

**GAS SALE AND PURCHASE AGREEMENT**

**BETWEEN**

**AIX ENERGY LLC**

**“SELLER”**

**AND**

**ALASKA PIPELINE COMPANY**

**“BUYER”**

# GAS SALE AND PURCHASE AGREEMENT

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## **GAS SALE AND PURCHASE AGREEMENT**

This GAS SALE AND PURCHASE AGREEMENT (“Agreement”) effective as of the date set forth in Section 4.1 below, is entered into by and between AIX Energy LLC (“Seller”), and Alaska Pipeline Company (“APC”), an Alaska corporation and a wholly-owned subsidiary of SEMCO Energy, Inc., a Michigan corporation (“Buyer”). Seller and Buyer may be referred to, collectively, as “Parties” and each, individually, as a “Party”.

### **RECITALS**

- A. Seller owns, controls, or has the right to dispose of certain volumes of Natural Gas produced from lands located in the Cook Inlet region of Alaska.
- B. Buyer is a public utility that holds Certificate No. 141 from the Regulatory Commission of Alaska (“RCA”). Buyer, and its public utility affiliate ENSTAR Natural Gas Company, provide natural gas distribution service to the Municipality of Anchorage and portions of the Matanuska-Susitna and Kenai Peninsula Boroughs. Buyer desires to purchase Gas to meet the needs of ENSTAR’s customers.
- C. Seller wishes to sell Gas to Buyer, and Buyer wishes to purchase Gas from Seller.
- D. Seller and Buyer adopt the terms and conditions set forth herein to govern this transaction.

### **AGREEMENT**

#### **1. DEFINITIONS.**

- 1.1 The following definitions apply to this Agreement:

“Agreement” is defined in the first paragraph hereof.

“Annual Contract Quantity” means the total volume of Gas to be delivered and received in a Time Period.

“Balancing Volume” means volume of Gas to be delivered by Seller and received by Buyer hereunder to correct for previous Incidental Deviations.

“Business Day” means any Day except a Saturday, Sunday, or a Federal Reserve Bank holiday. A Business Day shall open at 8:00 a.m. and close at 5:00 p.m. local time for the relevant Party’s principal place of business.

“Buyer” is defined in the first paragraph of this Agreement.

“Buyer’s Tariff” means the tariff of Buyer’s affiliate, ENSTAR Natural Gas Company, on file with and approved by the RCA, as periodically revised or amended

“CINGSA” means the Natural Gas storage facility owned by Cook Inlet Natural Gas Storage Alaska, LLC.

“CINGSA Gas Substitution” has the meaning set forth in Section 2.10(C)(1)

“Claim” means any claim, liability, loss, demand, damages, lien, cause of action of any kind, obligation, costs, fees, assessments, penalties, fines, judgment, interest and award

(including recoverable legal counsel fees and costs of litigation of the party asserting the Claim), whether arising by law, contract, tort, voluntary settlement or otherwise.

“Continuous Rate” means a rate of Gas delivery calculated by dividing the volume delivered per Day by 24 hours, so long as such rate is not more than 10% above or below the Daily Contract Quantity over the course of one Day.

“Contract Year” means 274 days, from July 1, 2018 – March 31, 2019, during Contract Year 1, and each 365-day period (or 366-day period in a leap year), from April 1 – March 31, during Contract Year 2 and 3, as shown in Sections 2.1 and 7.1.

“Cook Inlet Gas Pipeline System” means the system of Gas transmission and distribution pipelines located in and around the Cook Inlet Area including pipelines owned by Alaska Pipeline Company and Harvest Alaska, LLC.

“Cover,” as referred to in Section 2.10, means that if there is failure to deliver or take any quantity of Gas pursuant to this Agreement (other than as excused or permitted by this Agreement), then the performing Party shall use commercially reasonable efforts as follows: (i) If Buyer is the performing Party, obtain replacement Gas (including Gas from its contracted storage inventory in CINGSA or, if Gas is not available from storage, Gas obtained by calling on electric utilities to alter their generation to allow Buyer access to additional Gas), or (ii) If Seller is the performing party, sell the untaken Gas.

“Daily Contract Quantity” means the volume of Gas required to be delivered by Seller and received by Buyer on a Day during the Term of this Agreement as set forth in Section 2.1.

“Day” means a 24-hour calendar day.

“Delivery Point” is defined in Section 3.1.

“Delivery Shortfall Volume” has the meaning set forth in Section 2.10(C).

“Dispute” means any dispute or controversy arising out of this Agreement including a Claim under this Agreement and any dispute or controversy regarding the existence, construction, validity, interpretation, enforceability, or breach of this Agreement.

“Effective Date” is defined in Section 4.1.

“Excess Taxes” means taxes (including interest and penalties thereon) in excess of those payable under tax law as of the Effective Date, on the production or severance of the Gas or the sale of Gas at the applicable Sales Price. “Excess Taxes” do not include taxes, interest or penalties thereon which are determined after audit to be due under tax law as of the Effective Date, on the production or severance of the Gas or the sale of the Gas at the applicable Sales Price. “Excess Taxes” also do not include any reductions, delays in payment, limitations, or other changes of tax credits afforded oil and gas operators set forth in AS 43.55.023, AS 43.55.024, or AS 43.55.025 which are passed into law after the Effective Date.

“Firm” means that a Party may interrupt its performance without liability only to the extent that such interruption is excused or permitted by the terms of this Agreement.

“Force Majeure” is defined in Section 10.2.

“Gas” or “Natural Gas” means any mixture of hydrocarbons or of hydrocarbons and non-combustible gases, in a gaseous state consisting primarily of methane and meeting the quality specifications of Section 6.

“Gas Sales Price” means the price per Mcf for Gas delivered in a Contract Year, as set forth in Section 7.1.

“Incidental Deviation” means the difference between the Daily Contract Quantity for a Day delivered at a Continuous Rate and the actual deliveries and receipts made on that Day which arise from the ordinary operations of the Cook Inlet Gas Pipeline System.

“Major Adjustment Request” is defined in Section 2.5.

“Market Out” is defined in Section 2.6(A).

“Market Return” is defined in Section 2.6(C).

“Minor Adjustment Notice” is defined in Section 2.4.

“Month” means a period beginning at 00:00 hours in Alaska on the first Day of a calendar month and ending at 24:00 hours in Alaska on the last Day of that calendar month.

“Monthly Contract Quantity” is the sum of the Daily Contract Quantities for the applicable Month.

“Monthly Delivered Quantity” means the actual volume of Gas Seller delivered and Buyer received during the applicable Month.

“Mcf,” “MMcf” and “Bcf” mean thousand standard cubic feet, million standard cubic feet, and billion standard cubic feet, respectively. Standard conditions will be at 14.65 psia pressure, and 60 degrees Fahrenheit temperature.

“Notice” means a notice given as provided in Section 18.1

“Operational Notice” means a notice given as provided in Section 2.8 and Section 18.2.

“Party” and “Parties” are defined in the first paragraph of this Agreement.

“Prior GSA” means the currently-effective Gas Sales Agreement between the Parties, dated August 10, 2011.

“RCA Approval” is defined in Section 4.1.

“Seller” is defined in the first paragraph of this Agreement.

“Term” is defined in Section 4.1.

“Termination Date” is defined as March 31, 2021, subject to any earlier termination under the terms of this Agreement under Section 4.2.

“Time Period” means that respective duration of time set forth in the second column of the table in Section 2.1 and 7.1.

“Wall Street Journal Prime Rate” is published by the Wall Street Journal, which surveys large banks and publishes the consensus prime rate. The Journal surveys the 30 largest

banks, and when three-quarters of them (23) change, the Journal changes its rate, effective on the day the Journal publishes the new rate.

