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OFFICE OF FOSSIL ENERGY
U.S. DEPARTMENT OF ENERGY

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March 26, 2004

Sally Kornfeld
Office of Natural Gas and Petroleum Import and Export Activities
Fossil Energy
U.S. Department of Energy
Docket Room 3E-042
Forrestal Building
1000 Independence, Avenue, S.W.
Washington, D.C. 20585

Re: FE Docket No. 04-39-LNG

Dear Ms. Kornfeld:

Pursuant to Part 590 of the regulations of the Department of Energy ("DOE"), 10 C.F.R. Pt. 590 (2003), please find enclosed the application of BG LNG Services, LLC ("BGLS") for long-term authorization to import liquefied natural gas pursuant to Section 3 of the Natural Gas Act, as amended. Also please find enclosed a check for $50 made payable to the Treasury of the United States as required by 10 C.F.R. § 590.207.

Pursuant to 10 C.F.R. §§ 590.202(e) and 1004.11, BGLS hereby notifies DOE that the LNG Sale and Purchase Agreement Term Sheet between BGLS and Marathon LNG Marketing LLC, as amended ("Term Sheet"), which is the subject of this application, contains highly sensitive commercial information that is exempt from public disclosure. The Term Sheet, which is attached to the application as Exhibit B, contains certain commercially sensitive terms the disclosure of which would place BGLS at a commercial disadvantage.

Accordingly, BGLS is providing one original copy of the application clearly marked "Contains Confidential Information—Do Not Release" and 15 copies with the confidential information redacted from the Sales Agreement. Those copies are clearly marked "Privileged Information Removed For Confidential Treatment." Notwithstanding the filing of a redacted copy of the application, BGLS reserves its right, pursuant to 10 C.F.R. § 1004.11(c), to be notified prior to any disclosure of the confidential information and to be allowed an opportunity to submit its views with respect to such disclosure.

Please file stamp the enclosed extra copies of this application and return them to our messenger. Thank you for your attention to this matter.

Respectfully Submitted

John S. Decker
Attorney for BG LNG Services, LLC

CONTAINS CONFIDENTIAL INFORMATION – DO NOT RELEASE

UNITED STATES OF AMERICA
BEFORE THE
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

BG LNG Services, LLC	)	**FE Docket No. 04-____-LNG**

APPLICATION OF BG LNG SERVICES, LLC FOR LONG-TERM AUTHORIZATION TO IMPORT LIQUEFIED NATURAL GAS PURSUANT TO THE LNG SALE AND PURCHASE AGREEMENT TERM SHEET WITH MARATHON LNG MARKETING LLC

Mark Evans
Vice President Marketing, Logistics
and Asset Optimization
BG LNG Services, LLC
5444 Westheimer, Suite 1775
Houston, Texas 77056
(713) 403-3748

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March 26, 2004

CONTAINS CONFIDENTIAL INFORMATION – DO NOT RELEASE

UNITED STATES OF AMERICA
BEFORE THE
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

BG LNG Services, LLC	)	**FE Docket No. 04-____-LNG**

APPLICATION OF BG LNG SERVICES, LLC FOR LONG-TERM AUTHORIZATION TO IMPORT LIQUEFIED NATURAL GAS PURSUANT TO THE LNG SALE AND PURCHASE AGREEMENT TERM SHEET WITH MARATHON LNG MARKETING LLC

Pursuant to Section 3 of the Natural Gas Act ("NGA"), as amended;[1] Department of Energy ("DOE") Delegation Order Nos. 0204-111 and 0204-127;[2] and Part 590 of the Regulations of the DOE, Office of Fossil Energy ("OFE"),[3] BG LNG Services, LLC ("BGLS") hereby submits this application for long-term authorization to permit BGLS to import liquefied natural gas ("LNG") pursuant to a long-term LNG Sale and Purchase Agreement Term Sheet, as amended, ("Term Sheet") between BGLS and Marathon LNG Marketing LLC ("Marathon LNG"). In support of this application, BGLS respectfully shows as follows:

I. Correspondence and Communications

Correspondence and communications regarding this application should be addressed to the following:

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1 15 U.S.C. § 717b (2000).

2 DOE Delegation Order No. 0204-111, Administrator of the Economic Regulatory Administration (Feb. 22, 1984); DOE Delegation Order No. 0204-127, Assistant Secretary for Fossil Energy (Feb. 7, 1989).

3 10 C.F.R. Pt. 590 (2003).

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II. Background

BGLS is a limited liability company organized under the laws of the State of Delaware, having its principal place of business at 5444 Westheimer, Suite 1775, Houston, Texas 77056. BGLS is a wholly-owned subsidiary of BG Group plc, which has its principal place of business at 100 Thames Valley Park Drive, Reading, Berkshire, RG6 1PT, England. Pursuant to the authorization requested in this application, BGLS intends to engage in the business of importing LNG purchased from Marathon LNG on a long-term basis. Marathon LNG, a subsidiary of Marathon Oil Company, is a marketer of LNG. BGLS currently imports LNG from various international sources pursuant to a blanket authorization previously granted by the OFE.[4] BGLS also imports LNG into the United States pursuant to certain long-term authorizations previously granted by the OFE.[5]

III. Authorization Requested

BGLS seeks long-term authorization to import LNG purchased from Marathon LNG pursuant to the Term Sheet.[6] Upon importation, BGLS will sell the LNG, and natural gas

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[4] *BG LNG Services, LLC*, Order Granting Blanket Authorization to Import Liquified Natural Gas, DOE/FE Order No. 1947, FE Docket No. 04-15-LNG (Feb. 18, 2004).

[5] *BG LNG Services, LLC*, Order Granting Long-Term Authorization to Import Liquified Natural Gas from the Federal Republic of Nigeria, DOE/FE Order No. 1932, FE Docket No. 03-76-LNG (Dec. 30, 2003); *BG LNG Services, LLC*, Order Granting Long-Term Authorization to Import Liquified Natural Gas from the Republic of Trinidad and Tobago, DOE/FE Order No. 1926, FE Docket No. 03-77-LNG (Dec. 8, 2003). BGLS is seeking by a simultaneous submission long-term authorization to import LNG pursuant to a Master LNG Sale and Purchase Agreement with Mitsubishi International Corporation.

[6] Pursuant to 10 C.F.R. § 590.202(c), a copy of the Term Sheet and related agreements are attached hereto as Exhibit B.

resulting from the vaporization of the LNG, to third parties in the normal course of business. Marathon LNG will procure the LNG subject to the Term Sheet from various international sources. The point of entry for the LNG into the United States will generally be the LNG terminalling, storage and vaporization facility located on Elba Island in the vicinity of Savannah, Georgia ("LNG Terminal"). The Term Sheet provides that BGLS may designate alternative delivery points for the LNG.

The Term Sheet, dated October 13, 1999, was initially entered into by Enron Americas LNG Company ("Enron Americas") and Sonat Energy Services Company ("SES"). By order issued August 28, 2002, the U.S. Bankruptcy Court for the Southern District of New York, which is overseeing the bankruptcy proceeding of Enron Americas's parent, Enron Corp., approved the assignment of Enron Americas's rights and obligations under the Term Sheet to Marathon LNG.[7] El Paso Merchant Energy L.P. acquired the rights and assumed the obligations of SES under the Term Sheet, which in turn, were subsequently re-assigned to BGLS.[8] Consequently, BGLS and Marathon LNG are the current parties to the Term Sheet. While the Term Sheet is a binding agreement under which deliveries of LNG will commence, BGLS and Marathon LNG are negotiating a substitute, more fully-termed, agreement that will supersede the Term Sheet. BGLS and Marathon LNG anticipate that the terms of the substitute agreement will be consistent with the terms of the Term Sheet. BGLS will submit the substitute agreement to OFE once it is executed.

The Term Sheet has an initial term of 17 years, commencing the day on which Marathon LNG delivers the first cargo of LNG to BGLS. Pending approval of this application, BGLS

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[7] The court's order approving the assignment is attached hereto as Exhibit C.

[8] The Term Sheet was amended by a letter agreement and Consent and Release Agreement, both dated November 6, 2003 ("2003 Amendments"). The 2003 Amendments are included with the Term Sheet and related agreements in Exhibit B hereto.

anticipates that the first delivery will take place April 27, 2004. Marathon LNG has the option to extend the term of the Term Sheet up to an additional five-year period on at least three-years notice to BGLS. BGLS will purchase from Marathon LNG up to an annual contract quantity of 58 Bcf equivalent of LNG. BGLS will take title to the LNG at the inlet flange of the LNG Terminal.

As a marketer of LNG, Marathon LNG will acquire the LNG subject to the Term Sheet from various international sources. The Term Sheet obligates BGLS to take or pay for LNG provided by Marathon LNG under the agreement. BGLS accrues a right to make-up LNG, subject to certain limitations, however, for any LNG paid for but not taken under the Term Sheet.

The price BGLS will pay Marathon LNG for LNG under the Term Sheet is based on published index prices for natural gas. Depending upon the amount of time by which Marathon LNG's firm delivery confirmation to BGLS precedes the delivery of the LNG, BGLS will pay a price based upon (i) the First of the Month *Inside FERC's Gas Market Report* for Prices of Spot Gas Delivered to Pipelines, Henry Hub Index; (ii) the First of the Month *Inside FERC's Gas Market Report* for Prices of Spot Gas Delivered to Pipelines, SNG Louisiana Index; or (iii) the *Gas Daily* absolute range Louisiana-Onshore South, Sonat spot prices. Because the contract price for LNG under the Term Sheet is linked to the market price for natural gas, the LNG supply covered by the Term Sheet will remain competitive for its duration.

IV. The Public Interest

Section 3 of the NGA provides that an import or export of natural gas must be authorized unless there is a finding that it "will not be consistent with the public interest."[9] Under Section 3(c), the importation of LNG "is deemed to be consistent with the public interest and must be

[9] 15 U.S.C. § 717b(a) (2000).

granted without modification or delay."[10] The importation authorization sought by BGLS herein meets the Section 3(c) criterion and, therefore, is consistent with the public interest.

V. Environmental Impact

BGLS intends to use existing facilities for importing LNG as requested herein and thus this application neither contemplates nor requires the construction of new facilities. Consequently, granting this application will not involve a federal action significantly affecting the quality of the human environment within the meaning of the National Environmental Policy Act.[11] Accordingly, neither an environmental impact statement nor an environmental assessment is required.

VI. Request for Waiver of 10 C.F.R. § 590.201(b)

BGLS respectfully requests waiver of the requirement that applications for import authorization be filed at least 90 days in advance of the proposed import. Pursuant to section 590.201(b) of DOE's regulations, good cause exists to permit the proposed importation to commence promptly upon the issuance of the authorization requested herein. The Term Sheet was only assigned to BGLS in December of 2003. At that time Marathon LNG had no firm supply of LNG. Marathon LNG is now prepared to deliver LNG to BGLS as early as April 27, 2004. Expedited approval of this application will allow this new source of supply to enter the U.S. market at the earliest opportunity, which will benefit consumers. Consequently, BGLS requests that the long-term import authorization requested herein become effective upon the issuance of an order by DOE, or in any event, no later than April 20, 2004.

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[10] *Sonat Energy Services Co.*, Order Granting Long-Term Authorization to Import Liquified Natural Gas From Trinidad and Tobago, DOE/FE Order No. 1549, FE Docket No. 99-93-LNG (Dec. 8, 1999).

[11] 42 U.S.C. §§ 431, *et seq.* (2000).

VII. Reporting Requirements

BGLS proposes the following reporting requirements, which are consistent with those provided by OFE in prior orders granting long-term authorization to import LNG:[12]

A. Within two weeks after deliveries begin, BGLS must provide written notification of the date that the first import of LNG occurred.

B. With respect to the LNG imports authorized in this docket, BGLS will file within 30 days following each calendar quarter, quarterly reports indicating, by month: i) the total volume of LNG imported in Mcf and MMBtu; ii) the country of origin; iii) the name(s) of the seller(s); iv) the point(s) of entry; v) transporters, including the name(s) of the LNG tankers used; vi) the geographic market(s) served; vii) the average landed cost per MMBtu at the point of importation; and viii) the per unit (MMBtu) demand/commodity/reservation charge breakdown of the contract price, if applicable.

C. The first quarterly report required by paragraph B will be due within 30 days following the first complete calendar quarter that follows the commencement of deliveries under this authorization.

VIII. LNG Importation Within Corporate Power Of The Company

The opinion of counsel, required by 10 C.F.R. § 590.202(c), showing that the proposed importation of LNG is within the corporate powers of BGLS is attached as Exhibit A.

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12 *See, e.g., BG LNG Services, LLC*, Order Granting Long-Term Authorization to Import Liquified Natural Gas from the Federal Republic of Nigeria, DOE/FE Order No. 1932, FE Docket No. 03-76-LNG (Dec. 30, 2003); *El Paso Merchant Energy, L.P.*, Order Granting Long-Term Authorization to Import Liquefied Natural Gas, DOE/FE Order No. 1780, FE Docket No. 02-26-LNG (May 29, 2002).

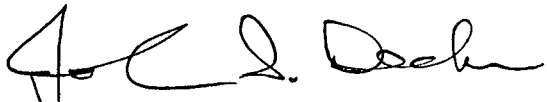
IX. Related Regulatory Proceedings

Neither BGLS's request for import authorization, nor any matter related thereto, is being considered by any other part of DOE, including the Federal Energy Regulatory Commission, or by any other federal agency or department.

X. Conclusion

WHEREFORE, for the foregoing reasons, BGLS respectfully requests that OFE expeditiously consider the instant application and, pursuant to Section 3 of the NGA, as amended, grant BGLS authority to import into the United States pursuant to the terms of the Term Sheet up to 58 Bcf equivalent of LNG per year for a term of 17 years. BGLS submits that a grant of such authorization would be consistent with the public interest.

Respectfully Submitted,



John S. Decker
Attorney for BG LNG Services, LLC

March 26, 2004

Exhibit A

Corporate Power Of The Company

BG LNG Services, LLC

BG LNG Services, LLC
5444 Westheimer, Suite 1775
Houston, TX 77056

Telephone: 713-403-3741
Fax: 713-403-3781

March 24, 2004

Sally Kornfeld
Office of Natural Gas and Petroleum Import and Export Activities
Fossil Energy
U.S. Department of Energy
Docket Room 3E-042
Forrestal Building
1000 Independence, Avenue, S.W.
Washington, D.C. 20585

Dear Ms. Kornfeld:

This opinion is furnished in accordance with the requirements of 10 C.F.R. § 590.202(c), in conjunction with the application of BG LNG Services, LLC for an order requesting long-term authorization to import liquefied natural gas pursuant to Section 3 of the Natural Gas Act, as amended.

I am counsel for BG LNG Services, LLC, in the above-referenced matter, and as such, I am familiar with the Articles of Incorporation, By-laws, and corporate records of BG LNG Services, LLC. I have examined these and other relevant documents and am of the opinion that the proposed importation of liquefied natural gas by BG LNG Services, LLC is within the corporate powers of BG LNG Services, LLC.

This opinion is submitted solely for the purpose of this matter, and may not be relied upon by the Office of Fossil Energy, or by any other governmental entity, or any person, for any other purpose.

Respectfully Submitted,

Jason T. Klein
Attorney for BG LNG Services, LLC

Exhibit B

The Term Sheet,
2003 Amendments and
Related Agreements

CONTAINS CONFIDENTIAL INFORMATION
DO NOT RELEASE

CONSENT AND RELEASE AGREEMENT

This CONSENT AND RELEASE AGREEMENT (this "Consent and Release") is dated as of the 6th day of November 2003, among Marathon LNG Marketing LLC ("Marathon"), El Paso Merchant Energy, L.P, ("EPME") and BG LNG Services, LLC ("BGLS").

WITNESSETH:

WHEREAS, Marathon (as successor to Enron Americas LNG Company) and EPME (as successor to Sonat Energy Services Company) are parties to (i) that certain letter agreement dated October 13, 1999 and the Term Sheet attached thereto (the "Term Sheet") as amended by the letter agreement dated as of the date hereof, between Marathon and EPME (the "Letter Agreement"), (ii) the Expert Determination Agreement, dated as of August 22, 2003 (the "Expert Determination Agreement"), and (iii) the letter agreement dated as of the date hereof under which EPME agreed to provide certain security for any cargoes scheduled by Marathon under the Letter Agreement on the terms and conditions set forth therein (the "Security Letter Agreement"); and

WHEREAS, EPME, BG Gas Marketing Ltd and BGLS are parties to the Elba Assets Purchase and Sale Agreement dated as of the date hereof under which EPME has agreed, among other things, to sell and transfer to BGLS all of its rights under the Letter Agreement and the Expert Determination Agreement and BGLS has, among other things, agreed to assume, as of the Effective Time, all of EPME's obligations thereunder arising from and after the Effective Time, subject to the terms and conditions contained therein (the "Elba Asset Purchase Agreement"); and

WHEREAS, under the Security Letter Agreement Marathon agreed to deliver this Consent and Release to EPME and BGLS.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Consent.

(a) Subject to the provisions of this Consent and Release, Marathon hereby consents to the assignment by EPME to BGLS of EPME's rights and obligations under the Letter Agreement and the Expert Determination Agreement, which assignment shall be substantially in the form of the Assignment and Assumption Agreement attached as Exhibit A to this Consent and Release (the "Assignment and Assumption Agreement").

(b) Effective as of the Effective Time, (i) BGLS shall be substituted for EPME under the Letter Agreement and the Expert Determination Agreement, (ii) BGLS shall be bound by the terms of the Letter Agreement and the Expert Determination Agreement and will assume, observe, perform and discharge all of EPME's liabilities, duties and obligations under the Letter Agreement and the Expert Determination Agreement arising after the Effective Time. EPME

shall be relieved and released from such liabilities, duties and obligations under the Letter Agreement and the Expert Determination Agreement arising after the Effective Time and EPME shall not be deemed as a guarantor or, be secondarily liable for, the duties and obligations of BGLS; provided, however, except as set forth in Section 2 below, EPME shall continue to be liable for all claims, liabilities, damages, indemnities, and causes of actions arising out of or in connection with the Letter Agreement and the Expert Determination Agreement prior to the Effective Time.

(c) No other action or consent of Marathon or any of its affiliates is required under the terms of the Letter Agreement or the Expert Determination Agreement or any other agreement between Marathon or any of its affiliates, on the one hand, and EPME or any of its affiliates, on the other hand, to assign EPME's rights and obligations under the Letter Agreement and the Expert Determination Agreement to BGLS.

2. Release of EPME. Effective as of the Effective Time, and in consideration for EPME entering into the Security Letter and the Letter Agreement dated the date hereof amending the Term Sheet, Marathon (on its behalf and on the behalf of its affiliates, subsidiaries, successors or assigns) hereby fully and unconditionally and for all purposes relinquishes, releases and discharges EPME and its affiliates and successors and its and their respective officers, employees, representatives and directors from any and all obligations, actions, causes of actions, suits, claims, indemnities, judgments, executions and demands of every nature, kind and description whatsoever, in law or in equity, whether known or unknown, contingent or fixed, liquidated or unliquidated, past, present or arising in the future whether in contract, tort or any other legal theory (collectively "Claims"), with respect to or arising from, any of the matters asserted or alleged or referred to by Marathon in its letter to EPME dated July 25, 2003 or any Claim that (i) Marathon was prevented on or prior to the Effective Time from bringing any cargoes to Southern LNG Inc.'s ("SLNG") Elba Island LNG Receiving Terminal, or that (ii) EPME failed on or prior to the Effective Time to fulfill any obligations under the Letter Agreement to cause SLNG to take, or refrain from taking any action. Marathon hereby represents to EPME that, to the best of Marathon's knowledge, EPME has not breached or failed to fulfill any of its obligations under the Letter Agreement not released by the foregoing release; provided, however, the foregoing release shall not include any Claims arising due to fraud. Nothing in this Consent or Release shall be deemed an admission by, or otherwise construed against EPME as an admission, with respect to any of the matters asserted by Marathon in its letter to EPME dated July 25, 2003 or that it is in breach of, or failed to fulfill, any of its obligations under the Letter Agreement.

3. Effective Time. As used in this Consent and Release, the term "Effective Time" shall mean the date of the assignment of the Letter Agreement and the Expert Determination Agreement by EPME to BGLS as evidenced by the execution and delivery by EPME and BGLS of the Assignment and Assumption Agreement; provided nothing herein shall create any obligation of EPME and BGLS to consummate such assignment. Should the Effective Time not occur on or before July 31, 2004, any party hereto may terminate this Consent and Release by so notifying the other parties. If this Consent and Release is terminated, all parties will be relieved of any estoppel, representation, release or other obligation hereunder and each party shall be entitled to whatever rights, claims and defenses it would have possessed had the Consent and Release not been executed, except for any Claim regarding or arising from the failure to

negotiate the Definitive Agreement (as defined in the Letter Agreement) as a result of Section 8 of this Consent and Release.

4. Estoppel.

(a) The Parties hereto represent to each other that to the best of their knowledge and belief:

(i) Attached hereto as Exhibit B is a true, correct and complete copy of the Letter Agreement and the Expert Determination Agreement.

(ii) Other than the Security Letter Agreement there are no agreements or understandings, whether oral or written, between two or more of them relating to the subject matter of the Letter Agreement or the Expert Determination Letter.

(b) Marathon represents to EPME and BGLS that Marathon has not assigned any of its rights or obligations under the Letter Agreement or the Expert Determination Agreement to any person or entity.

(c) EPME represents to Marathon and BGLS that EPME has not assigned any of its rights or obligations under the Letter Agreement or the Expert Determination Agreement to any person or entity.

5. Covenant. Each party to this Consent and Release covenants and agrees, for the benefit of each of the other parties hereto, that it shall not assert or claim (and that it shall be estopped from asserting or claiming) whether by direct cause of action or by way of defense to a claim or by counterclaim, in any formal or informal proceeding (including, but not limited to, a judicial, arbitration or administrative proceeding), that, as of the date hereof the Letter Agreement or the Expert Determination Agreement is not in full force and effect or is not legal, valid, binding or enforceable in accordance with its terms.

