

NATURAL RESOURCE GAS LTD.

UPDATED PROPOSAL

ENGINEERING AND ADMINISTRATION SERVICES FOR THE MAINTENANCE OF THE NPS 6 NATURGAL GAS PIPELINE

Submitted to:

Jack Howley General Manager Natural Resource Gas Ltd.

> MIG Engineering Ltd 453 Christina St. N Sarnia, Ontario, N7T 5W3 MIG Project No.: 10348.01



January 18, 2010

TABLE OF CONTENTS

| <u>SECTION</u> <u>F</u> | PAGE |
|--|------|
| TABLE OF APPEDICES | iii |
| 1 Introduction | 1 |
| 2 Project Scope | 1 |
| 3 Maintenance Activities | 2 |
| 3.1 Valve Maintenance – Above Grade Piping Valves | 2 |
| 3.2 Above Grade Piping / Fitting Maintenance | |
| 3.3 Pipeline Marker / Sign Maintenance | |
| 3.4 Pre-Test Pipe for Emergency Use | |
| 3.5 Pipeline Repair / Relocation | |
| 3.6 Leakage Survey | |
| 3.7 Odour Level Testing | |
| 3.8.1 Close Interval Survey (One Time) | |
| 3.9 Anode Replacement | 4 |
| 3.10 Pipeline Locates | 4 |
| 3.11 Weekly Observations / Inspections | |
| 3.12 3 rd Party Observations | |
| 3.13 Depth of Cover Survey | |
| 3.13.1 Depth of Cover Survey – Sensitive Areas | 5 |
| 3.14 Ground Control / Maintenance | 5 |
| 3.15 Development Encroachment Survey (Class Location) | |
| 3.16 Manual Review (Operations, Maintenance, Integrity Management) | |
| 3.17 Technician Training – Updated Manuals | |
| 3.18 Community Awareness | |
| 3.19 Emergency Response – Mock Emergency | |
| 3.20 Make Pipeline Pigable | |
| 3.21 In-Line Inspection | |
| 4 Estimated Costs | 7 |
| 5 Cost Summary | 9 |
| APPENDIX A – 3 RD Party Estimates | 10 |



TABLE OF APPEDICES

APPENDIX A – 3RD Party Estimates TW Johnstone Hetek Solutions Corrosion Service G-Tel Weed Busters Rosen



1 Introduction

MIG Engineering ("MIG") is pleased to be able to provide Natural Resource Gas Ltd. ("NRG") with a proposal to provide Administration and Engineering services for the required maintenance on the recently installed 28.5km of NPS 6 natural gas pipeline from London to Aylmer, Ontario. The pipeline was installed in 2008 and MIG performed the contract administration for the duration of the construction.

2 Project Scope

The required maintenance activities for the pipeline are required to ensure a safe and secure operation of the pipeline for the owner, customer and the general public. The timing of the various activities varies from monthly to annually to every 5-7 years. For each maintenance task, MIG proposes to perform the following as appropriate:

- Develop a detailed scope document and engineered drawings
- Obtain proposals from qualified contractors to complete the work
- Assess the proposals and recommend the preferred contractor
- Upon NRG's approval, procure the contractor to complete the work
- In conjunction with NRG, obtain the necessary permits / approvals to complete the work
- Ensure the work is completed in an effective and timely manner
- Provide the results to NRG
- Develop an action plan and estimate for additional work that results from the maintenance activity
- Thoroughly document all the activities related to the pipeline for NRG's records
- Represent NRG on an 'as required' basis related to this pipeline



3 Maintenance Activities

There are various maintenance activities that are recommended to be performed on the pipeline system. The activities include the following:

3.1 Valve Maintenance - Above Grade Piping Valves

The valves installed along the pipeline will be checked and cycled twice per year with a period of no more than 8 months between inspections. The valves will be turned to the half-open position and returned to the full open (or closed depending on valve) and greased and maintained as per the valve manufacturer's recommendation.

