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May 15, 2012

**BY EMAIL**

Mr. David Stawick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, N.W.  
Washington, D.C. 20581

Dear Mr. Stawick,

**Re: Natural Gas Exchange Inc. crude oil incentive program.**

Natural Gas Exchange Inc. ("NGX") hereby notifies the Commodity Futures Trading Commission (the "Commission") that it plans to implement a broker incentive program in support of certain NGX over-the-counter crude oil products (the "Incentive Program"). The proposed Incentive Agreement (as hereinafter defined) is attached hereto as Schedule A.

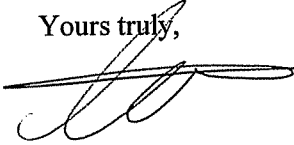
NGX allows its participants (the "Participants") to designate brokers to submit to NGX for clearing on the Participant's behalf off-exchange transactions in physical forward and swap products (the "Off-Exchange Transactions"). Brokers submitting Off-Exchange Transactions in incentivized products to NGX for clearing will be paid a volume-based incentive of a percentage of the fees collected for each Off-Exchange Transaction (the "Incentive Program"). The Incentive Program and a list of participating brokers will be posted on the protected members' area of NGX's website.

NGX certifies that the Incentive Program complies with the Commodity Exchange Act and the regulations thereunder. NGX has reviewed the derivatives clearing organization principles (the "DCO Core Principles") set out in the Commodities Exchange Act, and has determined that the Incentive Program will not impact NGX's compliance with the DCO Core Principles.

If you require any additional information regarding this submission, please contact Cathy Watkins at 403-974-1740 or via email at [cathy.watkins@ngx.com](mailto:cathy.watkins@ngx.com).

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Yours truly,



Cathy Watkins  
Legal Counsel, NGX

**SCHEDULE A**

**NGX CLEARING  
INCENTIVE AGREEMENT**

This agreement (this “Agreement”) dated as of •, 2012 (the “Effective Date”), is made and entered into by and between •, a • corporation with its principal location at • (“Participating Broker”), and Natural Gas Exchange Inc., a Canadian corporation (“NGX”) with its principal location at 140 – 4<sup>th</sup> Avenue SW, Calgary, Alberta.

**WHEREAS** NGX is a recognized clearing agency with the Alberta Securities Commission and a registered derivatives clearing organization with the Commodity Futures Trading Commission (the “CFTC”);

**AND WHEREAS** NGX is in the business of providing clearing services to North American energy market participants, such clearing services being governed by the rules set out in the NGX Contracting Party’s Agreement (the “CPA”);

**AND WHEREAS** the Participating Broker has been authorized by one or more NGX participants (the “Participants”) to submit off-exchange transactions to NGX on behalf of such Participants in certain physical forward or swap crude oil products listed on NGX’s website in the section pertaining to incentive payments, and available for clearing through NGX (the “Off-Exchange Transactions”), with the exception of any such swaps that are mandated to clear through a clearing house pursuant to a designation order or similar regulatory directive of the CFTC or an applicable regulator in Canada (the “Mandatory Swaps”);

**AND WHEREAS** NGX wishes to provide an incentive to the Participating Broker to submit Off-Exchange Transactions to NGX for clearing;

**NOW THEREFORE THIS AGREEMENT WITNESSETH** that in consideration of the premises and of the respective covenants and agreements of the parties hereto, hereinafter set forth and contained, the parties hereto covenant and agree with one another as follows:

1. **CLEARING REQUESTS**

The Participating Broker represents and warrants that it will only submit an Off-Exchange Transaction to NGX for clearing where the Participants to the Off-Exchange Transaction have authorized the Participating Broker to make such submission on their behalf. The Participating Broker acknowledges that NGX publishes on its website a list of those brokers who have agreed to submit Off-Exchange Transactions to NGX for clearing pursuant to this Agreement, and agrees to allow NGX to include the Participating Broker in such list in order to notify the Participants that the Participating Broker is receiving the Incentive (as defined below). The Participating Broker acknowledges that the terms and conditions of the CPA exclusively govern the clearing of all Off-Exchange Transactions submitted to NGX, and that this Agreement in no way alters the applicability or enforceability of the CPA with respect to Off-Exchange

Transactions. In the event of a conflict between the terms of this Agreement and the CPA, the Participating Broker acknowledges that NGX is entitled to comply with or enforce the terms of the CPA.