6. Representations. Each party hereto represents and warrants that it has full power and authority to execute, deliver and perform its obligations under this Consent and Release, no consent, authorization or approval is required for it to execute, deliver and perform its obligations under this Consent and Release, and that this Consent and Release is its legal, valid, binding obligation, enforceable in accordance with its terms, except as such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally and by general principles of equity (regardless of whether the enforcement thereof is sought in a proceeding at law or in equity).

7. Guaranties. BG Energy Holdings Limited has executed and delivered to Marathon a Guarantee, a copy of which is attached hereto as Exhibit C and Marathon Oil Corporation has executed and delivered to BGLS a Guarantee, a copy of which is attached hereto as Exhibit D, which guarantees will only become effective as of the Effective Time.

8. Standstill Covenant. From the date hereof until the earlier of (i) the Effective Time, and (ii) December 31, 2003, neither EPME nor Marathon shall have any right or obligation under the Letter Agreement or the Expert Determination Agreement to negotiate the Definitive Agreement

(as defined in the Letter Agreement) or to submit any dispute or proposal relating to the Definitive Agreement to the Expert appointed under the Expert Determination Agreement. For the avoidance of doubt, following the Effective Time, BGLS shall not be bound by any proposal or position taken by EPME prior to the Effective Time under the Letter Agreement or the Expert Determination Agreement with respect to any disputes over proposed contract language of the Definitive Agreement (as defined in the Letter Agreement).

9. Amendment to Letter Agreement.

(a) Effective as of the Effective Time, the Letter Agreement shall be amended so that the following shall apply with regard to the calculation of Rollup Costs (capitalized terms used in this Section 9 shall have the meaning as set forth in the Letter Agreement except for any capitalized terms defined in this Consent and Release):

(i) Interest. No interest on Rollup Costs shall be charged to or paid by Marathon for the period prior to the Payment Commencement Date.

(ii) Variable Charges. Rollup Costs shall not include Variable Charges.

(iii) Adjustment to Rollup Account. The balance in the Rollup Costs account as of September 30, 2003 shall be $22,333,647.38 based on the following adjustments:

September Rollup statement balance	$25,350,976.44
Interest Deduction	(-) 2,259,354.16
Variable Cost Deduction	(-) 257,974.90
2002 Cargo credit	(-) 500,000.00
Adjusted Balance September 30, 2003	$22,333,647.38

(iv) IT Credits. EPME hereby represents to BGLS and Marathon that during the year 2003, Southern LNG Company received four (4) cargoes under Interruptible Terminal Service, Rate Schedule LNG-2, at the Elba Island Facility. In the first quarter of 2004, EPME (i.e., as the holder of firm capacity) shall use reasonable efforts to cause Southern LNG Company to credit EPME for these cargoes in accordance with the applicable FERC tariff (the "Refund"). Within three days of EPME's receipt of such credits, EPME shall refund Marathon its share of such credits by making payment of them by wire transfer to the following bank account of Marathon:

BANK: National City Bank, Cleveland, OH
ABA: 041000124
ACCOUNT: 0000027

(v) Promptly following the execution of this Consent and Release, EPME will provide to Marathon a revised statement of Rollup Costs reflecting the new balance stated in this Section 9 and the provisions of this Section 9 shall, as between Marathon and EPME, be applied between the date hereof and the earlier of the Effective Time or the termination of this Consent and Release (the "Pre-effective Period") in determining the amount to be paid by Marathon to

EPME under the Letter Agreement during such period with respect to Rollup Costs. In the event that this Consent and Release terminates as provided in Section 3, this Section 9 shall be deemed to have no force and effect. In such event, nothing in this Consent and Release shall prejudice any claim, defense or right of either Marathon or EPME regarding the calculation or payment of Rollup Costs. Accordingly, in the event of the termination of this Consent and Release, EPME shall be entitled to issue a revised Rollup Cost statement without giving effect to this Section 9, including a revision of the amounts which EPME believes were due during the Pre-effective Period had the provisions of this Section 9 not been utilized in preparing the Rollup Cost Statement. In the event EPME issues a revised Rollup Cost statement and Marathon and EPME dispute the calculation of Rollup Costs or the amount due by Marathon during the Pre-Effective Period, upon the resolution of such dispute a final reconciliation of Rollup Costs actually paid during the Pre-Effective Period and the amount of Rollup Costs determined to be due shall be made.

10. Force Majeure. From the Effective Time the Term Sheet shall be amended at page 22, under the heading Force Majeure, at the end of the second full paragraph by the insertion of the following language "and provided further, the unavailability of terminalling services at the Elba Island Facility resulting from the rejection in bankruptcy of the Service Agreement by SLNG to the extent such cause was beyond the reasonable control of Buyer, shall constitute a Force Majeure; provided Sonat Energy shall use reasonable efforts to prevent such rejection and to preserve its existing firm capacity contract rights and provided further that, in the event Sonat Energy determines, following consultation with Enron Americas that, in order to preserve its existing firm capacity contract rights, it must agree to pay a negotiated rate that exceeds the otherwise applicable maximum recourse rate, Enron America shall not be required to pay such costs that exceed the applicable maximum recourse rate.

11. SLNG. From the Effective Time the Term sheet shall be amended by the insertion, under the heading Performance Requirements, in the first sentence between the third and fourth word of the sentence, the words "exercise reasonable efforts to".

12. Further Assurances. From time to time, as and when requested by any other party hereto, a party hereto will execute and deliver, or cause to be executed and delivered, by itself or any of its subsidiaries, affiliates, successors and assigns, all such further documents or instruments and will take, or cause to be taken, all such further or other actions as the requesting party may reasonably deem necessary or desirable to fulfill and implement the terms of this Consent and Release.

13. Assignments. This Consent and Release shall inure to the benefit of and bind the parties hereto and their respective successors and assigns.

14. Counterparts. This Consent and Release may be executed in multiple counterparts, each of which shall have the same force and effect as an original document.

15. Amendment. This Consent and Release may only be amended or supplemented by a written instrument executed by all of the parties hereto.

IN WITNESS WHEREOF, the parties have caused their duly authorize representatives to execute this Release on their behalf as of the date first above written.

MARATHON LNG MARKETING LLC

By: _____
Name: DAVID M. RISSER
Title: PRESIDENT

EL PASO MERCHANT ENERGY, L.P.

By: _____
Name: John L. Harrison
Title: President

BG LNG SERVICES, LLC

By: _____
Name: Elizabeth Spomer
Title: CEO

EXHIBIT A TO CONSENT AND RELEASE AGREEMENT

ASSIGNMENT AND ASSUMPTION AGREEMENT

EL PASO MERCHANT ENERGY, L.P., a Delaware limited partnership, with its offices at 1001 Louisiana Street, Houston, Texas (the "Assignor"), for and in consideration of the sum of TEN DOLLARS ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, does hereby grant, sell, convey, transfer and assign unto BG LNG SERVICES, LLC, a Delaware limited liability company, with its offices at 5444 Westheimer Street, Suite 1775, Houston, Texas (the "Assignee"), all of Assignor's right, title and interest in and to all of the BGLS Assigned Agreements, as more particularly described on Exhibit A attached hereto, except that EPME shall retain (and such assignment excludes) all rights under the Marathon Agreement to receive and collect from Marathon LNG Marketing LLC. amounts owed (if any) to EPME under the Marathon Agreement insofar as such amounts constitute a reimbursement of costs incurred by EPME under the Service Agreement dated December 1, 2001 between EPME and Southern LNG Inc. with respect to terminal services provided by Southern LNG Inc. between October 1, 2003 and the last day of the calendar month preceding the calendar month in which this Assignment and Assumption Agreement is executed and delivered, including all rights to enforce such provision of the Marathon Agreement.

TO HAVE AND TO HOLD the BGLS Assigned Agreements unto Assignee and its successors and assigns forever.

This Assignment and Assumption Agreement is made pursuant to that certain Elba Assets Purchase and Sale Agreement dated November 6, 2003 by and among Assignor, Assignee and BG Gas Marketing Ltd (the "Purchase Agreement"). Capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Purchase Agreement.

Assignee shall be bound by the terms and conditions of the BGLS Assigned Agreements and will assume, observe, perform and discharge (i) all of Assignor's liabilities, duties and obligations under the BGLS Assigned Agreements arising after the date hereof (ii) all of Assignor's liabilities, duties and obligations under the Marathon Letter Agreement, the Marathon Consent and the Marathon Amendment in each case with respect to any cargoes scheduled prior to the date hereof by Marathon thereunder but which are not delivered until after the date hereof, and (iii) 100% of the Unpaid Terminalling Charges.

This Assignment and Assumption Agreement is subject to the terms and conditions set forth in the Purchase Agreement. Nothing contained herein shall be construed to limit, terminate or expand the representations, warranties, covenants and indemnities set forth in the Purchase Agreement.

This Assignment and Assumption Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflict of laws principles thereof, that would cause the law of another jurisdiction to apply.

This Assignment and Assumption Agreement shall bind and inure to the benefit of Assignor and Assignee and their respective successors and assigns.

This Assignment and Assumption Agreement may be executed by facsimile signature and in any number of counterparts, and each executed counterpart shall have the same force and effect as an original instrument.

[Signature page follows]

IN WITNESS WHEREOF, the undersigned have executed this Assignment and Assumption Agreement this [___] day of [_____].

ASSIGNOR:

EL PASO MERCHANT ENERGY, L.P.

By: _____
Name: _____
Title: _____

ASSIGNEE:

BG LNG SERVICES, LLC

By: _____
Name: _____
Title: _____

Exhibit B

Marathon LNG Marketing LLC

5555 San Felipe
Houston, TX 77056
P. O. Box 3128
Houston, TX 77253-3128
Telephone 713/629 6600

El Paso Merchant Energy L.P.
1001 Louisiana Street
Houston, TX 77002

November 6, 2003

Subject: Letter Agreement Dated October 13, 1999 between Enron Americas LNG Company and Sonat Energy Services Company

Ladies and Gentlemen:

The purpose of this letter (the "**Amendment Letter**") is to amend that certain Letter Agreement dated October 13, 1999 between Enron Americas LNG Company and Sonat Energy Services Company (the "**Letter Agreement**"), relating to the LNG receiving terminal located at Elba Island, Georgia, U.S.A. (the "***Elba Facility***") .

The Letter Agreement is comprised of: a three page main body (the "**Letter Body**"); a 31 page Exhibit A entitled "LNG Sale and Purchase Agreement Term Sheet" (the "**Term Sheet**"); and, a 3 page Attachment 1 (with a 1 page Schedule A – "Quality Specifications" attached to it) entitled "Quality Letter Agreement" (the "**Quality Letter**"). In this Amendment Letter the Letter Body, Term Sheet and Quality Letter are collectively referred to as the "**Letter Agreement**".

The Parties to this Amendment Letter agree that the Letter Agreement is hereby amended as follows:

1. El Paso Merchant Energy L.P. now owns the rights and has assumed the obligations of Sonat Energy Services Company in the Letter Agreement and Marathon LNG Marketing LLC now owns the rights and has assumed the obligations of Enron Americas LNG Company in the Letter Agreement. Therefore any reference to "Enron Americas LNG Company" shall mean Marathon LNG Marketing LLC or its successors or permitted assigns ("Marathon") and any reference to Sonat Energy Services Company shall mean El Paso Merchant Energy L.P. or its successors or permitted assigns ("EPME").

2. At page 1 of the Letter Body, in the second grammatical paragraph, delete the phrase "and Attachment 1 thereto ("Quality Letter Agreement")" and at pages 1 and 2 of the Letter Body, in the third grammatical paragraph of the Letter Body, delete all usage of the phrase "and Attachment 1 thereto."
3. At page 6 of the Term Sheet, delete the fifth full grammatical paragraph in its entirety, under the subject "***Annual Contract Quantity***," and in its place insert the following: "Contract Year" shall mean each of the following periods: the period beginning on the Obligation Date and ending on the immediately following September 30, and each twelve consecutive month period thereafter beginning on October 1 and ending on September 30, or in case there is less than twelve consecutive months from September 30 until the end of the Term, the last day of the Term."
4. At page 13 of the Term Sheet, delete the second full grammatical paragraph in its entirety, under the subject "***Rate Moratorium***."
5. At pages 13 and 14 of the Term Sheet, in the third full grammatical paragraph beginning on page 13 and ending on page 14, under the subject "***Terminalling Costs*** ," delete subpart (a) in its entirety and insert in its place the following: "(a) forty-one percent (41%) of the actual total fixed monthly costs paid by Sonat Energy to SLNG (less any refunds or credits received by Sonat Energy with respect to capacity release or interruptible service) in such month under the Service Agreement with SLNG for terminalling capacity ("Reservation Charge"); plus"
6. At page 14 of the Term Sheet, delete subpart (b) in its entirety, under the subject "***Terminalling Costs*** ," and in its place insert: "(b) the sum of the portion of the actual total variable monthly costs, paid by Sonat Energy to SLNG under the Service Agreement with SLNG in such month that is allocable to Enron Americas' LNG including, but not limited to, the Electric Power Charge (as such term is defined in SLNG's FERC Gas Tariff) (the "Variable Charges"); plus"
7. At page 14 of the Term Sheet, delete in its entirety the first full grammatical paragraph, under the subject "***Terminaling Costs*** ," and in its place insert: "The term "Roll-Up Costs" shall mean, with respect to a given month, the total amount allocated to such month after amortizing over the period from the Payment Commencement Date through the earlier of the seventeenth (17^{th}) anniversary of the Payment Commencement Date or the seventeenth (17^{th}) anniversary of the Start Date, at an annual interest rate equal to ten and one-half percent (10.5%), the Reservation Charge, if any, incurred by Sonat Energy under the Service Agreement with SLNG prior to the Payment Commencement Date. Other than the costs associated with sendout modification approved by FERC on July 16, 2001 (96 FERC ¶ 61,083) ("Vaporizer Improvements") and unless it otherwise agrees, Enron Americas shall not be required to pay for any costs associated with the installation of additional facilities or equipment at the Elba Island Facility if the installation of such is intended principally to increase the incremental capacity of the Elba Island Facility."

8. At page 15 of the Term Sheet, in the last partial grammatical paragraph at the end of the page, under the subject "***Quality***," delete the phrase "Except as set forth in the Quality Letter Agreement attached hereto as Attachment 1," and, after subpart "(i)" change "all LNG" to "All LNG" so that the paragraph shall begin as follows: "(i) All LNG to be delivered ..."
9. At page 16 of the Term Sheet, in the first partial paragraph, under the subject "***Quality***," in the second line of the page add the parenthetical "(the "Quality Specifications")" after the phrase "in SLNG's FERC Gas Tariff."
10. At page 16 of the Term Sheet, in the first partial grammatical paragraph, under the subject "***Quality***," in lines 5, 6 and 7, delete the phrase "that does not meet the quality specifications set forth in the Quality Letter Agreement (the "Quality Specifications")" and insert in its place the following phrase: "that does not meet the Quality Specifications."
11. At page 19 of the Term Sheet, in the second full grammatical paragraph, under the subject "Cargo Scheduling," at the end of the first sentence that begins with the phrase "Enron Americas shall confirm each cargo ..." add the phrase 'which confirmation shall state the LNG production facility that is the source of the supply for such cargo (with respect to each such cargo the "Supply Facilities").'
12. At page 21 of the Term Sheet, in the second full grammatical paragraph, under the subject "***Title & Risk***," delete the second sentence in its entirety and in its place insert the following: "Title to all LNG to be purchased and sold shall pass at the Delivery Point."
13. At page 21 of the Term Sheet, in the third full grammatical paragraph, under the subject "***Transportation***," delete from the first sentence the phrase "140,000 cbm" and in its place insert the phrase "145,000 cbm (vessels outside of this range may be used provided they are compatible with the Elba Island Facility and SLNG FERC Gas Tariff.)"
14. At page 23 of the Term Sheet, in the first partial paragraph at the top of the page, under the subject "***Force Majeure***,"delete clause (ii) in its entirety and replace it with the following language: "(ii) Marathon shall not be excused for failure to carry out its obligations under this Agreement to the extent that a cargo of LNG is affected by an event of Force Majeure affecting or relating to facilities or equipment other than the Supply Facilities identified in the confirmation for such cargo."
15. At page 23 of the Term Sheet, in the second full grammatical paragraph, under the subject "***Force Majeure***," delete in subparts 1 through and including 5 the word "Venezuela" and insert in its place the word "Supply."
16. At page 25 of the Term Sheet, in subpart vii at the top of the page, under the subject "***Force Majeure***," at further subpart (x) delete the phrase "in Venezuela" and insert in its place the phrase "that are supplying the Supply Facilities with natural gas" and at further subparts (y) and (z) delete the word "Venezuela" and insert in its place the word "Supply."
17. At page 26 of the Term Sheet, in subpart (i) at the top of the page, under the subject "***Performance Requirements***," delete the phrase "and certificates

that may be required to complete the modifications to the Elba Island Facility required by the Quality Letter Agreement".

18. Delete all of Attachment 1, the Quality Letter.

Except as expressly amended above, the terms and provisions of the Letter Agreement remain in full force and effect.

BG LNG Services Capacity Release.

The parties hereto also agree that, with regards to Rollup Costs, EPME has agreed to release its firm capacity at the Elba Island Facility on a short-term basis to BG LNG Services. Marathon has received an associated reduction in its share of the Terminalling Costs attributable to such cargoes received at the Elba Island Facility pursuant to said short-term firm capacity release. EPME shall continue to credit Marathon for cargoes received pursuant to such short term releases of capacity through the charging to Marathon of 41% of the actual total fixed monthly costs under the Service Agreement with SLNG for the months in which such releases occur, as such costs will reflect any reduction as a result of the short-term capacity release. For the avoidance of doubt, the foregoing shall not apply in connection with any pre-arranged, permanent release of capacity rights at the Elba Island Facility by EPME or its successors or assigns.

This Amendment Letter is effective November 6, 2003, and shall be binding upon the parties and their successors and permitted assigns.

If you are in agreement with the foregoing, please sign and return one copy of this Amendment Agreement, which thereupon will constitute our agreement with respect to its subject matter.

Very truly yours,

Marathon LNG Marketing LLC

By: _____

Name: _____

Title: _____

Duly executed and agreed on _____ 2003 by:

El Paso Merchant Energy-Gas L.P.

By: _____

Name: _____

Title: _____

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October 13, 1999

Enron Americas LNG Company
333 Clay Street
Suite 2100
Houston, Texas 77002-7361

Gentlemen:

This letter agreement (the "Letter Agreement") will confirm the mutual commitment between Sonat Energy Services Company ("Sonat Energy") and Enron Americas LNG Company ("Enron Americas") (each a "Party" and collectively, the "Parties") to negotiate in good faith and execute on or before November 15, 1999 (unless such date is postponed by mutual agreement of the Parties), a definitive agreement providing for the sale of liquefied natural gas ("LNG") by Enron Americas to, and the purchase of LNG by, Sonat Energy on the terms and conditions described in Exhibit A hereto and such other terms and conditions as may be mutually agreed upon by the Parties (the "Definitive Agreement").

The terms and conditions contained in this Letter Agreement, including Exhibit A ("LNG Sale and Purchase Agreement Term Sheet") and Attachment 1 thereto ("Quality Letter Agreement"), shall be fully binding upon the Parties until superseded by the Definitive Agreement or until otherwise terminated. The Parties shall jointly appoint, no later than November 15, 1999, an expert experienced in the LNG and United States natural gas industries. In the event the Parties are unable to agree on the designation of an expert, the selection of the expert shall be submitted to arbitration pursuant to the terms hereof, in which case each Party shall nominate one expert and the arbitrator shall select the expert from the Parties' nominees based on all relevant facts and circumstances, including such nominee's expertise and ability to remain impartial. In the event the Parties are unable to agree completely on the terms of a Definitive Agreement as of November 15, 1999, or such later date as the Parties have mutually agreed, the Parties shall refer all unresolved matters to such expert for resolution.

With respect to each unresolved matter (or related matters), each Party shall submit its proposed contractual language no later than one week after such referral. The expert shall consider the competing submissions and shall render a decision by selecting one of the two proposals on a matter-by-matter basis (without modification thereto). The expert shall be instructed that his decision must be consistent with the terms and conditions described in Exhibit A hereto and Attachment 1 thereto and that where both Parties' proposals meet this criteria and the criteria below, he shall select the one that is most appropriate in light of all relevant facts and circumstances and is

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most consistent with the principles and guidelines set forth in this paragraph. In rendering his decision, the expert shall consider, only to the extent not inconsistent with the terms and provisions of Exhibit A hereto and Attachment 1 thereto (a) the principle that the terms and conditions of the Definitive Agreement must otherwise be consistent with the proposed FERC Gas Tariff of Southern LNG Inc. ("SLNG") and with the LNG sales agreement between Sonat Energy and the suppliers of the DQ (as defined in Exhibit A), (b) the standards commonly utilized in the LNG industry and in the United States natural gas industry, and (c) commercial principles generally applicable to (i) projects that are to be financed using limited recourse project financing in the international market and (ii) service agreements with FERC-regulated facilities. The expert shall render a decision on all such matters within three (3) weeks of the referral. Such decision shall be binding on the Parties (and not subject to further arbitration or appeal), and the Definitive Agreement, including the contractual language selected by the expert, shall be effective and binding on the parties as of the date of the expert's decision.

Concurrently with the execution of this Letter Agreement, Enron Americas agrees to make the attached filing with the Federal Energy Regulatory Commission ("FERC") set forth in Exhibit B hereto (such filing having been found satisfactory by Sonat Energy and SLNG) (the "Withdrawal Letter"), for purposes of (i) withdrawing Enron Americas' protest to SLNG's reactivation applications in Docket Nos. CP 99-579, et al. (the "Applications"); (ii) retracting its opposition to the award therein of 100% of the capacity in the Elba Island Facility to Sonat Energy; and (iii) supporting the Applications as filed (including any request for a preliminary determination) and any other orders or determinations related thereto that had been requested by Sonat Energy or SLNG as of the date of the Enron Americas' filing. In the event the Withdrawal Letter is not filed by the close of business of the FERC as of the date following the date hereof, Sonat Energy shall have the right to terminate this Letter Agreement (including all exhibits and attachments hereto) and shall have no liabilities or obligations whatsoever hereunder.