3.2 Above Grade Piping / Fitting Maintenance

The above grade piping and fittings will be inspected twice per year with a period of no more than eight months between inspections. The piping and fittings will be touched up with paint as required. A further action plan will be prepared if it is determined that a more extensive repair is required.

3.3 Pipeline Marker / Sign Maintenance

An audit of the pipeline markers will be completed annually and the damaged, faded or removed pipeline markers will be replaced as soon as possible after the completion of the audit. It is estimated that there will be 3-4 signs to be replaced a year.

3.4 Pre-Test Pipe for Emergency Use

Sections of pipe will be pressure tested and inspected and stored in a protected location at NRG with the required documentation to be used to replace sections of pipe that are damaged. The pipe is to be used in emergency situations to minimize the length of time the pipeline is out of service.



3.5 Pipeline Repair / Relocation

Repair sections of pipe that are damaged or must be relocated as a result of:

- Third party damage pipeline strikes
- Conflicts with other utilities, land owners, municipalities
- Insufficient cover as a result of erosion, cover removal, etc
- Acts of nature i.e. lightning strikes
- Material loss as a result of corrosion
- Defect found in pipeline

3.6 Leakage Survey

Leak detection and gas monitoring equipment will be used while walking over the pipeline to locate any leaks in the pipeline. The survey will be completed annually in warmer temperature conditions (no ground frost present) with a period of no more than 16 months between surveys. The leaks that are found will be reported to NRG immediately and an action plan to investigate and repair the leak, if required, will be developed.

3.7 Odour Level Testing

A subjective qualitative test will be completed every month to monitor the concentration levels of odourant present in the natural gas to ensure the odourant is present and distinguishable. The levels will be recorded on a subjective scale and compared to previously recorded levels.

3.8 Cathodic Protection Survey (Annual)

A survey of the pipeline will be completed annually with a period of no more than 16 months between surveys to monitor the level of cathodic protection on the pipeline to ensure the pipeline is protected from external corrosion. The results of the survey will provide an indication of required anode replacement work or additional trouble shooting activities.



3.8.1 Close Interval Survey (One Time)

A survey of the pipe to capture the current protection and distribution levels of the pipeline by completing pipe-to-soil measurements every 10m along the pipeline route. This will provide a baseline of the protection and can be used to trouble shoot and evaluate anomalies in the CP protection capture in subsequent surveys. This is a one-time survey unless additional partial surveys are required to trouble shoot low CP readings.

3.9 Anode Replacement

The life of the sacrificial anode for cathodic protection is limited. It is expected that the anodes will have to be replaced after a period of time. The results of the cathodic protection survey will identify the locations and quantities of anodes to be replaced. It is estimated that 1 anode will have to be installed per year.

3.10 Pipeline Locates

Prior to any excavation in the proximity of a buried natural gas pipeline, the pipeline owner must provide a sketch and markings on the ground (also known as locates) identifying the location of the pipeline. MIG will provide the locates that are requested in a turn-around-time that is within industry standards. Emergency locates that are requested will be completed within 24 hours. The area to be located will be provided by NRG. A seamless communication system between NRG and MIG will be developed. It is estimated that 4 regular locate requests will be required per month, 5 emergency locates during regular business hours and 1 emergency locate after-hours per year.

3.11 Weekly Observations / Inspections

The pipeline route will be driven weekly to inspect the area and ground above the pipeline for various things including (but not limited to) excavations, proposed above or below grade construction, erosion, dead vegetation (as a result of a potential leak), unusual activities, etc. The results of the inspection will provide an indication of additional follow-up / work that would be required.



3.12 3rd Party Observations

When another contractor, utility company, or land owner is excavating in the proximity of this pipeline, an inspector will be provided to ensure the contractor is following the required standards and regulations for safe excavations and is working safely and diligently near the pipeline. The notification of inspection will be provided to the recipient of the location whom must contact MIG for inspection prior to the work commencing.

