

REGENCY INTRASTATE GAS LP

FERC NGPA GAS TARIFF

OPERATING STATEMENT

Effective October 17, 2013

Version 2.0.0

**Statement of Operating Conditions
Pursuant to Section 284.123(e)
Option Code A**

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PRELIMINARY STATEMENT OF REGENCY INTRASTATE GAS LP

Regency Intrastate Gas LP (Transporter), a Delaware limited partnership and an intrastate pipeline, currently engages in the transportation of natural Gas for third-parties through its owned or leased pipeline facilities in the state of Louisiana under Section 311(a)(2) of the Natural Gas Policy Act (NGPA) as amended and the applicable rules and regulations promulgated thereunder by the Federal Energy Regulatory Commission (FERC) or any successor thereof. Transporter's rates for such services are approved by the FERC pursuant to 18 C.F.R. Section 284.123(b)(2). This Operating Statement describes the administrative and operational policies and procedures of Transporter regarding transportation services conducted under Section 311(a)(2) of the NGPA for any eligible Shipper, as well as parking and lending services should Transporter elect to begin those services and obtain FERC rate approval therefor. Transporter shall be satisfied of Shipper's financial solvency, based on reasonable standards of creditworthiness that will be applied on a non-discriminatory basis. It is the policy of Transporter to render such services under written Agreements, containing the terms and conditions generally acceptable to Transporter and in accordance with and subject to those additional terms and conditions set forth herein. Such Agreements may be executed by Transporter after consideration of its existing commitments, pipeline design capacity, available pipeline capacity, points of receipt and delivery, and other factors deemed material by Transporter. Transporter reserves the right to vary from such general terms and conditions when commercial or operational conditions dictate, provided that any such variations are not materially detrimental to any other shipper similarly situated. If any conflicts arise between the provisions of this Operating Statement and an Agreement, the provisions of this Operating Statement will control. Transporter also reserves the right to modify this Operating Statement. Operational and management services are provided to Transporter by Regency Employees Management LLC.

STATEMENT OF RATES

Transporter's Maximum and Minimum Rates for transportation service pursuant to Section 311(a)(2) of the NGPA effective February 1, 2010, are as follows:

	<u>Maximum Rate</u>	<u>Minimum Rate</u>
Firm Transportation Service:		
Reservation Charge:	\$0.30 per MMBtu per day	\$0.00 per MMBtu per day
Commodity Charge:	\$0.05 per MMBtu	\$0.00 per MMBtu
Authorized Overrun Charge:	\$0.35 per MMBtu	\$0.00 per MMBtu
Interruptible Transportation Service:		
Transportation Charge:	\$0.35 per MMBtu	\$0.00 per MMBtu
Authorized Overrun Charge:	\$0.35 per MMBtu	\$0.00 per MMBtu
Fuel Retention:	1.25% of Receipts	

GENERAL TERMS AND CONDITIONS

1. DEFINITIONS

- 1.1 Agreement means a Transportation Agreement or a Parking and Lending Agreement.
- 1.2 Authorized Overrun means an Overrun by Shipper that is approved and scheduled by Transporter.
- 1.3 British thermal unit or Btu means the amount of heat required to raise the temperature of one avoirdupois pound of pure water from fifty-eight and five-tenths degrees (58.5°) Fahrenheit to fifty-nine and five-tenths degrees (59.5°) Fahrenheit.
- 1.4 Business Day means any Day of the week other than Saturday, Sunday or a Day on which banks are authorized to close under federal law.
- 1.5 Charge means any type of charge, rate, fee or retention for the provision of service by Transporter.
- 1.6 Commodity Charge has the meaning set forth in Section 7 (Rate).
- 1.7 Day or Daily means a period of twenty-four (24) consecutive hours, beginning and ending at 9:00 a.m. Central Time; provided, that on the Day on which Daylight Savings Time becomes effective, the period will be twenty-three (23) consecutive hours; and on the Day on which Standard Time becomes effective, the period will be twenty-five (25) consecutive hours.
- 1.8 Delivery Point(s) means the outlet of the interconnection facilities of Transporter at the delivery point(s) specified in the Agreement between Transporter and Shipper where Transporter delivers Gas to or for the account of Shipper.
- 1.9 Firm, Firm Service, Firm Transportation Service, or (FT) means that Shipper has reserved the use or partial use of facilities or capacity, and subject to other provisions hereof, including the curtailment provisions of Section 6 (Priority of Service), that capacity is not subject to claim by another person.
- 1.10 Firm Gas Transportation Agreement has the meaning set forth in Section 4 (Character of Service).
- 1.11 Fuel means Transporter's compressor fuel, equivalents (including electricity or other energy sources) and use requirements, and Gas lost and unaccounted for on its system, as well as any incremental compressor fuel incurred by

Transporter to compress the Gas in order to receive the Gas at the Receipt Point(s) or deliver the Gas at the Delivery Point(s).

- 1.12 Force Majeure has the meaning set forth in Section 15 (Force Majeure).
- 1.13 Gas means natural Gas as produced in its natural state whether or not stored or processed prior to delivery, natural Gas or any other component thereof that has been previously liquefied and restored to its gaseous state prior to delivery, Gas synthesized or manufactured from oil, naphtha, coal or any other material that meets the quality specifications contained in this Agreement and which Transporter elects to deliver in lieu of or commingled with one or more of the types of Gas described herein.
- 1.14 Gas Daily means Platts Gas Daily[®] (McGraw-Hill Companies), or successor publication.
- 1.15 GPA means Gas Processors Association.
- 1.16 Gross Heating Value means the number of Btu produced by the complete combustion of a cubic foot of Gas at a temperature base of sixty (60 °) degrees Fahrenheit and a pressure base of fourteen and seventy-three one-hundredths (14.73) Psia. Heating values shall be expressed in Btu per cubic foot and may be determined by calorimeter, calculation from compositional analysis or other acceptable industry practices. For the purpose of making Btu calculations, Gas dehydrated to a water content not exceeding seven (7) pounds per MMcf shall be considered dry. Gas having water content in excess of seven (7) pounds per MMcf shall be considered saturated at the delivery conditions of pressure and temperature. The total quantity of heat delivered shall be determined by multiplying a volume of Gas by the heating value per unit volume, both being at the same conditions of pressure, temperature, and water content. Gross MMBtu shall be determined by multiplying the Mcf of Gas by the Btu per cubic foot and dividing by 1,000.
- 1.17 Interruptible, Interruptible Service, Interruptible Transportation Service, or (IT) means that Transporter, in its sole and unfettered discretion, shall have the right to interrupt, curtail or suspend the receipt, transportation, or delivery of Gas hereunder at any time and from time to time without Transporter having any liability to Shipper by reason thereof.
- 1.18 Interruptible Gas Transportation Agreement has the meaning set forth in Section 4 (Character of Service).
- 1.19 Lending or Lending Service has the meaning set forth in Section 4.5(b).