In addition to the withdrawal of its protest respecting the Applications, Enron Americas agrees to and will cause each and every of its affiliates to agree to waive, release and discharge (and refrain from asserting in any forum and at any time hereafter) any claims now or hereafter arising that are in any way related to the acts or omissions of SLNG prior to the date hereof, the Applications as of the date hereof or the award of the capacity in the Elba Island Facility to Sonat Energy pursuant thereto. Further, neither Enron Americas nor any affiliate thereof will protest or challenge, or support, induce, or discuss with any third party any protest or challenge, to SLNG's Applications for a certificate to reactivate the Elba Island Facility (the "Certificate") the award of the capacity of the Elba Island Facility to Sonat Energy or the rates proposed by SLNG once approved by the FERC with respect to the Elba Island Facility during the period of the rate moratorium agreed to by SLNG but not including any amendment to the Applications or any other submission to FERC after the date hereof.

In the event of a subsequent open season with respect to the Elba Island Facility (other than one mandated by FERC) where the capacity is awarded to any affiliate of SLNG, Sonat Energy shall ensure that this Agreement remains in force as between such affiliate and Enron Americas; provided, however that (i) if such affiliate receives less than one hundred percent (100%) of such capacity, the ACQ hereunder shall be proportionately reduced, and (ii) the ACQ shall be further reduced by any amount of capacity awarded in such open season to Enron Americas or any affiliate thereof.

Enron Americas will and will cause each and every one of its affiliates to waive, effective immediately, any conflict of interest that it or they have alleged or that it or they may have with respect to the representation by Skadden, Arps, Slate, Meagher & Flom LLP of Sonat Energy and SLNG (and its and their affiliates and successors in interest) in any matter related to this transaction, any transactions related to the DQ (as defined in the Agreement) and the Applications, excluding arbitration or judicial proceedings between the Parties (other than those in connection with the establishment of a Definitive Agreement).

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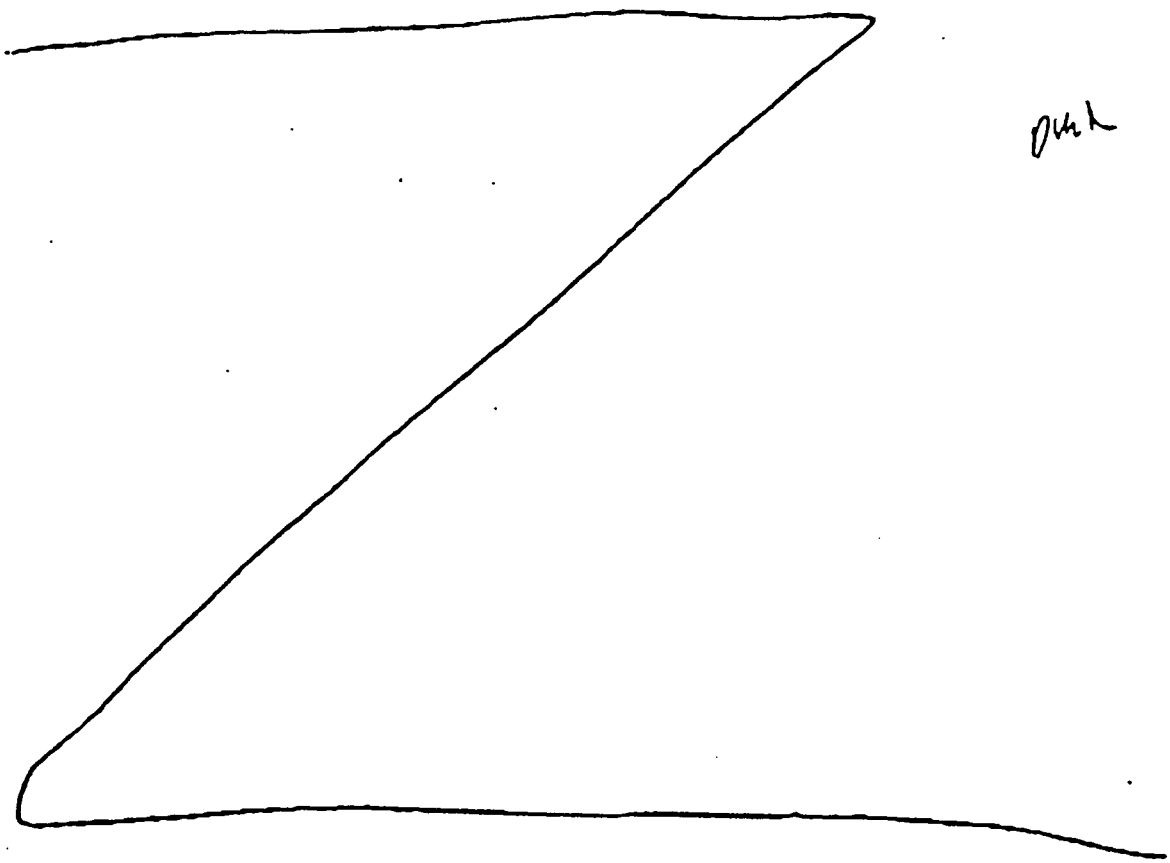

Please acknowledge your agreement to the terms set out above by signing and returning to us a duplicate copy of this Letter Agreement.

Sincerely,

SONAT ENERGY SERVICES COMPANY

By: _____
Michael G. Byrne
Vice President

Accepted and Agreed to this 13th day of October, 1999.

ENRON AMERICAS LNG COMPANY

By: _____
Douglas Rotenberg
Vice President

EXHIBIT A

LNG Sale and Purchase Agreement
Term Sheet

October 13, 1999

Enron Americas:	Enron Americas LNG Company or any successor in interest thereto ("Enron Americas").
Sonat Energy:	Sonat Energy Services Company or any successor in interest thereto ("Sonat Energy").
Agreement:	This Term Sheet until it is replaced by a Definitive Agreement, and thereafter the Definitive Agreement.
Term:	Seventeen (17) years from the Start Date with Enron Americas' option on at least three (3) years notice for up to an additional five (5) years; provided, however, that the term shall not extend beyond the twenty-second (22nd) anniversary of the In-Service Date (as defined in SLNG's FERC Gas Tariff); provided further, however, that Enron Americas, on or before the Exit Date, shall have the right, without penalty or any liability whatsoever, to terminate this Agreement (the "Exit Right").
Dedicated Quantity:	Sonat Energy's Dedicated Quantity ("DQ") shall mean, in any Contract Year, the quantity of LNG that Sonat Energy is obligated to purchase during such Contract Year for delivery to the Elba Island Facility from British Gas Trinidad and Tobago Ltd. and its co-venturers in the train 2 and train 3 expansion projects for Atlantic LNG Company of Trinidad and Tobago and each of their respective affiliates, successors in interest and assignees.
Acceptance; Exit Date:	Following execution of the Letter Agreement, and not later than the date that SLNG accepts the Certificate (the "Acceptance Date"), Sonat Energy shall use commercially reasonable efforts to secure and, as applicable, cause SLNG to secure, all ancillary agreements and other undertakings reasonably required to ensure that the reactivation of the Elba Island Facility can be achieved in a timely manner so as to allow Sonat Energy to commence taking LNG from Enron Americas no later than the Obligation Date. At least ten (10) days prior to the last day that SLNG is entitled to accept, in accordance with 18 C.F.R. §157.20(a), the Certificate (the

"Acceptance Deadline Date") but no earlier than twenty (20) days after the FERC's issuance of the Certificate, Sonat Energy shall notify Enron Americas (the "Certificate Notification") of (i) SLNG's determination to accept or not to accept the Certificate, and (ii) the extent to which the ancillary agreements and other undertakings identified above have been obtained. In case SLNG accepts the Certificate it shall include in the Certificate Notification the date upon which SLNG plans to accept the Certificate (the "Planned Acceptance Date"). In the case where SLNG has determined to reject the Certificate SLNG shall require the DQ suppliers either to exercise or to waive any rights they may have to acquire SLNG (the "DQ Acquisition Rights") prior to the issuance of the Certificate Notification, and shall include the status of the DQ Acquisition Rights therein.

Sonat Energy shall arrange to obtain from SLNG and shall disclose to Enron Americas, at the time Sonat Energy gives Enron Americas notice of SLNG's determination to accept the Certificate, all information regarding (i) the status of any pending requests for rehearing or appeals of the FERC's order(s) issuing the Certificate of which Sonat Energy or SLNG has knowledge, and (ii) SLNG's litigation strategy for responding to all such requests for rehearing and appeals. Enron Americas shall have the right to consult with Sonat Energy and SLNG regarding such litigation strategy.

Upon Enron Americas' receipt of the Certificate Notification, Enron Americas shall have five (5) days (the expiration of which shall, subject to extension as set forth below, be the "Exit Date") to provide Sonat Energy with notification (the "Enron Americas Notification") as to (i) whether or not Enron Americas will terminate this Agreement as provided under "Term," above (which termination shall be effective on the Acceptance Date), (ii) whether or not Enron Americas will exercise its Step-In Rights if notified that SLNG has determined to reject the Certificate and the DQ suppliers have not exercised their DQ Acquisition Rights, and (iii) whether or not Enron Americas will exercise its Extension Option, as set forth below. If Enron Americas has not terminated this Agreement on or before the Exit Date and a petition for rehearing with respect to the Certificate is filed (other than a petition filed or caused to be filed by Enron Americas or any of its affiliates) after Enron Americas has sent the original Enron Americas Notification, Enron Americas shall have the right, to be exercised within two (2) business days after the expiration of the period in which such petitions for rehearing may be filed, to modify its Enron Americas Notification (i) to terminate this Agreement or (ii) to exercise its Extension Option. If the Planned Acceptance Date is prior to the Acceptance Deadline

Date, Enron Americas has the right (the "Extension Option") to extend the Exit Date by so notifying Sonat Energy and paying to Sonat Energy $5 million in immediately available funds (the "Extension Payment") on the date that Enron Americas gives notice that it is exercising the Extension Option. Upon Sonat Energy's receipt of the Extension Payment, the Exit Date shall be extended until the earlier of (i) the Acceptance Deadline Date, (ii) the second anniversary of the Acceptance Date, or (iii) the Reactivation Date. If Enron Americas exercises its Extension Option and later terminates this Agreement prior to the new Exit Date, Enron Americas shall pay to Sonat Energy in immediately available funds an amount equal to $1 million for each calendar month (or pro rata for any part thereof) between the date upon which the Extension Option was exercised and the date upon which the Agreement is terminated. Notwithstanding anything herein to the contrary, Enron Americas shall not be entitled to exercise its Extension Option if Enron Americas or any of its affiliates has made any filing with the FERC after the date hereof that has the result of delaying the Acceptance Deadline Date.

If, within ten (10) days of Sonat Energy's notice to Enron Americas of SLNG's determination to accept the Certificate, SLNG does not so accept, such obligations and rights of the Parties with regard to the Exit Date shall be extended, provided that the Acceptance Deadline Date has not occurred (even in the event that Enron Americas has notified Sonat Energy that it will terminate, in which case the termination shall be void and a new Exit Date shall take effect as applicable), until five (5) days after Sonat Energy re-issues a Certificate Notification. In such event, Sonat Energy shall thereafter be required to re-issue the Certificate Notification as provided in the first paragraph of this section "Acceptance; Exit Date."

At the time SLNG accepts the Certificate, Sonat Energy shall notify Enron Americas of the Acceptance Date and furnish Enron Americas a copy of such notice of acceptance.

SLNG shall not accept the Certificate before the Acceptance Deadline Date if both Enron Americas and the DQ suppliers request in writing that SLNG defer acceptance of the Certificate until that date.

Step-In Rights: If the DQ suppliers exercise their DQ Acquisition Rights, the Agreement will remain in full force and effect during the Term of this Agreement.

If, after the Certificate is issued, Sonat Energy advises Enron Americas that SLNG has determined not to accept the Certificate and that the DQ suppliers have elected not to exercise their DQ Acquisition Rights, then Sonat Energy shall cause Southern Natural Gas Company ("SNG") to offer to sell to Enron Americas (the "Step-in Rights") for a period of five (5) days (the "Step-in Period), all (but not less than all) of the issued and outstanding shares of common stock of SLNG (the "SLNG Shares") for an amount equal to the greater of (i) the fair market value of the Elba Island Facility (considering its use only as a FERC-regulated asset and the terms and conditions of these Step-In Rights, including the repurchase obligation) or (ii) $58 million (in either case (i) or (ii)) (the "Step-in Purchase Price"). In order to permit Enron Americas to evaluate the Step-in Rights, at the time the Certificate is issued, Sonat Energy shall cause SLNG to grant Enron Americas access to all relevant books and records and contractual obligations of SLNG commonly available for due diligence review in connection with acquisitions in the energy industry, but not otherwise publicly available. If Enron Americas exercises its Step-In Rights:

(a) Enron Americas shall (i) provide written notice of such exercise to SNG within the Step-In Period (ii) within five (5) days after sending such written notice, either pay to SNG the Step-in Purchase Price in immediately available funds or deliver to SNG a guarantee by Enron Americas' ultimate parent (in form and substance satisfactory to SNG in its sole discretion) of Enron Americas' obligation to pay to SNG, within thirty (30) days, the Step-in Purchase Price in immediately available funds, and (iii) be deemed to have waived any remaining Exit Rights it has under this Agreement;

(b) SNG shall, upon receipt of the Step-In Purchase Price, (i) cause SLNG to accept the Certificate and (ii) after receiving all required government approvals, transfer the SLNG shares to Enron Americas;

(c) The Service Agreement between SLNG and Sonat Energy shall remain in full force and effect;

(d) Any obligation of Sonat Energy in this Agreement to cause or to attempt to cause SLNG to take or refrain from taking any action shall be excused and, after such step-in, Sonat Energy shall have no liability hereunder to Enron Americas for any acts or omissions of SLNG; and

(e) If Sonat Energy's agreement with the DQ suppliers terminates in connection with the decision of the DQ suppliers not to exercise their DQ Acquisition Rights, (i) Enron Americas shall be obligated to pay Sonat Energy one hundred percent (100%) of the actual total costs (including all fixed and variable charges) thereafter incurred by Sonat Energy under the Service Agreement with SLNG, (ii) this Agreement shall remain in effect with respect to the ACQ, and (iii) Enron Americas and Sonat Energy will enter into a separate definitive agreement regarding the delivery of up to an additional 82 Bcf of LNG annually by Enron Americas to the Elba Island Facility under the following price structure:

(i) For all LNG confirmed for firm delivery for a period of at least one year on at least ninety (90) days notice prior to the first delivery of such LNG, ("Firm Annual Quantities"), Sonat Energy shall pay to Enron Americas the Monthly Henry Hub Index (as defined in "Price") per MMBtu plus the Sharing Premium, as set forth below. To the extent Sonat Energy is able to sell regasified Firm Annual Quantities into the market and receive net positive revenue above such Monthly Henry Hub Index (after deducting Sonat Energy's transportation costs), such net positive revenue shall be divided between Sonat Energy and Enron Americas on terms no less favorable than those available to the DQ suppliers in connection with similar delivery commitments under the LNG sales agreement between Sonat Energy and the DQ suppliers;

(ii) For all LNG confirmed for firm delivery less than ninety (90) days prior to the Contract Year, but more than thirty (30) days prior to the month in which such quantity will be delivered to Sonat Energy, Sonat Energy shall pay the First of the Month Inside FERC's Gas Market Report for Prices of Spot Gas Delivered to Pipelines, SNG Louisiana Index, during such month; and

(iii) For all LNG on which Enron Americas exercises a Redelivery Option (pursuant to the same terms and conditions set forth herein with respect to the Redelivery Options in "Sale and Purchase"), Sonat Energy shall pay the Monthly Henry Hub Index.

In connection with the execution of the Definitive Agreement, the Parties shall consider additional terms and provisions intended to protect Enron Americas' interests should the governmental approvals necessary to transfer the SLNG shares not be obtained; provided, however, that such additional terms and provisions shall not result in Sonat Energy or SNG undertaking any additional material obligations or incurring any incremental risk from the structure set forth herein.

In the event Enron Americas exercises its Step-In Rights, SNG shall have the right to repurchase from Enron Americas, upon termination or expiration of the Agreement for any reason, the SLNG Shares (the "Repurchase Rights") for a purchase price in cash equal to the depreciated book value of the Elba Island Facility (as reflected on SLNG's books of account as reported to FERC) as of the date SNG exercises such Repurchase Right.

Contemporaneously with the execution of the Definitive Agreement, Enron Americas and SNG shall enter into a separate agreement related to the Step-in Rights and Repurchase Rights set forth herein, which agreement shall fix the Step-In Purchase Price (or provide a mechanism for fixing it prior to the expected date of the Certificate Notification) and contain affirmative and negative covenants related to Enron Americas' ownership of and conduct of the business of SLNG during the pendency of the Repurchase Rights.

Annual Contract Quantity: Annual Contract Quantity ("ACQ") shall mean, in any Contract Year, a quantity of LNG equal to fifty-eight (58) Bcf (or the pro rata portion thereof in any Contract Year less than 365 days) as may be adjusted as provided herein. Enron Americas shall be entitled to supply such LNG in accordance with this Agreement from any LNG production facility throughout the world.

"Contract Year" shall mean each of the following periods: the period beginning on the Obligation Date and ending on the immediately following December 31, and each full calendar year thereafter prior to the end of the Term, and the period from January 1 of the year the Term ends until the end of the Term.

Reactivation of Elba Island: Enron Americas shall have the right, if agreed to by the DQ suppliers, to request that Sonat Energy use reasonable efforts to cause SLNG to delay, by a period of not less than six (6) months, the reactivation of the Elba Island Facility, provided that (i) such

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delay is allowed by and consistent with the Certificate and (ii) Enron Americas pays forty-one percent (41%) of any costs incurred by Sonat Energy in connection with such delay (or such greater portion of such costs as required to obtain the consent of the DQ suppliers).

Purchase And Sale:

Beginning on the earlier of (x) the date that Sonat Energy notifies Enron Americas that the reactivation of the Elba Island Facility has been completed (the "Reactivation Date") or (y) eighteen (18) months (plus the period of delay, if any, agreed for the Reactivation Date) following the Acceptance Date (in either case (x) or (y), the "Obligation Date"), unless otherwise excused under this Agreement, Enron Americas is obligated to deliver, and Sonat Energy is obligated to take and pay for or pay for if not taken (up to a total annual quantity equal to the ACQ) each cargo of LNG that is (i) scheduled to be delivered by Enron Americas pursuant to the Annual Program, and (ii) confirmed for firm delivery by written notice from Enron Americas to Sonat Energy no later than eight (8) days prior to the commencement of the two-day arrival window for such cargo, as set forth in the following paragraph.

Any cargo for which Enron Americas delivers a firm delivery confirmation at least thirty (30) days prior to the month in which such cargo is scheduled to be delivered pursuant to the Annual Program, shall be referred to as a "30-Day Firm Quantity." Any cargo for which Enron Americas delivers a firm delivery confirmation less than thirty (30) days, but at least ten (10) days, prior to the month in which such cargo is scheduled to be delivered pursuant to the Annual Program, shall be referred to as a "10-Day Firm Quantity." Any cargo for which Enron Americas delivers a firm delivery confirmation less than ten (10) days prior to the month in which such cargo is scheduled to be delivered pursuant to the Annual Program, but at least eight (8) days prior to the commencement of the two-day arrival window for such cargo, shall be referred to as an "8-Day Firm Quantity" and collectively with 30-Day Firm Quantities and 10-Day Firm Quantities as the "Firm Delivery Quantities." If the Obligation Date occurs prior to the Reactivation Date, (i) the ACQ from the Obligation Date until the Reactivation Date shall be deemed to be on an annualized basis fifty-eight (58) Bcf without any adjustment thereto based on the actual capacity of the Elba Island Facility during such period and (ii) Sonat Energy shall have no obligation to take or pay for LNG hereunder during such period to the extent the delay in the Reactivation Date was the result of an event of Force Majeure.

From time to time during the term of this Agreement, upon at least ninety (90) days prior written notice to Sonat Energy (the "Redelivery Notice"), Enron Americas shall have the option (the "Redelivery Option") to elect to deliver all or a portion of the ACQ (the "Redelivery Quantities") subject to the right and obligation of Sonat Energy to redeliver to Enron Americas the Delivered Volume of such LNG (the "Redelivered Gas") for the same price paid by Sonat Energy in form of regasified LNG at the tailgate of the Elba Island Facility, subject to the following requirements and limitations:

(a) Such Redelivery Option may only be exercised in increments of 10,000 MMBtu per day;

(b) If Enron Americas nominates gas for transportation on the SNG pipeline system, (i) Enron Americas or an affiliate thereof must have subscribed (directly from SNG) to firm transportation on the SNG system for a term not less than the lesser of ten (10) years or the then-remaining term of the Agreement, (ii) the Elba Island Facility must be, and remain during the duration of such firm transportation, the primary receipt point for such firm transportation, and (iii) such firm transportation (in MMBtu per day) shall be for a quantity equal to the quantity of gas (in MMBtu per day) nominated in the Redelivery Notice to be redelivered to Enron Americas on the SNG system ((i), (ii) and (iii) collectively, the "Firm Transportation Requirement");

(c) Each Redelivery Option is for a minimum of twenty-one (21) months and may be cancelled thereafter only on ninety (90) days prior written notice to Sonat Energy (the "Redelivery Term");

(d) Except with the prior consent of Sonat Energy, such Redelivered Gas must be taken by Enron Americas on a ratable daily basis throughout the Redelivery Term on a basis set forth in the Redelivery Notice;

(e) Enron Americas may deliver Redelivered Quantities only on a reasonably ratable basis throughout the Redelivery Term so as to allow Sonat Energy to deliver the Redelivered Gas associated with such Redelivered Quantities to Enron Americas on a ratable daily basis;

(f) Unless such quantities are specifically reconfirmed as either 8-Day Firm Quantities, 10-Day Firm Quantities, or 30-Day Firm Quantities on adequate notice as provided herein, any

quantities of LNG confirmed as Redelivery Quantities and subsequently delivered to Sonat Energy other than as required in paragraph (e) above shall be treated for all purposes (other than Sonat Energy's liability to take or pay for such LNG) as 8-Day Firm Quantities; and

(g) All Redelivery Quantities must be confirmed for delivery on at least thirty (30) days prior notice to Sonat Energy. Redelivery Quantities may be reconfirmed as 8-Day Quantities, 10-Day Quantities or 30-Day Quantities provided such reconfirmation meets the confirmation requirements for such Firm Delivery Quantities set forth above.

