

SHELL/ESSO ST FERGUS GAS PROCESSING FACILITIES MAIN COMMERCIAL TERMS AND CONDITIONS FOR ACCESS AND GAS PROCESSING SERVICES

1. OVERVIEW

This document, which sets the main commercial terms and conditions for third party access to the St Fergus gas processing facility ("**St Fergus**"), is published by Shell U.K. Limited, Exploration and Production as St Fergus operator, for and on behalf of its joint owners Shell U.K. Limited ("**Shell**") and Esso Exploration and Production UK Limited ("**Esso**") in compliance with the Gas Act 1995.

St Fergus is located on the northeastern coast of Scotland approximately 40 miles north of Aberdeen and is the gas terminal within the Shell/Esso Gas and Liquids processing system ("**SEGAL**") which processes wet (rich) gas ("**Gas**") arriving by the FLAGS pipeline (Northern North Sea), Goldeneye pipeline and Fulmar Gas Line (Central North Sea). Natural Gas Liquids ("**NGLs**") extracted at St Fergus are transported by pipeline to the NGLs plant at Mossmorran, Fife for fractionation and re-delivery to shippers as finished products.

St Fergus' main features include:

- Separation of gas and NGLs.
- Dewpoint control of hydrocarbon and water to National Transmission System ("**NTS**") conditions.
- Sweetening of gas to NTS requirements.
- Export of gas to the NTS terminal of National Grid.
- Entry to pipeline export of NGLs for further separation at the Mossmorran fractionation plant.
- Fiscal metering of gas and NGLs.

St Fergus is capable of extracting significant quantities of NGLs from Gas allowing customers to maximize value from the resource.

2. GENERAL TERMS AND CONDITIONS

In order to flow through St Fergus the following assumptions and conditions for new Gas apply:

1. That sufficient ullage is available at St Fergus to accommodate the new Gas source. Ullage is described in Section 3.
2. That the delivery point at St Fergus is the entry flange from either the FLAGS pipeline or Fulmar Gas Line. The gas redelivery point is the NTS entry point, and the NGL redelivery point is the entry flange to the Mossmorran NGL pipeline. Access to delivery points other than as identified above is subject to agreement on a case-by-case basis.
3. Duration of the service is subject to agreement on a case-by-case basis.
4. Capacity rights are subject to defined fields and interests in those fields, in relation to which Gas will flow.
5. That the Gas is subject to the terms and conditions to be agreed between Shell, Esso and proposed users. Typical key terms and conditions of such agreements are:
 - a) Allocation principles based on component mass balance of Gas, metered from each new source.
 - b) Nominations regime.
 - c) The measurement rules, metering standards and accuracy of equipment.
 - d) The required information flow between relevant parties.
 - e) Specification of Gas (see Section 4) with off-specification Gas subject to agreement on a case-by-case basis.
 - f) Capacity reduction procedures - on days on which there is a St Fergus restriction, capacity is pro-rated between Shell/Esso and most other users.
 - g) Ownership - third party Gas retains its own title and risk as it flows through St Fergus.
 - h) Voting rights - there are no voting rights. However the allocation agreement provides a means to audit allocation and challenge and resolve disputes in respect of allocation statements.
 - i) Confidentiality - all commercial, technical and other proprietary data, not legitimately in the

- public domain, is treated as confidential for 5 years.
- j) Governing law & jurisdiction - agreements will be governed by, construed and interpreted in accordance with English law and subject to the jurisdiction of the English courts.
 - k) Licenses - all agreements are subject to relevant government licenses and consents.
 - l) Termination - rights to terminate include for failure to pay, another party's bankruptcy or prolonged Force Majeure.
 - m) Liabilities and indemnities - property and people are subject to mutual hold harmless cross indemnities (unless willful default); in the case of pollution each party is responsible for its own facilities. Liabilities exclude consequential loss, except in the case of off-specification input Gas, where the service user is fully liable.

3. ULLAGE

Ullage at St Fergus and the pipelines that feed the terminal is subject to a number of technical and commercial factors and uncertainties around the existing flows and anticipated new volumes. Up to date ullage information, in accordance with the requirements of the Infrastructure Code of Practice, is available through the www.ukdeal.co.uk portal, by following the link "Infrastructure", then "ICOP Infrastructure Links", choosing "FLAGS pipeline" and clicking on "Shell" under "Commercial Contacts".