2. **INCENTIVE PAYMENT**

NGX agrees to pay the Participating Broker a percentage of the fees collected by NGX for each Off-Exchange Transaction in certain products (the “Products”) submitted for clearing in accordance with this agreement, such payment to operate as an incentive for the Participating Broker to encourage Participants to use NGX clearing (the “Incentive”). The Products and the amount of the Incentive will be set out on NGX’s website in the area pertaining to incentive payments, and upon 6 business days notice to the Participating Brokers, may be amended from time to time in NGX’s sole discretion. NGX may make the availability of the Incentive contingent on Participating Brokers attaining certain volume levels.

3. **PAYMENT**

No later than the last day of the month in which NGX receives from Participants those clearing fees that arise from Off-Exchange Transactions submitted for clearing in accordance with this Agreement, NGX agrees to make payment to the Participating Broker in the aggregate amount owing to the Participating Broker in accordance with Section 2 of this Agreement. The Participating Broker agrees that unless the Participating Broker advises NGX of any error in, or dispute in respect of, an Incentive payment within one hundred and twenty days of the day on which the Participating Broker received such payment, the payment amount shall be final and the Participating Broker will have forfeited the ability to claim any amended payment amount. Both parties agree that any disputes arising under this section shall be settled to arbitration conducted in accordance with the *Arbitration Act* (Alberta).

4. **TERM AND TERMINATION**

This Agreement shall be effective as of the Effective Date and shall continue unless terminated:

- (a) by either party immediately upon prior written notice if the other party is in breach of any material term of this Agreement;
- (b) by NGX if it is determined by NGX, acting reasonably, that this Agreement violates any applicable laws, orders, regulations, regulatory policy or legal or regulatory directive; or
- (c) upon 30 days prior written notice for any reason.

If at any time any Product becomes a Mandatory Swap, this Agreement shall no longer be applicable with respect to any such Product and no further Incentive for that Product will be paid by NGX. The Agreement shall continue with respect to those Products which are not Mandatory Swaps. If there are no such other Products then the Agreement shall terminate immediately, and NGX shall only be responsible for the Incentive owing prior to the date of termination.

5. **LIABILITY AND INDEMNIFICATION**

The Participating Broker hereby accepts all responsibility for all actions of, or liabilities incurred under this Agreement by the Participating Broker. The Participating Broker agrees to protect, defend, hold harmless and indemnify NGX from and against any and all claims, suits, arbitrations, mediations or other processes (“Claims”) that may be commenced by a Participant as a result of any action or inaction of the Participating Broker and in relation to an Off-Exchange Transaction submitted for clearing by the Participating Broker pursuant to this Agreement. The Participating Broker agrees that it has no recourse to NGX for claims or damages of any sort (with the exception of a claim for a payment of the Incentive made pursuant to Section 3 of this Agreement) arising in relation to any Claims.

6. **HEADINGS**

The headings of the articles, clauses, and schedules hereto are inserted for convenience of reference only and shall not be used in any way in interpreting any provision hereof.

7. **GOVERNING LAW**

This Agreement shall be governed by the laws of the Province of Alberta and the laws of Canada applicable therein.

8. **ASSURANCES**

The parties hereto shall, from time to time and at all times hereafter, but without further consideration, do all such further acts and execute and deliver all such further deeds and documents as shall be reasonably required in order to fully perform and carry out the terms and conditions of this Agreement.

9. **ASSIGNMENT**

Neither party may assign this Agreement without the prior written consent of the other party.

10. **NOTICES**

The addresses for service under this Agreement shall be

For NGX:  
140 – 4<sup>th</sup> Ave SW Suite 2300  
Calgary, Alberta T2P 3N3  
Canada  
Attention: Legal Department

For Participating Broker:

11. **ENUREMENT**

This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

12. **COUNTERPART EXECUTION**

This Agreement may be executed in as many counterparts as are necessary and, when a counterpart has been executed by each of the parties hereto, all counterparts together shall constitute one agreement. A signature delivered by facsimile shall be deemed to be an original for the purposes of this Agreement.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as represented by their respective duly authorized signatories below.

• **[Participating Broker]**

Per: \_\_\_\_\_

**NATURAL GAS EXCHANGE INC.**

Per: \_\_\_\_\_  
Peter Krenkel, President