



Energía Costa Azul

ENERGIA COSTA AZUL LNG TERMINAL CAPACITY EXPANSION OPEN SEASON PROCEDURES APRIL 17, 2006

Introduction

Sempra LNG, a subsidiary of Sempra Energy, announces an Open Season for expansion of the Energía Costa Azul, S. de R.L. de C.V. (ECA) liquefied natural gas (LNG) storage and re-gasification terminal located in Baja California, Mexico. The Open Season will commence on April 17, 2006 to solicit interest for the proposed capacity expansion of the ECA terminal as described herein. These Open Season procedures were developed to provide an open and non-discriminatory means to provide storage and regasification terminal access.

Expansion capacity resulting from this Open Season shall be allocated to Shippers based on factors related to each request including proposed commercial terms, economic value and Shipper's creditworthiness. Requests for capacity by potential Shippers should be in the form substantially similar to that set forth below and are due no later than 5:00 p.m. (PST), Friday, May 12, 2006. ECA anticipates that the parties will enter into binding Firm Storage Service Agreements (FSSAs) by September 30, 2006. The earliest proposed service date for terminal expansion capacity is expected to occur in the second quarter of 2010.

Description of ECA Facilities and Proposed Expansion

The ECA terminal, located 14 miles North of Ensenada on the western coast of Baja California, subscribed 100% of its first phase of development, which consists of one berth capable of receiving LNG tankers up to 200,000 m³, storage capacity of approximately 1,737,000 GCal and terminal send-out capacity of approximately 252,000 GCal/day (1.0 Bcf/day or 1,100,000 MMBtu/day). Construction began in March 2005 and commercial operations are expected to begin in early 2008. If Service Requests for expansion capacity pursuant to this Open Season are accepted, ECA's second phase of development contemplates an expansion of its terminal and / or marine facilities, for which the final expansion design and configuration shall be based on such Service Requests. Sempra LNG will not be participating in this Open Season as a Shipper.

Description of the Interconnected Pipelines

The ECA LNG terminal will be interconnected to the Gasoducto Bajanorte Pipeline (GB) by a 40-mile spur pipeline to be constructed by Sempra Pipelines and Storage, a Sempra LNG affiliate, which will provide access to markets throughout Baja California and southwestern U.S. This pipeline will connect with the GB, North Baja Pipeline (NBP) and/or Transportadora de Gas Natural de Baja California (TGN) systems. Additional information regarding each of these pipelines and their tariffs can be found at the following websites provided below:

North Baja Pipeline	http://www.northbajapipeline.com
Gasoducto Bajanorte Pipeline	http://www.gasoducto-bajanorte.com
Transportadora de Gas Natural de Baja California	http://www.tgndebajacalifornia.com

This Open Season process does not include capacity on these pipelines. Pipeline capacity may be secured separately. Sempra LNG will release its unutilized spur pipeline capacity so that it is available to Shippers who execute FSSAs.

Requests for Service

In order to participate in this Open Season, potential Shippers must submit, at a minimum, the following information:

- A. Potential Shippers are to provide a non-binding Service Request form, included herein as Attachment A to these Open Season Procedures that is completed as follows:
 1. In the first section, identify potential Shipper's company, its state or country of incorporation and its parent corporation;
 2. In the second section, indicate the estimated start and end date for service, and any extension options requested to the term of service;
 3. In the third section, state the proposed maximum storage quantity, and maximum and minimum delivery quantities;
 4. In the fourth section, identify the LNG supply source (including liquefaction plant and train), composition, quality, heating value, and whether nitrogen injection may be required;
 5. In the fifth section, define the tanker specifications that will supply LNG to the terminal, including cargo capacity, dimensions, and type, as well as estimated delivery frequency.
 6. Valid forms must include the name and telephone number of the contact person submitting the service request and credit information and whether such credit information is included with the request form or if it has already been sent.
 7. Completed Service Request forms must be returned no later than 5:00 pm (PST), Friday, May 12, 2006, in either fax or hardcopy form to:

Sue Bradham
Director, Commercial Development
Energía Costa Azul
BLVD. COSTERO GRAL. LAZARO CARDENAS No. 656
LOCAL RPA-6
ZONA CENTRO
ENSENADA B.C.
(646) 175-1407 (phone)
(646) 175-1448 (fax)
 8. Additions, deletions or any other changes to any part of the Open Season Service Request form will not be accepted.
- B. Potential Shippers are responsible for providing specific information describing how they plan to meet the creditworthiness standards in accordance with the ECA General Terms and Conditions (Refer to Attachment B for additional information regarding credit requirements) along with the Service Request.
- C. ECA will distribute estimated rates and a term sheet to potential Shippers on Friday, April 21, 2006. Prior to such distribution, potential Shippers are required to submit an executed Confidentiality Agreement, included herein as Attachment C, unless Shipper has already executed such an agreement with Sempra LNG or ECA which is still in effect.

