRACT.

THIS CONTRACT CONTAINS _____ SHEETS.

ACCEPTED FOR THE STATE OF NEW MEXICO

DATE: 06/28/07

PURCHASING DIVISION, 1100 ST. FRANCIS DRIVE, PO BOX 26110, SANTA FE, NM 87502-0110 (505) 827-0472

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STATE OF NEW MEXICO
GENERAL SERVICES DEPARTMENT
PURCHASING DIVISION
CONTRACT #: 70-000-00-04056

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ITEM	* APPROX*	UNIT *	ARTICLE AND DESCRIPTION	*	UNIT PRICE
	* QTY *	*		*	
0001	-		SEE ATTACHED AGREEMENT		

**STATE OF NEW MEXICO
AGREEMENT
FOR SALE AND PURCHASE OF
NATURAL GAS**

PRICE AGREEMENT NO. 70-000-00-04056_____

THIS AGREEMENT (the "Agreement") is made between the State of New Mexico, General Services Department, State Purchasing Division hereinafter referred to as the "Procuring State and Local Public Bodies", and BP Energy Company, herein after referred to as the "Contractor."

IT IS MUTUALLY AGREED BETWEEN THE PARTIES:

1.0 Definitions

"Project Manager" means the individual assigned by the Procuring State and Local Public Bodies to manage the project and administer this Agreement.

2.0 Scope of work: Any purchases under this Agreement will be made by individual state agencies or local public bodies. The Contractor shall deliver natural gas to the city gate for the using agency or local public body (each a "Using Agency"), provided that each Using Agency shall be subject to prior credit approval by Contractor and, prior to any such delivery, each Using Agency shall execute a Transaction Confirmation in the form attached to this Agreement as Appendix F, which Transaction Confirmation shall contain language stating that Using Agency adopts this Agreement and agrees to be bound by the terms hereof as if it had executed such Agreement as Procuring State and Local Public Bodies. All Transaction Confirmations, by their terms, shall incorporate and be subject to all terms and conditions of this Agreement. The duties to be performed by the Contractor shall include, but not be limited to, the following:

2.1 Natural Gas Supply Evaluation, Negotiation and Procurement:

- Provide reliable and cost-effective natural gas from a diversified supply base.
- Advise the Procuring State and Local Public Bodies and applicable Using Agencies routinely of supply and market conditions and trends. This is to include information regarding supply arrangements and index trends.
- Advise Procuring State and Local Bodies when it appears that the cost of direct purchase gas will exceed the unit cost of local distributor gas.

2.2 Transportation:

- Transport the natural gas from the supply source to the designated city gate(s) where delivery is to occur.

2.3 Long Term Planning and Price Risk Management:

- Provide data to help agencies select a price risk strategy to complement the Procuring State and Local Bodies' goals and risk profile.
- Provide assistance and training for risk management tools such as utilization of a fixed price and market information
- The Contractor shall designate one employee as the State's "Customer Service Representative". This person shall coordinate the services provided to the Procuring State and Local Bodies and must have the authority to resolve problems which may arise.
- The Contractor shall coordinate an informal meeting for certain state agencies and local public bodies on a quarterly basis. Topics may include current market pricing trends, and current issues relating to natural gas pricing; provided, however, that all meetings will be conducted in compliance with any applicable antitrust regulations.

2.4 Billing and Reconciliation Services:

- Verify monthly invoices from the LDC, gas suppliers and transporters. Prices and volumes shall be checked for accuracy and discrepancies reconciled by the Contractor.

2.5 Operations Meetings:

- Participate in quarterly planning meetings to advise Using Agencies on strategic planning and operational issues. The annual report shall be presented at the summer meeting.

2.6 Procedures Manual:

- The Contractor shall provide a detailed procedures manual to the Procuring State and Local Public Bodies representatives explaining the procedures for the operation of the Agreement.

Additional Information:

The following listed Contractor supplied personnel shall perform services under this agreement: Jason Woodland, Anthony Apodaca, Ryan Wall.

3. Payment Provisions:

All payments under this Agreement are subject to the following provisions.