**2. GAS SALES.**

2.1 **Sale and Purchase:** Subject to the other provisions of this Agreement, Seller will deliver and sell to Buyer, and Buyer will receive and purchase from Seller, on a firm basis, the following Total Gas Volumes:

<b>Contract Year</b>	<b>Time Period</b>	<b>Annual Contract Quantity</b>	<b>Daily Contract Quantity</b>
1	July 1, 2018 – March 31, 2019	1.370 Bcf as set forth in Section 2.2	5 MMcfpd
2	April 1, 2019 – March 31, 2020	1.464 Bcf	4 MMcfpd
3	April 1, 2020 – March 31, 2021	1.095-1.825 Bcf, as set forth in Section 2.3	3-5 MMcfpd, as set forth in Section 2.3

2.2 **Contract Year 1.** AIX Energy LLC and APL are parties to a Gas Sales Agreement entered August 10, 2011 (“Prior GSA”), with a gas sales volume commitment that may not be fulfilled by July 1. Contract Year 1 gas sales as shown above will not begin until such time as the volume commitment under the Prior GSA are fulfilled and the Contract Year 1 start date and Annual Contract Quantity will be revised in writing, within a week of the termination of the Prior GSA, accordingly.

2.3 **Contract Year 3.** By September 1, 2019, Seller shall notify Buyer of the maximum quantity available for Year 3. Buyer shall respond with the amount desired within the following range: minimum 3 MMcfpd with Annual Contract Quantity of 1.095 Bcf to maximum 5 MMcfpd with Annual Contract Quantity of 1.825 Bcf. Parties have to mutually agree to increase the Annual Contract Quantity for Contract Year 3 by October 1, 2019.

2.4 **Buyer’s Minor Adjustment Notice to increase or decrease Total Gas Volume.** By notice to Seller pursuant to Section 18.1 of this Agreement on or before October 1 immediately preceding a Contract Year, Buyer may require an adjustment of not more than five percent (5%) to the Total Gas Volume for the then-immediately succeeding Contract Year (each, a “Minor Adjustment Notice”). An effective Minor Adjustment Notice shall be deemed to amend the Total Gas Volume and related Daily Contract Quantity for the applicable Contract Year. Buyer shall not utilize a Minor Adjustment Notice to reduce the Total Gas Volume for a Contract Year in order to purchase Gas from a third party. If Buyer determines, after delivering a Minor Adjustment Notice, that Buyer needs to purchase all

or a portion of the volumes reduced by a Minor Adjustment Notice, Buyer shall provide Seller reasonable notice and the option to sell such volumes to Buyer pursuant to the terms of this Agreement.

**2.5 Buyer's Major Adjustment Request to increase or decrease Total Gas Volume.** By notice to Seller pursuant to Section 18.1 of this Agreement on or before October 1 immediately preceding a Contract Year, Buyer may request an adjustment in excess of five percent (5%) to the Total Gas Volume for the then-immediately succeeding Contract Year (each, a "Major Adjustment Request"). Seller shall consider each Major Adjustment Request in good faith, and, if mutually agreed, the Parties shall execute an amendment to this Agreement setting forth the revisions to the applicable Total Gas Volumes and related Daily Contract Quantities. Buyer shall not request a Major Adjustment Request to reduce the Total Gas Volume for a Contract Year in order to purchase Gas from a third party. If, after amendment of this Agreement to accommodate a Major Adjustment Request, Buyer determines that Buyer needs to purchase all or a portion of the volumes reduced by the Major Adjustment Request and amendment, Buyer shall provide Seller reasonable notice and the option to sell such volumes to Buyer pursuant to the terms of this Agreement. An agreement for Buyer's purchase and Seller's delivery of such volumes shall be in the form of a written amendment to this Agreement, duly executed by the Parties.

**2.6 Buyer's Market Out and Market Return Adjustments.**

- (A) Buyer may experience a loss to its customer base beyond Buyer's reasonable control that results in reduction of its annual demand greater than 1% of Buyer's projected annual demand (a "Market Out") during the Term.
- (B) If Buyer experiences a Market Out during the Term, Buyer may reduce its Total Gas Volume in the affected Time Periods in proportion to the Market Out volumes, which reduction shall be calculated as shown in the example attached at Exhibit "B". Buyer shall notify Seller of such Market Out pursuant to Section 18.1 of this Agreement, which notice shall contain Buyer's calculation of the Market Out reduction. Notwithstanding Section 21.1 of this Agreement, an effective Market Out notice shall amend the Total Gas Volume and related Daily Contract Quantity for the applicable Contract Year. Buyer may experience multiple Market Out events during the term of this Agreement. Buyer shall have the right to update a Market Out volume submitted under this notice as necessary.
- (C) If some or all of a Market Out returns to Buyer's customer base during the Term ("Market Return"), and Buyer must purchase Gas to meet the demand associated with the Market Return, Buyer shall notify Seller pursuant to Section 18.1 of this Agreement of such Market Return and provide Seller the option to sell additional volumes to Buyer pursuant to the terms of this Agreement to meet the demand associated with the Market Return. An agreement for Buyer's purchase and Seller's delivery of such volumes shall be in the form of a written amendment to this Agreement, duly executed by the Parties, increasing the Total Gas Volume in proportion to the Market Return volumes.
- (D) The Parties will work together in good faith to adjust volumes and delivery schedules to minimize any disruption caused by a Market Out or Market Return.

**2.7 Delivery.**

- (A) Seller shall deliver and Buyer shall receive Gas at a Continuous Rate.

- (B) This Agreement will require frequent communication and cooperation between Buyer and Seller for proper scheduling and delivery of Gas. The acting Party will provide timely notice to the other Party when (i) Buyer changes its receipt rate, (ii) Seller ceases or curtails deliveries, or (iii) Buyer ceases or curtails receipts.
- (C) Buyer and Seller will communicate and work in good faith to coordinate Gas deliveries and receipts with the other Party regarding anticipated shut-downs or curtailments, facility outages, maintenance, and other scheduled or irregular events which do not constitute Force Majeure events.
- (D) By mutual agreement of the Parties confirmed by email or other writing, the Parties may reschedule Daily Contract Quantity Gas that will not be or has not been delivered and received, whether due to shut-downs or curtailments, facility outages, maintenance, and other scheduled or irregular events, or due to Force Majeure events.
- (E) The Parties understand that the Cook Inlet Gas Pipeline System is currently unable to deliver precisely the nominated amount of Gas on any given Day. The mutual intent of the Parties is to work toward assuring through Balancing Volumes that the Monthly Delivered Quantity for a given Month is within three (3) percent of the Monthly Contract Quantity for such Month, and that the delivered volume of Gas for each Contract Year is within three (3) percent of the average Monthly Contract Quantity for the applicable Contract Year, in each case, after giving effect to any Minor Adjustment Notice, Major Adjustment Request, Market Out, agreed Market Return, Force Majeure events, or royalty in kind reductions pursuant to Section 12.3.
- (F) No annual imbalances (in either direction) will be carried forward into the next Contract Year. Buyer will not be responsible to pay for any undelivered volumes.

2.8 **Operational Notices and Documentation.** Actions under Sections 2.6, and 2.7 with respect to Annual contract Quantity, if any, will be made or confirmed through Operational Notices. The Parties will document the commencement and termination of all sales and purchases of Gas, and any modifications of the rates of flow within a reasonable time after the applicable Operational Notice. The transactional summaries will be tabulated by Buyer in a spreadsheet that will be provided to Seller periodically or in response to a request. Delays in updating the spreadsheet shall not negate or otherwise affect a sale of Gas under this Agreement.

2.9 **Transportation.** Seller is solely responsible for arranging the logistics of transporting Gas to the Delivery Point. Buyer is solely responsible for arranging the logistics of transporting Gas from the Delivery Point.