3.13 Depth of Cover Survey

The depth of the pipeline will be inspected at regular intervals along its entire length to ensure there is still sufficient cover over the pipeline. The survey will be completed every 10 years. The results of the survey will determine the additional work required and an action plan will be developed.

3.13.1 Depth of Cover Survey - Sensitive Areas

The depth of the pipeline will be inspected at sensitive areas every five years including banks of river / creek / ditch crossings, across agricultural lands, and areas where it is expected that the cover has be removed. The results of the survey will determine the additional work required and an action plan will be developed.

3.14 Ground Control / Maintenance

Access to the valves at the two stations located on Bradley Ave and Rogers Rd is very important to the safe operation of the pipeline. As a result, the grounds to access and within the stations will be maintained by snow removal in the winter and weed control in the spring / summer. The stations will be monitored during the weekly inspections to determine the timing of the maintenance work.

3.15 Development Encroachment Survey (Class Location)

The area extending 200m on either side of the pipeline will be monitored annually by driving the line and comparing any development and growth to aerial photographs or pipeline records.



The impact (or additional risk) as a result of the addition of a building, place of gathering, park, factory, etc. will be assessed and an action plan will be determined to mitigate any additional risk to NRG, their customers or the public.

3.16 Manual Review (Operations, Maintenance, Integrity Management)

The notes and comments that are received by the users of the manuals will be reviewed annually and the appropriate manuals will be updated as required. Any changes to the codes or regulations will be applied and updated in the manuals. It is assumed that all existing manuals are currently up-to-date and applicable to the required regulations and standards.

3.17 Technician Training - Updated Manuals

The technicians and users of the various manuals will be informed of the updates and trained on the various changes as required. The information sessions will be organized within 2 months of the distribution of the updated manuals

3.18 Community Awareness

Annually, the local fire departments that are responsible for the coverage in the area of the pipeline will be visited and provided appropriate training material on the proper methods for handling a natural gas emergency. Additionally, pipeline awareness documents for adjacent land owners and other appropriate community awareness programs will be developed as required.

3.19 Emergency Response – Mock Emergency

A mock emergency will be coordinated annually with NRG staff to simulate a possible damage / failure / event on the pipeline that will involve examining NRG adherence to the documented procedures and protocols set out in the Emergency Response Manual. The results of the mock emergency will provide direction to possible manual updates and / or training requirements.



3.20 Make Pipeline Pigable

Complete the design for new pig launcher and receivers, obtain the necessary permits and approvals, and coordinate the modifications to the pipeline to enable the pipeline to be inspected using in-line inspection tools. The pipeline can remain in service or taken out of service for the construction.

3.21 In-Line Inspection

Supply the necessary tools and equipment to inspect the pipeline using in-line inspection tools. Depending on the minimum flow conditions of the pipeline, the pipeline may be able to remain in service for the duration of the inspection. Alternative, the inspection must occur with the pipeline taken out of service.

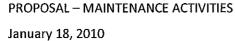
4 Estimated Costs

MIG will provide the administration to coordinate the various maintenance activities and the required engineering service on a time and material basis. The estimated costs provided below are estimates only and may change once the maintenance project has been approved and the costs for the maintenance activities have been provided by the approved contractor.

The estimated costs to complete the various maintenance activities by the approved contractor are:

| Maintenance Activity | Estimate Provider | Frequency | Estimated Cost | |
|---|-------------------|-------------|----------------|-----------|
| Valve Maintenance | TW Johnstone | Annual | \$ | 1,500.00 |
| Above Grade Piping / Fitting Maintenance ¹ | TW Johnstone | Annual | | - |
| Pipeline Marker Maintenance | Hetek | Annual | \$ | 950.00 |
| Pre-test Pipe | _ | One Time | \$ | 1,500.00 |
| Pipeline Repair | - | As Required | | - |
| Leakage Survey | Hetek | Annual | \$ | 1,187.50 |
| Odour Level Testing | Hetek | Annual | \$ | 2,850.00 |
| Cathodic Protection Survey | Corrosion Service | Annual | \$ | 1,295.00 |
| Optional: CP Close Interval Survey | Corrosion Service | One Time | \$ | 16,290.00 |