Enron Americas may elect a Redelivery Option from time to time during the Term of this Agreement and may designate a cargo as containing a portion of Firm Delivery Quantities and the balance as Redelivery Quantities.

Sonat Energy shall not be in default of its obligation to deliver to Enron Americas Redelivered Gas pursuant to the Redelivery Option if Enron Americas fails, for any reason, to deliver sufficient cargoes of Redelivery Quantities to Sonat Energy in order to allow Sonat Energy to make deliveries of Redelivered Gas to Enron Americas at the daily delivery rate (in MMBtu per day) set forth in Enron Americas' Redelivery Notice.

If Sonat Energy fails to redeliver the Redelivered Gas related to Redelivery Quantities that Sonat Energy has taken (or was obligated to take and did not take for reasons unexcused by this Agreement) from Enron Americas as and when required by this Agreement, Sonat Energy shall be liable to Enron Americas for all damages incurred as a result of Sonat Energy's failure to deliver; provided, however that Sonat Energy's liability shall be limited to five hundred percent (500%) of the Monthly Henry Hub Index (as defined in "Price") per MMBtu multiplied by the quantity of Redelivered Gas (measured in MMBtu) to be delivered on a daily basis as nominated in the Redelivery Notice for each day on which Sonat Energy was required to make such delivery but failed to do so. Sonat Energy's obligation to redeliver to Enron Americas any Redelivered Gas shall be limited to the volume of Redelivery Quantities delivered by Enron Americas (including any quantities delivered to an alternate delivery point as provided herein) plus any Redelivery Quantities that were not delivered under circumstances where Sonat Energy was obligated to take such Redelivery Quantities.

Alternate Delivery Points:

If there is a temporary operational constraint at the Elba Island Facility, or in order to take Make-Up Quantities as described in "Take or Pay/Delivery Failure," Sonat Energy may designate an alternate delivery point for receipt of any quantities to be delivered hereunder, provided that Sonat Energy arranges its own shipping, pays any additional costs associated with or arising out of the delivery to such alternate delivery point, including, without limitation, terminalling costs. Enron Americas may provide such shipping if such provision does not materially interfere with its other requirements for such ship, and Sonat Energy covers the cost thereof and any additional costs to Enron Americas and its affiliates in connection with the delivery of such cargo to the Alternate Delivery Point. Any volumes delivered to an alternate delivery point pursuant to this paragraph shall be deemed to have been delivered and taken at the Elba Island Facility pursuant to Sonat Energy's obligations set forth in the section "Sale & Purchase"; provided, however, that the designation of an alternate delivery for a cargo of Redelivery Quantity shall not relieve Sonat Energy from delivering to Enron Americas, pursuant to the Redelivery Option, a quantity of Redelivered Gas equal to the Delivered Volume of Redelivery Quantities delivered to such alternate delivery point.

Take or Pay/ Delivery Failure:

Should Sonat Energy fail, for reasons unexcused by this Agreement, to take LNG as required hereunder, it shall pay Enron Americas for any cargo not taken, with such amount being calculated as the expected volume of any cargo not taken times the applicable price for such quantities for the month that delivery was scheduled to have occurred less, in all cases, the Resale Credits associated with such cargo as defined below. "Resale Credits" shall mean, with respect to any cargo, all amounts received by Enron Americas for an incremental sale to any other person of such cargo not taken by Sonat Energy (if such cargo was sold or delivered within ten (10) days from the scheduled day of delivery to Sonat Energy) (each a "Resale Cargo") less any additional costs incurred by Enron Americas in connection with or arising out of the sale to such person other than Sonat Energy. Sonat Energy's take-or-pay liability shall constitute Enron Americas' sole and exclusive remedy for Sonat Energy's failure to take LNG from Enron Americas pursuant to this Agreement.

In the event that Sonat Energy pays for any quantity of LNG not taken by Sonat Energy (other than Resale Cargoes), then Sonat Energy shall have the right, during the five (5) immediately following Contract Years to take such quantity of LNG ("Make-Up Quantity")

without further payment. Sonat Energy's right to take the Make-Up Quantity without payment: (i) can be exercised in any Contract Year only after the ACQ for that Contract Year has been accommodated in the Annual Program; (ii) shall be subject to the availability of shipping capacity and production (after taking into account all other firm LNG sale obligations of Enron Americas including quantities that can be taken at the option of a third party other than affiliates of Enron Americas, for the relevant Contract Year pursuant to agreements executed on or before the date upon which Sonat Energy's right to take Make-Up Quantities accrued hereunder), and (iii) shall be limited to no more than five percent (5%) of the ACQ per Contract Year. Sonat Energy may designate an alternate delivery point for receipt of its Make-Up Quantities, as provided in "Alternate Delivery Points" above. In the event Sonat Energy is unable, as a result of a lack of shipping capacity or production or both, to take a quantity of Make-Up Quantities up to its maximum limit of five percent (5%) of ACQ within the succeeding five (5) Contract Years despite annual requests to schedule the delivery of such Make-Up Quantities, Sonat Energy shall receive a rebate of thirty-seven percent (37%) of the take-or-pay amounts paid to Enron Americas for such Make-Up Quantities with respect to such cargo.

If Enron Americas fails to deliver any cargo of Firm Delivery Quantities, unless otherwise excused, Enron Americas shall be liable to Sonat Energy for all damages incurred as a result of Enron Americas' failure to deliver; provided, however, that Enron Americas' liability for each delivery failure, other than liability for Terminalling Costs, shall be limited to an amount equal to the product of five hundred percent (500%) of the Monthly Henry Hub Index (as defined in "Price") per MMBtu multiplied by the lesser of (i) 160,000 MMBtu per day for each day Enron Americas is late in its delivery of such cargo or (ii) the quantity of LNG (measured in MMBtu) in the expected cargo.

Payments by Sonat Energy for take-or-pay liabilities and by Enron Americas for non-delivery liabilities shall be due in the month following the month in which such liability was incurred, based on the expected quantity of LNG in the applicable cargo.

Round Up/
Round Down:

In any Contract Year Enron Americas shall be entitled to request an increase in the ACQ by an amount up to the volume of one full cargo in order to permit an even number of full cargoes to be included in the Annual Program. Sonat Energy shall be entitled to either accept or reject such request. If the request is granted, the

ACQ for the following Contract Year shall be reduced by the amount of the increase in the ACQ granted by Sonat Energy. If Sonat Energy does not accept the request, the ACQ for the following Contract Year shall be increased by the difference between the ACQ and the quantity of LNG that Enron Americas was permitted to include in the Annual Program.

Price:

The price (expressed in United States Dollars per million British thermal units (US$/MMBtu) to be paid for each MMBtu of LNG delivered hereunder (as adjusted herein) shall be:

(a) In the case of deliveries of 30-Day Firm Quantities: the sum of (i) the First of the Month Inside FERC's Gas Market Report for Prices of Spot Gas Delivered to Pipelines, Henry Hub Index during such month (the "Monthly Henry Hub Index") plus (ii) two cents ($0.02) per MMBtu;

(b) In the case of deliveries of 10-Day Firm Quantities: the First of the Month Inside FERC's Gas Market Report for Prices of Spot Gas Delivered to Pipelines, SNG Louisiana Index, during such month;

(c) in the case of 8-Day Firm Quantities: the average Gas Daily Low Price for the thirty (30) day period beginning eight (8) days prior to the commencement of the two-day arrival window for such cargo, where "Gas Daily Low Price" means, with respect to a given day, the price per MMBtu at the lowest end of the Gas Daily absolute range Louisiana-Onshore South, Sonat spot prices for such day; and

(d) in the case of deliveries pursuant to the Redelivery Option: the Monthly Henry Hub Index.

In each case the price shall be applied to the delivered volume ("Delivered Volume" or "DV"), which shall mean with respect to a given month, the quantity of LNG delivered during such month by Enron Americas, determined in accordance with this Agreement, and reduced to account for any fuel used, and lost and unaccounted for gas ("Fuel Gas") at the Elba Island Facility and the quantity of gas returned to Enron Americas' LNG Tanker to replace the LNG discharged ("Return Gas"). Sonat Energy shall provide Enron Americas with copies of all measurement data received from SLNG with respect to Fuel Gas and Return Gas attributable to Enron Americas.

Extended Period

Pricing: In the event this Agreement is extended beyond the initial seventeen (17) year term, the price to be paid for LNG purchased hereunder shall be negotiated by the Parties. If the Parties are unable to agree upon a price, (i) the Redelivery Option price and the other Redelivery Option provisions (except the Firm Transportation Requirement) shall apply and (ii) Enron Americas shall continue to pay Terminalling Costs to Sonat Energy throughout the entire Term of this Agreement.

Rate Moratorium: The Parties acknowledge that SLNG has proposed in its applications to the FERC that SLNG will file with the FERC to adjust its rates based on the actual capital costs of recommissioning the Elba Island Facility pursuant to SLNG's FERC Gas Certificate, SLNG's contract and property rights and any financing arrangements accepted by SLNG. Following such rate filing, Sonat Energy shall cause SLNG not to make a general rate filing to become effective earlier than the seventh (7th) anniversary of the In-Service Date, and if SLNG has not, prior to such seventh (7th) anniversary, experienced an underrecovery of more than five percent (5%) of SLNG's annual cost of service, such rate moratorium will be extended to the earlier of (i) the date upon which SLNG experiences an underrecovery of more than five percent (5%), or (ii) the tenth (10th) anniversary of the In-Service Date; provided, however, that SLNG shall have the right to file a general rate increase to recover the costs associated with legally imposed obligations/requirements, uninsured losses and, following the fifth (5th) anniversary of the In-Service Date, dredging and spoil disposal. In consideration of the foregoing, Enron Americas shall not make any filing under Section 5 of the Natural Gas Act with respect to any aspect of the rates set forth in SLNG's FERC Gas Tariff prior to the fifth (5th) Anniversary of the In-Service Date.

Terminalling Costs: Commencing with the later of the first day of the month following the month in which SLNG's FERC Gas Tariff becomes effective (the "In-Service Date") or October 1, 2003 (the later of such dates, the "Payment Commencement Date"), Enron Americas shall pay Sonat Energy each month during the term of this Agreement an amount equal to the sum of the following (the "Terminalling Costs"):

(a) forty-one percent (41%) of (A) the actual total fixed monthly costs paid by Sonat Energy to SLNG in such month under the Service Agreement with SLNG for terminalling capacity and (B) the costs of replacing the existing vaporizers (the "Vaporizer Refurbishment") and adding an additional vaporizer and pump (the "Vaporizer Addition," and together with Vaporizer Refurbishment, the "Vaporizer

Improvements") (provided, however, Enron Americas shall not be obligated to pay more than its pro rata share of the costs associated with the Vaporizer Refurbishment, which pro rata share shall not exceed forty-one percent (41%) of the cost of service applicable to the capital investment (or such other arrangement that is acceptable to SLNG), up to $6 million and its pro rata share of the costs associated with the Vaporizer Addition, which pro rata share shall not exceed forty-one percent (41%) of the cost of service applicable to the capital investment (or such other arrangement that is acceptable to SLNG), up to $6 million; the total costs for Vaporizer Improvements not to exceed $10 million); plus

(b) the sum of (i) the portion of the actual total variable monthly costs, paid by Sonat Energy to SLNG under the Service Agreement with SLNG in such month that is allocable to Enron Americas' LNG including, but not limited to, the Electric Power Charge (as such term is defined in SLNG's FERC Gas Tariff); plus (ii) forty-one percent (41%) of the monthly operating costs attributable to the Vaporizer Improvements; plus

(c) forty-one percent (41%) of the Roll-Up Costs allocable to such month.

The term "Roll-Up Costs" shall mean, with respect to a given month, the total amount allocated to such month after amortizing over the period from the Payment Commencement Date through the earlier of the seventeenth (17th) anniversary of the Payment Commencement Date or the seventeenth (17th) anniversary of the Start Date, at an annual interest rate equal to ten and one-half percent (10.5%), the actual total costs (including all fixed and variable charges), if any, incurred by Sonat Energy under the Service Agreement with SLNG prior to the Payment Commencement Date. Other than the Vaporizer Improvements and unless it otherwise agrees, Enron Americas shall not be required to pay for any costs associated with the installation of additional facilities or equipment at the Elba Island Facility if the installation of such is intended principally to increase the Incremental capacity of the Elba Island Facility.

Sonat Energy shall cause SLNG to provide Enron Americas with all reasonable detail relating to items to be included in the Terminalling Costs and shall endeavor to ensure that SLNG gives consideration to any comments or suggestions Enron Americas makes with respect to such Terminalling Costs. Enron Americas' obligation to

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pay Terminalling Costs shall not be affected by any reduction in the ACQ.

Notwithstanding anything to the contrary in this Agreement, Enron Americas shall not be responsible for any costs arising out of or associated with Sonat Energy's unexecused failure to comply with SLNG's FERC Gas Tariff unless such failure is attributable to Enron Americas or any affiliate thereof.

Duties and Taxes: All customs, taxes, excises, fees, duties, levies, charges and other assessments payable on or with respect to the sale or delivery of LNG to Sonat Energy, its exportation from the country of origin and the importation of LNG by Sonat Energy into the United States that arise prior to or at the Delivery Point shall be the responsibility of Enron Americas. In the event Enron Americas exercises the Redelivery Option set forth above, all customs, taxes, excises, fees, duties, levies, charges and other assessments payable with respect to the sale of regasified LNG by Sonat Energy to Enron Americas shall be the responsibility of Enron Americas. The Parties shall consider alternative mechanisms in the Definitive Agreement in order to minimize taxes.

Billing and Payment: On or before the tenth (10th) day of each month following the month in which the earlier of the Start Date or the Payment Commencement Date occurs (i) Enron Americas shall forward to Sonat Energy a monthly statement indicating the total amount due to Enron Americas in such month for all amounts accrued to Enron Americas in the previous month pursuant to this Agreement, and (ii) Sonat Energy shall forward to Enron Americas a monthly statement for the total amount due to Sonat Energy in such month for all amounts accrued to Sonat Energy in the previous month pursuant to this Agreement. The Party having a net amount due the other Party as a result of these monthly statements shall pay such net amount due without any other offset or deduction on the later of the twenty-fifth (25th) day of such month or fifteen (15) days after receipt of the other Party's monthly statement.

Delivery Point: The delivery point for LNG (the "Delivery Point") shall be the inlet flange of the LNG unloading line at the Elba Island Facility. The delivery point for regasified LNG purchased by Enron Americas pursuant to the Redelivery Option shall be the outlet flange at the tailgate of the Elba Island Facility.

Quality: Except as set forth in the Quality Letter Agreement attached hereto as Attachment 1, (i) all LNG to be delivered by Enron Americas

pursuant to this Agreement must conform to the quality specifications contained in SLNG's FERC Gas Tariff and (ii) Sonat Energy shall have no duty to accept or pay for nonconforming LNG. Sonat Energy shall cause SLNG to use reasonable efforts to accept LNG from Enron Americas that does not meet the quality specifications set forth in the Quality Letter Agreement (the "Quality Specifications"); provided, however, that (i) if SLNG rejects any quantity of LNG that does not meet the Quality Specifications, Sonat Energy will be deemed to have rejected such quantity and shall have no liability to Enron Americas with respect to such quantity, (ii) neither Sonat Energy nor SLNG shall have any duty to install any additional equipment or modify any existing equipment in order to facilitate SLNG's acceptance of such LNG, and (iii) Enron Americas will bear financial responsibility for and shall reimburse or directly fund, at the direction of Sonat Energy or SLNG, 100% of all incremental costs (both capital and operational) and liabilities (direct, indirect and consequential) incurred by SLNG or Sonat Energy in connection with the acceptance of LNG not meeting the Quality Specifications.

Determination of Capacity:

Not later than ninety (90) days prior to the commencement of each Contract Year, the Parties shall, together with the DQ suppliers, jointly determine the capacity of the Elba Island Facility. If such parties are unable to agree upon the capacity of the Elba Island Facility, the issue shall be referred to a mutually-agreed upon expert for resolution. In making his decision, the expert shall consider all relevant factors, including but not limited to the number, frequency, delivery schedule and size of any LNG Tankers delivering LNG to the Elba Island Facility, the operational capability and capacity of the facilities of the Elba Island Facility (including pumps, tanks and vaporization units) and the then-existing total sustainable capacity of the take away pipelines serving the Elba Island Facility, and operational limitations imposed by law, rule or regulation, but excluding any limitations imposed by SLNG's FERC Gas Tariff not otherwise imposed by law, rule or regulation. To the extent the capacity is determined to be below 140 Bcf, the ACQ shall be adjusted to an amount equal to the quantity of LNG which constitutes forty-one percent (41%) of the capacity of the Elba Island Facility. The adjustment of the ACQ shall not affect Enron Americas' obligation to pay Terminalling Costs as set forth in this Agreement.

Additional Capacity:

Upon the completion of the Vaporizer Improvements the Parties shall determine the increase in capacity of the Elba Island Facility

attributable to such Vaporizer Improvements (the "Additional Capacity"). If the Parties are unable to agree on the Additional Capacity, the issue shall be referred to a mutually-agreed upon expert for resolution. In any Contract Year after the Vaporizer Improvements are completed that the capacity of the Elba Island Facility exceeds 160 Bcf Enron Americas shall be entitled to use up to the lesser of (i) forty-one percent (41%) of the Additional Capacity or (ii) forty-one percent (41%) of the amount of capacity in excess of 160 Bcf available in such Contract Year, to deliver additional cargoes ("Additional Cargoes") provided that Sonat Energy may use up to fifty percent (50%) of such Additional Capacity to receive Make-Up Quantities due hereunder that it has requested for delivery.

Cargo Scheduling: Beginning on the Obligation Date, each of Enron Americas and the DQ suppliers (collectively, the "Scheduling Parties" or each, a "Scheduling Party") shall have the right to schedule for delivery during each Contract Year such Party's pro rata share of the total capacity of the Elba Island Facility, up to a total annual capacity of 140 Bcf, with Enron Americas' share of such capacity being forty-one percent (41%) and the DQ suppliers' share of such capacity being fifty-nine percent (59%).

Enron Americas and the DQ suppliers shall have equal priority with respect to all aspects of the scheduling of LNG cargoes in the Annual Program and the 90-Day Schedule within the annual quantities allocated to each such Scheduling Party with respect to the delivery of such cargoes.

The DQ suppliers shall have the right to schedule additional cargoes for delivery during a Contract Year to the extent that the total annual capacity of the Elba Island Facility exceeds 140 Bcf; provided, however, that (I) the scheduling priority for such additional cargoes shall be secondary to the scheduling priority for the cargoes scheduled for delivery pursuant to the preceding paragraph, (ii) such additional cargoes shall be removed from the Annual Program if and to the extent that, during the course of such Contract Year, it becomes evident that the total annual capacity of the Elba Island Facility will be less than originally projected and (iii) under no circumstances will Enron Americas' two-day arrival window be advanced, postponed or reduced in duration in order to accommodate the scheduling of such additional cargoes in the Annual Program without Enron Americas' prior consent.

Not later than ninety (90) days prior to the commencement of each Contract Year, Enron Americas and the DQ suppliers shall each

submit to Sonat Energy such Scheduling Party's proposed schedule for cargo deliveries during such Contract Year along with an explanation of any operational and/or shipping considerations. Based on the principles set forth above, Sonat Energy shall consult with Enron Americas and the DQ suppliers and, thereafter, issue an annual delivery schedule (the "Annual Program") to each Scheduling Party, which Annual Program shall reflect (i) to the extent reasonably practicable, each of the proposed schedules submitted to Sonat Energy by Enron Americas and the DQ suppliers, (ii) any operational limitations at the Elba Island Facility and (iii) applicable provisions of SLNG's FERC Gas Tariff (except to the extent such provisions are in direct conflict with the expert's determination on capacity as provided for in "Determination of Capacity").

Upon completion of the Annual Program, the ACQ for each Contract Year will be adjusted, if necessary, to reflect the total quantity of LNG that Enron Americas is scheduled to deliver to the Elba Island Facility as set forth in the Annual Program. The adjustment of the ACQ shall not affect Enron Americas' obligation to pay the Terminalling Costs as set forth in this Agreement.

The Annual Program issued by Sonat Energy shall set forth a two-day arrival window for each cargo proposed to be delivered during such Contract Year. The pattern of deliveries by Enron Americas and the DQ suppliers in the Annual Program will be at rates and intervals that are reasonably constant throughout the Contract Year.

If either Enron Americas or the DQ suppliers do not believe that the Annual Program complies with the detailed Cargo Scheduling Principles in this Agreement and the LNG sales agreement between Sonat Energy and the DQ suppliers, respectively, such Scheduling Party shall have the right to submit such dispute to a mutually agreed-upon expert for review and resolution. The expert shall be instructed to render his decision no less than thirty (30) days prior to the commencement of the Contract Year. The expert's decision shall be premised on the annual capacity of the Elba Island Facility being equal to that determined in "Determination of Capacity" above and shall be final and binding upon all the parties. The ACQ shall be reduced by any quantities of LNG requested by Enron Americas for inclusion in the Annual Program but which are not scheduled by the expert. The adjustment of the ACQ shall not reduce Enron Americas' obligation to pay the Terminalling Costs as set forth in this Agreement.