- a. Acceptance - In accordance with Section 13-I-158 NMSA 1978, the Procuring State and Local Public Bodies shall reasonably determine if the services provided meet specifications. No payment shall be made for any service until the services and/or the Project Manager has accepted deliverables in writing. Unless otherwise agreed upon between the Procuring State and Local Public Bodies and the Contractor, within fifteen (15) days from the date the Procuring State and Local Public Bodies receives written notice from the Contractor that payment is requested for services, the Project Manager shall issue a written certification of complete or partial acceptance or rejection of the services. Upon certification of receipt and acceptance, payment shall be tendered to the Contractor within thirty days of the date of certification. If payment is made by mail, the payment shall be deemed tendered on the date it is postmarked. After the thirtieth day from the date of written certification of acceptance is issued, late payment charges shall be paid on the unpaid balance due on the contract to the Contractor at the rate of one and on-half percent per month.
- b. Compensation - The Contractor agrees to provide three pricing options for natural gas purchased as set forth in Section 3.f. for the agencies to choose from. As noted in 3(f), options 1 and 2 will include a fee paid to the Contractor equal to \$0.04/Dth.
- c. Payment of Invoice - Payment shall be made monthly upon the receipt and acceptance of a detailed, certified Statement of Account. Payment will be made to the Contractor's designated mailing address.
- d. Payment of Taxes - The Contractor shall be reimbursed by the Procuring State and Local Public Bodies for applicable New Mexico gross receipts taxes or local option taxes for services rendered. Such taxes must be itemized separately on the invoice.

The payment of taxes for any money received under this Agreement shall be the Contractor's sole responsibility and should be reported under the Contractor's Federal and State tax identification number(s).
- e. Invoices - Invoices shall be submitted to the Project Manager for State Agencies and to the designated contact for any other end user.
- f. Available Pricing Options:
 - 1). Index Price – Inside FERC, El Paso, San Juan, first of the month index plus \$.04/Dth. For facilities in remote (Permian supply required) PNM

locations the Index Price will be Inside FERC, El Paso, Permian, first of the month index plus \$.32/Dth plus El Paso Permian fuel (currently 2.84%) plus \$.04/Dth.

2). Fixed Price – A fixed price may be negotiated between the Contractor and end user as opportunities arise and is subject to the final approval of the Contractor. A specific volume will be tied to the purchase price for a specific term. Unit price per Dth will be the specified fixed price (which must be acceptable to both parties and available in the market), plus a \$.04/Dth fee. A confirmation letter will specify the fixed price and Dth/day purchased. All quantities used above the fixed price quantities will be priced at the Index Price.

3). Guaranteed Percentage Savings – A guaranteed percentage savings of 8% less than the PNM cost of gas during a 1 year term. The end user must make this election for a full year prior the commencement of any 1 year term.

For all options listed above, the vendor additionally shall be reimbursed for expenses as follows.

- PNM line loss. (Currently 1%)
- PNM Monthly Access Fee
- PNM Distribution Charges
- PNM Transmission Charges
- PNM RR 8 & 9 Charges discounted for transportation
- Above PNM rates are subject to oversight by the Public Regulation Commission (PRC) and may be subject to change during the term of this agreement, based on PRC approval.

4. Force Majeure:

a. Except with regard to a party's obligation to make payment for gas delivered and received, neither party shall be liable to the other for failure to perform hereunder to the extent such failure was caused by Force Majeure. The term "Force Majeure" as employed herein means any cause not reasonably within the control of the party claiming suspension, as further defined below. Force Majeure shall include, but not be limited to, the following: (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe; (ii) weather related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells or lines of pipe; (iii) interruption and/or curtailment of firm transportation and/or storage by transporters; (iv) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections or wars; and (v) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, regulation, or policy having the effect of law promulgated by a governmental authority having jurisdiction. The parties hereto shall make reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance.