2.10 **Nature of Gas Sale and Purchase Commitment and Remedies.**

- (A) Each Day, except as otherwise provided in this Agreement, Seller will deliver, and Buyer receive, the Daily Contract Quantity on a Firm basis.
- (B) If Seller for any reason, including a Force Majeure Event or quality issues, does not deliver (or make available for delivery) all of the applicable Daily Contract Quantity, or if Buyer, because of a Force Majeure Event, cannot take from Seller all of the applicable Daily Contract Quantity, Buyer may make whatever purchases are necessary to replace the shortage. Buyer will in good faith attempt to purchase only the amount of Gas necessary to replace the shortage. Should any provision of this Agreement constrain Buyer in such a way that Buyer cannot replace the

shortage on reasonable terms and conditions, that provision (or provisions) shall be relaxed or waived but only to the extent necessary to permit Buyer to purchase its requirements on reasonable terms and conditions. Buyer's purchase obligations under this Agreement shall be reduced by the volumes Seller does not deliver or Buyer cannot take under this subsection.

- (C) On any given Day, if Seller fails to sell and deliver (or make available for delivery) the applicable Daily Contract Quantity as scheduled as provided in Section 2.1 for such Day, and such failure is not excused or permitted under this Agreement, the difference between such Daily Contract Quantity and the amount of Gas actually delivered (or made available for delivery) that Day is called the "Delivery Shortfall Volume." Buyer's sole remedy with respect to such failure by Seller shall be Cover as provided below and as communicated by Formal Notice.
- (1) Upon receiving notice or otherwise having actual knowledge of Seller's delivery failure, Buyer shall make reasonable commercial efforts to replace the Delivery Shortfall Volume via Cover. For the avoidance of doubt, Buyer, in its sole discretion, may choose to withdraw Gas stored by it or on its behalf in CINGSA (or any other storage facility), up to the Delivery Shortfall Volume ("CINGSA Gas Substitution"), and in such circumstance Buyer may attempt to replace the Gas representing such CINGSA Gas Substitution via Cover.
  - (2) With respect to the replacement of the Delivery Shortfall Volume, Seller shall be responsible for, and shall pay Buyer, the positive difference, if any, between the weighted average purchase price paid by Buyer for Gas purchased through Cover and the Gas Sales Price multiplied by the volume of such replacement Gas. If Buyer implements the CINGSA Gas Substitution, the price of that replacement Gas shall be the Cost of Gas Withdrawn from Storage as defined in Buyer's Tariff at § 2301(3) or the actual cost of replacement Gas obtained through Cover. If Buyer is unable to obtain replacement Gas and must call on electric utilities to alter their generation to allow Buyer access to additional Gas, Buyer will incur Interruption Expenses as defined by § 1205 of Buyer's Tariff, and this shall represent the purchase price of Buyer's replacement Gas.
  - (3) To the extent the Delivery Shortfall Volume cannot be fully replaced through Cover within two (2) Months, then Seller shall be responsible for, and shall pay Buyer, the Gas Sales Price applicable for that Contract Year times such portion of the Delivery Shortfall Volume not replaced through Cover.
- (D) On any given Day, if Buyer fails to purchase and take the applicable Daily Contract Quantity made available by Seller as scheduled as provided in Section 2.1 for such Day and such failure is not excused or permitted under this Agreement, the difference between such Daily Contract Quantity and the amount of Gas actually taken by Buyer that Day is called the "Receipt Shortfall Volume." Seller's sole remedy with respect to such failure by Buyer shall be Cover as provided below.
- (1) Upon receiving notice or otherwise having actual knowledge of Buyer's receipt failure, Seller shall make reasonable commercial efforts to sell the Receipt Shortfall Volume via Cover.
  - (2) With respect to the sale of the Receipt Shortfall Volume, Buyer shall be responsible for, and shall pay Seller, the positive difference, if any,

between the Gas Sales Price applicable that Contract Year and the weighted average sales price received by Seller for Gas sold through Cover multiplied by the volume of such sales Gas.

- (3) To the extent the Receipt Shortfall Volume cannot be fully sold through Cover within two (2) Months, then Buyer shall be responsible for, and shall pay Seller, the Gas Sales Price applicable for that Contract Year times such portion of the Receipt Shortfall Volume not sold through Cover.
  - (E) Each Party shall provide to the other Party all information, including price and volume information, as soon as practicable after the purchase or sale of Gas under Section 2.1.
  - (F) The remedy of Cover does not apply to Incidental Deviations, the sole remedy for which is adjustment through Imbalance Volumes.
  - (G) Neither Party shall be entitled to an award of, and hereby waives the right to recover, incidental, consequential, punitive, exemplary, or other non-direct damages or any other damages from the other Party arising from or related to this Agreement, whether asserted by or awarded to such Party or any third party and whether based on contract, tort, strict liability, or other claim or theory of liability.
- 2.11 **Use of Gas.** Buyer may use Gas sold and purchased pursuant to this Agreement for any purpose.

### **3. DELIVERY POINTS; TITLE; LIABILITY AND RISK OF LOSS.**

- 3.1 Unless otherwise agreed between the Parties, the authorized delivery points are set forth in Exhibit A ("Delivery Points"). Seller shall deliver gas to the Receipt Point at Buyer's Pipeline to meet the demand at Kenai City Gate. The remaining balance of Gas shall be delivered to other delivery point(s) set forth in Exhibit A. By mutual agreement, the Parties may agree to add or delete a Delivery Point. Agreement to add a Delivery Point will not be unreasonably withheld, provided that each Party's transportation costs from a new Delivery Point are not more than that Party's costs to or from the other Delivery Points under this Agreement.
- 3.2 Title to Gas Seller delivers to Buyer under this Agreement will pass from Seller to Buyer at the Delivery Point at which such Gas is delivered.
- 3.3 All, liability and risk associated with the Gas will be with Seller prior to delivery at the Delivery Point, and with Buyer after delivery at the Delivery Point.

### **4. EFFECTIVE DATE, RCA APPROVAL, AND TERM.**

- 4.1 **Effective Date and Term.** This Agreement is effective upon the date signed by all Parties ("Effective Date"), and shall continue in full force and effect until March 31, 2021, unless earlier terminated under Section 4.2 ("Termination Date"). The Term begins on the Effective Date and ends on the Termination Date. Notwithstanding the foregoing, Buyer may not purchase Gas pursuant to this Agreement unless and until the Regulatory Commission of Alaska ("RCA") approves this Agreement. "RCA Approval" will be deemed to have occurred on the date that an RCA order approving this Agreement, including approval of recovering all costs resulting from this Agreement in the rates of Buyer's affiliate ENSTAR Natural Gas Company, without conditions or modifications unacceptable to the Parties, becomes final and is not subject to further reconsideration by the RCA or appeal.

- 4.2 Buyer will submit this Agreement to the RCA for its consideration on or before September 30, 2017. Buyer will use commercially reasonable efforts to obtain RCA Approval of this Agreement. Outside of commercially reasonable assistance, Seller shall have no responsibility to take any action or incur any cost to obtain RCA Approval of this Agreement. If the RCA issues an order that approves (conditionally or otherwise) this Agreement and imposes terms and conditions or modifications unacceptable to Buyer or Seller, each as determined in its sole and absolute discretion, Buyer or Seller may terminate this Agreement upon written notice to the other Party, such termination to take effect on the date outlined in any such written notice. If RCA Approval has not been obtained by March 1, 2018, either Party may terminate this Agreement upon notice to the other Party, such termination to take effect on the date outlined in any such written notice.
- 4.3 **Survival.** Notwithstanding anything to the contrary, all provisions of this Agreement relating to accrued payment obligations, indemnification, limitation of liability, and dispute resolution, including Sections 2.10, 7, 8, 9, 11, 12, 13, 14, 15, 16, 27 and 28, will survive expiration or termination of this Agreement.