- 1.20 MAOP means Maximum Allowable Operating Pressure.
- 1.21 Maximum Daily Quantity (MDQ) means the maximum quantity of MMBtu that Transporter is obligated to deliver to or on behalf of Shipper at relatively constant hourly rates of flow on any Day, as provided for in the Transportation Agreement.
- 1.22 Maximum Rate means the highest rate and charge which Transporter may require for transporting or reserving the capacity to transport one (1) MMBtu of Gas under Section 311 of the NGPA and the FERC's regulations thereunder, as such rate may change from time to time.
- 1.23 Maximum Delivery Point Obligation (MDPO) means the maximum quantity of MMBtu that Transporter is obligated to deliver to or for the account of Shipper at a Primary Delivery Point.
- 1.24 Maximum Receipt Point Obligation (MRPO) means the maximum quantity of MMBtu that Transporter is obligated to receive from or for the account of Shipper at a Primary Receipt Point.
- 1.25 Mcf means one thousand (1,000) cubic feet of Gas at a base temperature of sixty degrees (60°) Fahrenheit, and at a pressure base of fourteen and seventy-three one-hundredths (14.73) pounds per square inch absolute.
- 1.26 MMcf means one million (1,000,000) cubic feet of Gas.
- 1.27 Metering Fee has the meaning set forth in Section 10 (Measurement and Metering Standards).
- 1.28 MMBtu means one million (1,000,000) British Thermal Units.
- 1.29 Month means the period beginning at 9:00 a.m. Central Time on the first Day of each calendar month and ending at 9:00 a.m. Central Time on the first Day of the next succeeding calendar month.
- 1.30 Operating Statement means Transporter's Operating Statement for service under Section 311 of the NGPA on file with the FERC pursuant to 18 C.F.R. §284.123(e) of the FERC's rules and regulations, as such statement may be amended from time to time.
- 1.31 Overrun means any quantity of Gas received from Shipper or for Shipper's account in excess of Shipper's MDQ set forth in the Transportation Agreement, excluding Fuel.
- 1.32 Parking or Parking Service has the meaning set forth in Section 4.4(b).

- 1.33 Parking and Lending Agreement means the agreement between Transporter and Shipper setting forth the applicable Receipt Point(s), Delivery Point(s), MDQ, Charge(s) and other specific terms governing the particular park and loan transactions.
- 1.34 Primary Delivery Point means the Delivery Point(s) with the highest priority for Firm Service as identified in an Agreement.
- 1.35 Primary Receipt Point means the Receipt Point(s) with the highest priority for Firm Service as identified in an Agreement.
- 1.36 Psia means pounds per square inch absolute.
- 1.37 Psig means pounds per square inch gauge.
- 1.38 Receipt Point(s) means the inlet of the interconnection facilities of Transporter at the receipt point(s) specified in the Agreement between Transporter and Shipper where Transporter receives Gas from or for account of Shipper.
- 1.39 Reservation Charge has the meaning set forth in Section 7 (Rate).
- 1.40 Scheduled Quantity means the quantity of Gas confirmed by Transporter to be received or delivered under the Agreement at each Receipt Point, to include Shipper's quantity for Fuel, or each Delivery Point as adjusted for Shipper's Fuel quantity assessed at such Receipt Point, as applicable, subsequent to Shipper's compliance with the nomination procedures set forth herein between Transporter and Shipper.
- 1.41 Secondary Delivery Point means the Delivery Point(s) with the second priority of Firm Service.
- 1.42 Secondary Receipt Point means the Receipt Point(s) with the second priority of Firm Service.
- 1.43 Shipper means any person, corporation, partnership, limited liability company, or other party that executes an Agreement with Transporter, or any successor thereof.
- 1.44 Transportation Agreement means the agreement between Transporter and Shipper setting forth the applicable Receipt Point(s), Delivery Point(s), MDQ, Charge(s), Fuel Charge(s) and other specific terms governing the particular transportation.
- 1.45 Transportation Charge has the meaning set forth in Section 7 (Rate).

- 1.46 Transporter means Regency Intrastate Gas LP, or any successor thereof.
- 1.47 Unauthorized Overrun means an Overrun that Transporter does not approve and schedule for service.
- 1.48 Unit of Volume means for all purposes of measurement hereunder, one (1) cubic foot of Gas at a temperature base of sixty (60°) degrees Fahrenheit and a pressure base of fourteen and seventy-three one-hundredths (14.73) Psia.
- 1.49 Year means a period of three hundred sixty-five (365) consecutive Days; *provided*, that any year that contains a date of February 29 will consist of three hundred sixty-six (366) consecutive Days.

2. GOVERNMENTAL REGULATION AND ACTIONS

2.1 The Agreement and services to be provided thereunder will be subject to all valid existing and future state, local, and federal laws, orders, rules, regulations, or proclamations of duly constituted authorities having jurisdiction or control over the parties thereto or the subject matter thereof including, but not limited to, the provisions of Subpart C of Part 284 of the FERC's regulations implementing §311(a)(2) of the NGPA and the Louisiana Natural Resources and Energy Act of 1973, as amended, and the regulations promulgated thereunder.

2.2 Should Transporter or Shipper, by force of any law or regulation imposed at any time during the term of the Agreement be rendered unable, wholly or in part, to carry out its obligations under the Agreement, other than to make payments due hereunder, the Agreement will nevertheless continue and will be deemed modified to conform with the requirements of such law or regulation, except as hereinafter provided. The Agreement will be modified to the least extent necessary to conform to such requirements with the primary intent of such modification being to retain, to the greatest extent possible, the bargain of the Agreement. Notwithstanding any other provision of this Operating Statement, if at any time any federal or state governmental authority shall take any action which is, with respect to or as a result of the services provided for under this Operating Statement or the Agreement, designed to subject or otherwise subjects Transporter or any of Transporter's pipeline or related facilities to any greater or different regulation or jurisdiction than that existing on the date the Agreement is executed (or thereafter as such regulation or jurisdiction may have changed and been accepted by such party) and such greater or different regulation or jurisdiction shall have materially reduced the benefits of the Agreement to Transporter or prohibits Transporter from collecting specific rates for the services provided under the Agreement, then upon written notice to Shipper, Transporter may at any time thereafter or effective one (1) Day prior to the effective date of such action terminate the Agreement without further obligation to Shipper.

2.3 Transporter will not be required to provide services to Shipper unless Transporter, Shipper and third-party transporters have obtained, as appropriate, all governmental authorizations for services to be provided by Transporter, Shipper and third-

party transporters related to those services to be rendered by Transporter, including services that are necessary for Gas to be delivered into and received from Transporter's facilities.

2.4 If any governmental or regulatory body exercising jurisdiction over the service hereunder currently charges or later establishes fees for the filing of applications or reports in conjunction with the Agreement or the service provided thereunder, Shipper will reimburse Transporter upon billing for any fees so paid by Transporter.

2.5 Shipper shall provide Transporter with information that is necessary for Transporter to comply with any state or federal reporting requirements related to the provision of services hereunder.

3. RECEIPT AND DELIVERY OF GAS

3.1 Firm Transportation at Receipt Point(s) and Delivery Point(s).

Shipper will tender the Scheduled Quantity of Gas for transportation at the Receipt Point(s) designated in the Firm Gas Transportation Agreement, up to the specified MRPO plus Fuel, if applicable, on each Day. Transporter will transport such Gas and tender the Scheduled Quantity of Gas for delivery to Shipper at the Delivery Point(s) designated in the Firm Gas Transportation Agreement, up to the specified MDPO, if applicable, on each Day. The total quantity of Gas scheduled for transportation on a given Day must not exceed Shipper's MDQ specified in the Firm Gas Transportation Agreement, unless Transporter approves an Authorized Overrun.

Firm Shippers must designate at least one Primary Receipt Point and one Primary Delivery Point in the Firm Gas Transportation Agreement, subject to available capacity and Transporter's approval, which approval shall be provided on a non-discriminatory basis. Each Primary Receipt Point will have an MRPO that, when summed, equals the MDQ in the Agreement. Each Primary Delivery Point will have a MDPO that, when summed, equals the MDQ in the Agreement. Firm Gas Transportation Agreements will contain the designation of Primary Receipt Point(s) and Primary Delivery Point(s).