b. Notwithstanding the foregoing, neither party shall be entitled to the benefit of the provisions of Force Majeure to the extent performance is affected by any or all of the following circumstances: (i) the curtailment of interruptible or secondary firm transportation capacity unless primary, in-path, firm transportation is also curtailed; (ii) the party claiming excuse failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch; or (iii) economic hardship, to include, without limitation, Contractor's ability to sell gas at a higher or more advantageous price than the contract price, Procuring State and Local Public Bodies' ability to purchase gas at a lower or more advantageous price than the contract price, or a regulatory agency disallowing, in whole or in part, the pass through of costs resulting from this Agreement; (iv) the loss of Procuring State and Local Public Bodies' market(s) or Procuring State and Local Public Bodies' inability to use or resell gas purchased hereunder, except as provided in the foregoing paragraph; or (v) the loss or failure of Contractor's gas supply or depletion of reserves, except, in either case, as provided in the Section 4.a.

c. Notwithstanding anything to the contrary herein, the parties agree that the settlement of strikes, lockouts or other industrial disturbances shall be within the sole discretion of the party experiencing the disturbance.

d. The party whose performance is prevented by Force Majeure must provide notice to the other party. Initial notice may be given orally; however, written notice with reasonably full particulars of the event or occurrence is required as soon as reasonably possible. Upon providing written notice of Force Majeure to the other party, the affected party will be relieved of its obligation, from the onset of the Force Majeure event, to make or accept delivery of gas, as applicable, to the extent and for the duration of Force Majeure, and neither party shall be deemed to have failed in such obligations to the other during such occurrence or event. Without restricting the generality of Section 31, if an event of Force Majeure occurs, the party affected may, in its sole discretion and without notice to the other party, determine not to make a claim of Force Majeure and to waive its rights hereunder as they would apply to such event. Such determination or waiver shall not preclude the affected party from claiming Force Majeure in respect of any subsequent event, including any event that is substantially similar to the event in respect of which such determination or waiver is made.

5. Term:

This Agreement shall begin on July 1, 2007 and end on **June 30, 2009**. The State reserves the option of renewing the initial contract(s) on an annual basis for six (6) additional years or any portion thereof for the purpose of providing continuity in the supply of natural gas.

6. Events of Default

In the event (each an "Event of Default") either party (the "Defaulting Party") or its guarantor (if applicable) shall: (i) make an assignment or any general arrangement for the benefit of creditors; (ii) file a petition or otherwise commence, authorize, or acquiesce in the commencement of a proceeding or case under any bankruptcy or similar law for the protection of creditors or have such petition filed or proceeding commenced against it; (iii) otherwise become bankrupt or insolvent (however evidenced); (iv) be unable to pay its debts as they fall

due; (v) have a receiver, provisional liquidator, conservator, custodian, trustee or other similar official appointed with respect to it or substantially all of its assets; (vii) not have paid any amount due the other party hereunder on or before the fifth (5th) business day following written notice that such payment is due; or (viii) otherwise substantially breach any term or condition of this Agreement and fail to cure such breach within thirty (30) days following written notice of such breach; then the other party (the "Non-Defaulting Party") shall have the right, at its sole election, to immediately withhold and/or suspend deliveries or payments upon notice and/or to terminate and liquidate the transactions under this Agreement, in addition to any and all other remedies available under applicable law or in equity.

7. Termination:

This Agreement may be terminated by either of the parties hereto upon written notice delivered to the other party at least **ninety- (90)** days prior to the intended date of termination. By such termination, neither party may nullify obligations already incurred for performance or failure to perform prior to the date of termination.

8. Status of Contractor:

The Contractor, and his agents and employees, are independent contractors performing contractual services for the Procuring State and Local Public Bodies and are not employees of the State of New Mexico. The Contractor, and his agents and employees, shall not accrue leave, retirement, insurance, bonding, use of state vehicles, or any other benefits afforded to employees of the State of New Mexico as a result of this Agreement.

9. Assignment:

The Contractor shall not assign or transfer any interest in this Agreement or assign any claims for money due or to become due under this Agreement without prior written approval of the Procuring State and Local Public Bodies and the **New Mexico State Purchasing Agent**.