## 5. MEASUREMENT.

- 5.1 **Pressure.** Gas delivered under this Agreement shall be delivered at a pressure sufficient to enter Buyer's Pipeline System at the Receipt Point, but Seller shall not be required to deliver to the Receipt Point at a pressure greater than 1050 PSIG. Buyer shall maintain Buyer's Pipeline System at a continuous pressure which shall never be greater than 1050 PSIG.
- 5.2 **Measurement.** Seller, at its expense, will provide at the Delivery Points continuous data showing Gas delivery rates, if requested by Buyer. Buyer will own, maintain, and operate, at Buyer's expense, measurement stations at or near the Delivery Points. Unless agreed otherwise, each Delivery Point measurement station will consist of (i) standard measuring equipment conforming to the requirements of American Gas Association Gas Measurement Committee Reports in effect on the Effective Date, or as amended or supplemented, (ii) appurtenant facilities, (iii) hydrometers, and (iv) data telemetry equipment. Seller will have access to the Delivery Point measurement stations at which Seller tenders Gas at reasonable hours and on reasonable notice to Buyer, but Buyer will make all calibrations, measurements, and adjustments. Buyer will make available to Seller, and will not charge Seller for access to, telemetry signals (pressure and flow rates) on Buyer's system that Seller requires to manage its Gas supply and demand systems. Buyer will maintain the same radio telemetry signals through the term of this Agreement, but any new costs of acquiring or using the telemetry signals by Seller will be paid by Seller.
- 5.3 **Inaccurate Meters.** If a meter is out of service or registering inaccurately by more than one percent (1%), the volumes of Gas delivered will be estimated:
- (A) by using the volumes registered by the check meter or meters of Seller, if installed, and accurately registering, or
  - (B) in the absence of (a), by correcting the error if the percentage of error is ascertainable by calibration, test or mathematical calculations, or
  - (C) in the absence of both (a) and (b), then by estimating the quantity of deliveries based on deliveries during comparable periods under similar conditions when the meter was registering accurately.
- 5.4 **Testing.** Buyer will test the accuracy of the measuring equipment at least once a Month. Buyer will give Seller reasonable advance notice (at a reasonable time of at least seventy-

two (72) hours) so that Seller (or its designee) may conveniently witness the tests if requested. If Seller notifies Buyer that it desires to test the accuracy of any measuring equipment based on a reasonable good faith belief that such testing is required, Buyer will test the accuracy of the measuring equipment promptly after the notification. Seller will have the right to witness the calibrating, adjusting and testing of the measuring equipment. Buyer will, on reasonable request of Seller, give its physical test and meter proving reports to Seller. If there is a dispute about any measurement, the Parties will conduct a joint test that will be dispositive. If the joint test reveals there was an error, then Buyer will pay all costs associated with the joint test. If the joint test reveals there was no error, then Seller will pay all costs associated with the joint test.

- 5.5 **Correction.** If any measuring equipment is found to be inaccurate by one percent (1%) or less, then previous measurements recorded by that equipment will be considered accurate. If any measuring equipment is found to be inaccurate by more than one percent (1%), any previous records of that equipment will be corrected to zero error for any period known definitely or agreed upon. If a period of inaccuracy is not definitely known or agreed upon by the Parties, the correction will be made for a period of one-half (1/2) of the time elapsed since the date of the last test. The correction will fully settle all claims based on the inaccuracy. Any measuring equipment found by a test to be inaccurate, even if such error is less than one percent (1%), will immediately be adjusted or replaced, as appropriate, to measure accurately.
- 5.6 **Standards.** Buyer will determine, or will rely on the information provided by others to determine, the volumes of Gas received and purchased under this Agreement as follows:
- (A) The unit of volume measurement will be one Standard Cubic Foot with correction for temperature and pressure deviation from the Ideal Gas Laws according to ANSI/API 2530, B109 or AGA Report No. 3,7, or 8, as amended and as applicable.
  - (B) The average absolute atmospheric pressure will be assumed to be fourteen-and-sixty-five hundredths (14.65) pounds per square inch absolute (psia) for all measurement purposes, irrespective of actual elevation or location of the Receipt Point above sea level or variations in actual atmospheric pressure.
  - (C) The specific gravity of Gas will be determined by the use of a spot test method or, if the Parties later agree in writing, by the use of a recording gravitometer generally accepted in the industry. If a recording gravitometer is used, the arithmetic average of the specific gravity of Gas flowing through the meters will be used in computing Gas volumes. If a spot test method is used, the specific gravity of the Gas will be determined at quarterly intervals or more often if changes in specific gravity indicate that such determination is necessary. Any such test will determine the specific gravity to be used in determining the volumes of Gas delivered and purchased under this Agreement effective the first Day of the Month following the date of the test and will be used until the results of a subsequent test become effective.
  - (D) The temperature of Gas will be determined by a recording thermometer so installed that it will record the temperature of the Gas flowing through the meters. The average of the recorded temperatures to the nearest one degree (1°) Fahrenheit obtained while Gas is being delivered on any Day will be used in computing the volumes of Gas made available to Buyer by Seller on that Day.
  - (E) Seller will have the right to audit Buyer's records of the volumes of Gas made available and taken under this Agreement for up to two (2) Years following delivery of that Gas to Buyer.

- 5.7 **Check Meters.** Seller will have the right to operate and maintain check meters and other test equipment and devices at or near the Receipt Points at its own expense.

## 6. QUALITY.

### 6.1 Heating Value of Gas.

- (A) Gas will have a Gross Heating Value of not less than nine hundred fifty (950) Btus per Standard Cubic Foot and not more than one thousand fifty (1,050) Btus per Standard Cubic Foot.
- (B) The Gross Heating Value of Gas will be determined from a representative composite Gas sample taken at the point of measurement by periodic tests to be conducted monthly by Buyer or at such other intervals as the Parties may mutually agree. The determination will be made by means of a calorimeter, or chromatograph, by calculation from the component analysis using NGPA Publication 2145, as it may be revised, entitled "The Table of Physical Properties for Hydrocarbons and Other Components of Interest to the Natural Gas Industry."

- 6.2 **Deleterious Matter Specification.** Gas delivered to a Receipt Point will be commercially free of dust, gum, gum forming constituents, and other liquid or solid matter that may separate or become separated from Gas during the course of its transportation, will not exceed one hundred twenty degrees (120°) Fahrenheit, and will not contain:

- (A) More than four (4) pounds of water per MMcf;
- (B) More than one (1) grain of hydrogen sulfide per one hundred (100) Standard Cubic Feet;
- (C) More than twenty (20) grains of total sulphur per one hundred (100) Standard Cubic Feet; and
- (D) In excess of (i) three percent (3%) by volume of carbon dioxide; or (ii) one percent (1%) by volume of oxygen.

- 6.3 **Filtration of Gas.** Before commencing deliveries under this Agreement, Seller will install, operate, and maintain a 0.3 micron screen coalescing filter or other similar device to extract condensates from Gas prior to its delivery to the Receipt Points.

- 6.4 **Buyer's Right to Refuse Gas.** Seller will immediately notify Buyer if Seller becomes aware that any Gas made available to Buyer does not meet the quality specifications in this Section 6. Should any concern arise regarding the quality of the Gas made available by Seller under this Agreement, the Parties will consult and cooperate concerning the quality concerns; provided, however, that this obligation to consult and coordinate will not prejudice the right of Buyer to take actions necessary for safety or health concerns, or to prevent damage to equipment or facilities due to off-specification Gas from Seller. If Buyer becomes aware by notice from Seller or otherwise that Gas to be delivered does not meet the quality specifications in this Section 6, then Buyer will have the right to refuse to accept delivery of any Gas failing to meet the quality specifications in this Section 6 by delivering a Regular Notice to Seller. If Buyer refuses to accept off-specification Gas, and if Seller determines (and Buyer's engineer agrees) that Seller's incurring the cost of conditioning the Gas to meet the quality specifications would not be economic, Seller may revise downward Seller's gas delivery obligations under this Agreement; provided, however, that all rights of Buyer to seek Cover under Section 2.10 for undelivered quantities are preserved.