Firm Shippers may also designate Secondary Receipt Point(s) and Secondary Delivery Point(s), subject to Transporter's approval, which approval shall be provided on a non-discriminatory basis. If the quantity of Gas scheduled by a Firm Shipper for transportation on a Day from a Primary Receipt Point exceeds the MRPO but the total quantity of Gas scheduled under the Agreement does not exceed Shipper's MDQ, the quantities scheduled in excess of the MRPO shall be deemed for all purposes hereunder as quantities received from a Secondary Receipt Point. If the quantity of Gas scheduled by a Firm Shipper for transportation on a Day to a Primary Delivery Point exceeds the MDPO but the total quantity of Gas scheduled under the Agreement does not exceed Shipper's MDQ, the quantities scheduled in excess of the MDPO shall be deemed for all purposes hereunder quantities delivered from a Secondary Delivery Point.

3.2 Interruptible Transportation at Receipt Point(s) and Delivery Point(s).

Shipper will tender the Scheduled Quantity of Gas for transportation at the Receipt Point(s) designated in the Interruptible Gas Transportation Agreement. Transporter will transport such Gas and tender the Scheduled Quantity of Gas for delivery to Shipper at the Delivery Point(s) designated in the Interruptible Gas Transportation Agreement.

If Transporter is providing service on an Interruptible basis, the receipt, transportation, or delivery of Gas by Transporter will be subject to, at any time and from time to time, partial or total interruption or cessation at Transporter's sole and unfettered discretion for any reason, upon Transporter providing, when possible, either oral or written notice prior to, or contemporaneously with, such interruption or cessation. Transporter has absolutely no liability whatsoever in damages or otherwise for any such interruption or cessation, or the failure to give timely notice thereof.

3.3 Notwithstanding any other provision of this Operating Statement, Transporter's obligation to receive, transport and deliver Gas will be subject to Transporter's own operating requirements, any applicable local, state or federal regulatory requirements, and the availability of capacity sufficient to provide service to all similarly-situated shippers in accordance with the provisions herein and the priorities set forth in Section 6. In no event will Transporter be obligated to deliver or receive a quantity of Gas during any given Day that differs from the Scheduled Quantity for such Day. If the actual quantity of Gas received during any Day for transportation service differs from the Scheduled Quantity, then Transporter will be obligated to deliver that Day only the lesser of the actual quantity received or the Scheduled Quantity. Further, the Scheduled Quantity will be received and delivered at a uniform hourly rate of flow by dividing the Scheduled Quantity by 24. Transporter has no obligation to accept variations from a uniform hourly rate of flow, provided Transporter has the sole discretion to accept variations based on its operating conditions.

4. **CHARACTER OF SERVICE**

4.1 Firm Transportation Service.

- (a) Firm Transportation Service is available to a Shipper for the transportation of Gas by Transporter when: (i) Transporter has determined that it has sufficient available and uncommitted capacity to perform the service requested by Shipper; and Shipper and Transporter have executed an Agreement for the Firm transportation of Gas (Firm Gas Transportation Agreement).
- (b) Firm Transportation Service will be in accordance with this Operating Statement and consists of Transporter's: (i) receipt of the Scheduled Quantity of Gas from or for the account of Shipper at the Primary and Secondary Receipt Point(s) specified in the

executed Firm Gas Transportation Agreement, (ii) transportation of the Scheduled Quantity of Gas, and (iii) tender of the Scheduled Quantity of Gas for delivery to Shipper, or for Shipper's account, at the Primary and Secondary Delivery Point(s) specified in the executed Firm Gas Transportation Agreement. The total quantity of Gas received, delivered or transported on any Day on a Firm basis is limited to Shipper's, MRPO, MDPO and MDQ, respectively; provided, that quantities of Gas scheduled for Shipper's Fuel quantity at the Receipt Point(s) are to be in addition to Shipper's MRPO, MDPO and MDQ.

- (c) Firm transportation of the Scheduled Quantity of Gas tendered by Shipper at a Primary Receipt Point, up to the MRPO, and delivered by Transporter at a Primary Delivery Point, up to the MDPO, is the highest priority of Firm Service.

Firm transportation of the Scheduled Quantity of Gas tendered by Shipper at a Secondary Receipt Point or delivered by Transporter at a Secondary Delivery Point is the second priority of Firm Service. The total Scheduled Quantity of Gas transported under an Agreement is Firm so long as Shipper has not exceeded its MDQ.

The MDQ, the MRPO, and the MDPO will be specified in the executed Firm Gas Transportation Agreement. In no event should Shipper deliver or receive a quantity of Gas during any Day that differs from the Scheduled Quantity for such Day; however, if the actual quantity of Gas received by Transporter from Shipper during any Day differs from the Scheduled Quantity, Transporter is only obligated to deliver the lesser of the actual quantity received or the Scheduled Quantity.

- (d) Transporter has the right to not accept any receipts or make any deliveries of quantities of Gas equaling less than 300 MMBtu per Day at any Receipt Point or Delivery Point.
- (e) Transporter will not deliberately take or support any action that modifies the current configuration or operational practices or parameters of any Delivery Point in such a manner that it can no longer supply Firm Transportation Service in the manner provided in the Firm Gas Transportation Agreement between Transporter and Shipper; provided, if and to the extent that a change in meter station ownership or control or operational pressure at a given Primary Delivery Point causes Transporter to be unable to effect

Firm transportation deliveries to such Primary Delivery Point on a permanent basis, upon prior notice by Transporter, such change will be considered to have converted Firm Service that cannot be effected by Transporter for Shipper at such Primary Delivery Point to Interruptible Service, whereupon Transporter will have the right to interrupt the delivery of Gas to such Delivery Point in the same manner as it is able to interrupt deliveries of Gas to its Interruptible Transportation Service Shippers. If such change occurs, Shipper shall designate a new Primary Delivery Point in its Transportation Agreement, subject to available capacity and Transporter's approval, or if no alternative Primary Delivery Point capacity is available, Transporter will reduce Shipper's MDQ accordingly on a prospective basis.

- (f) Available Firm capacity will be allocated to Firm Transportation Shippers as set forth in Section 5 (Request for Service); provided, Transporter is not required to commence service until Transporter and Shipper have executed a Firm Gas Transportation Agreement.
- (g) Firm Transportation Service will be subject to curtailment or interruption as otherwise provided herein and as provided in Section 15 (*Force Majeure*) and Section 6 (Priority of Service) of this Operating Statement.
- (h) Firm Transportation Service shall be provided to Shipper for the term specified in the Agreement. Shipper may elect to extend its Firm Gas Transportation Agreement for a successive term of at least one (1) year by providing Transporter with at least ninety (90) days written notice prior to the expiration of the primary term or any successive term defined in the Firm Transportation Agreement, excluding a month-to-month successive term. Such notice shall contain the proposed length of the successive term and the proposed rate(s) for the successive term.

Transporter has no obligation to accept Shipper's request if the net present value of Shipper's proposed successive term is less than the net present value of an outstanding service request that would be fulfilled by Transporter absent Shipper's proposed successive term. Transporter has no obligation to agree to discount from its Maximum Rates for the successive term, but has the discretion to do so.

If Transporter accepts Shipper's election for a successive term, Transporter will tender a new or amended Agreement to Shipper,

which shall be executed by Shipper and Transporter in accordance with the provisions of this Operating Statement. If Shipper does not request and/or is not granted a successive term in accordance with the procedures and timelines herein, then Transporter may make Shipper's expiring capacity available to other prospective shippers in accordance with this Operating Statement.