Natural Resource Gas Co. Ltd





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|--|--------------|---------------------|----|---------------|
| Anode Replacement | TW Johnstone | Annual | \$ | 840.00 |
| Pipeline Locates | G-Tel | Annual | \$ | 2,254.00 |
| Weekly Observations / Inspections | Hetek | Annual | \$ | 12,350.00 |
| 3rd Party Observations | - | Annual | \$ | 4,680.00 |
| Depth of Cover Survey - Entire Length | Hetek | Once every 10 years | \$ | 4,750.00 |
| Depth of Cover Survey - Sensitive Areas | Hetek | Once every 5 years | \$ | 950.00 |
| Ground Control / Maintenance | Weed Busters | Annual | \$ | 1,960.00 |
| Encroachment Survey ² | Hetek | Annual | · | - |
| Manual Review | _ | Annual | \$ | 4,250.00 |
| Technician Training | - | Annual | \$ | 1,650.00 |
| Community Awareness | _ | Annual | \$ | 8,500.00 |
| Emergency Response - Mock Emergency | - | Annual | \$ | 18,000.00 |
| Make Pipeline Pigable (Material - \$45,000) ^{3,4} | - | One Time | \$ | 102,000.00 |
| | | Once every 7- | | |
| In-Line Inspection | Rosen | 10 years | \$ | 70,200.00 |
| TOTAL | | | \$ | 257,956.50 |
| MIG's Activity | | | E | stimated Cost |
| Engineering Design Administration (15% of Maintenance | | Annual | \$ | 19,500.00 |
| Activity) Additional Liability Insurance | | Annual | \$ | 38,693.48 |
| (Endorsement) ⁵ | | Annual | | - |
| Disbursements (%15 MIG's Cost) | | Annual | \$ | 8,729.02 |
| TOTAL | | | \$ | 66,922.50 |
| TOTAL PROJECT ESTIMATE | | | \$ | 324,879.00 |

Notes:

- 1 Above Grade Piping / Fitting Maintenance will be completed with Valve Maintenance
- 2 Completed during Weekly Observation / Inspections. Does not include the cost of aerial photographs.
- 3 Work will be completed during in 9 hr days.
- 4 Estimated that it will take 12 days to complete the work @ \$4750 / day.
- 5 Endorsement for additional liability insurance may be required.



5 Cost Summary

The costs provided are estimated. Estimates have been obtained from 3rd Party service providers and are included in Appendix A. MIG anticipates that a time and material contract (following the standard Professional Engineers of Ontario) will be completed with NRG.

Respectfully Submitted,

MIG Engineering Ltd.

Prepared by:

Randy Goertz, P. Eng



APPENDIX A - 3RD Party Estimates

TW Johnstone Hetek Solutions Corrosion Service G-Tel Weed Busters Rosen January 15, 2010

MIG Engineering Ltd 453 Christina Street North Sarnia, Ontario N7T 5W3

Attention: Mr. Randy Goertz, P.Eng, Senior Manager

Re: Miscellaneous Maintenance on 6" Steel NRG Pipeline

T.W. Johnstone Company Limited is pleased to quote the following:

1. To supply a skilled individual to inspect two above grade valves: \$750.00 + GST per visit

This individual will coordinate with MIG/NRG "gas handling" prior to performing any work on the system. The work shall generally consist of a visual inspection of the valves as well as operating each valve through its full range of motion. This work will be recorded and documented on NRG forms as required.