Not later than the 15th day of each month, Sonat Energy shall, after consultation with Enron Americas and the DQ suppliers, deliver to each other party a three-month forward plan for cargo deliveries to the Elba Island Facility (the "90-Day Schedule"), which shall follow the applicable Annual Program (or the most current draft thereof) to the extent reasonably practicable and shall set forth a two-day arrival window for each cargo to be delivered during such three-month period. Each 90-Day Schedule shall reflect all adjustments, if any, necessitated by deviation from prior 90-Day Schedules so as to maintain to the extent reasonably practicable (i) the total deliveries forecast in the Annual Program and (ii) the scheduling priorities described above.

Enron Americas shall confirm each cargo of Firm Delivery Quantities scheduled for delivery in the 90-Day Schedule at least eight (8) days prior to the commencement of the two-day arrival window for such cargo. Enron Americas shall confirm each cargo of Redelivery Quantities scheduled for delivery in the 90-Day Schedule at least thirty (30) days prior to the commencement of the two-day arrival window; provided, however, that Enron Americas may reconfirm such Redelivery Quantities as Firm Delivery Quantities with at least eight (8) days notice prior to the commencement of the two-day arrival window. If Enron Americas fails to firmly nominate a cargo of Firm Delivery Quantities or Redelivery Quantities via such confirmation: (i) Sonat Energy may remove such cargo from the 90-Day Schedule; and (ii) Sonat Energy will have no obligation to take such cargo.

During the period of commissioning of either Enron Americas' LNG production facilities and the DQ suppliers' LNG production facilities, the Scheduling Parties shall cooperate, to the extent reasonably practicable, in providing scheduling flexibility to each other Scheduling Party in order to facilitate the timely commissioning and start-up of such facilities.

Each of the Scheduling Parties shall cooperate in implementing, to the extent reasonably practicable, even production and delivery rates so as to facilitate the smooth performance of the Annual Program, as modified by each 90-Day Schedule. Upon the request of either Enron Americas or the DQ suppliers, Sonat Energy shall, upon consultation with and agreement by the other Scheduling Party, revise the most recent 90-Day Schedule when appropriate to meet operational requirements with the overall objective of fulfilling the Annual Program. Enron Americas shall not unreasonably withhold its consent to requested revisions to the Annual Program

and the 90-Day Schedule, subject to the agreement of the DQ suppliers to adhere to the same standard.

If Enron Americas or its LNG Tanker gives notice of readiness after its scheduled arrival window, Sonat Energy shall, subject to the applicable terms and conditions of SLNG's FERC Gas Tariff, use reasonable efforts to accept such delivery as soon as reasonably practicable; provided, however, that (i) no cargo of LNG scheduled in the Annual Program for delivery by the DQ suppliers shall be delayed from unloading within its arrival window, except with the consent of the DQ suppliers, (ii) Enron Americas shall be responsible to Sonat Energy for any economic loss suffered by Sonat Energy and the DQ suppliers due to the acceptance of such late delivery, and (iii) if Enron Americas or its LNG Tanker gives notice of readiness within the twenty-four (24) hour period following the scheduled arrival window, only that percent of the cargo not unloaded within the same twenty-four (24) hour period shall be considered late.

If the DQ suppliers or its LNG Tanker gives notice of readiness after its scheduled arrival window, Sonat Energy, shall, subject to the applicable terms and conditions of SLNG's FERC Gas Tariff, use reasonable efforts to accept such delivery as soon as reasonably practicable; provided, however, that (i) no cargo of LNG scheduled in the Annual Program for delivery by Enron Americas shall be delayed from unloading within its arrival window, except with the consent of Enron Americas, and (ii) Sonat Energy shall compensate, or shall cause the DQ suppliers to compensate, Enron Americas for any economic loss suffered by Enron Americas due to the acceptance of such late delivery.

Upon receipt of Enron America's first notice regarding the delivery of each cargo of LNG, Sonat Energy shall notify Enron Americas' as to Sonat Energy's anticipated operational ability to receive such cargo, which notice shall include information on (i) the amount of inventory in SLNG's tanks, (ii) the expected gas send out rate until the first day in Enron Americas' arrival window, and (iii) the expected arrival windows of the LNG Tankers to arrive immediately before and immediately after Enron Americas' arrival window. Sonat Energy may, when required by operational necessity, postpone the two day arrival window by one day without incurring any liability to Enron Americas for demurrage or other costs provided that Sonat Energy notifies Enron Americas as soon as possible, but in no event less than twenty-four (24) hours, in advance of such postponement, and permits an LNG Tanker that

arrives during her originally scheduled arrival window to proceed to the berth as soon as it is feasible.

Enron Americas shall attempt with the DQ suppliers to develop jointly a set of "mutual aid" principles between themselves by which each of them will, upon the request of the other Scheduling Party and with the objective of fulfilling the Annual Program, use reasonable efforts to minimize economic losses incurred in connection with shipping limitations.

Title & Risk: Risk of loss of all LNG to be purchased and sold shall pass at the Delivery Point. Title to all LNG to be purchased and sold shall pass at the last point where the LNG Tanker in route to the Elba Island Facility is outside the territorial waters of the United States; provided, however, that Enron Americas will fully indemnify and hold harmless Sonat Energy and each of its affiliates from and against all risks of loss, claims, liabilities and expenses associated with the passage of title prior to transfer of custody of the LNG at the Delivery Point. Title and risk of loss of all regasified LNG repurchased by Enron Americas shall pass at the outlet flange at the tailgate of the Elba Island Facility.

Transportation: Enron Americas shall be responsible for transporting all quantities of LNG provided for hereunder to the Elba Island Facility via one or more LNG Tankers ranging in capacity from 70,000 cbm to 140,000 cbm, each of which shall be subject to approval by Sonat Energy based upon compatibility with the Elba Island Facility and compliance with SLNG's FERC Gas Tariff, including all notice requirements prior to berthing. The LNG Tankers shall further comply with all applicable international and local laws, conventions, rules and regulations.

Laytime/ Demurrage: Subject to the terms and conditions of SLNG's FERC Gas Tariff, allowed laytime and the basis for determination thereof, as well as the calculation of demurrage charges and other customary charges related to port delays, shall be as agreed in the Definitive Agreement based on standard LNG Industry Practice.

Start Date: Sonat Energy will provide to Enron Americas all relevant information pertaining to the initiation date of the DQ.

On or before January 1, 2001, Enron Americas shall provide Sonat Energy with a three hundred sixty-five (365) day window beginning no earlier than January 1, 2002 for the delivery of the first cargo to

the Elba Island Facility by Enron Americas (the "One Year Window"). No later than one hundred eighty (180) days prior to the first day of the One Year Window, Enron Americas shall provide Sonat Energy with a one hundred eighty (180) day window within the One Year Window for the delivery of the first cargo to the Elba Island Facility by Enron Americas (the "180 Day Window"). No later than sixty (60) days prior to the first day of the 180 Day Window, Enron Americas shall provide to Sonat Energy a thirty (30) day window within the 180 Day Window for the delivery of the first cargo to the Elba Island Facility by Enron Americas. The date on which the first cargo is delivered to the Elba Island Facility by Enron Americas (the arrival of such cargo to be properly noticed as per the Definitive Agreement) shall be defined as the "Start Date."

Force Majeure: The Parties agree to the general principle that neither Party shall be liable to the other (or such other Party's affiliates) for any failure to perform or for delay in performing any obligation, except the obligation to pay money due, to the extent that such Party's performance is prevented, interfered with or delayed (in whole or in part) as a result of an event of Force Majeure as defined below. For the avoidance of doubt, to the extent Sonat Energy is unable to take quantities of LNG due to any event of Force Majeure, Sonat Energy shall also be excused from its obligation to pay for such quantities not taken during such period of Force Majeure.

"Force Majeure" shall mean, with respect to either Party, any event or circumstance beyond the reasonable control of such Party and its affiliates, each such Party having acted as a Reasonable and Prudent Operator, and which results in or causes the failure of such Party to perform any one or more of its obligations under this Agreement. In addition, any "force majeure" (as such term is defined in the FERC Gas Tariffs of SLNG and SNG) of SLNG or SNG shall be deemed to be a Force Majeure of Sonat Energy for all purposes hereof.

"Reasonable and Prudent Operator" shall mean a person acting in good faith with the intention of performing its contractual obligations and who, in so doing and in the general conduct of its undertaking, exercised that degree of skill, diligence, prudence and foresight which would reasonably and ordinarily be exercised by a skilled and experienced person complying with applicable law engaged in the same type of undertaking under the same or similar circumstances and conditions.

Notwithstanding the foregoing, (i) Sonat Energy shall not be excused for failure to carry out its obligations under this Agreement to the extent an event of Force Majeure affects or is related to

facilities or equipment other than the Elba Island Facility and Sonat Energy's Related Facilities and (ii) Enron Americas shall not be excused for failure to carry out its obligations under this Agreement to the extent an event of Force Majeure affects or is related to facilities or equipment other than the LNG production facility in Venezuela owned by Enron Americas or an affiliate thereof (the "Venezuela Facilities") and Enron Americas' Related Facilities.

"Sonat Energy's Related Facilities" shall mean the following facilities:

1. The 14" Savannah/Wrens 112 mile pipeline owned and operated by SNG;
2. The 14" Savannah/Wrens 15.2 mile loop owned and operated by SNG;
3. The 20" Savannah/Wrens 104.5 mile second loop owned and operated by SNG;
4. The parallel 30" Elba/Savannah 13.2 mile pipelines owned and operated by SNG;
5. The compressor station located at Wrens, Georgia owned and operated by SNG; and
6. All electric power transmission facilities and other utility facilities necessary for the operation of the Elba Island Facility.

"Enron Americas' Related Facilities" shall mean the following facilities:

1. Gas field production facilities used to furnish gas to the Venezuela Facilities;
2. The natural gas pipeline facilities serving the Venezuela Facilities;
3. Purchased utilities at the Venezuela Facilities (water, power, etc.);
4. The LNG Tankers utilized by Enron Americas to deliver LNG from the Venezuela Facilities to the Elba Island Facility; and
5. The dock and harbor facilities serving the Venezuela Facilities.

While not an exclusive list, Force Majeure shall not include any of the following:

1. any failure by any natural gas customer of Sonat Energy to take natural gas;

2. any failure by any natural gas or LNG supplier of Enron Americas to supply natural gas or LNG, except to the extent

such failure was caused by an event of Force Majeure (as defined herein) affecting such supplier;

3. the availability to Sonat Energy of lower prices for LNG from other suppliers of LNG; and

4. the availability to Enron Americas of higher prices for Enron Americas' LNG from other purchasers of LNG.

Notwithstanding the foregoing, Force Majeure shall include, but not be limited to, the following events and circumstances to the extent that such interfere with a Party's performance hereunder:

i. fire, flood, atmospheric disturbance, lightning, storm, typhoon, tornado, earthquake, landslide, soil erosion, subsidence, washout, epidemic or other acts of God;

ii. strike, lockout or other industrial disturbance;

iii. loss of, damage to or failure of such Party's facilities or any assets used with or useful to receiving or producing LNG at such facility, to the extent such event is not within the reasonable control of such Party;

iv. delay in completion and testing of any stage of construction or refurbishment of such Party's facilities or any asset used or useful to receiving or producing LNG at such facility so as to prevent or delay the same from becoming operational on a continuing basis, to the extent such delay is not within the reasonable control of such Party;

v. acts of a governmental entity or agency, or national, port or other local authority (including the U.S. Coast Guard) having jurisdiction, including, but not limited to, the issuance or promulgation of any court order, law, statute, ordinance, rule, regulation or directive, the effect of which would prevent, delay or make unlawful a Party's performance hereunder, or would require such Party, in order to comply with such act, to take measures which are unreasonable in the circumstances;

vi. with respect to Enron Americas, damage to, or loss or failure of, an LNG Tanker or inability of an LNG Tanker to reach or to clear berth if such event is not within the reasonable control of Enron Americas, its affiliates or the owner or operator of such LNG Tanker; and

vii. with respect to Enron Americas, damage to, or loss or failure of, (x) natural gas reservoirs in Venezuela (other than through natural depletion by production), (y) production facilities from which reserves of natural gas are produced from such reservoirs to supply the Venezuela Facilities, or (z) the Venezuela Facilities if such event (x) through (z) is not within the reasonable control of Enron Americas, its affiliates or the owner or operator of such reservoirs or facilities;

Nothing herein shall be construed to relieve a Party of its obligation to pay sums of money due or that may become due under this Agreement. Notwithstanding any provision herein to the contrary, in the event of a Force Majeure declared by either Sonat Energy or Enron Americas, Enron Americas shall be obligated to pay the Terminalling Costs during such event of Force Majeure.

The Definitive Agreement shall provide for the adjustment of the ACQ based on the occurrence of event(s) of Force Majeure. In the event that for whatever reason the capacity of the Elba Island Facility is reduced below 140 Bcf annually (or the daily equivalent thereof) (other than an event of force majeure solely affecting Enron Americas), Sonat Energy shall first reduce its delivery commitments from LNG suppliers other than the suppliers of the Enron Americas and DQ (including quantities delivered under both sale and purchase arrangements and service/storage arrangements) and in the event that further reductions are necessary (and only to the extent of such necessity) Sonat Energy shall allocate the available capacity to Enron Americas and the suppliers of DQ on a pro-rata basis (i.e., 41%/59%, respectively), and such reductions shall reduce the ACQ during the period of force majeure. Provided that Sonat Energy has curtailed its LNG purchases from its various suppliers in accordance with these provisions, Sonat Energy shall have no obligation to take, nor any liability for any failure to take, LNG volumes based on the unavailability of capacity at the Elba Island Facility.

If an event of Force Majeure results in substantial nonperformance by Sonat Energy for a continuous thirty-six (36) month period, then Enron Americas shall be entitled thereafter to terminate this Agreement at any time prior to the date that Sonat Energy has resumed its performance hereunder upon thirty (30) days notice by Enron Americas to Sonat Energy; provided, however, that such termination right shall cease if, prior to the expiration of the thirty (30) day notice period, Sonat Energy has waived in writing further

Force Majeure defenses with respect to the events that have caused such nonperformance. Upon such termination, neither Party shall have any continuing obligations or liability under this Agreement (except to pay amounts that are owed as a result of performance or non-performance occurring prior to such termination).

The Definitive Agreement shall contain standard notification provisions in the event a Party experiences an event of Force Majeure, and the non-affected Party shall be entitled to make alternative arrangements to mitigate the impact of such Force Majeure. The Parties shall exercise reasonable diligence to ensure resumption of normal performance under this Agreement after the occurrence of any event of Force Majeure, and, prior to resumption of normal performance, the Parties shall continue to perform their obligations under this Agreement to the extent not affected by such event of Force Majeure.

Performance Requirements: Sonat Energy shall cause SLNG to act as a Reasonable and Prudent Operator with respect to all matters where SLNG's performance is necessary for the performance of Sonat Energy under this Agreement, including but not limited to:

(i) Pursuing the Application and the issuance of the Certificate by FERC and any additional applications and certificates that may be required to complete the modifications to the Elba Island Facility required by the Quality Letter Agreement;

(ii) Pursuing and maintaining all permits, authorizations and approvals that are necessary for SLNG to operate the Elba Island Facility pursuant to SLNG's FERC Gas Tariff;

(iii) Subject to the receipt of all approvals, carrying out its construction activities and otherwise implementing the refurbishment and modification process in a timely manner and on a cost-efficient basis taking into consideration SLNG's service obligations and the requirements of long-term reliability; and

(iv) Operating the Elba Island Facility on a cost-efficient basis (taking into consideration SLNG's service obligations and the requirements of long-term reliability) and in a reliable manner and exercising commercially reasonable efforts to remedy any damage to, breakdown of, or other reason for the failure of the Elba Island Facility for any reason.

The Parties agree that the ~~ACQ~~ shall be determined (as provided in "Determination of Capacity") and the Annual Program on the

assumption that these performance requirements have been and will be met and that any damages arising as a result of a failure to meet the above requirements will be limited to the obligation of Sonat Energy (i) to take and pay for, or pay for if not taken, any cargoes that could not be delivered as a result of such failure and (ii) to pay damages for failure to deliver to Enron Americas, at the daily rate set forth in the Redelivery Notice, the Delivered Volume of the Redelivery Quantities.

Covenants and Representations: Enron Americas represents and warrants that it shall have good and marketable title to the LNG sold under this Agreement. Each Party covenants that, in the event of any breach, default or other failure by the other Party under this Agreement, the non-defaulting Party will take commercially reasonable steps to mitigate the damages suffered by such non-defaulting Party as a result of such breach, default or other failure.

Approvals: The Parties' obligations to one another in connection with this transaction shall be conditioned upon the receipt and acceptance on terms acceptable to the receiving Party in its sole judgment of all United States regulatory approvals and permits required in connection with this transaction, including without limitation, any approvals or permits which are required by SLNG for reactivation of the Elba Island Facility. If all approvals necessary for the reactivation of the Elba Island Facility have not been obtained by the Sunset Date, as defined below, either Party may terminate this Agreement on thirty (30) days written notice to the other Party and neither Party shall have any continuing obligations or liability under this Agreement (except to pay amounts, if any, that are owed as a result of performance or non-performance occurring prior to such termination). The "Sunset Date" shall be a date agreed upon by the Parties in the Definitive Agreement; provided, however, that unless both Parties agree otherwise, such date must be between October 1, 2001 and April 1, 2002.

Security: No later than the date of execution of the Definitive Agreement, each Party shall deliver to the other Party a guarantee by its ultimate parent guaranteeing the obligations of the Party delivering the guarantee. In the event either Party fails to deliver such guarantee pursuant to this paragraph, the other Party shall have, in addition to all other rights and remedies available at law, the right to terminate this Agreement.

Indemnity: To the fullest extent permissible by law, Enron Americas agrees (regardless of the presence or absence of insurance) to indemnify,

defend and hold Sonat Energy and its affiliates, contractors, subcontractors, agents and employees (the "Sonat Energy Indemnified Parties") harmless from and against any and all claims, losses, demands, damages, costs and expenses (collectively "Claims") relating to any of (i) the property, facilities or other assets of Enron Americas or any of the Enron Americas Indemnified Parties (as defined below), or (ii) the employees, contractors, subcontractors, agents or employees of Enron Americas or any of the Enron Americas Indemnified Parties, regardless of whether such Claims arise from or relate to any act or incident involving Sonat Energy or any of the Sonat Energy Indemnified Parties. To the fullest extent permissible by law, Sonat Energy agrees (regardless of the presence or absence of insurance) to indemnify, defend, and hold Enron Americas or its affiliates, contractors, subcontractors, agents and employees (the "Enron Americas Indemnified Parties") harmless from and against any and all Claims relating to any of (i) the property, facilities or other assets of Sonat Energy or any of the Sonat Energy Indemnified Parties, or (ii) the employees, contractors, subcontractors, agent or employees of Sonat Energy or any of the Sonat Energy Indemnified Parties, regardless of whether such Claims arise from or relate to any act or incident involving Enron Americas or any of the Enron Americas Indemnified Parties.

Sonat Energy shall indemnify and hold harmless Enron Americas and each of its affiliates from and against any damages resulting from or related to claims made by any third parties (other than affiliates of Enron Americas) related to or arising out of any conflict between Sonat Energy's obligations under this Agreement and Sonat Energy obligations under any other LNG sales agreement or arrangement n Sonat Energy and such third party.

Default: In the event that either Party fails to pay when due an amount in excess of $20 million in total (the "Total Accrued Default Payment Obligations") (the Party having incurred such Total Accrued Default Payment Obligations being the "Defaulting Party") and such Total Accrued Default Payment Obligations are not being disputed by the Defaulting Party, then the other Party (the "Non-Defaulting Party") may give notice of its intent to cancel this Agreement. If the Defaulting Party fails to pay in full the Total Accrued Default Payment Obligations (payment in full being a "Cure"), or if an owner or lender of the Defaulting Party does not Cure within ninety (90) days of the above notice, the Non-Defaulting Party may, at its sole option, terminate this Agreement by written notice to the Defaulting Party. Termination of this Agreement shall be without prejudice to any other rights and remedies the Non-Defaulting Party has

available to it. The Definitive Agreement shall include additional events of default.

Limitation Of Remedies: NEITHER SONAT ENERGY NOR ENRON AMERICAS SHALL BE LIABLE FOR SPECIFIC PERFORMANCE, PUNITIVE, CONSEQUENTIAL, EXEMPLARY OR INDIRECT DAMAGES, IN TORT, CONTRACT OR OTHERWISE, OF ANY KIND, ARISING OUT OF OR IN ANY WAY CONNECTED WITH THE PERFORMANCE, THE SUSPENSION OF PERFORMANCE, THE FAILURE TO PERFORM, OR THE TERMINATION OF THIS AGREEMENT; PROVIDED, HOWEVER THAT THIS CLAUSE SHALL NOT BE CONSTRUED TO LIMIT EITHER PARTY'S OBLIGATIONS TO INDEMNIFY THE OTHER PARTY OR THE EXPRESS DAMAGE PAYMENT OBLIGATIONS AS SET FORTH HEREIN.

Confidentiality: Except as provided herein, information or documents which come into the possession of one Party from the other Party in connection with the negotiation or performance of this Agreement, including this Agreement or any summary or description thereof, may not be communicated or otherwise disclosed to third parties. However, either Party shall have the right to disclose such information or documents to: (i) its direct or indirect shareholders; (ii) legal counsel, accountants, other professional consultants for either Party or to the parents or owners of a Party; (iii) providers or prospective providers of finance; (iv) if required by any order of court or any law, rule, regulation, or directive of any government agency with jurisdiction over a Party; or (v) to the extent such information or document has entered the public domain other than through the fault or negligence of the Party making the disclosure.