- D. Service requests must also be accompanied by a \$50,000 USD deposit to ECA from the potential Shipper to be considered valid. If ECA allocates expansion capacity to the Shipper, ECA may use Shipper's deposit to offset Shipper's monthly invoice(s) upon commencement of service.

Rates and Terms for Storage Services

ECA will distribute estimated recourse rates and a term sheet for terminal expansion capacity no later than Friday, April 21, 2006, upon receipt of an executed Confidentiality Agreement as set forth below. Estimated recourse rates will be updated no later than Thursday, July 20, 2006. ECA's recourse rates shall be subject to approval by the CRE.

Shipper Meeting

Potential Shippers who require additional information for the Open Season are encouraged to attend an informational meeting related to ECA terminal capacity expansion, which will be held on Thursday, April 27, 2006 at 10:00 AM at ECA's Ensenada offices, BLVD. COSTERO GRAL. LAZARO CARDENAS No. 656, LOCAL RPA-6, ZONA CENTRO, ENSENADA B.C.

Confidentiality Agreements

Shippers who desire to participate in this Open Season process are required to submit an executed Confidentiality Agreement prior to distribution of estimated recourse rates and a term sheet by ECA, which shall occur on April 21, 2006, or prior to such date if Shipper requires further information that ECA reasonably considers confidential. Potential Shippers who have already executed a confidentiality agreement with ECA or Sempra LNG substantially similar to Attachment C are excluded from this requirement. The form of Confidentiality Agreement, included and Attachment C, is to be executed and returned to, or any revisions to the form should be directed as soon as possible to:

Sue Bradham
Director, Commercial Development
Energía Costa Azul
BLVD. COSTERO GRAL. LAZARO CARDENAS No. 656
LOCAL RPA-6
ZONA CENTRO
ENSENADA B.C.
(646) 175-1407 (phone)
(646) 175-1448 (fax)

Service Agreements

Following completion of the Open Season, a draft Firm Storage Service Agreement (FSSA) will be provided to all qualified potential Shippers. ECA anticipates negotiations will conclude and the binding FSSA(s) will be signed prior to September 30, 2006. Any contractual relationships between the parties will be established in the FSSA.

Allocation Criteria

In accordance with the General Terms and Conditions, ECA will assess each Service Request for expansion capacity and may award such capacity to potential Shippers based on valid requests that offer the greatest present economic value, as determined by evaluating the requested capacity, term of service, price and other commercial terms. ECA reserves the right to combine and/or select among bids on a non-discriminatory basis in a manner designed to achieve maximum present economic value for the System. ECA will not consider any Service Request that interferes with contractual obligations between ECA and its existing Shippers at the ECA terminal.

No Assignment of Allocated Expansion Capacity

ECA reserves the right, in its sole discretion, to restrict any transfer or assignment of expansion capacity allocated to a Shipper pursuant to this Open Season prior to the execution of an FSSA with ECA. Any permissible assignment of ECA capacity shall be governed by the FSSA between the parties.

Relevant Dates and Deadlines

Phase I

Open Season Public Notification:	March 13, 2006 – April 16, 2006
Open Season Period:	April 17, 2006 – May 12, 2006
Distribute Estimated Recourse Rates and Term Sheet:	April 21, 2006
Shipper Meeting / Q&A:	April 27, 2006
Review of Service Requests by ECA and Distribute form FSSA Agreements:	May 15, 2006 – June 2, 2006

Phase II

Negotiate and Execute Binding Service Agreement(s):	Completion by September 30, 2006
Technical Due Diligence / Data Room:	Q2 – Q3 2006
Distribute Updated Estimated Recourse Rates	July 20, 2006

Phase III*

Expansion Construction Period:	Q2 2007 – Q2 2010
Expansion Start Date:	Q2 2010

- * The Phase III dates above are subject to change by agreement between ECA and Shipper(s) with executed FSSA(s).

