Winter Storm Uri Did sales agreements withstand the deep freeze?

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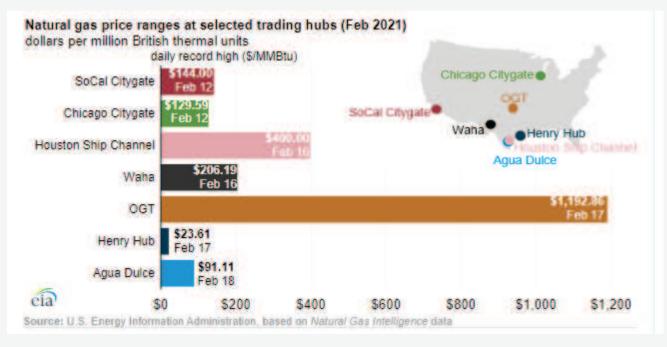
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Winter Storm Uri



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Winter Storm Uri



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Winter Storm Uri

General Terms and Conditions Base Contract for Sale and Purchase of Natural Gas

SECTION 1. PURPOSE AND PROCEDURES

1.1. These General Terms and Conditions are intended to facilitate purchase and sale transactions of © Interruptible basis. "Buyer" refers to the party receiving Gas and "Seller" refers to the party delivering Gas. The between the parties shall be the Contract as defined in Section 2.9.

The parties have selected either the "Oral Transaction Procedure" or the "Written Transaction Procedure on the Base Contract.

Oral Transaction Procedure:

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1.2. The parties will use the following Transaction Confirmation procedure. Any Gas purchase and sale to effectuated in an ECS transmission or telephone conversation with the offer and acceptance constituting the a parties. The parties shall be legally bound from the time they so agree to transaction terms and may each rely the transaction shall be considered a "writing" and to have been "signed". Notwithstanding the foreign sentence, it that Confirming Party shall, and the other party may, confirm a telephonic transaction by sending the other part Confirmation by ECS, within three Business Days of a transaction covered by this Section 1.2 (Oral Transact provided that the failure to send a Transaction Confirmation shall not invalidate the oral agreement of the parti Party adopts its confirming letterhead, or the like, as its signature on any Transaction Confirmation as the id authentication of Confirming Party. If the Transaction Confirmation contains any provisions other than those commercial terms of the transaction (i.e., price, quantity, performance obligation, delivery point, period of transportation conditions), which modify or supplement the Base Contract or General Terms and Conditions of this arbitration or additional representations and warranties), such provisions shall not be deemed to be accepted pure 1.3 but must be expressly agreed to by both parties; provided that the foregoing shall not invalidate any transaction the parties.

Written Transaction Procedure:

1.2. The parties will use the following Transaction Confirmation procedure. Should the parties come to an agree a Gas purchase and sale transaction for a particular Delivery Period, the Confirming Party shall, and the other partial agreement on a Transaction Confirmation and communicate such Transaction Confirmation by ECS, to the or close of the Business Day following the date of agreement. The parties acknowledge that their agreement will not the exchange of nonconflicting Transaction Confirmations or the passage of the Confirm Deadline without objects. receiving party, as provided in Section 1.3.



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Risks of Base Contract Exposed

- Price fluctuations impacting first-of-month pricing index
- Gas allocation with competing firm commitments
- Alternate delivery points
- Cover damages
- Offset



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First of Month Pricing Index

Transaction confirmation determines price:

SECTION 3. PERFORMANCE OBLIGATION

3.1. Seller agrees to sell and deliver, and Buyer agrees to receive and purchase, the Contract Quantity for a particular transaction in accordance with the terms of the Contract. Sales and purchases will be on a Firm or Interruptible basis, as agreed to by the parties in a transaction

Example of 80-20 first-of-month pricing during Winter Storm Uri:

	February 1, 2021	February 15, 2021	Total (per Mcf)
Revenue (Gas)	\$2.53(.8)	\$149.49(.2)	\$31.92
Cost (Electricity)	N/A	(\$48.60)	(\$48.60)
			(\$16.68)



Net benefit for purchaser!

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Also available as part of the eCourse 2022 Ernest E. Smith Oil, Gas and Mineral Law eConference

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