10. Subcontracting:

The Contractor shall not subcontract any portion of the services to be performed under this Agreement without written approval from the Project Manager. The following subcontractor(s) have been approved to supply resources for this Agreement
____None_____.

11. Records of Audit:

During the term of this Agreement and for three years thereafter, the Contractor shall maintain detailed records pertaining to the services rendered and products delivered. These records shall be subject to inspection by the Procuring State and Local Public Bodies, **the New Mexico State Purchasing Agent**, the State Auditor and appropriate federal authorities. The Procuring State and Local Public Bodies shall have the right to

audit billings both before and after payment. Payment under this Agreement shall not foreclose the right of the Procuring State and Local Public Bodies to recover excessive or illegal payments.

12. Appropriations:

The terms of this Agreement are contingent upon sufficient appropriations and authorization being made by the Legislature of New Mexico for the performance of this Agreement. If sufficient appropriations and authorization are not made by the Legislature, this Agreement shall terminate upon written notice being given by the Procuring State and Local Public Bodies to the Contractor. The Procuring State and Local Public Bodies' decision as to whether sufficient appropriations are available shall be accepted by the Contractor and shall be final.

13. Release:

The Contractor agrees not to purport to bind the State of New Mexico, unless the Contractor has express written authority to do so, and then only within the strict limits of that authority.

14. Confidentiality:

Any confidential information provided to or developed by the Contractor in the performance of this Agreement shall be kept confidential and shall not be made available to any individual or organization by the Contractor without prior written approval by the Project Manager.

15. Product of Service: (Copyright)

All materials developed or acquired by the Contractor under this Agreement shall become the property of the State of New Mexico and shall be delivered to Procuring State and Local Public Bodies no later than the termination date of this Agreement. Nothing produced, in whole or in part, by the Contractor under this Agreement shall be the subject of an application for copyright by or on behalf of the Contractor. The original and one copy of all materials, work papers, meeting notes, design documents, or other documents produced by the Contractor shall be indexed and placed in appropriately labeled binders and delivered to the Project Manager at conclusion of the Agreement.

16. Conflict of Interest:

The Contractor warrants that he presently has no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of services required under this Agreement. The Contractor shall comply with any applicable provisions of the New Mexico Governmental Conduct Act and the New Mexico Financial Disclosures Act.

17. Amendment:

This Agreement shall not be altered, changed or amended except by instrument in writing executed by the parties hereto.

18. Approval of Contractor Personnel:

Once work has started, the Contractor will make no changes of personnel without the prior written consent of the Project Manager. Replacement of any Contractor personnel, if approved, shall be with personnel of equal ability, experience and qualifications. The Contractor will be responsible for any expenses incurred in familiarizing the replacement personnel to insure their being productive to the project immediately upon receiving assignments. Approval of replacement personnel shall not be unreasonably withheld.

The Procuring State and Local Public Bodies shall retain the right to request the removal of any of the Contractor's personnel at any time.

19. Scope of Agreement:

This Agreement incorporates all the agreements, covenants, and understandings between the parties hereto concerning the subject matter hereof, and all such covenants, agreements and understandings have been merged into this written Agreement. No prior agreement or understandings, verbal or otherwise, of the parties or their agents shall be valid or enforceable unless embodied in this Agreement.

20. Notice:

The Procurement Code, Sections 13-1-28 through 13-1-199 NMSA 1978, imposes civil and misdemeanor criminal penalties for its violation. In addition, the New Mexico criminal statutes impose felony penalties for bribes, gratuities and kickbacks.

21. Equal Opportunity Compliance:

The Contractor agrees to abide by all applicable Federal and State laws, rules and regulations, and executive orders of the Governor of the State of New Mexico, pertaining to equal employment opportunity. In accordance with all such laws, rules, and regulations, and executive orders of the Governor of the State of New Mexico, the Contractor agrees to assure that no person in the United States shall on the grounds of race, color, religion, national origin, sex, sexual preference, age or handicap, be excluded from employment with or participation in, be denied the benefits of, or be otherwise subjected to discrimination under, any program or activity performed under this Agreement. If Contractor is found to be not in compliance with these requirements during the life of this Agreement, Contractor agrees to take appropriate steps to correct these deficiencies.

