



May 31, 2006

North American Energy Standards Board  
1301 Fannin, Suite 2350  
Houston, TX 77002

Attn: Laura B. Kennedy  
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Re: **BP Energy Company**  
**NAESB Comments on Recommendation R05014/WGQ 2006 Annual Plan Item 6**

BP would like to express our appreciation for the significant time and effort that has gone into the above noted recommendation. The following comments reflect the input from a few members of our legal, credit and tax groups, which our legal representative would be pleased to discuss further if requested.

**1. Section 2.6 Definition for "Business Day(s)"**

BP is concerned with the insertion of "similar holidays" (for Canada and Mexico)" because: 1) we believe only a limited number of users of this document transact with parties in Mexico, and the "similar holidays in Mexico" may be too vague to automatically become a "Business Day" under the NAESB, and 2) we are aware that there are "statutory" holidays in Canada that may not qualify as "Federal Banking Holidays." We further question the change given the growing acceptance of using a "Canadian Addendum" to the NAESB to address uniquely Canadian amendments and suggest the same format be used for Mexico amendments. Therefore, we do not support this change but recommend that Canadian and Mexican differences from the U. S. standard be reflected in an addendum.

**2. Section 2.10 Definition for "Contract Price"**

BP is concerned with the suggested addition to this definition to specifically include "reimbursement to Seller for production, severance and other taxes imposed on the Gas prior to delivery at the Delivery Point." First, this provision is already covered in the Taxes section. Secondly, by specifically addressing this inclusion and not specifically including any other taxes that are imposed prior to delivery or not specifically excluding taxes imposed on the Gas after delivery, NAESB may be creating future interpretive issues. We are particularly concerned about gross receipt types of taxes, which are being imposed by States that do not care whether they are imposed before or after the point of delivery nor do they care who pays the tax, as long as it is paid. Our preference is to leave the definition of "Contract Price" as is.

**3. Section 8.4 (Reporting cross-border transactions)**

BP is not certain that this provision accurately reflects the intent of the parties in a transaction that takes place at a point on the Canadian/US border. First, in cross border transactions, typically the Seller takes title to the gas outside the U. S.; however, if the sale is at a delivery point on the Canadian/U.S. border, the Seller may not always be the importer of record. This may also have

broader implications if Sellers are deemed, by this provision, to have transacted in the US. Second, although BP believes this is an important issue, we are concerned that if this provision gets buried in the general terms, the counterparties may enter the contract without addressing the issue of who is responsible for reporting on either side of the border. We understand that there was some discussion regarding designating reporting entities on the Base Contract elections sheet, which to BP is a better option. Without further consideration of all of the ramifications of this proposal, both internally and externally, BP is not comfortable supporting this amendment.

**4. Section 9.4:**

BP does not understand why this section has been inserted nor why a counterparty should be given 10 business days to change payment instructions. If the concern is a party being in default, perhaps this could be addressed in the default section. For example, a party would not be in default or owe interest if it made payment to the correct account within 10 business days of receipt of notice of the change. We anticipate that parties will make the change as soon as practicable and not automatically be allowed ten (10) business days to implement the change, which could extend payment deadlines. We do not support the addition of Section 9.4.

**5. Section 10.2: Cover Page**

10.2 on the Cover Sheet has "Additional Specified Transaction" as a capitalized term. The term is not defined within the document. Given that, we believe the word "Additional" should be deleted, leaving only "Specified Transaction".

**6. Section 10.3.2 "Triangular Setoff"**

The language drafted for Triangular Setoff appears to be a four-way Setoff, which includes the Non-Defaulting Party and its Affiliates and the Defaulting Party and its Affiliates. Standard Triangular Setoff applies only to the Non-Defaulting Party and its Affiliates and the Defaulting Party. It allows the Non-Defaulting Party to mitigate losses that may be incurred by its Affiliates. The proposed provision goes one step beyond this and purports to be binding on the Defaulting Party's Affiliates, which are not a party to the contract. While BP supports this idea, we are concerned that it may be unenforceable and unacceptable to many counterparties with regulated affiliates, and it would even be difficult to get parties to accept the triangular setoff. BP supports the Triangular Set-Off with the deletion of 10.3.1 (v).

As mentioned above, our legal representative would be pleased to discuss these further with appropriate WGQ representatives. In that regard, please contact David Field at: (403) 233-1514.

Best regards,



Bill Benham  
Vice President