Contact Information

If questions arise throughout this process, potential Shippers interested in requesting service are encouraged to contact the following:

Sue Bradham
Director, Commercial Development

Energía Costa Azul
BLVD. COSTERO GRAL. LAZARO CARDENAS
No. 656
LOCAL RPA-6
ZONA CENTRO
ENSENADA B.C.
(646) 175-1407 (phone)
(646) 175-1448 (fax)

Sempra LNG
101 Ash Street
San Diego, CA
92101
USA

(619) 696 – 3131 (phone)
(619) 696 – 1803 (fax)

or

Jim Sahagian
Vice President, Commercial Development

Energía Costa Azul
BLVD. COSTERO GRAL. LAZARO CARDENAS
No. 656
LOCAL RPA-6
ZONA CENTRO
ENSENADA B.C.
(646) 175-1407 (phone)
(646) 175-1448 (fax)

Sempra LNG
101 Ash Street
San Diego, CA
92101
USA
(619) 696 – 2357 (phone)
(619) 696 – 1803 (fax)

Or potential Shippers may refer to the ECA website:

<http://www.energiacostaazul.com.mx>

ATTACHMENT A
ENERGIA COSTA AZUL
LNG TERMINAL CAPACITY EXPANSION
SERVICE REQUEST FORM:

1. Shipper Information:

Company Name: _____
State or Country of Incorporation: _____
Parent Corporation: _____

2. Requested Term of Service:

Start Date: _____
End Date: _____
Proposed Term Extension(s) (if applicable): _____
Proposed Conditions Precedent and Satisfaction Dates: _____

3. Quantity:

Maximum Storage Quantity (MSQ): _____ GCal at Standard GHV
Maximum Daily Delivery Quantity (MDQ): _____ GCal/Day
Minimum Daily Delivery Quantity (MNDQ): _____ GCal/Day

4. LNG Supply:

LNG Source, including Liquefaction Plant and Train: _____
Expected LNG Composition and Quality: _____
Expected Heating Value Range (Min & Max): _____
Nitrogen Injection Services Requested: Yes No

5. Tanker Specifications:

Desired Tanker Sizes and Dimensions: _____
Tanker Cargo Capacity: _____
Proposed Delivery Frequency: _____

Service Request Form Submitted By:

Name: _____ Title: _____
Signature: _____ Date: _____
Company Address: _____
Telephone: _____ Fax: _____
Credit Information Attached: Yes No
If not, date sent or to be sent: _____
Credit Information Contact Name: _____
Telephone: _____ Fax: _____

**Original hard copy or faxed copy of the Service Request Form must be received by
5:00 p.m. (PST) Friday, May 12, 2006.**

Attn: Sue Bradham
Director, Commercial Development
Energía Costa Azul
BLVD. COSTERO GRAL. LAZARO CARDENAS No. 656
LOCAL RPA-6, ZONA CENTRO, ENSENADA B.C.
(646) 175-1407 (phone)
(646) 175-1448 (fax)

ATTACHMENT B
ENERGIA COSTA AZUL
LNG TERMINAL CAPACITY EXPANSION
CREDIT REQUIREMENTS

1. These credit requirements, set forth in the ECA General Terms and Conditions, are for service requests for the potential capacity expansion of existing facilities as provided for in this Open Season.
2. Potential Shippers are requested to provide copies of audited financial statements for Shipper's three previous fiscal years, annual reports, current economic-financial value of Shipper's business, a list of affiliates, if any, including any parent and subsidiary companies, and/or other descriptive information reasonably requested by ECA.
3. Shipper's credit-worthiness must be evidenced by a long-term unsecured bond (or other senior unsecured debt) with a minimum rating of BBB+ or higher by Standard and Poors or an equivalent rating by another U.S. or Canadian Credit Rating Agency acceptable to ECA. This rating must be a "foreign currency" rating if the Shipper is domiciled outside of the United States. In the event that a Shipper has different credit ratings from different Credit Rating Agencies, the lowest rating shall apply for the purposes of these Open Season requirements.
4. If Shipper does not establish or maintain credit-worthiness as described above, Shipper has the option of providing to ECA one of the following Financial Guarantees:
 - a. A guarantee of Shipper's financial performance in a form satisfactory to ECA and for the term of the proposed FSSA from a corporate affiliate of the Shipper or a third party either of which meets the credit-worthiness standard discussed above; or
 - b. A Standby Irrevocable Letter of Credit in an amount equal to the product of the proposed monthly Storage Capacity Payment payable by Shipper under the Service Agreement multiplied by the lesser of forty eight (48) or the number of remaining months of the term of the Service Agreement, issued by a commercial bank or financial institution located in the United States or Mexico, which bank or financial institution and letter of credit has been reviewed and accepted by ECA; or
 - c. Other security acceptable to ECA and/or its lenders; or
 - d. A deposit in guarantee for an amount equal to the product of the monthly Storage Capacity Payment payable by Shipper under the Service Agreement multiplied by forty eight (48) or the number of remaining months of the term of the Service Agreement, whichever is less.
5. Potential Shippers are also requested to provide contact information related to the credit information requested herein, including mailing addresses, telephone numbers, fax numbers and email addresses.