22. Indemnification:

The Contractor shall hold the Procuring State and Local Public Bodies and its agents and employees harmless and shall indemnify the Procuring State and Local Public Bodies and its agents and employees against any and all claims, suits, actions, liabilities and costs of any kind, including attorney's fees for personal injury or damage to property arising from the acts or omissions of the Contractor, its agents, officers, employees or subcontractors.

23. Applicable Law:

The laws of the State of New Mexico shall govern this Agreement.

24. Limitation of Liability:

The Contractor's liability to the Procuring State and Local Public Bodies for any cause whatsoever shall be limited to the purchase price paid to the Contractor for goods and/or services that are the subject of the Procuring State and Local Public Bodies' claim. The foregoing limitation does not apply to Section 22 of this Agreement or to damages resulting from personal injury caused by the Contractor's negligence.

NOTWITHSTANDING THE FOREGOING OR ANYTHING TO THE CONTRARY IN THIS AGREEMENT, A PARTY'S LIABILITY UNDER THIS AGREEMENT SHALL BE LIMITED TO LIABILITY FOR DIRECT ACTUAL DAMAGES ONLY. SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS, OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT, OR CONCURRENT, OR ACTIVE OR PASSIVE. TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OR OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE DAMAGES CALCULATED HEREUNDER CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

25. Merger and Precedence:

This Agreement is derived from (1) the Request for Proposal, written clarifications to the Request for Proposals and Procuring State and Local Public Bodies response to questions; (2) the Contractor's Best and Final Offer and (3) the Contractor's response to the Request for Proposals.

In the event of a dispute under this Agreement, applicable documents will be referred to for the purpose of clarification or for additional detail in the following

order of precedence: (1) Amendments to the Agreement in reverse chronological order; (2) the Agreement, including the Scope of Work; (3) the Contractor's Best and Final Offer: the Request for Proposals, including attachments thereto and written responses to questions and written clarifications and (5) the Contractor's response to the Request for Proposals.

26. Warranties:

The Contractor warrants that all services provided under this Agreement will be free from defects. The warranty period for services will be for a period of six (6) months after the acceptance of the deliverable. Warranty work will be performed at the Contractor's expense.

27. Project Reporting:

The Contractor will provide periodic status reports to the Project Manager. Status reports will include as a minimum a discussion of project progress, problems encountered and recommended solutions, identification of policy or management questions, and requested project plan adjustments.

28. Invalid Term or Condition:

If any term or condition of this Agreement is held to be invalid or non-enforceable by a court of competent jurisdiction, the remainder of this Agreement will not be affected and will be valid and enforceable to the fullest extent of the law.

29. Notification:

Any written notice required or permitted to be given hereunder will be deemed to have been given five calendar days after being sent by mail to the party to whom it is directed, or immediately if by personal service, hand delivered

Either party may change its representative or address above by written notice to the other. The carrier for mail delivery and notices will be the agent of the sender.

30. Incorporation by Reference:

All Exhibits identified in this Agreement and attached hereto are hereby incorporated into and made a part of this Agreement.

31. Enforcement of Agreement/Waiver:

A party's failure to require strict performance of any provision of this Agreement shall not waive or diminish that party's right thereafter to demand strict compliance with that or any other provision. No waiver by a party of any of its rights under this Agreement shall be effective unless expressed in writing and signed by the party

alleged to have granted the waiver. A waiver by a party of any of its rights shall not be effective to waive any other rights.

32. Workers Compensation:

The Contractor agrees to comply with any applicable state laws and rules pertaining to workers' compensation insurance coverage for its employees. If the Contractor fails to comply with the Workers' Compensation Act and applicable rules when required to do so, the Agreement may be canceled effective immediately

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date of execution by the State of New Mexico, General Services Department, State Purchasing Division below.