- (i) Shipper may permanently assign a portion of its MDQ to a prospective replacement shipper that meets or exceeds the creditworthiness standards of Transporter and pursuant to the same Charges, Fuel retentions, Primary Receipt Point(s), Secondary Receipt Point(s), and termination date of Shipper's Agreement, and any other material provisions deemed necessary by Transporter. Shipper must execute an affidavit confirming that Shipper has not received any consideration in any form from the prospective replacement shipper in exchange for such assignment.

If accepted by Transporter, Shipper shall execute an amendment to its Agreement or new Agreement reducing its MDQ, MDPO(s) and MRPO(s) and the prospective replacement shipper shall execute a new Firm Gas Transportation Agreement prior to the effective date of the Agreement. The sum of the MDQs under both agreements shall equal the MDQ of Shipper's initial Agreement. Shipper's assignment right hereunder is a one-time right per Agreement, provided that Transporter may, at its sole discretion, waive the one-time limitation if an assignment is requested in connection with a material change in Shipper's corporate structure or the disposition or sale of a significant portion of Shipper's assets.

4.2 Interruptible Transportation Service.

- (a) Interruptible Transportation Service is available to any Shipper for the transportation of Gas by Transporter when (i) Transporter has determined that it is operationally able to render such service after considering all Firm Service obligations; and (ii) Shipper and Transporter have executed an Agreement for the Interruptible transportation of Gas (Interruptible Gas Transportation Agreement).
- (b) Interruptible Transportation Service will be in accordance with this Operating Statement and consists of: (i) the receipt of the Scheduled Quantity of Gas from or for the account of Shipper at

the Receipt Point(s) specified in the executed Interruptible Gas Transportation Agreement, (ii) the transportation of the Scheduled Quantity of Gas, and (iii) the tender of the Scheduled Quantity of Gas for delivery by Transporter to Shipper, or for Shipper's account, at the Delivery Point(s) specified in the executed Interruptible Gas Transportation Agreement.

- (c) Interruptible Service will be available only if there is actual available capacity from time to time under current conditions and will be offered in accordance with the priorities established in Section 6 (Priority of Service). An MDQ will be specified in the executed Interruptible Gas Transportation Agreement. In no event should Shipper deliver or receive a quantity of Gas during any Day under the Interruptible Gas Transportation Agreement that differs from the Scheduled Quantity for such Day; however, if the actual quantity of Gas received by Transporter during any Day differs from the Scheduled Quantity, Transporter is only obligated to deliver the lesser of the actual quantity received or the Scheduled Quantity.
- (d) Transporter has the right to not accept any receipts or make any deliveries of quantities of Gas equaling less than 300 MMBtu per Day at any Receipt Point or Delivery Point.
- (e) Interruptible Transportation Service is subject, at any time and from time to time, to partial or total interruption or cessation at Transporter's sole and unfettered discretion for any reason, upon Transporter providing, when possible, either oral or written notice prior to or contemporaneously with such interruption or cessation. Transporter has absolutely no liability whatsoever in damages or otherwise for any such interruption or cessation, or failure to give timely notice thereof.

4.3 Authorized Overrun Service.

- (a) Upon request of Shipper at the time it nominates Firm or Interruptible Service, Transporter may, in its sole discretion, approve and schedule for receipt or delivery a quantity of Gas greater than the MDQ specified in the Transportation Agreement. Authorized Overrun service will be available only if (i) Transporter determines in its sole discretion that it has sufficient capacity after first scheduling all Firm and Interruptible Transportation Service within the limits of all Shippers' MDQ's, and (ii) Shipper has a designated Authorized Overrun Service rate in its Firm or

Interruptible Transportation Service Agreement. Authorized Overrun service will be scheduled based on the priorities established in Section 6 (Priority of Service).

- (b) Authorized Overrun service is Interruptible and is subject, at any time and from time to time, to partial or total interruption or cessation at Transporter's sole and unfettered discretion for any reason, upon Transporter providing, when possible, either oral or written notice prior to or contemporaneously with such interruption or cessation. Transporter has absolutely no liability whatsoever in damages or otherwise for any such interruption or cessation.

4.4 Parking Service. Should Transporter elect to provide Parking Service in the future after obtaining any necessary governmental approvals therefor, it will be provided under the following terms and conditions:

- (a) Parking Service will be available to any Shipper for the parking of Gas by Transporter when (i) Transporter has determined that it is operationally able to render such service; and (ii) Shipper and Transporter have executed an Agreement for the Parking and Lending of Gas;
- (b) Parking Service will be in accordance with this Operating Statement and will consist of the parking of the Scheduled Quantity of Gas on behalf of Shipper at the Receipt Point(s) specified in the executed Parking and Lending Service Agreement, for a minimum of one Day, and the subsequent withdrawal of the Scheduled Quantity of Gas at the same point;
- (c) Parking Service will be Interruptible on any Day. Parking Service will be available only if there is actual available capacity from time to time under current conditions and will be offered in accordance with the priorities established in Section 6 (Priority of Service);
- (d) At the time Gas is parked by Shipper, Shipper and Transporter will agree to a withdrawal schedule of the parked Gas. At its sole discretion, Transporter may require Shipper to withdraw all or any portion of the Gas quantity parked by Transporter at any time and without prior notice. If Shipper fails to withdraw the quantity of Gas parked for Shipper as set forth in the repayment schedule, or to withdraw the quantity of Gas parked for Shipper upon Transporter's request, Transporter shall have the right to retain

ownership of the quantity of Gas parked by Shipper, and upon such retention, title to that quantity shall automatically transfer from Shipper to Transporter free and clear of any adverse claims and the warranties and indemnities in Section 12 (Warranties) running in favor of Transporter will apply to any such quantity of retained Gas; and

- (e) Parking Service will be subject, at any time and from time to time, to partial or total interruption or cessation at Transporter's sole and unfettered discretion for any reason, upon Transporter providing, when possible, either oral or written notice prior to or contemporaneously with such interruption or cessation. Transporter has absolutely no liability whatsoever in damages or otherwise for any such interruption or cessation, or failures to give timely notice thereof.

4.5 Lending Service. Should Transporter elect to provide Lending Service in the future after obtaining any necessary governmental approvals therefor, it will be provided under the following terms and conditions:

- (a) Lending Service will be available to any Shipper for the loan of Gas to Shipper from Transporter when (i) Transporter has determined that it is operationally able to render such service; and (ii) Shipper and Transporter have executed an Agreement for the Parking and Lending of Gas;
- (b) Lending Service will be in accordance with this Operating Statement and consists of the loan of the Scheduled Quantity of Gas to Shipper at the Delivery Point(s) specified in the executed Parking and Lending Service Agreement, for a minimum of one Day, and the subsequent return of the Scheduled Quantity of Gas at the same point;
- (c) Lending Service will be Interruptible on any Day. Lending Service will be available only if there is actual available capacity from time to time under current conditions and will be offered in accordance with the priorities established in Section 6 (Priority of Service);
- (d) At the time Gas is loaned to Shipper, Shipper and Transporter will agree to a repayment schedule of the loaned Gas. At its sole discretion, Transporter may require Shipper to immediately return all or any portion of the Gas quantity loaned by Transporter at any time with notice. If Shipper fails to return the

quantity of Gas loaned to Shipper as set forth in the repayment schedule or upon Transporter's request, Shipper will purchase and immediately pay for such deficient quantity of Gas from Transporter at a price equal to 200% of the monthly average of the daily Gas price posting published in Gas Daily for the point closest in proximity to the point at which Gas was loaned to Shipper; and

- (e) Lending Service will be subject, at any time and from time to time, to partial or total interruption or cessation at Transporter's sole and unfettered discretion for any reason, upon Transporter providing, when possible, either oral or written notice prior to or contemporaneously with such interruption or cessation. Transporter has absolutely no liability whatsoever in damages or otherwise for any such interruption or cessation, or failure to give timely notice thereof.