**7. SALES PRICE.**

7.1 **Gas Sales Price.** Per Mcf of Gas delivered in each Contract Year as set forth in the following table, Buyer will pay Seller:

<b>Contract Year</b>	<b>Time Period</b>	<b>Gas Sales Price (per Mcf)</b>
1	July 1, 2018 – March 31, 2019	\$6.35
2	April 1, 2019 – March 31, 2020	\$6.44
3	April 1, 2020 – March 31, 2021	\$6.54

7.2 **Production and Transportation Costs.** Seller is responsible for all Gas processing and treatment expenses to meet the quality requirements of Section 6, as well as royalties and severance/production taxes (subject to Section 12). Seller is also responsible for all transportation cost(s) to the Delivery Point and Gas retained by pipelines to the Delivery Point.

7.3 **Post-Delivery Costs.** Buyer is responsible for all transportation cost(s) and Gas retained by pipelines, taxes, and any and all other costs related to Gas, beyond the Delivery Point.

**8. INVOICING.**

8.1 **Billing.**

On or before the tenth (10th) Business Day of each Month, Buyer will furnish to Seller a statement showing the Monthly Delivered Quantity delivered by Seller during the preceding Month. By the fifteenth (15th) Business Day of each Month, Seller will deliver to Buyer an invoice showing the final amount Buyer owes to Seller for the previous Month and any corrections for preceding periods (including those due to Seller issuing provisional invoices for the reasons described in the next sentence). If Buyer fails to provide the above-referenced volume information to Seller by the tenth (10th) Business Day of the Month, Seller may issue a provisional invoice based on its reasonable determination of the relevant volumes of Gas Seller delivered to Buyer during the preceding Month. Buyer will make payment to Seller by electronic funds transfer within ten (10) Business Days of when Buyer receives the invoice or provisional invoice. Buyer may dispute an invoice or provisional invoice by delivering a notice to Seller that reasonably sets forth the basis of the Dispute, the amount in Dispute and reasonable documentation supporting Buyer's position. Notwithstanding the previous sentence, Buyer will pay all undisputed amounts on or before the aforementioned due date. Buyer may, without prejudice to any Claim or right, pay any disputed amount. The Parties will cooperate to resolve any disputed amount within thirty (30) Days after the payment due date.

- 8.2 **Interest.** Any amount not paid when due (or any overpayment), including amounts subject to dispute under Section 8.1, will accrue interest daily at the rate of interest that is two (2) percentage points more than the Wall Street Journal Prime Rate applicable at the due date for payment.
- 8.3 **Remedies for Non-Payment.**
- (A) **Seller's Remedies.** If Buyer fails to pay undisputed amounts to Seller for Gas within ten (10) Days after the invoice is received, in addition to any other remedy available, Seller may provide Notice to Buyer of Buyer's non-payment of undisputed amounts. Buyer shall have two Business Days after receipt of the Notice to cure the non-payment including interest under Section 8.2 above. If Buyer fails to cure the non-payment, Seller will have the right to cease or curtail deliveries under this Agreement until payment (and interest under Section 8.2 above) is received, which right will not prejudice Seller's rights to collect any sums due Seller (including interest under Section 8.2 above) for Gas previously delivered to Buyer hereunder or to terminate this Agreement pursuant to Sections 8.4 and 9.3.
- (B) **Buyer's Remedies.** If Seller fails to pay Cover within ten (10) Days after the invoice is received, in addition to any other remedy available, Buyer may provide Formal Notice to Seller of Seller's non-payment. Seller shall have two Business Days after receipt of the Formal Notice to cure the non-payment including interest under Section 8.2 above. If Seller fails to cure the non-payment, Buyer will have the right to cease or curtail receipts under this Agreement until payment (and interest under Section 8.2 above) is received, which right will not prejudice Buyer's rights to terminate this Agreement pursuant to Sections 8.4 and 9.3.
- 8.4 **Reservations.** Upon the occurrence of a financial termination event described in Section 8.3, each Party reserves all claims, rights, setoffs, counterclaims, and other defenses to which it is entitled under this Agreement including the resolution of disputes through arbitration (but not direct negotiations or mediation) set forth in Section 28.

## 9. CREDIT.

- 9.1 Each Party shall demonstrate and maintain creditworthiness at all times during the Term. Each Party will provide the other Party with such information as the other Party might reasonably request to enable such Party to evaluate the other Party's creditworthiness, and the Party providing the information may require the Party receiving such information to execute a confidentiality agreement as a condition to providing the information. If either Party fails to provide the requested information within ten (10) Business Days of receipt of the other Party's request, the non-complying Party may reasonably be deemed to be not creditworthy by other Party. In addition, each Party shall notify the other Party in writing within five Business Days of the details of any material adverse change in its business, properties, conditions (financial or otherwise) or results in operations. Any failure by each Party to maintain creditworthiness, as determined by the other Party in its sole reasonable discretion, represents a breach of this Agreement.
- 9.2 Each Party may offset any payments or deliveries due the other Party under this or any other agreement between the Parties.
- 9.3 If (1) a Party becomes the subject of bankruptcy or other insolvency proceedings, or proceedings for the appointment of a receiver, trustee, or similar official; (2) a Party becomes generally unable to pay its debts as they become due; (3) Buyer fails to provide

advance cash payment or security satisfactory to Seller under Section 9.1 within five (5) Business Days after demand by Seller; or (4) a Party makes a general assignment for the benefit of creditors, the other Party to this Agreement may cease performing without notice.

- 9.4 The Parties agree this Agreement is a forward contract within the meaning of and for the purposes of the United States Bankruptcy Code, as amended. Further each Party represents to the other Party that it is a forward contract merchant as such term is defined in and for the purposes of the Bankruptcy Code, as amended.

## 10. FORCE MAJEURE.

- 10.1 In the event a Party is rendered unable wholly or in part by Force Majeure to carry out its obligations under this Agreement, the obligation of such Party, insofar as fulfillment of the obligation is affected by such Force Majeure, will be suspended during the continuance of any inability so caused, but for no longer period, and such cause will, insofar as possible, be remedied with reasonable dispatch.
- 10.2 The term "Force Majeure," as used herein, means acts of God, natural disasters and catastrophes, acts of the public enemy, war, strikes, lockouts or industrial disputes or disturbances, civil disturbances, breakage or accident to machinery or lines of pipes, partial or total failure of a Gas well, failure of a third party to deliver Gas to Seller if such failure is caused by a Force Majeure event (as defined in this Section 10.2) affecting such third party, interference or regulation by public bodies or officers acting under claims of authority, or any other cause, whether or not similar to the foregoing, that is beyond the reasonable control of the Party rendered unable to perform in whole or part. Settlement of strikes, lockouts, or other labor disputes will be entirely within the discretion of the Party having the difficulty and the above requirements that any Force Majeure event must be remedied with all reasonable dispatch do not require the Party experiencing strikes, lockouts, or other labor disputes to accede to any demand of opposing persons when such course is inadvisable in the sole discretion of that Party.
- 10.3 A Party experiencing a Force Majeure event shall provide Operational Notice of the Force Majeure event as soon as reasonably possible. The Operational Notice must include a description of the nature of the event, and an estimate of its extent and duration. The Party experiencing the Force Majeure event shall update any affected other Parties on a reasonably frequent basis.