2. To install 20-60 anodes on this system:

\$840.00 + GST per anode

This pricing is based on the following assumptions:

- · Summer working conditions
- Materials supplied by others
- Standard depth of main (1.0 1.5 m deep)
- · Concrete and asphalt repairs are not included
- Record of installed location will be by GPS coordinates
- 3. Our daily crew rate (based on a 9 hour day) to perform most typical construction and maintenance required by this system:

 \$4750.00 + GST\$

Should you have any questions please contact me at (519) 652-5271, ext 104.

Yours truly,

T.W. Johnstone Company Limited

John S. Tolman General Manager



2085 Piper Lane London, ON Canada N5V 3S5 Ph: (519) 659-1144

Ph: (519) 659-1144 Fax: (519) 453-2182

January 14, 2010

Mr. Randy Goertz MIG Engineering Limited 453 Christina St. Sarnia, ON N7T 5W3

Dear Randy,

Re: 6" - 30 Km NRG HP Pipeline, Maintenance Cost Projection

The following quotation is provided following our discussion and e-mails regarding various maintenance components for the 30kms of 6" HP pipe operated by NRG to service the ethanol plant in Aylmer, Ontario. Hetek Solutions will provide qualified staff to conduct these services based on the following pricing structure for 2010.

| Weekly/Monthly/Annual Requirements | Remarks | Person Day Projection | Cost per Person Day | Projected Annual Total |
|---|---|--|------------------------|------------------------|
| Leakage Survey - Annual | Foot Patrol of Rural HP Line | 2.5 Days/Year | \$ 475.00 | \$ 1,187.50 |
| Monthly Odour Level Test | Test to be taken at ethanol plant | 0.5 Days/Month | \$475.00 | \$2,850.00 |
| Line Inspection - Weekly | Check for construction activity in vicinity of pipeline – via vehicle | 0.5 Days/Week | \$475.00 | \$12,350.00 |
| Pipeline Marker Replacement | Replace damaged markers as required (project 3-5 markers annually, other utility locates will be obtained) | 2.0 Days/Year | \$475.00 | \$950.00 |
| Additional Requirements | Remarks | Person Day Projection | Cost per Person Day | Projected Total |
| Depth Of Cover Surveys (based on recording only sections of line that don't meet minimum standards) | Depth of Cover Survey - 1/10 Years - based on a 10 M interval, plus, identified testing locations such as ditch bottoms at road crossings, areas of evident soil loss | 10 Days/10 Years (program can be subdivided into sections) | \$475.00 | \$4,750.00 |
| Depth Of Cover Surveys | Depth of Cover Survey – 1/5 Years - at creek crossings and areas of suspected soil removal or erosion | 2 Days/5 Years | \$475.00 | \$950.00 |

Randy, I hope this meets your needs for now, please advise if there are other requirements.

Best Regards

Sent electronically

Barry Smith Energy Operations Coordinator



Proposal # 9759-R1

MIG Engineering Ltd. 453 Christina Street North Samia ON N7T 5W3 **DATE:** January 12, 2010

TERMS: NET 30 DAYS

Attention:

Mr. Randy Goertz

Subject: Cathodic Protection Engineering Services for Natural Gas Pipeline

Natural Resource Gas Limited, Aylmer, Ontario (NPS 6"/30 Km)

We are pleased to submit our updated proposal for engineering services required for annual inspections of the subject cathodic protection system and a close interval potential survey.

Annual; Inspection Survey of Cathodic Protection System;

\$1295.00(GST Extra)

> Including site work required to verify wiring termination at 26 test stations.

> Confirmation of effective dielectric flange isolation at the extremities of the pipeline.

> Supply of written inspection report approved by a NACE certified CP Technologist Travel and Living (Includes Service Vehicle, Instruments, Living)

Optional; Close Interval Survey of Cathodic Protection System;

\$16.290.00(GST Extra)

Including pipe-to-soil measurements at 10 metre intervals over the pipeline route

Supply of written inspection report including data plotted over distance approved by a NACE certified CP Technologist Travel and Living (Includes Service Vehicle, Instruments, Living)

Yours very truly,

CORROSION SERVICE CO. LTD.