5. REQUEST FOR SERVICE AND CREDIT EVALUATION

5.1 Service Request.

From time to time, subject to Transporter having available capacity, Transporter will offer services to prospective shippers on a non-discriminatory basis. Transporter may, in its discretion and on a non-discriminatory basis, reject bids for service that propose payment of less than the Maximum Rate for the service requested.

A party desiring transportation service from Transporter may request such service by submitting a service request no earlier than 180 days prior to the requested commencement date of the service requested on the form posted on Transporter's website at www.regencygas.com or by other written or electronic means acceptable to Transporter with substantially the same information and pursuant to the following terms and conditions.

Transporter will accept as a bona fide request only those requests which, in Transporter's reasonable judgment, are sufficiently specific with respect to: (i) Receipt Point(s) and Delivery Point(s); (ii) quantity in MMBtu; (iii) term; (iv) pattern of usage; and (v) such other matters Transporter finds appropriate.

Any request shall include the following:

- (a) Shipper Information: The prospective shipper's legal name, address, contact information, tax identification number and Dun and Bradstreet D-U-N-S number;

- (b) Type of Service: The type of service requested, Firm Transportation, Interruptible Transportation, Parking and Lending;
- (c) Transportation Rate: Whether prospective shipper will pay the Maximum Rate for the transportation service, and if not, the rate prospective shipper is willing to pay, including a rate for Authorized Overrun service, if applicable for Firm and Interruptible service;
- (d) Gas Quantity: The Maximum Daily Quantity for the requested transportation service, stated in MMBtu, and the estimated total quantity to be received for transportation service over the delivery period;

For Firm Transportation Service, each MRPO and MDPO;

- (e) Identification of Points: The designated Receipt Point(s) and Delivery Point(s) for the requested service together with the name of the entity delivering the Gas to Transporter and the name of the entity to receive the Gas from Transporter;

For Firm Transportation Service, each Primary Receipt Point and Primary Delivery Point, in addition to each Secondary Receipt Point and Secondary Delivery Point;

- (f) Term: The proposed commencement and termination dates of service;
- (g) Identification of Party: Identification of the interstate pipeline or local distribution company served by an interstate pipeline that shall serve as the “on behalf of” party required under Section 311(a)(2) of the NGPA;
- (h) Facilities: Subject to Transporter’s prior approval and the mutual negotiation and execution of a written facilities agreement, the identification and location of any facilities prospective shipper is requesting to be constructed or installed by any party in order to allow receipt or delivery of Gas under the proposed transportation service; and
- (i) Credit Evaluation: Acceptance of a service request is contingent upon a satisfactory credit evaluation by Transporter as set forth in Section 5.5. The prospective shipper is to provide the information set forth in Section 5.5(e) with its service request if requested by Transporter.

5.2 Acceptance of Service Request.

Transporter will process all service requests in the order received. Only complete service requests will be evaluated by Transporter. If Transporter accepts the service request, the prospective shipper will be notified and an Agreement will be tendered for execution. If Transporter rejects the service request, Transporter will notify the prospective shipper within thirty (30) days of Transporter's receipt of the complete service request. If the service request includes a request to construct facilities, Transporter will provide an estimated cost to construct such facilities to the prospective shipper within a reasonable time period. The service requests requirements and timelines herein are not applicable for expansion capacity that is not yet in service or available.

If insufficient capacity is available to satisfy the prospective shipper's service request, the prospective shipper will be notified within thirty (30) days of Transporter's receipt of a complete service request. Shipper's outstanding service request will remain valid for the later of (i) ninety (90) days from the date the service request was received by Transporter or (ii) prospective shipper's requested commencement date, unless the service request is cancelled or extended by the prospective shipper with advance written notice to Transporter. Should additional capacity become available, Transporter will evaluate its service requests in accordance with Section 5.5 Valuation of Bid.

5.3 Agreement.

An Agreement shall be executed by the prospective shipper and Transporter following Transporter's acceptance of the prospective shipper's service request. A prospective shipper's service request may be rejected if the prospective shipper fails to execute the agreement tendered by Transporter within fifteen (15) days of receipt and prior to the commencement of service.

5.4 Valuation of Bid.

Subject to the primary valuation criteria in the next paragraph, Transporter will evaluate, process, and award or reject all service requests on a first-come, first-served basis. Transporter has the sole discretion in determining whether sufficient capacity exists to satisfy the service request.

Without undue discrimination or preference, Transporter will evaluate all valid requests for service from an operational and net present value standpoint and will, in accordance with the further terms and conditions hereof, advise the prospective shipper whether and to what extent a service request is accepted or rejected. If parties seeking service from Transporter make bids that are equivalent to one another on a net present value basis, available service hereunder will be allocated on a first-come, first-served basis.

5.5 Financial Requirements and Credit Evaluation.

- (a) Shipper or a prospective shipper must not be operating under any chapter of the bankruptcy laws and must not be subject to liquidation or debt reduction procedures under the state laws, such as an assignment for the benefit of creditors, or any informal creditors' committee agreement.
- (b) Shipper or a prospective shipper must not be subject to the uncertainty of pending litigation or regulatory proceedings in state or federal courts or agencies that could cause a substantial deterioration of its financial condition.
- (c) Transporter may evaluate and monitor Shipper's (or prospective shipper's for the duration of the request) creditworthiness at any time and on an ongoing basis. The creditworthiness of Shipper or prospective shipper shall be determined by Transporter based on its sole opinion of Shipper's or prospective shipper's financial condition, as evaluated by Transporter on a non-discriminatory basis.
- (d) Transporter shall not be required to provide or continue to provide credit or perform or continue service to any Shipper or prospective shipper who is or has become insolvent or who fails to demonstrate creditworthiness on an ongoing basis.
- (e) To enable Transporter to evaluate and monitor creditworthiness, Shipper or prospective shipper is to provide the following upon Transporter's request:
 - (i) current financial statements, annual reports, forms 10-K or other filings with regulatory agencies;
 - (ii) a list of all corporate affiliates, parent companies and subsidiaries;
 - (iii) any reports from credit reporting agencies that are available;
 - (iv) a bank reference and at least three trade references;
 - (v) a proposal for the provision of bonds, guarantees or other surety that in Transporter's reasonable discretion is necessary; and

- (vi) additional financial information determined by Transporter

Transporter may waive any of the requirements above if Transporter determines that it has adequate information in its records to evaluate Shipper's or a prospective shipper's creditworthiness.

- (f) In the event Transporter determines that Shipper or prospective shipper fails to demonstrate creditworthiness at any time, Shipper or prospective shipper may still obtain or continue to receive service hereunder if it provides to Transporter one form of Adequate Assurance of Performance, as described below, within three (3) Business Days of Transporter's request.

The forms of Adequate Assurance of Performance shall be as follows:

- (i) LETTER OF CREDIT: A standby irrevocable letter of credit in an amount acceptable to Transporter, in a form satisfactory to Transporter and drawn upon a bank which is a U.S. bank or U.S. branch of a foreign bank with ratings of at least A or A2 as rated by Standard and Poor's Corporation ("S&P") and Moody's Investor Service ("Moody's") on its long-term unsecured debt securities.
- (ii) GUARANTY: A guaranty of payment in a form satisfactory to Transporter of all Shipper's or prospective shipper's obligations by a person or entity which does satisfy Transporter's credit appraisal.
- (iii) PREPAYMENT: Prepayment of the sum of three (3) months of the revenues Transporter would receive if Transporter were performing such service plus an Imbalance Reserve Amount.