## 11. TAXES.

- 11.1 **General Allocation.** Seller will pay all taxes, fees, penalties, and assessments (including Production Taxes) attributable to Gas or any other activity or facility prior to the Delivery Point, but not Excess Taxes. Buyer will pay all taxes, fees, penalties, and assessments attributable to Gas or any other activity or facility at or after the Delivery Point.
- 11.2 **New Production Taxes and Financial Incentives.** Notwithstanding anything in Section 11.1 to the contrary, Seller shall be responsible for any production taxes attributable to its operations and transactions. Seller shall be responsible for any changes in the State of Alaska's financial incentives or credits from the financial incentives or credits in place on the Effective Date, including, without limitation, any changes in the financial incentives or credits contained in AS 43.55 *et seq.*

## 12. ROYALTIES.

- 12.1 Seller will be responsible for the payment of all royalties and any fees, penalties and assessments attributable to the royalties on Gas delivered under this Agreement. If Gas

sold under this Agreement is produced from land owned by the State of Alaska, Seller is responsible for obtaining acceptance by the Alaska Department of Natural Resources of the Gas Sales Price paid under this Agreement as to the value of the State's royalty share of production under AS 35.05.180(aa).

- 12.2 If and to the extent that any one or more royalty owners of the Gas purchased by Buyer from Seller requires Seller under applicable laws, regulations, or lease terms to pay royalties on Gas sold hereunder at a value that exceeds the applicable Gas Sales Price under this Agreement, Buyer shall reimburse Seller the "excess royalties" that Seller pays to royalty owners. For clarification, the "excess royalties" referred to in the previous sentence shall be calculated as the product of: (1) the value of Gas for purposes of royalty payments less the actual sales price; (2) the applicable royalty percentage; and (3) the volume of Gas sold to which the royalty percentage applies.
- 12.3 If and to the extent that the State of Alaska elects under applicable laws, regulations, or lease terms to take its royalty in kind, then Seller will have the right, in its sole discretion, to reduce Seller's obligations under this Agreement, provided, however, that, Seller shall give Buyer no less than 30 Days' prior notice of any such event and Seller and Buyer shall then meet to work out in good faith a reasonable reduction to the Gas volumes to be provided by Seller under this Agreement.

### 13. WARRANTY OF TITLE.

- 13.1 Seller warrants title at the Delivery Point to all Gas delivered to Buyer hereunder and Seller's right to deliver the same.

### 14. SELLER'S ASSURANCES.

- 14.1 **Buyer's Priority.** By making the commitments to make Gas available under this Agreement, Seller agrees to provide to Buyer adequate Gas to satisfy its obligations under this Agreement. Any subsequent third party agreements that Seller enters into to dispose of Seller's Gas after the Effective Date and during the Term must recognize this Agreement and Buyer's priority to the Firm Gas, as provided by the terms of this Agreement. With effect from the Start Date, Buyer has first call on sufficient volumes of Gas produced from Seller's Facilities to satisfy Buyer's right to Firm Gas under this Agreement. Seller shall have the right to sell any remaining Gas produced from Seller's Facilities to any purchaser. The transactions described in the preceding sentence are collectively defined as "New Sales." The right to make any New Sales for Gas volumes is subject to the following constraints:
- (A) No New Sale for Gas volumes on a Firm basis shall be made after the Start Date unless Seller's Available Gas Reserves, as same may be adjusted from time to time, exceed:
    - (1) The undelivered portions of the Seller's commitment for Firm Gas under this Agreement, as same may be amended from time to time; plus
    - (2) The undelivered portion of all prior New Sales; plus
    - (3) The amount of Gas which would be committed to the proposed New Sale.
  - (B) The term "Seller's Available Gas Reserves" shall mean the total quantity of Seller's proved developed Gas reserves, and proved undeveloped Gas reserves in the various formations underlying Seller's properties in the Kenai Loop Gas Field, less

the undelivered portion of the total volumes of Gas which Seller has reserved and/or committed under its Gas Sales Commitments.

- (C) Each contract for a New Sale shall contain the following provision, or wording substantially similar thereto:

"If it is at any time determined that Seller's available gas reserves are insufficient to permit it to make deliveries under this contract, use sufficient Field Operations Gas and meet its obligations to Alaska Pipeline Company under the agreement dated August 14, 2017 ("AIX GSA"), Gas deliveries under this agreement may be reduced or terminated by Seller in its sole discretion."

- (D) Seller agrees that the term "available gas reserves" will be defined in any such New Sale contract in a manner consistent with the definition of such term in this Agreement.
- (E) Each time Seller enters into a New Sale during the Term, Seller shall provide Buyer the total and annual quantities of Gas sold, or to be sold, the term of the contract, and the maximum quantities deliverable daily. Seller shall provide this information (except for the amount of Gas actually delivered) within 15 Days of entering into a New Sale. Each April 1, Seller shall advise Buyer in writing of the amount of Gas sold and delivered during the prior 12 months under such New Sale contracts.

14.2 **Seller's Reserves Assurances.** Seller must demonstrate in the manner set forth below that Seller's Available Gas Reserves are sufficient to fulfill its commitments under this Agreement. On or before the date that is 30 Days prior to the Start Date and on or before April 1st each year thereafter, Seller shall deliver to Buyer the following items by Formal Notice. To permit Buyer to evaluate the information contained therein, Buyer may request copies of all information, material and data which Seller has available concerning Seller's Available Gas Reserves. Buyer will take all necessary steps to preserve the confidentiality of data received from Seller under this Section 14:

- (A) **Reserves Report.** An engineer's reserves report shall be based on sound geologic, economic, and other data; shall be consistent with sound engineering principles; and shall set forth Seller's Gas Reserves. The engineer's fees and expenses shall be paid by Seller.
- (B) **Engineer's Opinion Letter.** Based on the reserves report set forth in section (i) above, Seller shall also deliver a letter from an engineer which states that Seller's Gas Reserves are sufficient to meet Seller's obligations to deliver the Annual Contract Quantity and the Daily Contract Quantity in Sections 2.1 in each Contract Year during the then-remaining Term, assuming reasonable and prudent operations. The engineer's letter shall be substantially in the form set forth in Exhibit C or be in such other form reasonably agreed between Seller and Buyer.
- (C) **Statement of Seller's Available Gas Reserves.** Seller shall deliver a Statement of Seller's Gas Reserves, the sum of Seller's Gas Sale Commitments, and a forecast of Seller's field operations Gas to be used during the remaining Term, all as of January 1 of the Year in which the statement is submitted to Buyer. The Statement of Seller's Available Gas Reserves shall contain the information concerning Seller's Gas Reserves substantially as set forth in Exhibit D.

**15. RIGHT TO EXAMINE BOOKS AND RECORDS.**

15.1 Each Party to this Agreement, at its sole expense, will have the right to audit the books and records of the other Party relating to performance of this Agreement. All audits will be conducted in accordance with professional auditing standards and during normal business hours. The audited Party will fully cooperate with the auditing Party to accomplish the audit as expeditiously as possible. Each Party's right to audit will remain in effect until two (2) years after the end of the calendar year in which the Gas was delivered (*i.e.*, for Gas delivered in 2018, the audit period will expire December 31, 2020).

**16. NO PUBLIC UTILITY.**

16.1 **Seller Not A Public Utility.** Seller is not a public utility and nothing contained herein will be deemed as a dedication to the public of the Natural Gas, or any land, wells, pipelines, or other facilities, or any part thereof.

**17. INDEMNIFICATION.**

17.1 Seller agrees to indemnify and defend Buyer and hold it harmless from all Claims from any and all persons, arising from or out of claims of title, personal injury (including death) or property damage from Gas delivered under this Agreement occurring prior to delivery at the Delivery Point, or other charges for which Seller is responsible under Section 7.2 which attach before title passes to Buyer, subject to the provisions of Section 12. Buyer agrees to indemnify and defend Seller and save it harmless from all Claims from any and all persons, arising from or out of claims regarding personal injury (including death) or property damage from Gas delivered under this Agreement occurring after delivery at the Delivery Point.

17.2 **No Alteration of Cover Provisions.** Nothing in this Section 17 shall add to, detract from or otherwise modify the provisions of this Agreement concerning the failure or refusal of Seller to deliver Gas or the failure or refusal of Buyer to receive Gas under this Agreement, for which the sole recourse and remedy is set forth in Section 2.10.