Subject to the availability of relevant capacity, each of Shell and Esso is capable of independently providing transportation and processing services using its own proportionate share of available capacity at St Fergus ("**Divided Rights**"). Please contact either the Shell or Esso representative listed in Section 7 for further information regarding Divided Rights.

4. ENTRY SPECIFICATIONS

The St Fergus entry specification as well as the entry specifications of the pipelines, which feed the terminal, are available on the web-page specified in Section 3.

5. TARIFF

Tariffs are set by Shell and Esso separately in relation to their respective share of capacity. Indicative information on each of the owners tariff can be obtained through the following web-sites:

Shell: http://www.shell.co.uk/home/content/gbr/aboutshell/shell_businesses/e_and_p/infrastructure/infrastructure_code_of_practice.html

Esso: http://www.exxonmobil.co.uk/UK-English/Operations/UK_OP_Off_ICoP_SEGAL_tariff.asp

The tariffs are subject to the hydrocarbon composition of Gas and specific commercial and technical terms of the service. The indicative tariffs referred to above assume the composition and terms described below:

Gas hydrocarbon composition:

- Methane 80.0 mol% (+/- 5%)
- Ethane 9.0 mol% (+/- 3%)
- Propane 5.5 mol% (+/- 2%)
- Butanes 2.5 mol% (+/- 1%)
- Pentanes 1.0 mol% (+/- 0.5%)
- C6+ 0.5 mol% (+/- 0.5%)

Additionally it has been assumed in the indicative tariffs that:

- The volume is able to be accommodated into the existing plant ullage, with no upgrades required to the gas, liquids, or ancillary equipment;
- The St Fergus entry specification can be met (i.e. no dispensation is required);
- The tariffs do not include one off costs, for instance, any metering, control, system, and tie-in costs;
- There is no back-out of existing flows;
- There is no sterilization of downstream capacities;
- NGL recoveries are within a certain range;
- Tariffs are payable on booked capacity;

- The new source volumes are delivered at a load factor of 1;
- UK tax and regulatory regimes in force at the time of execution of the contracts from which the indicative tariff information is derived apply;
- The utilization of St Fergus remains as presently envisaged over the next 5 years;
- It includes access to the NTS redelivery point through the line from St Fergus to the National Grid facility, but excludes any NTS charges;
- It includes access to the NGL redelivery point at St Fergus to the pipeline to the Mossmorran fractionation plant.

For Gas flows that deviate from the previously listed specifications and assumptions, different charges may apply. It will be the responsibility of the Gas supplier to obtain all necessary consents, approvals and agreements for the supply of gas into the NTS and transport of NGLs to Mossmorran.

St Fergus is able to process Gas containing a wide range of hydrocarbon compositions, and offer deep extraction of NGLs. A tariff for transportation and processing of Gas that does not meet the specifications referred to in Section 4 can be provided by Shell and Esso on a case-by-case basis.

6. STATUS OF THIS DOCUMENT

This document, and in particular the indicative tariffs described, is provided for information and general guidance purposes only. Nothing contained in this document amount to an offer or acceptance nor is it intended to give rise to legal obligations or commitments on the part of any party. This document may be withdrawn by Shell U.K. Limited, Exploration and Production, acting as the SEGAL Operator, in its sole discretion and replaced by a revised version at any time.

7. CONTACT DETAILS

Further enquiries relating to access to St Fergus should be directed in writing to either:

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Where enquiries are in accordance with the UK Oil and Gas Infrastructure Code of Practice, the responses will also conform with the Code of Practice.

Further details of Shell U.K. Limited, Exploration and Production's facilities and infrastructure can be obtained from the web-page: http://www.shell.co.uk/home/content/gbr/aboutshell/shell_businesses/e_and_p/infrastructure/access_code_of_practice_121007.html

Further details of Esso Exploration and Production UK Limited's facilities and infrastructure can be obtained from the web-page: http://www.exxonmobil.co.uk/UK-English/Operations/UK_OP_Off_ICoP_SEGAL.asp