The Imbalance Reserve Amount shall be an amount that Transporter determines, in its reasonable judgment, will sufficiently protect Transporter from any exposure related to potential Gas imbalances caused by Shipper or that may be caused by a prospective shipper. The Imbalance Reserve Amount will be equal to the product of:

- (1) the arithmetic average of the futures contract settlement prices for natural gas delivery at Henry

Hub, Louisiana for the future, first three (3) delivery months then being quoted as of the close of the New York Mercantile Exchange (NYMEX) natural gas futures contract trading session as determined on (a) the date Transporter requests Shipper or prospective shipper to demonstrate creditworthiness, or (b) the date on which an Imbalance Reserve Amount redetermination request is made as provided below; and

- (2) ten percent (10%) of the aggregate of Shipper's or prospective shipper's MDQ for each Day in the corresponding three (3) Month period.

At any time, either Shipper or Transporter may request a redetermination of the Imbalance Reserve Amount for future three (3) Month periods to adjust for any MDQ or forward NYMEX price changes. Any amount owed by either party after a redetermination of the Imbalance Reserve Amount shall be paid to the other party as soon as practicable; provided that if Shipper is dilatory in any such payment owed, Transporter may exercise its rights in 5.5(g) below.

(iv) OTHER: Other security acceptable to Transporter.

(g) Should Transporter's service to Shipper or prospective shipper be (1) contingent upon the construction of facilities by Transporter; (2) the result of a proposed assignment (in whole or in part) of an Agreement that was contingent upon the construction of facilities; or (3) the result of a proposed assignment (in whole or in part) where Transporter concludes, in its sole opinion, that the proposed assignee (prospective shipper) does not satisfy Transporter's creditworthiness standards, then, in addition to the requirements in Section 5.5(f) above, Transporter may require Shipper or prospective shipper to provide additional forms of Adequate Assurance of Performance, or variations thereof, as determined solely by Transporter.

(h) If Shipper fails to satisfy Transporter's creditworthiness standards and does not provide Adequate Assurance of Performance as required by Transporter, Transporter may, along with any other remedies available hereunder or at law, suspend service hereunder or terminate the Agreement immediately. In the case

of a prospective shipper, including a proposed assignee of an agreement (in whole or in part), that fails to satisfy Transporter's creditworthiness standards and does not provide Adequate Assurance of Performance as required by Transporter, Transporter may refuse to provide service to such prospective shipper.

6. PRIORITY OF SERVICE

6.1 Priorities During Capacity Constraints.

Once a Shipper has entered into an Agreement with Transporter, the Shipper must submit a nomination to Transporter in accordance with Transporter's nomination procedures in effect at the time the nomination is submitted in order to receive the requested service. A Shipper's nomination will not be effective until confirmed by Transporter pursuant to Section 18 Nominations and Scheduling.

If Transporter determines in its sole discretion that the total quantity of Gas nominated by all Shippers for receipt, transportation or delivery at any point on or through any portion of Transporter's pipeline system exceeds the capacity of such point (Constrained Point) or portion of Transporter's pipeline system (Constrained Segment), Transporter will schedule or curtail service based on the following criteria:

- (a) Firm Transportation Service has the highest priority for nomination, scheduling and curtailment.

Constrained Points:

- (i) Transporter will first schedule service to those Firm Shippers for whom the Constrained Point affects a Primary Receipt Point or Primary Delivery Point, up to Shipper's MRPO and MDPO. If full service cannot be provided at a Primary Point, then service will be scheduled pro rata based on the quotient of Shipper's MRPO or MDPO divided by the sum of all Shipper's MRPOs or MDPOs at the Constrained Point.
- (ii) Transporter will then schedule service to those Firm Shippers for whom the Constrained Point affects a Secondary Receipt Point or Secondary Delivery Point. If full service cannot be provided at all Secondary Points, then service will be scheduled pro rata based on Shipper's MDQ divided by the sum of all Shipper's MDQs at the Constrained Point.

Constrained Segments:

- (i) Transporter will first schedule service to those Firm Shippers for whom the Constrained Segment affects Firm Service, up to Shipper's MDQ. If full service cannot be provided through a Constrained Segment, then service will be scheduled pro rata based on the quotient of Shipper's MDQ at the Constrained Segment divided by the sum of all shippers' MDQs through the Constrained Segment. Only the portion of Shipper's MDQ affected by the Constrained Segment will be utilized for allocation purposes hereunder.
- (b) Interruptible Transportation Service has the second highest priority for nomination, scheduling and curtailment.
 - (i) Interruptible Transportation Service will be scheduled when, and to the extent that, in Transporter's sole opinion, capacity is available on its pipeline system after first scheduling all Firm Transportation Service and considering pipeline operational requirements.
 - (ii) Transporter will then schedule service to Interruptible Shippers whose nomination for transportation service is affected by the Constrained Point or Constrained Segment by the rate paid for transportation service, giving priority from highest rate to lowest rate. If two or more Shippers are entitled to the same priority, then service will be scheduled pro-rata based on the quotient of the quantity nominated by Shipper at the Constrained Point or Constrained Segment, whichever is applicable, divided by the total quantity nominated by all Shippers sharing the priority.
- (c) Authorized Overrun service has the third highest priority for nomination, scheduling and curtailment.
 - (i) Authorized Overrun service will be scheduled after Transporter has first scheduled all Firm Transportation Service and Interruptible Transportation Service.
 - (ii) Transporter will schedule service to Authorized Overrun service Shippers whose nomination for transportation service is affected by the Constrained Point or Constrained

Segment by the rate paid for transportation service, giving priority from highest rate to lowest rate. If two or more Shippers are entitled to the same priority, then service will be scheduled pro-rata based on the quotient of the quantity nominated by Shipper at the Constrained Point or Constrained Segment, whichever is applicable, divided by the total quantity nominated by all Shippers sharing the priority.

- (d) Parking and Lending Service has the fourth highest priority for nomination, scheduling and curtailment.
 - (i) Parking and Lending Service will be scheduled after Transporter has first scheduled all Firm Transportation Service, Interruptible Transportation Service, and Authorized Overrun service.
 - (ii) Transporter will schedule service to Parking and Lending Shippers whose nomination for transportation service is affected by the Constrained Point by the rate paid for Parking and Lending Service, giving priority from highest rate to lowest rate. If two or more Shippers are entitled to the same priority, then service will be scheduled pro-rata based on the quotient of the quantity nominated by Shipper at the Constrained Point divided by the total quantity nominated by all Shippers sharing the priority.
- (e) Make-up quantity has the fifth highest priority for nomination, scheduling and curtailment (subject to Transporter's needs as stated in (iii) below).
 - (i) Make-up quantity of Gas to correct imbalances will have the lowest priority of service, subject to Transporter's operational needs as stated in Subsection (iii).
 - (ii) Transporter will schedule service to Shippers correcting an imbalance by the order in which the nomination to correct the imbalance was received, on a first-come, first-served basis. If two or more Shippers are entitled to the same priority, then service will be scheduled pro-rata based on the quotient of the quantity nominated by Shipper at the Constrained Point or Constrained Segment divided by the total quantity nominated by all Shippers sharing the priority.

- (iii) Transporter has the right and sole discretion to schedule make-up quantities that correct imbalances at the highest priority to improve pipeline operations.

6.2 Available Capacity.

Available capacity at any Receipt Point, Delivery Point or any other point on or through Transporter's pipeline system will be based on Transporter's sole evaluation of operating conditions on its pipeline system (or segment thereof), including, but not limited to, pipeline pressures, compression, interconnected pipeline pressures, limitations and capabilities, and other operating conditions as they exist from time to time. Available capacity may be limited at Transporter's discretion.