Governing Law: New York law, including the New York Uniform Commercial Code (but excluding any conflict of laws rules or principles, other than Section 5-1401 of the General Obligations Law). The United Nations Convention on Contracts for the International Sale of Goods (the Vienna Sales Convention) shall be specifically excluded.

Dispute Resolution: Any disputes arising out of or in connection with this Agreement that cannot be resolved in good faith between Sonat Energy and Enron Americas, other than those which the Parties agree to refer to an expert for resolution, shall be settled by final and binding arbitration before three (3) arbitrators in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in force at the time such arbitration is commenced.

Any arbitration shall take place in New York, New York, and the language of any arbitration proceedings shall be English. Sonat Energy shall have the right to consolidate any arbitration proceeding under this Agreement with proceedings involving the DQ suppliers if both such proceedings are related to the same set of facts and circumstances.

Compliance with Laws:

Each Party shall, in the performance of this Agreement, comply with all applicable laws, treaties, statutes, rules, regulations, decrees, ordinances, licenses, permits, compliance requirements, decisions, orders, directives, and agreements of, and/or concessions and arrangements with, any governmental authority in effect on the date this Agreement was entered into, and as they may be amended from time to time, including, but not limited to, SLNG's FERC Gas Tariff and the Foreign Corrupt Practices Act of 1977, as amended ("Laws"). Notwithstanding anything to the contrary, this Agreement shall not be interpreted or applied so as to require either Party to do, or to refrain from doing, anything that would constitute a violation of any Laws.

Assignment:

Neither Party shall assign any of its rights or obligations under this Agreement without the prior written consent of the other Party, which consent shall not be unreasonably withheld; provided, however, that (i) Enron Americas may collaterally assign this Agreement to its lenders in connection with Enron Americas' procurement of financing, and (ii) either Party may assign its rights and obligations under this Agreement to any affiliate of such Party after providing written notice to the other Party of such assignment. No assignment, whether with or without consent or pursuant to this clause, shall relieve either the assigning Party or its guarantor of any of the obligations hereunder.

Measurements And Tests:

Subject to the terms of SLNG's FERC Gas Tariff, Enron Americas and Sonat Energy shall supply, operate and maintain, or cause to be supplied, operated and maintained, such suitable devices for gauging, sampling and measuring density, pressure, temperature, and quality of LNG as are customarily incorporated in the structure or maintained on LNG tankers and ports, land structures and receiving facilities for LNG. Such devices, the required degree of accuracy and calibration, and the methods and criteria for performance evaluation and verification of such devices shall be chosen in advance of their use in accordance with industry standards and as mutually agreed by the Parties. Rights of inspection, calibrating, and error adjustments, the settlement of

disputes and the handling of costs and expenses related to the foregoing shall be handled in accordance with Industry practices and as mutually agreed by the Parties and as more fully set forth in the Definitive Agreement.

Other Terms: This Agreement does not contain an exhaustive list of terms to be agreed in relation to the purchase and sale of LNG and further terms to be set forth in the Definitive Agreement shall include, but are not limited to,

(i) provisions regarding events of default; and

(ii) an obligation of Sonat Energy to reasonably cooperate with Enron Americas' lenders in connection with its procurement of financing.

Survival: Notwithstanding anything to the contrary herein, the provisions set forth under the following headings shall continue and survive the termination of this Agreement for any reason: "Indemnity," "Limitation of Remedies," "Confidentiality," "Governing Law," and "Dispute Resolution."

LCT

EXHIBIT B
FORM OF NOTICE OF WITHDRAWAL

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Southern LNG, Inc.	)Docket Nos. CP99-579-000 (Not Consolidated)
	) CP99-580-000
	) CP99-581-000
	) CP99-582-000

NOTICE OF WITHDRAWAL OF PROTEST OF ENRON AMERICAS LNG COMPANY

Pursuant to Rule 216 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.216, Enron Americas LNG Company ("Enron LNG") hereby submits this "Notice of Withdrawal" of the Protest Enron LNG filed in this proceeding on August 16, 1999. This Notice of Withdrawal is with prejudice in the above-captioned proceeding concerning all claims raised in such Protest by Enron LNG regarding acts or omissions by Southern LNG, Inc. ("SLNG") to reactivate the Elba Island Terminal.

Since the Protest was filed, Enron LNG and Sonat Energy Services Company ("SES") have negotiated a commercial resolution regarding the future use of the Elba Island Terminal. This resolution addresses and resolves all of the concerns raised in Enron LNG's Protest.

Enron LNG now fully supports the applications as currently filed by SLNG, including SLNG's request for issuance of a preliminary determination by December 31, 1999 and a certificate order in the first quarter of 2000, as well as the tariff and rates proposed by SLNG in the above-captioned proceeding as of the date hereof.

Notwithstanding the above, Enron LNG specifically reserves the right to comment on or object to any attempt by SLNG to amend, modify, or deviate from the proposed reactivation or operation of the Elba Island Terminal as set forth in the applications filed by SLNG in the above-referenced docket numbers on July 13, 1999.

Respectfully submitted,

Enron Americas LNG Company

By:_____

Charles A. Moore
Steven A. Weiler
Akin Gump Strauss Hauer
& Feld, L.L.P.
1333 New Hampshire Ave. N.W.
Suite 400
Washington, D.C. 20036
(202) 887-4370

DATED: October 13, 1999

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

DATED at Washington, D.C., this 13th day of October, 1999.

Steven A. Weiler

Confidential

October 13, 1999

Enron Americas LNG Company
333 Clay Street
Suite 2100
Houston, Texas 77002-7361

Southern LNG Inc.
AmSouth—Sonat Tower
1900 5th Avenue North
P.O. Box 2563
Birmingham, Alabama 35203

Gentlemen:

This letter agreement (this "Quality Letter Agreement") is entered into pursuant to the terms of that certain Letter Agreement (the "Letter Agreement") dated as of the date hereof by and between Sonat Energy Services Company ("Sonat Energy") and Enron Americas LNG Company ("Enron Americas") providing for the sale of liquefied natural gas ("LNG") by Enron Americas to, and the purchase of LNG by, Sonat Energy on the terms and conditions described therein or in the Definitive Agreement referenced thereby. This Quality Letter Agreement will confirm the commitments and understandings by and among Sonat Energy, Enron Americas and Southern LNG Inc. ("SLNG," and together with Sonat Energy and Enron Americas, the "Parties," or each individually a "Party") related to the quality of LNG to be delivered by Enron Americas to the Elba Island LNG receiving facility (the "Elba Island Facility") pursuant to the Letter Agreement. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Letter Agreement.

In recognition of the consideration set forth herein and in the Letter Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by each Party, the Parties hereby agree as follows:

1. Prior to the Exit Date, SLNG, after consultation with Enron Americas and Sonat Energy, will develop a plan for making certain modifications to the Elba Island Facility for the treatment of LNG to be delivered by Enron Americas to the Elba Island Facility that are necessary to bring such LNG into compliance with the quality specifications of SLNG's FERC Gas Tariff (the "Proposed Modifications").

2. Sonat Energy and SLNG will provide to Enron Americas information reasonably requested by Enron Americas to allow Enron Americas to estimate the costs of the Proposed Modifications prior to the Exit Date.

3. Unless the Letter Agreement and the Definitive Agreement are earlier terminated, Enron Americas may, following the Acceptance Date, direct SLNG to prepare and file with the FERC an application seeking authorization from the FERC to construct and install the Proposed Modifications. SLNG will diligently pursue approval of that application by the FERC.

4. Upon SLNG's receipt of all government approvals for the Proposed Modifications, together with any changes to such Proposed Modifications or the Elba Island Facility required or reasonably requested by the FERC (the "Final Modifications"), SLNG will make such Final Modifications to the Elba Island Facility.

5. Subject to SLNG's receipt of all governmental approvals for the Final Modifications and the completion of the Final Modifications, SLNG hereby agrees, for the term of the Agreement, to waive compliance by Enron Americas with the quality specifications of its FERC Gas Tariff so as to permit delivery by Enron Americas of LNG which meets the quality specifications set forth in Schedule A to this Quality Letter Agreement.

6. Enron Americas will bear financial responsibility for (and have the right to contract with SLNG to perform the work required to install the Final Modifications pursuant to SLNG's specifications), and shall reimburse or directly fund, at the direction of SLNG, 100% of (i) all costs incurred in connection with, or in any way related to or arising out of, the Final Modifications and (ii) all other costs (both capital and operational) otherwise incurred by SLNG or Sonat Energy in connection with the acceptance of LNG that does not conform to SLNG's FERC Gas Tariff of SLNG and/or downstream pipelines.

7. Should any modifications be required to make the LNG Tankers utilized by Enron Americas and the Elba Island Facility compatible, SLNG and Enron Americas shall agree on the scope of such modifications and the most economical method of achieving compatibility, subject to any regulatory and governmental approvals required in connection therewith, it being understood that Enron Americas will reimburse SLNG for any expenses related to modifications to the Elba Island Facility necessary to accommodate Enron Americas' LNG Tankers (but excluding any costs associated with other unrelated modifications or improvements undertaken contemporaneously therewith).

Confidential

Please acknowledge your agreement to the terms set out above by signing and returning to us a duplicate copy of this letter.

Sincerely,

SONAT ENERGY SERVICES COMPANY

By: /s/ Michael G. Byrne
Michael G. Byrne
Vice President

Accepted and Agreed to this _____ day of October, 1999.

ENRON AMERICAS LNG COMPANY

By: /s/ Douglas Rotenberg
Douglas Rotenberg
Vice President

Accepted and Agreed to this _____ day of October, 1999.

SOUTHERN LNG INC.

By: /s/ Patrick B. Pope
Patrick B. Pope
Secretary

Confidential

Schedule A

Quality Specifications

	Delivered to Elba Island 1090 BTU/SCF (*)
Nitrogen	0.11%
CO2	0.00%
H2S	0.00%
Methane	90.62%
Ethane	8.05%
Propane	1.01%
i-Butane	0.09%
n-Butane	0.09%
i-Pentane	0.01%
n-Pentane	0.01%
n-Hexane	0.00%
n-Heptane	0.00%
H2O	0.00%
	100.00%

(*) HHV using NGPA method

KING & SPALDING LLP

1100 Louisiana Street, Suite 4000
Houston, Texas 77002-5213
Fax: 713/751-3290
www.kslaw.com

John P. Cogan, Jr.
Direct Dial: 713/276-7371

jcogan@kslaw.com

ORIGINAL

September 5, 2003

BY COURIER

Eugene A. Massey, Esq.
Arent Fox Kintner Plotkin & Kahn, PLLC
1050 Connecticut Avenue, N.W.
Washington, D.C. 20036-5339

Thomas M. Malone, Esq.
Associate General Counsel
Legal Department
El Paso Corporation
1001 Louisiana Street
Houston, Texas 77002

Gentlemen:

As I mentioned in my email earlier this week, I am forwarding to both of you a signed original of the Expert Determination Agreement.

Paragraph 4 of the Agreement provides that, while my firm may work on matters for or against a Disputant (Marathon LNG Marketing LLC or El Paso Merchant Energy L.P., as the case may be), I am required to disclose such work to you. Accordingly, please be advised that King & Spalding is presently involved with the following maters either for or against El Paso Merchant Energy L.P.:

1. EPC contract for Elba Island expansion;
2. RWE domestic gas sales agreements;
3. Western Renewable Energy Network joint venture; and
4. McIntosh generating plant matter.

As you know, we also represent, from time to time, certain affiliates of EPME.

Please let me know if you need any further information.

Sincerely yours,

John P. Cogan, Jr.

Enclosure

cc: Mr. John P. Connor (w/Enclosure)
Mr. Tomasz J. Sikora (w/Enclosure)

Created on 8/22/2003 10:27:04 AM

EXPERT DETERMINATION AGREEMENT

John P. Cogan, Jr. ("the Expert"), Marathon LNG Marketing LLC ("Marathon"), and El Paso Merchant Energy, L.P. ("El Paso") as successor in interest to Sonat Energy Services Company (Marathon and El Paso, collectively the "Disputant(s)" and the Expert and the Disputants, collectively the "Parties") hereby agree as follows:

A Letter Agreement, dated October 13, 1999 (the "Letter Agreement"), requires the appointment of an Expert to resolve any disputes between the Disputants that arise in concluding a Definitive Agreement to implement the Letter Agreement (including Exhibit A and Attachment 1 thereto). The Disputants have been unable to conclude a Definitive Agreement within the time frame contemplated in the Letter Agreement, and the Disputants have agreed, as set forth in the Letter Agreement, to resolve all outstanding matters related to the conclusion of a Definitive Agreement ("the Disputes") by reference to an Expert. The Expert agrees to resolve the Disputes presented in accordance with the following terms.

1. Term

This Expert Determination Agreement will apply to the Disputes beginning on the date of execution of this Expert Determination Agreement and ending on the first anniversary of the execution date.

2. Responsibility of the Expert

If a Disputant submits a Dispute to the Expert for determination, the Expert shall render a decision (the "Decision") in strict accordance with the scope of the Expert's authority and mandate as set out in the Letter Agreement.

3. Expert Determination Procedure

The Parties hereby agree that the Expert shall have discretion to determine the specific deadlines and procedures for the Expert determination and resolution of the Disputes, unless otherwise specifically agreed by the Disputants. The Parties further agree that the Expert can establish reasonable deadlines for resolution of Disputes in lieu of the three (3) week time limit for the Expert to render a decision on all substantive unresolved matters submitted to the Expert.

4. Future Relationships / Conflicts

Neither the Expert nor the Expert's firm shall undertake any work for or against a Disputant regarding the Disputes. Neither the Expert nor any person assisting the Expert shall personally work on any matter for or against a Disputant, regardless of specific subject matter, prior to three months following cessation of the Expert's services in the Expert Process. The Expert's firm may work on matters for or against a Disputant while the Expert Process is pending and thereafter if such matters are unrelated to the Disputes and provided that, while the Expert Process is pending, the Expert shall promptly disclose that such work has been undertaken by his firm. Each Disputant hereby waives any such conflict of interest. The Expert shall establish appropriate safeguards to ensure that other members and employees of the Expert's firm working

on such matters unrelated to the Disputes do not have access to any confidential information obtained by the Expert during the course of the Expert Process.

5. Fees

The Disputants each agree to pay one half of the fees and expenses of the Expert. The Expert's fee to resolve the Disputes will be $675 an hour. The Expert may use other members and employees of his firm to assist him in his work under this Agreement. The Disputants will be responsible in equal shares for the fees and expenses of such members and employees at the standard rates respectively charged for such persons by the Expert's firm. The Disputants will also be responsible in equal shares for direct expenses incurred by the Expert in deciding the Disputes. If travel is required, travel expenses (including time in travel) are to be paid equally by the Disputants. Expenses will be billed at actual cost.

All fees and expenses are payable upon receipt of invoice. The invoices will be sent to the attorneys for the Disputants.

6. Confidentiality

The Parties agree that this Expert Process will be private and confidential to the same extent as an arbitral proceeding under the Federal Arbitration Act.

7. Privilege and Immunity

The Disputants agree they will neither request nor subpoena the Expert nor any other members or employees of the Expert's firm assisting the Expert in his work under this Agreement to testify in any matter for any reason related to the Disputes, nor will the Disputants request or subpoena the Expert's notes, records or any materials related to the Disputes in the possession of the Expert, for any purpose.

The Disputants agree that the Expert shall have the same limited immunity as judges have under the laws of the State of New York and agree to defend and indemnify the Expert in connection with any summons or subpoena arising out of the Expert Process. The Disputants also agree that the Expert is not a necessary party in any judicial, quasi-judicial, arbitration or any other proceeding arising out of this Expert Process.

8. Communications

The Disputants and the Expert agree that any and all communications may be by telephone or by e-mail, provided that there will be no *ex parte* communications with respect to any of the substantive issues raised in the Disputes between any one of the Disputants and the Expert. It is agreed that all pleadings filed with the Expert in connection with the Disputes will be submitted in hard copy and delivered by courier and also in Microsoft Word, or such other software as the Expert and the Disputants agree, and sent simultaneously by e-mail. The Disputants' and the Expert's e-mail, telephone, facsimile and postal address are as follows:

Expert
John P. Cogan, Jr.
King & Spalding LLP
1100 Louisiana Street
Houston, Texas 77002
Phone: 713 276 7371
Facsimile: 713 276 7440
E-mail: jcogan@kslaw.com

Marathon
C/O
Eugene A. Massey, Esq.
Arent Fox Kintner Plotkin & Kahn, PLLC
1050 Connecticut Avenue, N.W.
Washington D.C. 20036-5339
Phone: 202-857-6287
Facsimile: 202-857-6395
E-mail: masseye@arentfox.com

El Paso
Thomas M. Malone, Esq.
Associate General Counsel
Legal Department
El Paso Corporation
Houston, Texas 77002
Phone: 713 420-5651
Facsimile: 713 420-6060
Email: Thomas.Malone@elpaso.com

10. Governing Law

This Expert Determination Agreement is governed by the laws of the State of New York.

This Expert Determination Agreement is signed and executed this 22d day of August, 2003 by and between the Parties.

JOHN P. COGAN, JR.

By: _____

EL PASO

By: _____

MARATHON

By: _____

EXHIBIT C

GUARANTEE
BG Energy Holdings Limited

Guarantee, dated as of November 6, 2003, by BG Energy Holdings Limited, a company registered in England and Wales ("Guarantor"), in favor of Marathon LNG Marketing LLC, a State of Delaware, USA limited liability company ("Beneficiary").

1. Guarantee. In consideration of Beneficiary entering into that certain Letter Agreement dated as of October 13, 1999, as amended and supplemented from time to time (the "LNG Contract"), between BG LNG Services, LLC ("Company") (as successor in interest to El Paso Merchant Energy, L.P. and Sonat Energy Services Company), an affiliate of Guarantor, and Beneficiary (as successor in interest to Enron Americas LNG Company), Guarantor, subject to Section 16 below, irrevocably and unconditionally guarantees to Beneficiary, its successors and assigns, from and after the Effective Time (as defined in Section 16 below), the prompt payment when due, subject to any applicable grace period under the LNG Contract, of all present and future amounts payable by Company to Beneficiary under the LNG Contract (the "Obligations"). Beneficiary may, after the Effective Time, make written demand of Guarantor for any Obligation not paid by Company when due, subject to applicable grace periods, and Guarantor shall pay such Obligations within five business days' of receipt of such demand. Notwithstanding any other provision hereof to the contrary, the maximum amount payable by Guarantor under this Guarantee shall not exceed US Fifty Million Dollars (US$50,000,000) in the aggregate.

2. Nature of Guarantee. Guarantor's obligations hereunder shall not be affected by the genuineness, validity, regularity or enforceability of the Obligations or any instrument evidencing any Obligations, or by the existence, validity, enforceability, perfection, or extent of any collateral therefor or by any other event, occurrence or circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor or surety other than the defense of payment by Company or Guarantor. Beneficiary makes no representation or warranty in respect of any such circumstance and has no duty or responsibility whatsoever to Guarantor with respect to the management and maintenance of the Obligations or any collateral therefor. This Guarantee constitutes a guarantee of payment when due and not of collection. In the event that any payment of Company in respect of any Obligations is rescinded or must otherwise be returned for any reason whatsoever, Guarantor shall remain liable hereunder with respect to such Obligations as if such payment had not been made.

3. Consents, Waivers and Renewals. Without limiting the provisions of Section 1 hereof, Guarantor agrees that Beneficiary may at any time and from time to time, either before or after the maturity thereof, without notice to or further consent of Guarantor, extend the time of performance or payment of, exchange or surrender any collateral for, or renew any of the Obligations, and may also make any agreement with Company for the extension, renewal, payment, compromise, discharge or release thereof, in whole or in part, or for any modification of the terms thereof or of any agreement between Beneficiary and Company or any such other party or person, without in any way impairing or affecting this Guarantee. Guarantor agrees that

Beneficiary may resort to Guarantor for payment of any of the Obligations, whether or not Beneficiary shall have resorted to any collateral security, or shall have proceeded against Company or any other obligor principally or secondarily obligated with respect to any of the Obligations.

4. Expenses. Guarantor agrees to pay on demand all reasonable out-of-pocket expenses (including the reasonable fees and expenses of Beneficiary's counsel) in any way relating to the enforcement or protection of the rights of Beneficiary hereunder; *provided*, that Guarantor shall not be liable for any expenses of Beneficiary unless payment is due under this Guarantee.

5. Subrogation. Guarantor will not exercise any rights which it may acquire by way of subrogation until all the Obligations shall have been paid in full. Subject to the foregoing, upon payment of all the Obligations, Guarantor shall be subrogated to the rights of Beneficiary against Company, and Beneficiary agrees to take at Guarantor's expense such steps as the Guarantor may reasonably request to implement such subrogation.

6. No Waiver; Cumulative Rights. Without limiting the provisions of Section 1 hereof with respect to the termination of this Guarantee and Guarantor's maximum liability hereunder, no failure on the part of Beneficiary to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by Beneficiary of any right, remedy or power hereunder preclude any other or future exercise of any right, remedy or power. Each and every right, remedy and power hereby granted to Beneficiary or allowed it by law or other agreement shall be cumulative and not exclusive of any other, and may be exercised by Beneficiary from time to time.

7. Waiver of Notice. Guarantor waives notice of the acceptance of this Guarantee, presentment, demand, notice of dishonor, protest, notice of any sale of collateral security and all other notices whatsoever, except for those expressly required by this Guarantee.

8. Representations and Warranties.

8.1 Guarantor is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation and has full power to execute, deliver and perform this Guarantee.

8.2 The execution, delivery and performance of this Guarantee have been and remain duly authorized by all necessary action and do not contravene any provision of law or of Guarantor's constitutional documents or any contractual restriction binding on Guarantor or its assets.