ATTACHMENT C
ENERGIA COSTA AZUL
LNG TERMINAL CAPACITY EXPANSION
FORM OF CONFIDENTIALITY AGREEMENT
(ATTACHED)

CONFIDENTIALITY AGREEMENT

This Agreement (the "Agreement") is made and entered into as of _____, 2005, between Sempra LNG, a California corporation, whose address is 101 Ash Street, San Diego, California 92101 ("Sempra") and [ENTITY], a [STATE] [FORM OF COMPANY], whose address is _____ ("SHORT NAME").

Sempra and [SHORT NAME] are interested in jointly pursuing certain business opportunities, including a transaction in connection with the Energia Costa Azul LNG capacity expansion (the "Potential Transaction"). In connection therewith Sempra and [SHORT NAME] recognize that there may be a need: (a) to disclose to one another certain of their respective Confidential Information to be used only for the purposes herein and (b) to protect each other's Confidential Information from unauthorized use and disclosure.

In consideration of the other party's disclosure of such Confidential Information and the mutual agreements set forth herein, each party agrees as follows:

1. Confidential Information. As used in this Agreement, "Confidential Information" means any of (a) proprietary information concerning the business, operations and assets of either party to this Agreement, (b) information of a party which would, if disclosed to competitors of a party, give or increase such competitor's advantage over the party or diminish such party's advantage over its competitors, (c) information with respect to potential development projects being pursued by one of the parties or (d) any other information disclosed, either orally, electronically or in writing, by one party to the other under this Agreement that the disclosing party identifies as confidential at the time of its disclosure.

2. Exclusions. Confidential Information does not, however, include information that the receiving party can demonstrate:

(a) is now, or hereafter becomes, through no act or failure to act on the part of the receiving party, generally known or available to the public;

(b) was known by the receiving party before receiving such information from the disclosing party;

(c) is hereafter rightfully obtained by the receiving party from a third party, without breach of any obligation to the disclosing party; or

(d) is independently developed by the receiving party without use of or reference to the Confidential Information by persons who had no access to the Confidential Information.

3. Obligations. Each party agrees:

(a) to hold the other party's Confidential Information in strict confidence;

(b) not to disclose such Confidential Information to any third party except as specifically authorized herein or as specifically authorized by the other party in writing;

(c) to use all reasonable precautions, consistent with such party's treatment of its own Confidential Information of a similar nature, to prevent the unauthorized disclosure of the other party's Confidential Information; and

(d) not to use any Confidential Information for any purpose other than the purposes contemplated herein.

4. Permitted Disclosures. Each party may disclose the other party's Confidential Information to its responsible employees, affiliates, lenders and professional advisors with a bona fide need to know such Confidential Information, but only if such employees, affiliates, lenders and professional advisors are advised of the confidential nature of such Confidential Information and agree to be bound by the terms of this Agreement.

5. Required Disclosures. Each party may disclose the other party's Confidential Information if and to the extent that such disclosure is required by applicable law, order, rule, regulation or any securities exchange, provided that the receiving party provides the disclosing party a reasonable opportunity to review the disclosure before it is made and to provide reasonable assistance to the disclosing party in obtaining a protective order or a request for confidential treatment.

6. No Unauthorized Contact or Solicitation. All inquiries and other communications with respect to the Potential Transaction are to be made directly to _____, or to such other employees or representatives of Sempra as Sempra may specify. Accordingly, [SHORT NAME] agrees not to directly or indirectly contact or communicate with any other executive or other employee of Sempra concerning the Potential Transaction, or to seek any information in connection therewith from such person, without Sempra's prior written consent. [SHORT NAME] also agrees not to discuss with or offer to any third party an equity participation in any Potential Transaction or any other form of joint acquisition by [SHORT NAME] and such third party without Sempra's prior written consent.

7. No Poach. [SHORT NAME] agrees that without Sempra's prior written consent, [SHORT NAME] and its representatives will not for a period of two (2) years from the date of this agreement directly or indirectly solicit or direct anyone else to solicit for employment any person who is now employed by Sempra (or whose activities are dedicated to Sempra).

8. Copies and Abstracts. To the extent necessary to carry out the business contemplated herein, the receiving party may make copies or abstracts of the disclosing party's Confidential Information provided that all such copies and abstracts are themselves marked as confidential.

9. Return of Confidential Information. Upon the disclosing party's request, the receiving party will promptly return to the disclosing party all copies of the Confidential Information, will destroy all notes, abstracts and other documents in any form that contain Confidential Information, and will provide to the disclosing party a written certification of an officer of the receiving party that it has done so.