7. RATE

7.1 Applicable Charges.

- (a) Firm Transportation Service: Shipper will pay to Transporter each Month the following Charges specified in the Firm Gas Transportation Agreement:
 - (i) a reservation Charge times the Shipper's MDQ specified in the Firm Gas Transportation Agreement times the number of Days in that Month (Reservation Charge);
 - (ii) a commodity Charge for each MMBtu of Gas received from Shipper or for Shipper's account during such Month (Commodity Charge);
 - (iii) an Authorized Overrun Charge for each MMBtu of Gas received from Shipper or for Shipper's account as an Authorized Overrun, if Shipper is authorized to overrun its MDQ pursuant to Section 4.3 (Authorized Overrun Service); and
 - (iv) an amount of Gas or dollars for Fuel as determined in accordance with Section 7.6 (Fuel).

The Reservation Charge, Commodity Charge, Authorized Overrun Charge, combined Reservation Charge and Commodity Charge, or Fuel amount will not exceed the maximum fair and equitable rate as determined in accordance with FERC's regulations, or

adjustments therefrom, or as established by any other governmental authority having jurisdiction.

- (b) Interruptible Transportation Service: Shipper will pay Transporter the following Charges specified in the Interruptible Gas Transportation Agreement:
- (i) a transportation Charge for each MMBtu of Gas received from Shipper or for Shipper's account during such Month (Transportation Charge);
 - (ii) an Authorized Overrun Charge for each MMBtu of Gas received from Shipper or for Shipper's account as an Authorized Overrun, if Shipper is authorized to overrun its MDQ pursuant to Section 4.3 (Authorized Overrun Service); and
 - (iii) an amount of Gas or Dollars for Fuel as determined in accordance with Section 7.6 (Fuel).

The Transportation Charge, Authorized Overrun Charge, or Fuel amount for each MMBtu of Gas transported under the Agreement during the Month will not exceed the maximum fair and equitable rate as determined in accordance with FERC's regulations, or adjustments therefrom, or as established by any other governmental authority having jurisdiction.

- (c) Parking and Lending Service: Shipper will pay Transporter the following Charges specified in the Parking and Lending Agreement:
- (i) a Parking Charge for each MMBtu of Gas parked for Shipper per Day during such Month; and
 - (ii) a Lending Charge for each MMBtu of Gas loaned to Shipper per Day during such Month.

The Parking Charge and Lending Charge for each MMBtu of Gas parked or loaned under the Agreement during the Month will not exceed the maximum fair and equitable rate as determined in accordance with FERC's regulations, or adjustments therefrom, or as established by any other governmental authority having jurisdiction.

7.2 Discounted Charge.

Transporter may at any time and from time to time agree to adjust the Charge(s) at one or more points under an Agreement between Transporter and Shipper to a discounted Charge for a specified term. Such discounted Charge(s) will be communicated and agreed to as an amendment to the Agreement.

If Transporter discounts the Reservation Charge or Commodity Charge for Firm Transportation Service under an Agreement, and the Maximum Rate(s) determined in accordance with FERC regulations are subsequently reduced to a level below the Charge(s) set forth in the Agreement, then upon the effective date of such change in Maximum Rate(s), the Charges in the Agreement will be adjusted between the demand and commodity portion to retain the total consideration initially agreed upon by Transporter and Shipper, provided such Charges do not exceed the Maximum Rate(s) for Firm Transportation Service.

7.3 Regulatory and Other Incidental Fees.

Shipper will pay to Transporter all fees required by the FERC, the Louisiana Office of Conservation and any other regulatory or governmental body related to the service provided by Transporter under the Agreement, including but not limited to filing, reporting, and application fees. Transporter may, in its sole discretion, waive the collection of such fees. Transporter shall not include the amounts so collected in establishing its general system rates if such amounts are reimbursed by Shipper.

7.4 Taxes.

- (a) Shipper is required to reimburse Transporter when invoiced for the full amount of any taxes or charges of every kind and character, excluding corporate business franchise and excess profits taxes and taxes measured by net income, levied, assessed or fixed by any municipal or governmental authority against Transporter or its business in connection with or attributable to the volumes, value or gross receipts from the transportation, parking or lending of the Gas received from Shipper pursuant to the Agreement or against such Gas itself or the act, right or privilege of ownership, production, severance, handling, transmission, compression, treating, distribution, sale, delivery or redelivery of such Gas, whether such tax or charge is based upon the volume, value or gross receipts from the transportation, parking or lending of such Gas or upon some other basis.
- (b) Environmental Taxes. Shipper is required to reimburse Transporter for the full amount of any taxes, fees, surcharges, trading costs, and any costs whatsoever imposed on Transporter

and attributable to Gas transported on Transporter's pipeline or used by Transporter as Fuel to mitigate, reduce or discourage environmental impacts, including without limitation greenhouse gas emissions or carbon emissions. Any such reimbursement will be allocated among Shippers pro rata based on the quantity of gas received.

- (c) Louisiana Natural Gas Franchise Tax. Transporter and Shipper recognize that the Transportation Charge(s), Reservation Charge(s), Commodity Charge(s) and Parking and Lending Charge(s) specified in the Agreement take into account the Louisiana Natural Gas Franchise Tax of 1% as applied to the business of Transporter represented by the Agreement. If, after the date an Agreement is executed, the Louisiana Natural Gas Franchise Tax is increased or there is levied by law an additional tax, charge or fee (other than an income tax) on or measured by sales, the movement, the value or the quantity of Gas delivered to or for the account of Shipper and the tax is payable by Transporter for the right to sell or transport Gas, then Shipper will, if Transporter pays such lawful tax, reimburse Transporter for that portion of the tax, charge or fee paid by Transporter that is attributable to that part of Transporter's business represented by this Agreement.
- (d) Shipper is responsible for all taxes, charges and fees of whatever kind due or payable on the production or gathering of the Gas and the transportation of the Gas prior to the receipt of such Gas by Transporter at the Receipt Point(s) and subsequent to the delivery of such Gas by Transporter at the Delivery Point(s).

7.5 Third-Party Charges.

Transporter has the right to invoice Shipper for any charges that Transporter incurs from other parties in rendering service for Shipper if the charges are related to the service rendered to the Shipper.

7.6 Fuel.

Transporter may charge Shipper an amount of money or retain a percentage of Gas tendered by or for the account of Shipper at the Receipt Point(s) for Fuel not to exceed the amount permitted in Transporter's NGPA Section 311 rate as approved by the FERC from time to time.

8. QUALITY

8.1 The Gas received and delivered at each Receipt Point and Delivery Point shall meet the following quality specifications:

- (a) Oxygen - The oxygen content shall not exceed ten (10) parts per million of uncombined oxygen, and the parties shall make reasonable efforts to maintain the Gas free from oxygen;
- (b) Hydrogen Sulfide - The hydrogen sulfide content shall not exceed one quarter (1/4) grain per one hundred (100) cubic feet of Gas;
- (c) Total Sulfur - The total sulfur content, including mercaptans and hydrogen sulfide, shall not exceed one (1) grain per one hundred (100) cubic feet of Gas;
- (d) Carbon Dioxide - The carbon dioxide content shall not exceed two percent (2%) by volume;
- (e) Liquids - The Gas shall be free of water and other objectionable liquids at the temperature and pressure at which the Gas is delivered and the Gas shall in no event contain water vapor in excess of seven (7) pounds per one million (1,000,000) cubic feet (as determined by a dew point apparatus in general use in the industry on a basis not less often than Monthly);
- (f) Dust, Gums and Solid Matter - The Gas shall be commercially free of dust, gums, gum forming constituents, inerts, and other media or solid matter;
- (g) Gross Heating Value - The Gas delivered shall have a Gross Heating Value of not less than nine hundred fifty (950) Btu per cubic foot;
- (h) Temperature - The Gas shall be delivered at a temperature of not less than forty degrees (40°) Fahrenheit and not more than one hundred twenty degrees (120°) Fahrenheit;
- (i) Nitrogen - The nitrogen content shall not exceed three percent (3%) by volume and total inert gases shall not exceed four percent (4%) by volume;
- (j) Other - The Gas shall not contain any carbon monoxide, halogens or unsaturated hydrocarbons;

- (k) Hazardous Waste – The Gas shall not contain hazardous waste as defined in the Resources Conservation and Recovery Act of 1976; and
- (l) Dew point - The Gas shall not have a hydrocarbon dew point in excess of ten (10 °) degrees Fahrenheit under expected operating conditions.

