

Exhibit No. \_\_\_\_ (BJC-4T)  
Docket No. UG-11 \_\_\_\_  
Witness: Barbara J. Cronise

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of )  
 )  
NORTHWEST NATURAL GAS )  
COMPANY, dba NW Natural, )  
 )  
Revision to Schedule P to include )  
acknowledging the recovery of the cost )  
of gas acquired through Gas Reserves. )

Docket No. UG-11 \_\_\_\_

**NORTHWEST NATURAL GAS COMPANY**

**EXHIBIT OF BARBARA J. CRONISE**

**Terms of Carry and Earning Agreement Mitigating Risk to NW Natural**

**REDACTED**

July 6, 2011



Risk	Mitigation
Encana's interest in the leases is insufficient to convey to NW Natural the interests it will earn	<p>Encana has represented and warranted that it holds marketable title in the leases sufficient to convey to NW Natural the interests NW Natural will earn under the Carry and Earning Agreement. C&amp;E § 6.2(iv). Encana will repeat that representation and warranty every time it assigns an interest to NW Natural. C&amp;E § 6.2.</p> <p>[Confidential] ***** ***** [Confidential]</p>
Encana seeks to sell or sells all of its interests in the property	<p>NW Natural has right to require Encana to market NW Natural's interests in the property on the same terms. C&amp;E § 13. If Encana sells, NW Natural can terminate its obligation to pay for the drilling of Carry Wells. C&amp;E § 13.</p>
Environmental fines and penalties	<p>[Confidential] ***** ***** ***** ***** ***** ***** ***** ***** ***** ***** ***** [Confidential]</p>
Environmental remediation or remedial action	<p>[Confidential] ***** ***** ***** ***** ***** ***** ***** ***** ***** [Confidential]</p>

<b>Risk</b>	<b>Mitigation</b>
Encana files for bankruptcy	Because NW Natural has a first position lien on Encana's interests in the oil and gas leases in the Updip and Downdip Areas, NW Natural would assert that it is a secured creditor up to the value of its collateral. C&E § 5.1. Furthermore, because NW Natural is earning interests in these oil and gas leases by paying for drilling costs, NW Natural can seek to utilize the farmout agreement exclusion in the Bankruptcy Code, such that its interests could not be rejected, sold, or otherwise transferred in an Encana bankruptcy proceeding. C&E §§ 3.4, 3.5. In addition, because NW Natural holds interests in oil and gas leases, it can seek to utilize Wyoming case law treating such interests as real property. C&E §§ 3.4, 3.5. It is also worth noting that NW Natural can terminate its obligation to pay for Carry Wells if Encana has a material change in financial condition. C&E § 14.1(vi).
Changes to federal tax code	NW Natural can terminate its obligation to pay for the drilling of Carry Wells if tax benefits are lost. C&E § 14.1(viii)-(ix).