Paul Bagatavicius, VP Eastern Operations

Phone: (416) 630-2600 Ext 264

E-Mail: pbagat@corrosionservice.com

Terms and conditions are attached and are an integral part of this quotation, and, in addition, form an integral part of all contracts of purchase and sale with us.

Data: PB-2010Quotes:#9759-R1 MIG Eng Aylmer NRG Pipeline;doc



GENERAL TERMS AND CONDITIONS

- WARRANTY: Corrosion Service Company Limited warrants that the materials and workmanship which it would provide under this contract shall be free of defects. The sole obligation of Corrosion Service Company Limited under this warranty is to replace or repair the defective materials or workmanship which it provided, subject only to a charge for any travel time and expenses incurred. This warranty does not cover materials and workmanship provided by others, and does not include repairs or replacement made necessary by misuse, accidental damage, or lack of proper maintenance. Claims made under this warranty must be received by Corrosion Service Company Limited within one year of the system's activation.
- 2. INSURANCE, WORKERS' COMPENSATION, AND BONDS: Certificates of bodily injury and property damage liability insurance, as well as compliance with Workers' Compensation requirements will be furnished upon request. The premium for any required insurance beyond Corrosion Service Company Limited's standard coverage will be extra to the contract price. The cost to Corrosion Service Company Limited to obtain any required performance and/or materials and labour bonds will be extra to the contract price.
- Where Corrosion Service Company Limited or its subcontractors personnel are performing work on site, the client shall ensure safe access to all work locations and provide applicable work permits.
- 4. Prices are firm for acceptance within 30 days of the quotation date, unless otherwise specified therein.
- 5. Orders accepted are considered firm and may be cancelled only in writing, and upon terms that will indemnify Corrosion Service Company Limited against loss.
- 6. Terms are net thirty days unless otherwise specified on the face of the quotation. Interest of 2% per month will be payable on overdue balances.
- 7. Delivery predictions are based on information at time of quoting.
- 8. It is assumed that the purchaser is responsible for the receipt and storage of materials delivered to the job-site.
- 9. The quoted prices assume that all works will be performed by the qualified, non-unionized technical staff of Corrosion Service Company Limited or its sub-contractors. Should unionized personnel be required, they shall be provided to work under the technical direction of, and at no cost to, Corrosion Service Company Limited.

Corrosion Service Company Limited

G-Tel Proposal to Supply Locate Services to Natural Resource Gas (NRG)

Scope: Provide Underground Utility Locates services on the NRG 6" pipeline from

Bradley/Westchester Bourne to Ethanol Plant in Aylmer, ON.

Standard Locate: \$40

Emergency During Business Hours: \$49 Emergency After Business Hours: \$89

These prices are based on the following:

Price is per 300m segment.

Normal Business hours are 7:30 to 4:30

G-Tel would receive the locate info from NRG/MIG

If NRG joins Ontario One Call our price would be reduced by 2.5%

Expected volume would be 3 to 4 locates per month

MAR-6-1999 11:32A FROM: TO: 15193378001 P:2/2 Proposal -Weed Busters
Lawn Care & Irrigation SUBMITTED TO MIC Engineering P.O. BOX 122 TILLSONBURG, ONTARIO N4G 4H3 PROVINCE POŠTAL CODE Rob Thornton 842-9357 Jamie Cattle 842-0854 **Qty** Description Total Well control per wisit all punes subject DIRECTIONS We Propose hereby to furnish material and labour in accordance with above, specifications, for the sum of: .dollars (\$ ALL ORDERS REQUIRE DEPOSIT. Deposit REMAINDER DUE AT DATE OF DELIVERY Balance **Authorized**

Acceptance of Proposal - The above prices, specifications and conditions are satisfactory and are hereby accepted. You are authorized to do the work as specified. Payment will be made as outlined above.