8.3 All consents, authorizations and approvals of, and registrations and declarations with, any governmental authority necessary for the due execution, delivery and performance of this Guarantee have been obtained and remain in full force and effect and all conditions thereof have been duly complied with, and no other action by, and no notice to or filing with, any governmental authority is required in connection with the execution, delivery or performance of this Guarantee.

8.4 This Guarantee constitutes the legal, valid and binding obligation of Guarantor enforceable against Guarantor in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general equity principles.

9. Reservation of Certain Defenses. Notwithstanding any other provision hereof to the contrary, Guarantor reserves the right to assert all rights, setoffs, counterclaims and other defenses to which Guarantor or Company is or may be entitled to arising out of the LNG Contract, other than those defenses (a) arising from the bankruptcy, insolvency, dissolution or liquidation of Company, (b) expressly waived by Company in the LNG Contract or otherwise waived in this Guarantee, (c) arising from the failure of Company to have authorized the LNG Contract or to have obtained any approval necessary to enter into or perform the LNG Contract, and (d) arising from the failure of Company to have the limited liability company power to enter into and perform the LNG Contract.

10. Assignment. Neither Guarantor nor Beneficiary may assign its rights, interest or obligations hereunder to any other person or entity without the prior written consent of the other; *provided* that Beneficiary may assign its rights hereunder to any permitted transferee of the LNG Contract without the consent of Guarantor.

11. Notices. All notices or other communications to Guarantor shall be in writing and shall be sent either (i) by facsimile (confirmed by telephone), (ii) by hand or by an internationally recognized courier service or (iii) electronically as an electronic mail, provided that such electronic mail notice is identified as such in the electronic mail and within five (5) days is confirmed by letter or facsimile. Any such notice shall be deemed to be given (A) when sent by facsimile or electronic mail and confirmed in accordance with the previous sentence, on the next business day at the place of receipt or (B) when actually received if delivered by hand or by courier.. Guarantor's address for notices is as follows:

100 Thames Valley Park Drive
Reading
Berkshire, RG6 1PT
England
Facsimile:
Telephone:
E-mail:

or such other address as Guarantor shall from time to time specify to Beneficiary.

12. Governing Law. This Guarantee shall be governed by and construed in accordance with the laws of the State of New York without reference to any choice of law doctrine that, if applied, would permit or require the application of the law of another jurisdiction.

13. Dispute Resolution. This section applies to any dispute, controversy or claim arising out of or relating to this Guarantee or the breach, termination or validity hereof or thereof ("Dispute"). Any Dispute shall be resolved as follows:

13.1 Any Dispute shall be finally settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA") then in effect (the "Rules"), except as modified herein.

13.2 The arbitration shall be held and the award shall be rendered in New York, New York and the arbitration shall be conducted in the English language. Notwithstanding any rights the parties may have under the Federal Arbitration Act, the parties expressly agree that leave to appeal under Section 45 or Section 69 of the English Arbitration Act of 1996, to the extent such Act applies to this Guarantee or any arbitration proceeding under this Section, may not be sought with respect to any question of law arising in the course of the arbitration or with respect to any award made.

13.3 There shall be three (3) arbitrators and they shall all be neutral. The Beneficiary shall nominate one (1) arbitrator and the Guarantor shall appoint one (1) arbitrator, within thirty (30) days of receipt by respondent(s) of the request for arbitration. The two arbitrators so appointed shall appoint the third arbitrator (who shall serve as chair of the tribunal) within thirty (30) days of the confirmation of the nomination of the second arbitrator. If the parties fail to timely nominate any or all of the arbitrators, then on the request of any party, any arbitrator(s) not timely nominated shall be appointed in accordance with the Rules.

13.4 The arbitral tribunal shall have the authority to award interim measures, including injunctive relief pending the completion of the arbitration.

13.5 The award shall be final and binding upon the parties, and shall be the sole and exclusive remedy between the parties regarding any claims, counterclaims, issues or accountings presented to the arbitral tribunal. Judgment upon any award may be entered in any court having jurisdiction. The award shall be governed by the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York1958).

13.6 Nothing contained in this Section 13 shall prevent any party from seeking temporary or preliminary injunctive relief in any court that has jurisdiction over the matter in question in order to preserve the rights of any party under this Guarantee until a request for interim measures can be presented to the arbitral tribunal.

14. Binding on Beneficiary. Beneficiary, by its acceptance of this Guarantee, evidences its obligation to be bound by the provisions of this Guarantee.

15. Successors and Assigns; Beneficiaries. This Guaranty is a continuing guaranty and shall be binding upon Guarantor and it successors and assigns *provided however,* that Guarantor may not assign this Guaranty or transfer any of the rights or obligations of Guarantor hereunder without the prior written consent of Beneficiary and any such purported assignment shall be void. Notwithstanding the preceding sentence, in the event that guarantor (i) reduces it interest in the issued and outstanding capital stock (or equivalent securities) of Company to less than five percent (5%) following Guarantor's execution of this Guaranty, and (ii) does not have control of Company, Guarantor may terminate this Guaranty provided that one of the remaining shareholders of the issued and capital stock (or equivalent securities) of Company ("New Guarantor") executes a replacement guaranty identical in form and substance to this Guaranty,

with such termination by Guarantor to be effective upon the effective date of such replacement guaranty; *provided further, however*, that such termination shall not be effective unless such New Guarantor, at the effective date of such replacement guaranty, meets or exceeds the following requirements:

(a) the Net Assets of the New Guarantor must equal or exceed the equivalent of UK 1 billion pounds (UK£1,000,000,000); and

(b) the long-term unsecured debt rating of the New Guarantor must be rated at least "BBB" if rated only by Standard & Poor's Rating Group, of Baa2 if rated only by Moody's Investor Services, or if rated by both such entities, the New Guarantor must have at least one of the above ratings (or if such rating entities no longer issue such ratings, such rating must be at least an equivalent rating issued by any equivalent, generally recognized rating entity).

For the purposes of this Section 15, the term "control" shall mean the possession of the power or authority, whether direct or indirect, to direct or cause the direction of the management of an entity, whether through ownership of securities, by contract, or otherwise.

16. Effective Time. Notwithstanding anything to the contrary in this Guarantee, Guarantor shall have no obligation hereunder (including, without limitation, no obligation under Section 1 hereof), unless and until the Effective Time occurs. "Effective Time" shall have the meaning as set forth in the Consent and Release Agreement dated as of the date hereof among Beneficiary, El Paso Merchant Energy, L.P and Company.

IN WITNESS WHEREOF, Guarantor has caused its duly authorized officer to execute and deliver this Guarantee as of the date first above written.

BG ENERGY HOLDINGS LIMITED

By:_____
Name: _____
Title: _____

272095_3.DOC

EXHIBIT D

GUARANTEE
Marathon Oil Corporation

Guarantee, dated as of November 6, 2003, by Marathon Oil Corporation, a corporation organized under the laws of the State of Delaware, USA ("Guarantor"), in favor of BG LNG Services, LLC, a limited liability company formed under the laws of the State of Delaware, USA ("Beneficiary").

1. Guarantee. In consideration of Beneficiary entering into that certain Letter Agreement dated as of October 13, 1999, as amended and supplemented from time to time (the "LNG Contract"), between Marathon LNG Marketing LLC ("Company") (as successor in interest to Enron Americas LNG Company), an affiliate of Guarantor, and Beneficiary (as successor in interest to El Paso Merchant Energy, L.P. and Sonat Energy Services Company), Guarantor, subject to Section 16 below, irrevocably and unconditionally guarantees to Beneficiary, its successors and assigns, from and after the Effective Time (as defined in Section 16 below), the prompt payment when due, subject to any applicable grace period under the LNG Contract, of all present and future amounts payable by Company to Beneficiary under the LNG Contract (the "Obligations"). Beneficiary may, after the Effective Time, make written demand of Guarantor for any Obligation not paid by Company when due, subject to applicable grace periods, and Guarantor shall pay such Obligations within five business days' of receipt of such demand. Notwithstanding any other provision hereof to the contrary, the maximum amount payable by Guarantor under this Guarantee shall not exceed US Fifty Million Dollars (US$50,000,000) in the aggregate.

2. Nature of Guarantee. Guarantor's obligations hereunder shall not be affected by the genuineness, validity, regularity or enforceability of the Obligations or any instrument evidencing any Obligations, or by the existence, validity, enforceability, perfection, or extent of any collateral therefor or by any other event, occurrence or circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor or surety other than the defense of payment by Company or Guarantor. Beneficiary makes no representation or warranty in respect of any such circumstance and has no duty or responsibility whatsoever to Guarantor with respect to the management and maintenance of the Obligations or any collateral therefor. This Guarantee constitutes a guarantee of payment when due and not of collection. In the event that any payment of Company in respect of any Obligations is rescinded or must otherwise be returned for any reason whatsoever, Guarantor shall remain liable hereunder with respect to such Obligations as if such payment had not been made.

3. Consents, Waivers and Renewals. Without limiting the provisions of Section 1 hereof Guarantor agrees that Beneficiary may at any time and from time to time, either before or after the maturity thereof, without notice to or further consent of Guarantor, extend the time of performance or payment of, exchange or surrender any collateral for, or renew any of the Obligations, and may also make any agreement with Company for the extension, renewal, payment, compromise, discharge or release thereof, in whole or in part, or for any modification

of the terms thereof or of any agreement between Beneficiary and Company or any such other party or person, without in any way impairing or affecting this Guarantee. Guarantor agrees that Beneficiary may resort to Guarantor for payment of any of the Obligations, whether or not Beneficiary shall have resorted to any collateral security, or shall have proceeded against Company or any other obligor principally or secondarily obligated with respect to any of the Obligations.

4. Expenses. Guarantor agrees to pay on demand all reasonable out-of-pocket expenses (including the reasonable fees and expenses of Beneficiary's counsel) in any way relating to the enforcement or protection of the rights of Beneficiary hereunder; *provided*, that Guarantor shall not be liable for any expenses of Beneficiary unless payment is due under this Guarantee.

5. Subrogation. Guarantor will not exercise any rights which it may acquire by way of subrogation until all the Obligations shall have been paid in full. Subject to the foregoing, upon payment of all the Obligations, Guarantor shall be subrogated to the rights of Beneficiary against Company, and Beneficiary agrees to take at Guarantor's expense such steps as the Guarantor may reasonably request to implement such subrogation.

6. No Waiver; Cumulative Rights. Without limiting the provisions of Section 1 hereof with respect to the termination of this Guarantee and Guarantor's maximum liability hereunder, no failure on the part of Beneficiary to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by Beneficiary of any right, remedy or power hereunder preclude any other or future exercise of any right, remedy or power. Each and every right, remedy and power hereby granted to Beneficiary or allowed it by law or other agreement shall be cumulative and not exclusive of any other, and may be exercised by Beneficiary from time to time.

7. Waiver of Notice. Guarantor waives notice of the acceptance of this Guarantee, presentment, demand, notice of dishonor, protest, notice of any sale of collateral security and all other notices whatsoever, except for those expressly required by this Guarantee.

8. Representations and Warranties.

8.1 Guarantor is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation and has full power to execute, deliver and perform this Guarantee.

8.2 The execution, delivery and performance of this Guarantee have been and remain duly authorized by all necessary action and do not contravene any provision of law or of Guarantor's constitutional documents or any contractual restriction binding on Guarantor or its assets.

8.3 All consents, authorizations and approvals of, and registrations and declarations with, any governmental authority necessary for the due execution, delivery and performance of this Guarantee have been obtained and remain in full force and effect and all conditions thereof have been duly complied with, and no other action by, and no notice to or filing with, any governmental authority is required in connection with the execution, delivery or performance of this Guarantee.

8.4 This Guarantee constitutes the legal, valid and binding obligation of Guarantor enforceable against Guarantor in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general equity principles.

9. Reservation of Certain Defenses. Notwithstanding any other provision hereof to the contrary, Guarantor reserves the right to assert all rights, setoffs, counterclaims and other defenses to which Guarantor or Company is or may be entitled to arising out of the LNG Contract, other than those defenses (a) arising from the bankruptcy, insolvency, dissolution or liquidation of Company, (b) expressly waived by Company in the LNG Contract or otherwise waived in this Guarantee, (c) arising from the failure of Company to have authorized the LNG Contract or to have obtained any approval necessary to enter into or perform the LNG Contract, and (d) arising from the failure of Company to have the limited liability company power to enter into and perform the LNG Contract.

10 Assignment. Neither Guarantor nor Beneficiary may assign its rights, interest or obligations hereunder to any other person or entity without the prior written consent of the other; *provided* that Beneficiary may assign its rights hereunder to any permitted transferee of the LNG Contract without the consent of Guarantor.

11. Notices. All notices or other communications to Guarantor shall be in writing and shall be sent either (i) by facsimile (confirmed by telephone), (ii) by hand or by an international recognized courier service or (iii) electronically as an electronic mail, provided that such electronic mail notice is identified as such in the electronic mail and within five (5) days is confirmed by letter or facsimile. Any such notice shall be deemed to be given (A) when sent by facsimile or electronic mail and confirmed in accordance with the previous sentence, on the next business day at the place of receipt or (B) when actually received if delivered by hand or by courier. Guarantor's address for notices is as follows:

Marathon Oil Corporation
Attn: Credit Coordinator 3945
P. O. Box 3128
Houston, TX 77253-3128
Facsimile:
Telephone:
E-mail:

or such other address as Guarantor shall from time to time specify to Beneficiary.

12 Governing Law. This Guarantee shall be governed by and construed in accordance with the laws of the State of New York without reference to any choice of law doctrine that, if applied, would permit or require the application of the law of another jurisdiction.

13. Dispute Resolution. This section applies to any dispute, controversy or claim arising out of or relating to this Guarantee or the breach, termination or validity hereof or thereof ("Dispute"). Any Dispute shall be resolved as follows:

13.1 Any Dispute shall be finally settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA") then in effect (the "Rules"), except as modified herein.

13.2 The arbitration shall be held and the award shall be rendered in New York, New York and the arbitration shall be conducted in the English language. Notwithstanding any rights the parties may have under the Federal Arbitration Act, the parties expressly agree that leave to appeal under Section 45 or Section 69 of the English Arbitration Act of 1996, to the extent such Act applies to this Guarantee or any arbitration proceeding under this Section, may not be sought with respect to any question of law arising in the course of the arbitration or with respect to any award made.

13.3 There shall be three (3) arbitrators and they shall all be neutral. The Beneficiary shall nominate one (1) arbitrator and the Guarantor shall appoint one (1) arbitrator, within thirty (30) days of receipt by respondent(s) of the request for arbitration. The two arbitrators so appointed shall appoint the third arbitrator (who shall serve as chair of the tribunal) within thirty (30) days of the confirmation of the nomination of the second arbitrator. If the parties fail to timely nominate any or all of the arbitrators, then on the request of any party, any arbitrator(s) not timely nominated shall be appointed in accordance with the Rules.

13.4 The arbitral tribunal shall have the authority to award interim measures, including injunctive relief pending the completion of the arbitration.

13.5 The award shall be final and binding upon the parties, and shall be the sole and exclusive remedy between the parties regarding any claims, counterclaims, issues or accountings presented to the arbitral tribunal. Judgment upon any award may be entered in any court having jurisdiction. The award shall be governed by the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York1958).

13.6 Nothing contained in this Section 13 shall prevent any party from seeking temporary or preliminary injunctive relief in any court that has jurisdiction over the matter in question in order to preserve the rights of any party under this Guarantee until a request for interim measures can be presented to the arbitral tribunal.

14. Binding on Beneficiary. Beneficiary, by its acceptance of this Guarantee, evidences its obligation to be bound by the provisions of this Guarantee.

15. Successors and Assigns; Beneficiaries. This Guaranty is a continuing guaranty and shall be binding upon Guarantor and it successors and assigns *provided however,* that Guarantor may not assign this Guaranty or transfer any of the rights or obligations of Guarantor hereunder without the prior written consent of Beneficiary and any such purported assignment shall be void. Notwithstanding the preceding sentence, in the event that guarantor (i) reduces it interest in the issued and outstanding capital stock (or equivalent securities) of Company to less than five percent (5%) following Guarantor's execution of this Guaranty, and (ii) does not have control of Company, Guarantor may terminate this Guaranty provided that one of the remaining shareholders of the issued and capital stock (or equivalent securities) of Company ("New Guarantor") executes a replacement guaranty identical in form and substance to this Guaranty,

with such termination by Guarantor to be effective upon the effective date of such replacement guaranty; *provided further, however*, that such termination shall not be effective unless such New Guarantor, at the effective date of such replacement guaranty, meets or exceeds the following requirements:

(a) the Net Assets of the New Guarantor must equal or exceed the equivalent of UK 1 billion pounds (UK£1,000,000,000); and

(b) the long-term unsecured debt rating of the New Guarantor must be rated at least "BBB" if rated only by Standard & Poor's Rating Group, of Baa2 if rated only by Moody's Investor Services, or if rated by both such entities, the New Guarantor must have at least one of the above ratings (or if such rating entities no longer issue such ratings, such rating must be at least an equivalent rating issued by any equivalent, generally recognized rating entity).

For the purposes of this Section 15, the term "control" shall mean the possession of the power or authority, whether direct or indirect, to direct or cause the direction of the management of an entity, whether through ownership of securities, by contract, or otherwise.

16. Effective Time. Notwithstanding anything to the contrary in this Guarantee, Guarantor shall have no obligation hereunder (including, without limitation, no obligation under Section 1 hereof), unless and until the Effective Time occurs. "Effective Time" shall have the meaning as set forth in the Consent and Release Agreement dated as of the date hereof among Beneficiary, El Paso Merchant Energy, L.P. and Company.

IN WITNESS WHEREOF, Guarantor has caused its duly authorized officer to execute and deliver this Guarantee as of the date first above written.

MARATHON OIL CORPORATION

By:_____
Name: _____
Title: _____

272096_3.DOC

Exhibit C

Order of the U.S. Bankruptcy Court for the Southern District of New York approving the assignment of Enron Americas's rights and obligations under the Term Sheet to Marathon LNG

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	Chapter 11
ENRON CORP., et al.,	Case No. 01-16034 (AJG)
Debtors.	Jointly Administered

ORDER, PURSUANT TO SECTIONS 105, 363, 365 AND 1146 OF THE BANKRUPTCY CODE AND RULES 2002, 6004 AND 6006 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE, AUTHORIZING AND APPROVING (A) THE TERMS AND CONDITIONS OF A PURCHASE AND SALE AGREEMENT WITH AMETHYST LNG MARKETING LLC AND (B), IN CONNECTION THEREWITH, THE ASSUMPTION, ASSIGNMENT AND SALE OF EXECUTORY CONTRACTS, FREE AND CLEAR OF LIENS, CLAIMS AND ENCUMBRANCES

Upon the motion dated July 31, 2002 (the "Motion")[1] of Enron LNG Marketing LLC ("ELM" or "Seller"), as debtor and debtor in possession, pursuant to sections 105, 363(b), (f), (m) and (n), 365, and 1146 of title 11, United States Code 11 U.S.C. §§101 *et seq.* (the "Bankruptcy Code"), for the entry, among other things, of an order authorizing ELM to assume, assign, and sell (a) the LNG Sale and Purchase Letter Agreement dated October 13, 1999, by and between ELM, as successor to Enron Americas LNG Company, and El Paso Merchant Energy, L.P. ("EPME"), as successor to El Paso Merchant Energy -- Gas, L.P. successor to Sonat Energy Services Company (the "Letter Agreement"); and (b) the related Quality Letter Agreement dated October 13, 1999, by and among EPME, Southern LNG Inc. and ELM (the "QLA" and collectively, with the Letter Agreement, the "Assets") to El Paso LNG Elba Island, L.L.C. ("El

[1] All capitalized terms used, unless otherwise defined herein, shall have the meaning as defined in the Motion or in the Amethyst Purchase Agreement (as defined herein).

Paso") in accordance with the Purchase and Sale Agreement, dated as of July 26, 2002 (the "El Paso Purchase Agreement"), a copy of which is annexed to the Motion as Exhibit "A," or to the successful bidder, if any, at the Auction; and the Procedures Order having been entered by this Court on August 9, 2002; and ELM having conducted an Auction in accordance with the procedures set forth in the Procedures Order; and the Sale Hearing having been held before the Court on August 28, 2002; and the Court having jurisdiction to consider and determine the Motion in accordance with 28 U.S.C. § 1334; and due notice of the Motion having been provided, and it appearing that no other or further notice need be provided; and after due deliberation and sufficient cause appearing therefore;

IT IS HEREBY FOUND AND DETERMINED:

A. The Court has jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334.

B. As evidenced by the certificate of service filed with the Court, and based on the representations of counsel at the hearing, (i) proper, timely, adequate, and sufficient notice of the Motion, the transactions contemplated therein, the Auction and the Sale Hearing has been provided in accordance with sections 105, 363 and 365 of the Bankruptcy Code and Fed. R. Bankr. P. 2002, 6004 and 6006, and the Court's Amended Case Order dated February 26, 2002, (ii) such notice was good and sufficient and appropriate under the particular circumstances, and (iii) no other or further notice of the Motion, the transactions contemplated therein, the Auction, or the Sale Hearing is required.

C. The requirements of Rule 9013(b) of the Local Rules of the United States Bankruptcy Court of the Southern District of New York have been waived.

D. A reasonable opportunity to object or be heard with respect to the Motion and the relief requested therein has been afforded to all interested persons and entities, including, but not limited to, (i) the Office of the United States Trustee, (ii) counsel for the DIP Lenders, (iii) counsel for the statutory committee of unsecured creditors in the Debtors' chapter 11 cases ("Creditors' Committee"), (iv) El Paso's counsel, (v) the counter parties to the Assets, (vi) all entities known to ELM to have, or to have asserted, any lien, claim, encumbrance, or other property interest in or upon the Assets which were to be sold and assigned pursuant to the El Paso Purchase Agreement, (vii) all known parties who submitted a prior bid for the Assets, (viii) all known parties who expressed in writing to ELM an interest in the Assets, (ix) all relevant taxing authorities, (x) the Examiner for Enron North America, (xi) counsel for the Employment-Related issues Committee; and (xii) all entities who had filed a notice of appearance and request for service of papers in these cases in accordance with the Court's Amended Case Order, dated February 26, 2002.