STATE OF NEW MEXICO,
GENERAL SERVICES DEPARTMENT,
STATE PURCHASING DIVISION

BP ENERGY COMPANY

BY: 
Michael C. Vinyard

BY: 

TITLE: STATE PURCHASING AGENT

TITLE: ORIGINATOR MANAGER

DATE: 6/28/07

DATE: 6/27/07

FEDERAL ID NO: _____

I hereby certify that BP ENERGY COMPANY, tax identification number 02-166797-007, is registered with the New Mexico Taxation and Revenue Department for payment of gross receipts taxes.

TAXATION AND REVENUE DEPARTMENT

BY: _____

DATE: _____

alleged to have granted the waiver. A waiver by a party of any of its rights shall not be effective to waive any other rights.

32. Workers Compensation:

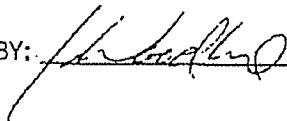
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IN WITNESS WHEREOF, the parties have executed this Agreement as of the date of execution by the State of New Mexico, General Services Department, State Purchasing Division below.

STATE OF NEW MEXICO,
GENERAL SERVICES DEPARTMENT,
STATE PURCHASING DIVISION

BP ENERGY COMPANY

BY: _____
Michael C. Vinyard

BY:  _____

TITLE: _____

TITLE: ORIGINATOR MANAGER

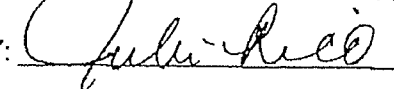
DATE: _____

DATE: 6/27/07

FEDERAL ID NO: _____

I hereby certify that BP ENERGY COMPANY, tax identification number 02-166797-007, is registered with the New Mexico Taxation and Revenue Department for payment of gross receipts taxes.

TAXATION AND REVENUE DEPARTMENT

BY:  _____

DATE: 6/28/07

Appendix F

Appendix F TRANSACTION CONFIRMATION ISSUED UNDER STATE OF NEW MEXICO AGREEMENT FOR SALE AND PURCHASE OF NATURAL GAS

This Transaction Confirmation incorporates by reference and is subject to all terms and conditions of State of New Mexico Agreement for Sale and Purchase of Natural Gas, Price Agreement No. 70-000-00-04056 between The State of New Mexico and BP Energy Company, (the "Natural Gas Sales Agreement"). This Transaction Confirmation is between _____ (Buyer") and BP Energy Company ("Seller"). Buyer hereby adopts the Natural Gas Sales Agreement and agrees to be bound by the terms thereof as if it had executed such Agreement as Procuring State and Local Public Bodies (as defined in the Agreement). The terms of this Transaction Confirmation Agreement are binding unless disputed in writing within two (2) business days of receipt.

Buyer:

Tel: ()
Fax: ()
Contact:
Tax ID No.:

Seller:

Tel: ()
Fax: ()
Contact:
Tax ID No.:

Buyer and Seller confirm the following transaction between Buyer and Seller pursuant to the Natural Gas Sales Agreement identified above:

Confirmation Date: _____

Period of Delivery: _____ through _____

Purchase Price: (Select one)

Fixed price of _____ per Dth plus \$0.04/Dth fee; plus posted tariff rate transportation, 1% fuel, and fees on the PNM system.

Month	\$ / Dth	Month	\$ / Dth

Index Price: _____ plus \$0.04/Dth.

Guaranteed Percentage Savings (as defined in the Natural Gas Sales Agreement)

Quantity of Natural Gas: MMBtu/Month

Month	MMBtu/ Mo	Month	MMBtu/ Mo

Point(s) of Delivery: PNM City Gate _____

Additional Provisions:

If Buyer does not use the Quantity of Natural Gas posted above and the Price listed above is greater than the monthly index price for El Paso Pipeline, then Buyer is liable to Seller for the difference between the Price and the El Paso Pipeline, San Juan monthly index price multiplied by the difference between the actual volume used and the Quantity of Natural Gas posted above. In the event of a conflict between any term or provision of the Natural Gas Sale and Purchase Agreement identified above and any term or provision of this Confirmation Letter, the term or provision of this Confirmation Letter shall control.

Buyer:

Seller:

By: _____

By: _____

Date: _____

Date: _____