



## LETTER OF INTENT ON NATURAL GAS (NG) SALE AND PURCHASE

(Subject to Contract)

This Letter of Intent (LOI) is made this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_ between FALCON CORPORATION LIMITED, a company duly registered in Nigeria RC 238581 and having its office at No. 4 Justice Roseline Ukeje Avenue, Lekki, Lagos (hereinafter referred to as “Falcon” or “Seller” which expression shall wherever the context so admits include its successors-in-title and assigns) of the one part;

and

\_\_\_\_\_ LIMITED, a company duly registered in Nigeria RC \_\_\_\_\_ and having its office at \_\_\_\_\_ Lagos (hereinafter referred to as “\_\_\_\_\_” or “Buyer” which expression shall wherever the context so admits include its successors-in-title and assigns) of the other part.

Seller and Buyer are herein referred to individually as “Party” or collectively as “Parties”

### 1.0 Background

Falcon is the operator of the franchise for Natural Gas distribution to industries within Ikorodu town and environs in Lagos State, Nigeria. \_\_\_\_\_ has requested for negotiations between itself and Seller for the purchase of Natural Gas (NG) to be supplied to its facilities. This Letter of Intent sets forth the intent of the Parties for the sale and purchase of Natural Gas (NG) between Seller and Buyer. At all times, Seller will hold title to quantities of Natural Gas (NG) to be supplied.

### 2.0 Negotiation and Execution of a Natural Gas Sale & Purchase Agreement

Seller and Buyer accept that this business relationship shall be governed by a long-term Gas Sale & Purchase Agreement (GSPA) and the Parties are committed to signing such Agreement prior to the start of gas supply to Buyer. Promptly after the execution of this Letter of Intent, the Parties will commence good faith negotiations concerning the full terms and conditions of the GSPA. The Parties agree that the GSPA will include the substance of the principal terms and conditions as set forth in this Letter of Intent, as well as such other terms and conditions as are customarily contained in Gas Sale and Purchase Agreements and as may be mutually agreed by the Parties.

The Parties intend to execute a GSPA on or before \_\_\_\_\_ of \_\_\_\_\_, 20\_\_

### 3.0 Contract Period

The GSPA will become effective upon its execution (the “Effective Date”), and shall be for a period to be negotiated and determined.

### 4.0 Annual Contract Quantity (ACQ)

Seller shall make available and Buyer shall take a Contract Quantity equivalent to \_\_\_\_\_ MMsm<sup>3</sup> or \_\_\_\_\_ MMscf per annum. This Annual Contract Quantity (ACQ) is equivalent to a Daily Contract Quantity (DCQ) of \_\_\_\_\_ Msm<sup>3</sup>/d or \_\_\_\_\_ MMscf/d for three hundred and thirty (330) days per annum, and a normal hourly flow rate of \_\_\_\_\_ Msm<sup>3</sup>/hr or \_\_\_\_\_ Mscf/hr. The Parties will use part or whole of the remaining 35 days per year for maintenance of their facilities. The Parties shall endeavor to synchronize their maintenance.

**5.0 Take or Pay Quantity (TOPQ)**

TOPQ shall be 90% of the Annual Contract Quantity. TOPQ shall not be applicable if Seller is unable to supply gas. Buyer shall be entitled to Make-Up Gas, which is any gas that was paid for but not taken, under the TOPQ clause. Barring any case of Force Majeure, Seller shall regularly make gas available to Buyer up to the ACQ for a total of 330 days per year.

**6.0 Price of Natural Gas (NG)**

Gas pricing shall be based on the Government approved pricing structure and any subsequent changes thereto; such changes as may be pronounced by the Government being duly notified in writing by Seller to Buyer. The Natural Gas (NG) price mechanism as is currently applicable will be set out in the GSPA to be agreed by the Parties. Parties agree that any subsequent change to the pricing regime by the Government shall be captured in an Addendum to the GSPA which shall be duly signed by the Parties.

**7.0 Safety and Environment**

Each party shall plan and execute its project for delivering or buying gas in accordance with established good safety and environmental protection practices. Each party shall provide the other with information and data that may be necessary to properly execute its project. Seller reserves the right to withhold gas supply into Buyer's facilities where Buyer fails to comply with Seller's safety requirements.

**8.0 Equipment and Infrastructure**

Seller shall take necessary steps to lay gas distribution lines to the factory fence of Buyer and shall install gas-metering facilities to enable gas delivery to commence on the mutually agreed date. Buyer shall take necessary steps to ensure its equipment is installed in readiness for commissioning on gas by the mutually agreed commencement date. Further, Buyer shall be responsible to plan for and install the infrastructure (internal piping and fittings) required within the factory premises to get gas to the consuming machines and equipment, by said mutually agreed commencement date.

**9.0 Natural Gas Composition**

The composition of Natural Gas to be delivered by Seller to the Buyer at the agreed Delivery Point shall be as detailed in the GSPA to be signed by the Parties hereto.

Signed for and on behalf of Falcon Corporation Limited

Name: \_\_\_\_\_

Designation: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Signed for and on behalf of \_\_\_\_\_ Limited

Name: \_\_\_\_\_

Designation: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_