**18. NOTICES.**

18.1 Except as specifically provided otherwise in Section 8 of this Agreement, all notices and communications under this Agreement (other than Operational Notices as provided in Section 18.2) will be made in writing by certified mail (return receipt requested), email, or by nationally recognized overnight courier ("Notices"). All such Notices will be deemed effective (a) if mailed, on the date indicated on the returned receipt, (b) if delivered personally or by overnight courier, when delivered, (c) if sent by email during the normal business hours of the recipient, on the same Business Day as sent, and (d) if sent by email after the normal business hours of the recipient, on the next Business Day following the date of transmission.

**Seller**

AIX Energy LLC  
Attn: Clayton King  
2441 High Timbers, Suite 120  
The Woodlands, Texas 77380  
Phone: 281-863-9941  
Mobile: 281-745-1593  
Email: cking@brantaep.com

**Buyer**

Alaska Pipeline Company  
Attn: Vice President and General Counsel  
P.O. Box 190288  
Anchorage, AK 99519  
Fax: 907-334-7671  
Email: moira.smith@enstarnaturalgas.com

- 18.2 Any Operational Notice required or permitted to be given to either Party will be given by telephone and confirmed by email, at the telephone numbers and email addresses set forth below (or such other telephone numbers and email addresses as the Parties may designate from time to time by written notice under Section 18.1 and 18.3). Notices given by telephone will be effective immediately and the confirmation by email will be effective as provided in Section 18.1. The Party providing an Operational Notice will attempt to contact the primary contact first. If the primary contact is unavailable to receive notice in a timely manner, the Party providing an Operational Notice will contact the alternate contact.

**Seller**

AIX Energy LLC  
2441 High Timbers, Suite 120  
The Woodlands, Texas 77380

**Primary Contact:**

Name: Kip Taeschner/Dave Tugan  
Title: Production Operator  
Mobile: 907-598-9138  
Email: ktaeschner@brantaep.com / dtugan@brantaep.com

**Alternate Contact:**

Name: Ray Schemanski  
Title: Production Supervisor  
Mobile: 907-394-1342  
Email: rschemanski@brantaep.com

**Billing Contact:**

Wendy Sheasby, CFO  
Telephone: 281-863-9920  
Mobile: 936-718-4036  
Fax: 832-585-0133  
Email: wsheasby@brantaep.com  
AIX Energy LLC  
2441 High Timbers Suite 120  
The Woodlands, TX 77380

**Buyer**

Alaska Pipeline Company  
3000 Spenard Road  
Anchorage, AK 99519

**Primary Contact:**

ENSTAR Gas Supply  
Telephone: 907-334-7830  
Fax: 907-272-3403

Email: Inna.Johansen@enstarnaturalgas.com

**Alternate Contact:**

ENSTAR Gas Control  
Telephone: 907-334-7788  
Mobile: 907-632-7227  
Fax: 907-264-3779  
Email: Enstar.GasControl@enstarnaturalgas.com

**Billing Contact:**

Denise Romans, Manager Gas Accounting  
Telephone: 907-334-7660  
Fax: 907-272-3403  
Email: Denise.Romans@enstarnaturalgas.com

18.3 Either Party may designate address changes by formal written notice as provided in Section 18.1.

**19. ASSIGNMENT.**

19.1 This Agreement is assignable only with the prior written consent of the other Party, which consent will not be unreasonably withheld. A Party may withhold consent if, in its commercially reasonable opinion, the proposed assignee is not financially, physically, and operationally capable of assuming the obligations of this Agreement. No assignment for which written consent has been received will be effective until the assignee agrees in writing to assume and fully perform the terms of this Agreement.

**20. NO THIRD PARTY BENEFICIARIES.**

20.1 This Agreement is made for the sole benefit of the Parties and their respective successors and assigns. The Parties do not intend to create, and this Agreement will not be construed to create, by implication or otherwise, any rights in any other person or entity not a Party to this Agreement, and no such person or entity will have any rights or remedies under or by reason of this Agreement, or any right to the exercise of any right or power hereunder or arising from any default hereunder.

**21. ENTIRE AGREEMENT; AMENDMENT.**

21.1 This Agreement is the entire and complete agreement between the Parties regarding the sale and purchase of Gas as described herein. Any prior agreements or understandings, oral or written, are superseded and replaced by this Agreement. This Agreement may not be amended except in a writing duly executed by the Parties.

**22. NO WAIVER.**

22.1 Waiver of any default under this Agreement will not act as a waiver of any other or future default.

**23. BINDING NATURE; SUCCESSORS AND ASSIGNS.**

23.1 This Agreement is binding upon and will inure to the benefit of the Parties and their respective and permitted successors and assigns.

**24. INTERPRETATION OF AGREEMENT.**

24.1 Each Party acknowledges and agrees that it has participated in the drafting of this Agreement and has had the opportunity to consult with legal counsel and any other advisors of its choice to its satisfaction regarding the terms and provisions of this Agreement and the results thereof. As a result, the rule of construction that an agreement be construed against the drafter will not be asserted or applied to this Agreement.

**25. NO PARTNERSHIP.**

25.1 The execution and performance of this Agreement is not intended by the Parties to create and will not be construed to create any partnership or business association between the Parties.

**26. HEADINGS.**

26.1 The headings in this Agreement are for the convenience of the reader only. The headings are not part of this Agreement and do not purport to and will not be deemed to define, limit, or extend the scope or intent of the article or section to which they pertain.

**27. AUTHORITY.**

27.1 Each Party represents and warrants to the other Party that it has the legal authority to enter into and perform this Agreement and each obligation assumed by such Party under this Agreement.

**28. GOVERNING LAW AND RESOLUTION OF DISPUTES.**

28.1 **Governing Law.** This Agreement is governed by and interpreted under the laws of the State of Alaska, without regard to its choice of law rules.

28.2 All actions at law or in equity and proceedings arising out of or related, in whole or in part, to any Dispute or Claim in connection with this Agreement or its subject matter or formation (including non-contractual disputes or Claims) shall be heard and determined in the state or federal courts located in Anchorage, Alaska. The Parties hereby irrevocably submit to the exclusive jurisdiction of such courts (and, in the case of appeals, the appropriate appellate courts) in any such action or proceeding and irrevocably waive the defenses of lack of personal jurisdiction or any inconvenient forum to the maintenance of any such action or proceeding.

28.3 It is the intention of the Parties:

- (1) to strictly limit the discovery and presentation of evidence in any action or proceeding related to this Agreement in order to reach a resolution of any Dispute in a timely and cost-efficient manner; and
- (2) to narrowly limit the scope of discovery and presentation of evidence to the specific subject matter of the Claims and defenses asserted by the parties in the pleadings.

28.4 During the pendency of any Dispute between the Parties and throughout the period of, and until ultimate determination of, any action or proceeding pursuant to this Section 28, the Parties shall, except in the event of a valid termination, continue to perform any obligations

under this Agreement, without prejudice to possible final adjustment in accordance with such ultimate determination.

**29. EXECUTION IN COUNTERPARTS; TIMING OF EXECUTION.**

29.1 This Agreement may be executed by the Parties in any number of counterparts and on separate counterparts, including electronic transmittals, each of which when so executed will be deemed an original, but all such counterparts, when taken together, will constitute but one and the same Agreement. In the event one Party executes the Agreement, and the other Party does not execute the Agreement within ten (10) days of the first Party's execution, the execution of the Agreement by the first Party will be deemed null and void.

**30. CONFLICT OF INTEREST.**

30.1 No Party, nor any director, employee, or agent of a Party will give to or receive from any Party or any director, employee, or agent of the other Party any commission, fee, rebate, gift, or entertainment of significant cost or value in connection with this Agreement. Each Party will promptly notify the other Party of any violation of this section, and any consideration received by a Party as a result of such violation will be paid over or credited to the other Party. Each Party, or its designated representative(s), may audit any and all records of the other Party as provided in Section 15 of this Agreement for the sole purpose of determining whether there has been compliance with this section.