Date of Acceptance:_

Signature

Signature

Signature.

work as specified. Payment will be made as outlined

above.

Date of Acceptance:

P:1/2 ATTN Proposal Weed Busters Care & Irrigation DATE Jan 14/10 EUBMITTED TO MIG Engener P.O. BOX 122 STACE TILL SONBURG, ONTARIO N4G 4H3 POSTAL CODE Rob Thornton 842-9357 WORK PHONE Jamie Cattle 842-0854 JOD NAME Description **Qty** Total ZI) visits Weed control all pucies subject to DIRECTIONS We Propose hereby to furnish material and labour in accordance with above, specifications, for the sum of: dollars (S. ALL ORDERS REQUIRE DEPOSIT. Deposit REMAINDER DUE AT DATE OF DELIVERY Betance Acceptance of Proposal Authorized Signature. prices, specifications and conditions are satisfactory and are hereby accepted. You are authorized to do the

Signature

Signature

From: Michael McGee [MMcGee@RosenInspection.net]

Sent: Wednesday, March 05, 2008 1:58 PM

To: Dara Sinclair

Subject: RE: MIG Eng 06" RFQ

Attachments: XGP06 1.5DxT metric.pdf; CDP06 1.5Du metric.pdf; CDX 06 Rev01.pdf

Other sent early...

From: Michael McGee

Sent: Wednesday, March 05, 2008 11:53 AM

To: 'Dara Sinclair'

Subject: RE: MIG Eng 06" RFQ

Ballpark:

| 1 06" Cleaning & Gauging Pig | |
|---|--|
| | |
| | |
| | |
| 2. 06" Combination Ext-Res def & Hi-Res MFL (CDX) \$6 | |
| | |
| | |

 OR separately 06" Ext-Res deformation (XGP) 06" Hi-Res MFL (CDP) \$23,900 \$51,800

4. XYZ mapping (outputs within 1meter)

\$6,700

Best regards,

Michael McGee ROSEN North America

Area Manager, Technical Services (NA-ROSEN-HOU-OPS-OSLS)

From: Dara Sinclair [mailto:dsinclair@migeng.com]

Sent: Wednesday, March 05, 2008 11:08 AM

To: Michael McGee

Subject: RE: MIG Eng 06" RFQ

Mike:

Thank you for your quick reply. I have tried to answer most of your questions. This is a new 6" line, 29.5 kms, currently out for tender. We require a price for NEB hearing - back-up information. This is to be a budge price only. Please include gyro scoping in price.

Thanks,

Dara

From: Michael McGee [mailto:MMcGee@RosenInspection.net]

Sent: Wednesday, March 05, 2008 12:25 PM

To: Dara Sinclair

Subject: MIG Eng 06" RFQ

Thanks for the call Dara.

If you are able to provide just a few more details I can get you some pricing shortly. We have many options and I want to ensure we meet your needs.

The questions below are also on the attached technical questionnaire and can be filled in there (questions below are sufficient for pricing) OR if you/your client has a completed questionnaire from another vendor that can work too.

- 1. Location of surveys Aylmer to London
- 2. Expected timeframe of surveys 5 years out (in today's \$)
- 3. pipeline min. bend radius some 90 degree bends
- 4. Pressure at inspection 500 psi
- 5. Flow rate at inspection (m/s or mph) unknown at this time
- 6. Launcher/receiver trap dimensions currently unknown, will accommodate your requirements
- 7. Nominal/min/max wall-thickness values standard
- 8. Prior ILI history new line, no history
- 9. Any valve issues or unbarred tees? one valve, full port
- 10. Any other problems/issues noted? no

Best regards,

Michael McGee Area Manager, Technical Services

Canada +1-403-269-1190

US +1-281-442-8282

Cell +1-281-793-1018

Fax +1-281-442-8866

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ROSEN North America

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