10. No Implied Licenses. Nothing in this Agreement will be construed as granting any rights to the receiving party, by license or otherwise, to any of the disclosing party's Confidential Information, except as specifically stated in this Agreement.

11. No Representation or Warranty. [SHORT NAME] acknowledges and agrees that neither of Sempra nor any of Sempra's representatives or agents is making any representation or warranty, expressed or implied, as to the accuracy or completeness of the information provided to [SHORT NAME] in connection with the Potential Transaction (the "Sempra Information"), and neither Sempra nor any of Sempra's representatives or agents, nor any of their respective officers, directors, employees, representatives, stockholders, owners, affiliates, advisors or agents, will have any liability to [SHORT NAME] or any other person resulting from the use of the Sempra Information by [SHORT NAME] or any of [SHORT NAME'S] representatives. Only those representations or warranties that are made to a purchaser in a definitive agreement relating to a Potential Transaction (a "Definitive Agreement") when, as, and if it is executed, and subject to such limitations and restrictions as may be specified in such Definitive Agreement, will have any legal effect.

12. No Agreement to Sale. [SHORT NAME] also acknowledges and agrees that no contract or agreement providing for a Potential Transaction shall be deemed to exist between [SHORT NAME] and Sempra unless and until a Definitive Agreement has been executed and delivered to [SHORT NAME] and each of the other parties thereto, and [SHORT NAME] hereby waives, in advance, any claims (including, without limitation, breach of contract and any right to injunctive relief) in connection with a transaction unless and until a Definitive Agreement has been executed and delivered by [SHORT NAME] and each of the other parties thereto. [SHORT NAME] also agrees that unless and until a Definitive Agreement between Sempra and [SHORT NAME] with respect to a Potential Transaction been executed and delivered by [SHORT NAME] and each of the other parties thereto, there shall not be any legal obligation of any kind whatsoever with respect to any such transaction by virtue of this Agreement or any other written or oral expression with respect to such transaction except, in the case of this Agreement, for the matters specifically agreed to herein. For purposes of this agreement, the term “Definitive Agreement” does not include an executed letter of intent or any other preliminary written agreement, nor does it include any oral acceptance of an offer or bid by [SHORT NAME].

13. Term of Agreement. This Agreement applies to all Confidential Information that is disclosed by one party to the other party during the period that begins on the date set forth above and ends twenty-four (24) months thereafter, at which time this Agreement will terminate.

14. Applicable Law. This Agreement will be construed, interpreted and applied in accordance with the laws of the State of California (excluding its body of law controlling conflicts of law). This Agreement sets forth the complete and exclusive agreement of the parties regarding the subject matter of this Agreement and supersedes all prior agreements, understandings and communications, oral or written, between the parties regarding the subject matter of this Agreement. This Agreement is not, however, intended to limit any rights that the parties may have under trade secret, copyright, patent or other laws that may apply to the subject matter of this Agreement both during and after the term of this Agreement.

15. Publicity. Neither party shall, without the prior written consent of the other party, disclose to any person (a) the fact that the parties have exchanged Confidential Information or (b) any information regarding the ongoing business relationship between the parties, including the fact that such relationship exists; provided, however, that a party may disclose the information specified in (a) and (b) above if such disclosure is required in Section 5 above, in which case the procedures specified therein with respect to such disclosure shall apply.

16. Savings Clause. If any provision of this Agreement or the application thereof to any person, place, or circumstance, shall be held by a court of competent jurisdiction to be invalid, unenforceable, or void, the remainder of the Agreement and such provisions as applied to other persons, places, and circumstances shall remain in full force and effect.

17. Remedies. The parties acknowledge and agree that, in the event of any breach of this Agreement, the disclosing party would be irreparably harmed and could not be made whole by monetary damages. Accordingly, it is agreed that, in addition to any other remedy to which the disclosing party may be entitled at law or in equity, the disclosing party shall be entitled to an injunction or injunctions (without the posting of any bond or other security and without proof of actual damages) to prevent breaches or threatened breaches of this Agreement and/or to compel specific performance of this Agreement. Neither party nor any of its subsidiaries or affiliates shall have any liability to any other party or its subsidiaries or affiliates for any special, indirect, incidental or consequential loss or damage whatsoever, including, without limitation, lost profits or lost investment opportunity, even if such party has been advised in advance that such damages could occur.

18. Attorneys’ Fees. If any action at law or in equity is brought to enforce or interpret the provisions of this Agreement, the prevailing party in such action shall be entitled to reasonable attorneys’ fees, including in-house and outside attorneys’ fees.