**[SIGNATURES APPEAR ON FOLLOWING PAGE]**

IN WITNESS WHEREOF, the Parties have executed this Agreement.

**SELLER:**  
AIX Energy LLC

**BUYER:**  
ALASKA PIPELINE COMPANY

Signature:



Name: Randy A. Bates

Title: Manager

Date: 8/14/17

Signature:



Name: Jared Green

Title: President

Date: 8/14/2017

## **GAS SALE AND PURCHASE AGREEMENT**

### **EXHIBIT "A"**

#### **Delivery Points (Sec. 3.1)**

The following Delivery Points are authorized under this Agreement:

- AIX Kenai City Gate Connection (ENSTAR/APC Station K686) - At the upstream flange of Alaska Pipeline Company's/ENSTAR Natural Gas Company's meter at or near the connection of the Buccaneer lateral and the ENSTAR Natural Gas Company distribution system located in the Northeast 1/4 of Section 5, Township 5 North, Range 11 West, City of Kenai, Kenai Peninsula Borough, Seward Meridian, State of Alaska.
- AIX/KBPL Connection (KBPL Meter #416) - At the upstream flange of Kenai Beluga Pipeline's meter at or near the connection of the Kenai-Beluga Pipeline and the Buccaneer lateral located in the Northeast 1/4 of Section 5, Township 5 North, Range 11 West, City of Kenai, Kenai Peninsula Borough, Seward Meridian, State of Alaska.

## GAS SALE AND PURCHASE AGREEMENT BETWEEN

### EXHIBIT “B”

#### Market Out Example

According to Section 2.6 of this Agreement, the Market Out threshold is 1% of ENSTAR’s estimated annual demand. Assuming that ENSTAR’s estimated annual demand for the current Contract Year is 33 Bcf, ENSTAR’s Market Out threshold will equate to:

**Market Out threshold:** 33,000,000 Mcf × 1% = 330,000 Mcf

The Market Out share equals the total contracted volumes scheduled to be delivered during the current Contract Year divided by ENSTAR’s estimated annual demand for the current Contract Year:

**Market Out share:** 1,464,000 Mcf ÷ 33,000,000 Mcf = 4.44% (Market Out Share during Contract Year 2)

Assuming that, in the current Contract Year, ENSTAR experiences a loss to its customer base that results in reduction of its annual demand of 350,000 Mcf, the Market Out volume will equate to:

**Market Out volume:** 350,000 Mcf × 4.44% = 15,500 Mcf (rounded to the nearest 100 Mcf)

Monthly Contract Quantities will be adjusted on a prospective basis by the Market Out volume allocated proportionally by month over the Contract Year.

**Example:** January adjustment: 124,000 Mcf ÷ 1,464,000 Mcf × 15,500 Mcf = 1,300 (rounded to the nearest 100 Mcf)

#### Market Out Scenario Showing Seller’s Contract Year Commitment Adjusted by 15,500 Mcf

	April	May	June	July	August	September	October	November	December	January	February	March	Total
Number of Days	30	31	30	31	31	30	31	30	31	31	28	31	
Daily Contract Quantity, Mcfpd	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	
Monthly Contract Quantity, Mcf	120,000	124,000	120,000	124,000	124,000	120,000	124,000	120,000	124,000	124,000	112,000	124,000	1,460,000
Market Out	-1,300	-1,300	-1,300	-1,300	-1,300	-1,300	-1,300	-1,300	-1,300	-1,300	-1,200	-1,300	-15,500
Adjusted Daily Contract Quantity, Mcfpd	3,960	3,960	3,960	3,960	3,960	3,960	3,960	3,960	3,960	3,960	3,960	3,960	
Adjusted Monthly Contract Quantity, Mcf	118,700	122,700	118,700	122,700	122,700	118,700	122,700	118,700	122,700	122,700	110,800	122,700	1,444,500

Assuming that, in the current Contract Year, ENSTAR experiences an additional loss to its customer base that results in a reduction of its annual demand by an additional 100,000 Mcf, the Market Out volume will be revised to include the additional Market Out volumes.

# GAS SALE AND PURCHASE AGREEMENT

## Exhibit “C”

### Template for Engineer’s Opinion Letter (Sec. 14.2)

[Engineer Firm Letterhead]

[Date]

AIX Energy LLC  
TBD  
TBD

Dear:

In accordance with your request, we have conducted a review of certain oil and gas properties located in Cook Inlet, Alaska. It is our understanding that, pursuant to the terms of the Gas Sales Agreement (GSA) effective TBD, between AIX Energy LLC (AIX) and Alaska Pipeline Company (APC), AIX must provide a letter verifying that it can meet its gas deliverability commitments (referred to herein as the Seller’s Commitments).

The purpose of this review is to comment on AIX’s ability to meet anticipated gas volume and deliverability obligations as specified in the GSA from 2018 through 2020. Our review is based on our estimates of gas volumes to be produced from Kenai Loop, Alaska.

We conducted our review on or about the date of this letter. It should be understood that this review is neither an audit nor a reserves evaluation. This review has been prepared in accordance with the guidelines set forth in the 2011 Petroleum Resources Management System approved by the Society of Petroleum Engineers (SPE). Gas volumes shown in this report should not be construed as reserves, contingent resources, or prospective resources.

The following table sets forth preliminary forecasts of annual gas deliverability requirements from AIX as set forth in the GSA.

#### Gas Deliverability Requirements

Year	Number of Days	Annual MMCF	Average Daily MMCFD	Maximum Daily MMCFD
July 1 2018- March 31, 2019	274	1,370	5	5
2019-2020	366	1,464	4	4
2020-2021	365	1,095	3	3

Gas volumes are expressed in millions of cubic feet (MMCF) or millions of cubic feet per day (MMCFD) at standard temperature and pressure bases.

It is our opinion that the Seller's Commitments are (1) based on sound geologic, economic, and other data and (2) consistent with that data and the GSA. It is also our opinion that AIX will be able to meet its gas volume and deliverability obligations under the GSA in a manner consistent with sound engineering principles and reasonable and prudent operations.

We did not perform any field inspection of the properties, nor did we examine the mechanical operation of condition of the wells and facilities. We have not investigated possible environmental liability related to the properties.

Our review has been prepared in accordance with generally accepted petroleum engineering and evaluation principles set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the SPE (SPE Standards). We used standard engineering and geoscience methods, or a combination of methods, including performance analysis, volumetric analysis, analogy, and material balance, that we considered to be appropriate and necessary to establish the conclusions set forth herein. As in all aspects of oil and gas evaluation, there are uncertainties inherent in the interpretation of engineering and geoscience data; therefore, our conclusions necessarily represent only informed professional judgment.

The data used in our review were obtained from AIX, public data sources, and the nonconfidential files of [the Engineer] and were accepted as accurate. Supporting work data are on file in our office. We have not examined the titles to the properties or independently confirmed the actual degree or type of interest owned. The technical persons primarily responsible for conducting this review meet the requirements regarding qualifications, independence, objectivity, and confidentiality set forth in the SPE Standards. We are independent petroleum engineers, geologists, geophysicists, and petrophysicists; we do not own an interest in these properties nor are we employed on a contingent basis.

Sincerely,

[The Engineer]

**GAS SALE AND PURCHASE AGREEMENT**

**Exhibit “D”**

**Template for Seller’s Statement (Sec. 14.2)**

<b>-A-</b>	<b>-B-</b>	<b>-C-</b>	<b>-D-*</b>
<b>Seller’s Gas Reserves</b>	<b>Seller’s Gas Sales Commitments</b>	<b>Forecast of Seller’s Field Operations Gas</b>	<b>Available Gas Reserves</b>
<b>###</b>	<b>###</b>	<b>###</b>	<b>###</b>

\*D = A-B-C