E. Amethyst LNG Marketing LLC ("Amethyst" or the "Buyer") bid at the Auction in accordance with the Procedures Order and was determined by ELM, in consultation with the Creditors' Committee, to have submitted the highest and best offer for the Assets, as embodied in the Purchase and Sale Agreement dated as of August 27, 2002, between ELM and Amethyst (the "Amethyst Purchase Agreement"), a copy of which is attached hereto as Exhibit "A." The Amethyst Purchase Agreement was negotiated, proposed and entered into by and among the Buyer and ELM without collusion and in good faith. The Buyer is a good faith purchaser in accordance with section 363(m) of the Bankruptcy Code and is entitled to all of the protections afforded thereby. Neither the Buyer nor ELM has engaged in any conduct that would cause or

permit the Amethyst Purchase Agreement to be avoided (or the validity of the sale affected) under section 363(n) of the Bankruptcy Code or any other provisions of the Bankruptcy Code.

F. The relief sought in the Motion is in the best interests of ELM, its estate and all parties in interest.

G. The Buyer will be acting in good faith within the meaning of section 363(m) of the Bankruptcy Code in closing the transactions contemplated by the Amethyst Purchase Agreement at any time after the entry of this Order.

H. ELM conducted a bidding process in accordance with the Procedures Order and determined, in consultation with the Creditors' Committee, that Amethyst submitted the highest and best offer for the Assets.

I. The Assets to be sold pursuant to the Motion and the Amethyst Purchase Agreement include: (1) the LNG Sale and Purchase Letter Agreement dated October 13, 1999, by and between ELM, as successor to Enron Americas LNG Company, and EPME, as successor to El Paso Merchant Energy - Gas, L.P., successor to Sonat Energy Services Company; and (2) the related Quality Letter Agreement dated October 13, 1999, by and among EPME, Southern LNG Inc. and ELM. Notwithstanding the commencement of ELM's chapter 11 case or for any other reason, the Assets have not been terminated under their terms or under applicable law and remain in full force and effect.

J. ELM has advanced sound and sufficient business justification, and it is a reasonable exercise of its business judgment, to: (i) sell the Assets on the terms and conditions set forth in the Amethyst Purchase Agreement; (ii) assume and assign the Assets to Amethyst; and (iii) consummate all transactions contemplated by the Amethyst Purchase Agreement.

K. The provisions of sections 363(b), 363(f), 363(m), 363(n), 363(o) and 365 of the Bankruptcy Code have been complied with and are applicable to the sale of the Assets.

L. All of the transactions contemplated by the Amethyst Purchase Agreement, including the sale of the Assets, are properly authorized under all applicable provisions of the Bankruptcy Code, including without limitation, sections 105, 363(b), 363(f), 363(m), 363(o), 365 and 1146 of the Bankruptcy Code.

M. ELM and Amethyst have entered into, subject to entry of this Order, the Amethyst Purchase Agreement wherein ELM and Amethyst agree that, *inter alia*, (i) the aggregate purchase price to be paid by Amethyst to ELM is U.S.$31,875,000 (subject to adjustment in accordance with the terms of the Amethyst Purchase Agreement); (ii) on August 22, 2002, Amethyst paid the amount equal to U.S.$3,200,000 (the "Deposit"), held by Weil, Gotshal & Manges, LLP in a segregated attorney trust account; (iii) at Closing, Amethyst shall wire transfer an amount (the "Closing Payment") equal to the Purchase Price minus the Deposit (together with any interest earned in respect of such Deposit) in immediately available funds to the account or accounts specified by ELM to Amethyst in writing on or prior to the Business Day immediately preceding the Closing; and (iv) the Buyer Parent Guaranty will be maintained in full force and effect in accordance with Section 8 of the Buyer Parent Guaranty.

ACCORDINGLY, THE COURT HEREBY ORDERS THAT:

1. The findings of fact set forth above and the conclusions of law stated herein shall constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent any finding of fact later shall be determined to be a conclusion of law, it shall be so deemed, and to the extent any conclusion of law later shall be determined to be a finding of fact, it shall be so deemed.

2. The Motion is granted in its entirety.

3. The Amethyst Purchase Agreement is approved in its entirety and is binding upon the parties thereto.

4. All parties in interest have had the opportunity to object to the relief requested in the Motion and to the extent that objections to the Motion or the relief requested therein have not been withdrawn, waived, or settled, such objections and all reservations of rights included therein, are overruled on the merits. Those parties who did not object, or who withdrew their objections, to the Motion are deemed to have consented pursuant to section 363(f)(2) of the Bankruptcy Code.

5. The Auction and Sale Hearing have been conducted in accordance with the Procedures Order.

6. The approval by ELM of the sale of the Assets and the terms and conditions contemplated by the Amethyst Purchase Agreement, including, without limitation, the closing of the transactions contemplated by the Amethyst Purchase Agreement, are hereby approved pursuant to sections 105(a), 363(b) and (f) of the Bankruptcy Code.

7. ELM is authorized pursuant to sections 105(a) and 363(b) of the Bankruptcy Code to perform all of its obligations pursuant to the Amethyst Purchase Agreement and to execute such other documents and take such other actions as are necessary to effectuate the transactions contemplated by the Amethyst Purchase Agreement.

8. ELM is authorized pursuant to section 365(a) of the Bankruptcy Code to assume and assign the Assets to the Buyer effective as of the date hereof.

9. The sale of the Assets, pursuant to this Order and the Amethyst Purchase Agreement will vest the Buyer with good title to the Assets and will be a legal, valid and effective transfer of the Assets free and clear of all liens, claims, encumbrances and interests.

10. Pursuant to sections 105(a), 363(f) and 365 of the Bankruptcy Code, upon the Closing (as defined in the Amethyst Purchase Agreement), (a) on account of the transfer of the Assets, the Buyer shall not be subjected to any liabilities for the sale of the Assets, (b) the Assets shall be transferred to the Buyer free and clear of all liens, claims, encumbrances and interests, and (c) solely with respect to the Assets, except as expressly permitted by the Amethyst Purchase Agreement, all persons and entities shall be barred from asserting against the Buyer, its affiliates, designees, officers, directors, employees, agents, successors or assigns or their respective properties:

(i) all mortgages, security interests, conditional sale or other title retention agreements, pledges, liens, claims, liabilities, judgments, demands, encumbrances, (including, without limitation, any claims and encumbrances (x) that purport to give to any party a right or option to effect a forfeiture, modification or termination of ELM's or the Buyer's interest in the Assets or (y) in respect of taxes), easements, restrictions, rights of first refusal and charges and interests of any kind or nature (collectively, "Third Party Interests"); and (ii) all debts arising under, relating to, or in connection with the Assets, claims (as that term is defined in section 101(5) of the Bankruptcy Code), obligations, demands, guaranties, options, rights, contractual commitments, restrictions, interests and matters of any kind and nature, whether arising prior to or subsequent to the commencement of these cases, whether under any theories of successor or transferee liability and whether imposed by agreement, understanding, law, equity or otherwise

(including, without limitation, any claims and encumbrances (x) that purport to give to any party a right or option to effect a forfeiture, modification, right of first refusal or termination of ELM's or the Buyer's interest in the Assets or (y) in respect of taxes) (collectively, "Claims") with all such Third Party Interests and Claims, including the DIP Liens, to attach to the proceeds of the sale in the order of their priority, with the same validity, force and effect which they now have against the Assets, subject to any defenses parties in interest may possess with respect thereto.

11. Effective upon the Closing Date, pursuant to Section 3.3 of the Amethyst Purchase Agreement, the Buyer will assume, pay, perform and fully discharge and/or fully satisfy promptly when due all Assumed Liabilities, as set forth in the Amethyst Purchase Agreement .

12. ELM has demonstrated that it is an exercise of its sound business judgment to sell, assume and assign the Assets to the Buyer in connection with the consummation of the transactions contemplated by the Amethyst Purchase Agreement, and the assumption and assignment of the Assets under section 365 of the Bankruptcy Code and the sale of the Assets is in the best interests of ELM, its chapter 11 estate and its creditors.

13. Upon the Closing pursuant to the Amethyst Purchase Agreement, ELM will have demonstrated adequate assurance of the future performance of the obligations under the Assets on the part of the Buyer in accordance with section 365(f)(2)(B) of the Bankruptcy Code.

14. ELM is hereby authorized and directed in accordance with sections 105(a), 363 and 365 of the Bankruptcy Code to (a) assume and assign and transfer to the Buyer, upon the Closing, the Assets free and clear of all Claims and Third Party Interests, and (b) execute and deliver to the Buyer such documents or other instruments as may be necessary to assign and

transfer the Assets free and clear of all Claims and Third Party Interests to Buyer in accordance with this Order and the terms of the Amethyst Purchase Agreement with all such Third Party Interests and Claims, including the DIP Liens, to attach to the proceeds of the sale in the order of their priority, with the same validity, force and effect which they now have against the Assets, subject to any defenses .

15. Upon Closing pursuant to the Amethyst Purchase Agreement, the Assets shall be transferred to, and remain in full force and effect for the benefit of the Buyer in accordance with its terms, notwithstanding any provision in the Assets (including, without limitation, those described in sections 365(b)(2) and (f) of the Bankruptcy Code) that prohibits, restricts, or conditions such assignment or transfer and, pursuant to section 365(k) of the Bankruptcy Code, ELM shall be relieved from any further obligation or liability for any breach of the Assets occurring after such assumption and assignment.

16. This Order (a) is and shall be effective as a determination that, upon the Closing, all Claims and Third Party Interests existing as to the Assets prior to the Closing have been unconditionally released, discharged and terminated in each case as to the Assets and (b) is and shall be binding upon and shall govern acts of all entities, including, without limitation, all filing agents, filing officers, title agents, title companies, recorders of mortgages, recorders of deeds, registrars of deeds, administrative agencies, governmental departments, secretaries of state, federal, state, and local officials, and all other persons and entities, who may be required by operation of law, the duties of their office, or contract, to accept, file, register or otherwise record or release any documents or instruments that reflect that the Buyer is the assignee of the Assets free and clear of liens, Claims and Third Party Interests, any rights or remedies as between ELM,

the Buyer, or any of the parties to the Assets, pursuant to the terms of the Assets arising out of or relating to the events after the Closing.

17. No person shall take any action to prevent, interfere with or otherwise enjoin consummation of the transactions contemplated in or by the Amethyst Purchase Agreement or this Order.

18. The Amethyst Purchase Agreement and any related agreements, documents or other instruments may be modified, amended or supplemented by the parties thereto in accordance with the terms thereof without further order of the Court; provided, however, that, in connection therewith, the parties shall obtain the prior written consent of the Creditors' Committee, which consent shall not be unreasonably withheld; and, provided, further, that any such modification, amendment or supplement is neither material nor changes the economic substance of the transactions contemplated hereby.

19. In accordance with the Procedures Order and in the event the Amethyst Purchase Agreement is terminated in accordance with Article 12 of the Amethyst Purchase Agreement, ELM, upon consultation with the Creditors' Committee, is hereby authorized to (i) consummate the transactions contemplated by the El Paso Purchase Agreement without the need for an additional hearing or order of the Court, and the findings and protections of this Order shall be applicable to El Paso as the buyer and to the El Paso Purchase Agreement as the agreement to be consummated, and (ii) to the extent provided in Section 12.2(a) of the Amethyst Purchase Agreement, retain the Deposit.

20. The failure to specifically include any particular provision of the Amethyst Purchase Agreement in this Order shall not diminish or impair the effectiveness of such

provisions, it being the intent of the Court that the Amethyst Purchase Agreement and ELM's implementation of the transactions contemplated therein be approved in their entirety.

21. In the absence of a stay pending appeal, in the event that the Buyer and ELM elect to consummate the transactions contemplated by the Amethyst Purchase Agreement at any time after the entry of this Order, then with respect to the transactions approved and authorized herein, the Buyer, as a purchaser in good faith within the meaning of section 363(m) of the Bankruptcy Code, shall be entitled to the protections of 363(m) of the Bankruptcy Code in the event this Order or any authorization contained herein is reversed or modified on appeal.

22. Each and every federal, state, and local governmental agency or department is hereby directed to accept any and all documents and instruments necessary and appropriate to consummate the transactions contemplated by the Amethyst Purchase Agreement.

23. The Court shall retain exclusive jurisdiction (a) to enforce and implement the terms and provisions of the Amethyst Purchase Agreement, all amendments thereto, any waivers and consents thereunder, and each of the agreements, documents and instruments executed therewith, (b) to compel delivery of the Purchase Price to ELM in, accordance with the terms and conditions of the Amethyst Purchase Agreement; and (c) to resolve any disputes, controversies or claims arising out of relating to the Amethyst Purchase Agreement. The Court shall retain exclusive jurisdiction over any and all disputes arising under or otherwise relating to the construction, performance and enforcement of the terms and conditions of the Amethyst Purchase Agreement and each of the agreements, documents and instruments executed in connection therewith.

24. ELM is authorized pursuant to section 363(b)(1) of the Bankruptcy Code to perform all of its obligations in connection with the Amethyst Purchase Agreement in

accordance with the terms of the Motion and to execute such documents and take such other actions as are necessary to effectuate the Amethyst Purchase Agreement.

25. Except to the extent required to (A) repay the DIP Obligations[2] pursuant to and in accordance with the Final Order and the Documents and (B) pay the U.S.$387,500 Break-Up Fee to El Paso and the reimbursement of actual fees and expenses (not to exceed U.S.$400,000) to El Paso in accordance with the Procedures Order, all proceeds received by ELM in connection with the transactions contemplated by the Amethyst Purchase Agreement shall be retained by ELM and be neither disbursed nor used until the earlier to occur of (i) agreement by and between ELM and the Creditors' Committee with respect to the release of such proceeds and (ii) further order of this Court; provided further that ELM will inform the Creditors' Committee in writing of all amounts paid to El Paso pursuant to the terms of the Procedures Order and provide to the Creditors' Committee all supporting documentation therewith received by ELM from El Paso upon request.

26. The terms of this Order and the Amethyst Purchase Agreement shall be binding on and inure to the benefit of ELM, the Debtors, Amethyst and the Debtors' creditors and all other parties in interest, and any successors of ELM or the Debtors, Amethyst and the Debtors' creditors, including any trustee or examiner appointed in these cases or any subsequent or converted cases of the Debtors under chapter 7 or chapter 11 of the Bankruptcy Code.

27. Any conflict between the terms and provisions of this Order and the Amethyst Purchase Agreement shall be resolved in favor of this Order.

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[2] As defined in the Final Order Authorizing Debtors to Obtain Post-Petition Financing Pursuant to 11 U.S.C. §§ 105, 361, 362, 364(c)(1), 364(c)(2), 364(c)(3) and 364(d)(1), dated July 2, 2002 (the "Final Order").

28. Pursuant to sections 105(a) and 1146(c) of the Bankruptcy Code, the sale of the Assets is exempt from any and all stamp taxes, transfer taxes or similar taxes.

29. This Order shall be effective and enforceable immediately upon entry of this Order, pursuant to Fed. R. Bankr. P. 6004(g) and 6006(d).

Dated: New York, New York
August 28, 2002

/S/ ARTHUR J. GONZALEZ

HONORABLE ARTHUR J. GONZALEZ
UNITED STATES BANKRUPTCY JUDGE

VERIFICATION

The State of Texas)
)
County of Harris)

Jason Klein, declares before me on this date, and says that he is counsel of BG LNG Services, LLC, the applicant in this document; that he is authorized to verify the foregoing document pursuant to 10 C.F.R. § 590.103; that he has examined the statements contained therein and that all such statements are true and correct to the best of his knowledge, information and belief; and that he is the duly authorized representative of BG LNG Services, LLC; and that to the best of his knowledge, neither this nor any related matter is being considered by any other part of the Department of Energy, including the Federal Energy Regulatory Commission, or any other federal agency or department.

Jason T. Klein

SUBSCRIBED and SWORN TO before me, a Notary Public, this day: March 24, 2004.

KERRI D. ROBERTS NOTARY PUBLIC STATE OF TEXAS EXPIRES DEC. 13, 2006

Notary Public in and for the
State of Texas

My Commission Expires: December 13, 2006

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

BG LNG SERVICES, LLC	)	FE DOCKET NO. 04-39-LNG

ORDER GRANTING LONG-TERM AUTHORIZATION TO IMPORT LIQUEFIED NATURAL GAS FROM VARIOUS INTERNATIONAL SOURCES

DOE/FE ORDER NO. 1977

APRIL 19, 2004

I. DESCRIPTION OF REQUEST

On March 26, 2004, BG LNG Services, LLC (BGLS) filed an application with the Office of Fossil Energy of the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA),[1/] for authorization to import up to the equivalent of 58 billion cubic feet (Bcf) per year of liquefied natural gas (LNG) over a 17-year term under a LNG Sale and Purchase Agreement Term Sheet (Term Sheet) with Marathon LNG Marketing LLC (Marathon LNG), dated October 13, 1999.[2/] The 17-year term commences on April 27, 2004. Marathon LNG may extend the term up to an additional five-year period on at least three years notice to BGLS. BGLS, a limited liability company under the laws of Delaware and a wholly-owned subsidiary of the BG Group, Inc., has its principal place of business in Houston, Texas. BGLS asserts that the LNG it proposes to import will come from various international sources and would enter the United States at the LNG receiving facilities located at Elba Island in the vicinity of Savannah, Georgia, or at an alternative delivery point designated by BGLS.

Under the Term Sheet, BGLS will pay Marathon LNG an amount based on published index prices for spot natural gas. The requested authorization does not involve the construction of new LNG receiving facilities.

1/ 15 U.S.C. § 717b. This authority is delegated to the Assistant Secretary for Fossil Energy pursuant to Redelegation Order No. 00-002.4 (January 8, 2002).

2/ The Term Sheet was initially entered into by Enron Americas LNG Company (Enron Americas) and Sonat Energy Services Company (SES) . By Order issued August 28, 2002, the U.S. Bankruptcy Court, overseeing the bankruptcy proceeding of Enron American's parent , Enron Corp., approved assignment of Enron Americas' rights and obligations under the Term Sheet to Marathon LNG. El Paso Merchant Energy L.P. acquired the rights and obligations of SES and were subsequently re-assigned to BGLS.

II. FINDING

The application has been evaluated to determine if the proposed import arrangement meets the public interest requirement of section 3 of the NGA, as amended by section 201 of the Energy Policy Act of 1992 (Pub. L. 102-486). Under section 3(c), the import of LNG is deemed to be consistent with the public interest and must be granted without modification or delay. The authorization sought by BGLS to import LNG from various sources meets the section 3(c) criterion and, therefore, is consistent with the public interest.

ORDER

Pursuant to section 3 of the Natural Gas Act, it is ordered that:

A. BG LNG Services, LLC (BGLS) is authorized to import up to the equivalent of 58 billion cubic feet per year of liquefied natural gas (LNG) over a 17-year term under the terms of its October 13, 1999, LNG Sales and Purchase Agreement Term Sheet with Marathon LNG Marketing LLC.

B. This LNG may be imported at the Elba Island, Georgia, facility or any LNG receiving facility in the United States and its territories.

C. With respect to the LNG imports authorized by this Order, BGLS shall file with the Office of Natural Gas & Petroleum Import & Export Activities, within 30 days following each calendar quarter, reports indicating whether imports of LNG have been made. Quarterly reports must be filed whether or not initial deliveries have begun. If LNG imports have not been made, a report of "no activity" for that calendar quarter must be filed. If imports have occurred, the report must give the details of each transactions: (1) total monthly volumes in thousand cubic feet

(Mcf) and million British thermal units (MMBtu); (2) the name of the purchaser(s); (3) the point(s) of entry; (4) the name(s) of the LNG tanker; (5) the geographic market(s) served (by State); (6) the average landed cost per MMBtu at the point of import; (7) the per unit (MMBtu) demand/commodity/reservation/demurrage rate charge breakdown of the contract price; and, if applicable, (8) the monthly volumes in Mcf taken by each of BGLS's customer

[OMB NO.: 1901-0294]

D. The first quarterly report required by this Order is due not later than July 30, 2004, and should cover the period from April 27, 2004, until the end of the second calendar quarter, June 30, 2003.

E. The notification and reports required by this Order shall be filed with the U.S. Department of Energy, Office of Natural Gas & Petroleum Import & Export Activities, FE-34, P.O. Box 44375, Washington, D.C. 20026-4375.

Issued in Washington, D.C., on April 19, 2004.

Sally Kornfeld

Sally Kornfeld
Manager, Natural Gas Regulation
Office of Natural Gas & Petroleum
Import & Export Activities
Office of Fossil Energy

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

BG LNG SERVICES, LLC	)	FE DOCKET NO. 04-39-LNG

ORDER AMENDING LONG-TERM AUTHORITY TO
IMPORT LIQUEFIED NATURAL GAS

DOE/FE ORDER NO. 1977-A

On April 19, 2004, the Office of Fossil Energy of the Department of Energy granted to BG LNG Services, LLC in DOE/FE Order No. 1977 (Order 1977) authority to import up to the equivalent of 58 billion cubic feet per year of liquefied natural gas over a 17-year term under a LNG Sale and Purchase Agreement Term Sheet with Marathon LNG Marketing LLC, dated October 13, 1999.

In Ordering Paragraph C, the requirement to provide the country of origin was omitted. Accordingly, pursuant to section 3 of the Natural Gas Act, DOE/FE Order No. 1977 is amendedto add the requirement to provide the country of origin under Ordering Paragraph C. All other terms and conditions in Order 1977 remain in full force and effect.

Issued in Washington, D.C., on August 16, 2004.

Sally Kornfeld
Manager, Natural Gas Regulation
Office of Natural Gas & Petroleum
Import & Export Activities
Office of Fossil Energy