8.2 Non-Conforming Gas.

If any Gas delivered by Shipper to Transporter at any Receipt Point fails to meet the quality specifications set forth above (Non-conforming Gas), Transporter may refuse to accept delivery of such Non-conforming Gas until Shipper or Shipper's supplier has corrected the quality deficiency. Transporter's option to refuse delivery of Non-conforming Gas is in addition to other remedies available to Transporter. If Transporter, at any time, accepts delivery of Non-conforming Gas, such acceptance will not constitute a waiver of this provision or any other provision of this Operating Statement or the Agreement with respect to any future delivery of Gas, and Shipper will indemnify Transporter for such accepted Non-conforming Gas under the provisions of Section 13 (Indemnification). If Shipper's Non-conforming Gas is accepted into Transporter's pipeline and the quality deficiency of that Gas damages Transporter's pipeline or appurtenant facilities, Shipper will reimburse Transporter for all damages caused or contributed to by Shipper's Non-conforming Gas, including without limitation physical damage to Transporter's pipeline or appurtenant facilities and economic damage to Transporter's commercial operations.

8.3 Receiving Pipeline with More Stringent Quality Specifications.

Notwithstanding the foregoing provisions of Section 8.1, if the quality specifications of the receiving pipeline at the Delivery Point(s) are more stringent than those defined above, Transporter is not required to accept at the Receipt Point(s) nor redeliver at the Delivery Point(s) any Gas tendered by Shipper for transportation hereunder to such points, until Shipper conforms such Gas to such specifications.

8.4 Odorization.

Shipper is responsible for odorizing any part of the Gas delivered hereunder to or for Shipper's account that is diverted, redelivered or used by Shipper for any purpose for which odorization is required pursuant to applicable governmental regulations.

8.5 Amendment to Quality Specifications.

Transporter reserves the right to amend the quality specifications as set forth in Section 8.1 effective on thirty (30) Days written notice.

8.6 Compression.

Shipper is obligated to install and operate at its sole expense any compression equipment necessary in order for Shipper's Gas to be delivered into the facilities of Transporter. In no event will Transporter be obligated to install or operate compression or any other facilities in order to provide the service under any Agreement.

9. **PRESSURES**

9.1 General.

The Gas delivered by Shipper to a Receipt Point(s) is to be delivered at a pressure sufficient to overcome the operating pressure existing in Transporter's facilities from time to time; provided, in no event are such delivery pressures to ever exceed the MAOP as determined by Transporter in its sole judgment.

9.2 Shipper.

Shipper will at its sole cost and expense ensure that all documentation and data required by any applicable regulatory authority with regard to Shipper's or Shipper's supplier's overpressure protection facilities upstream of the Receipt Point(s) and downstream of the Delivery Point(s), as applicable, are made available to Transporter and updated on an annual basis throughout the term of the Agreement. If Shipper fails to comply with the foregoing covenant, Transporter may, at Shipper's sole cost and expense, install such overpressure protection facilities (either upstream or downstream of the metering facilities, as Transporter may elect) in order to ensure compliance with applicable laws and regulations, or suspend receipts and deliveries of Shipper's Gas until such failure is remedied by Shipper; provided, subject to Transporter's rights under Section 16.1(f) (Reservation Charge Payment Defaults-Acceleration), Shipper is obligated to continue paying any Reservation Charges for Firm Service during any such period of suspension. The Gas delivered by Transporter to the Delivery Point(s) shall be delivered at the pressure existing in Transporter's facilities from time to time.

10. **MEASUREMENT AND METERING STANDARDS**

10.1 General.

Except as otherwise agreed by Transporter, the metering facilities to measure the volumes of Gas delivered at the Receipt Point(s) and the Delivery Point(s) will be maintained and operated or caused to be maintained and operated by Transporter. The Gross Heating Value of the Gas will be determined from facilities or spot sampling at the Receipt Point(s) and the Delivery Point(s). Such measurement facilities and measurement data on Gas measured at such facilities will at all reasonable times be subject to joint inspection by Transporter and Shipper.

10.2 Metering Fee.

If the aggregate quantity of Gas tendered by Shipper at a given Receipt Point or accepted by Shipper at a given Delivery Point during any Month equals a quantity less than the product of (i) 300 MMBtu per Day, and (ii) the number of Days in that Month, Transporter may, at its election, charge Shipper a metering fee (Metering Fee) of \$350 for such Month with respect to each such Receipt Point or Delivery Point.

10.3 Metering Test.

At intervals determined to be appropriate by the Transporter, orifice and other types of meters and appurtenant instruments shall be tested and calibrated in accordance with Transporter's general practices and procedures; such general practices and procedures may, at Transporter's sole election, be modified or updated from time to time.

10.4 Measurement.

For billing and payment purposes, the Gas received and delivered hereunder shall be measured by metering facilities installed, operated and maintained by Transporter or its designee. Such measurement stations are to be equipped with orifice meters or linear primary devices, electronic flow meters (EFM), and samplers (spot samplers, composite samplers or online Gas chromatograph) commonly accepted by the industry sufficient to accomplish the accurate measurement of Gas; provided, that Transporter has the right within its sole discretion to upgrade to or utilize more modern devices that meet industry standards.

The measurement of Gas at Receipt Point(s) or Delivery Point(s) will be conducted in accordance with the following:

- (a) The unit of volume for all purposes of measurement hereunder shall be one (1) cubic foot of Gas at a temperature of sixty (60 °) degrees Fahrenheit and at an absolute pressure of fourteen and seventy-three one-hundredths (14.73) Psia. The average atmospheric pressure will be assumed to be fourteen and seven-tenths (14.7) pounds per square inch. Whenever conditions of temperature and pressure differ from such standard, conversion of the volume of Gas from such conditions to the standard conditions will be made in accordance with the Ideal Gas Laws corrected for deviation of the Gas from Boyle's Law in accordance with the methods and formulae prescribed in the American Gas Association Report No. 8 Compressibility Factors of Natural Gas and Other Hydrocarbon Gases, as last amended and superseded.
- (b) Measurement, both volumetric and thermal, will be computed in accordance to the latest publications of the American Gas

Association in AGA Report # 3 or AGA Report # 9 in conjunction with the American National Standard publication, Orifice Metering of Natural Gas, ANSI/API 2530, latest revision.

- (c) The specific gravity of the Gas will be determined at the point(s) of measurement by one of the following methods, mutually acceptable to Transporter and Shipper: (1) an on-line chromatograph, (2) continuous sampling, or (3) spot sampling.
- (d) The arithmetic average of the hourly temperature when Gas is flowing, the factor for specific gravity according to the latest test therefor and the corrections for deviation from Boyle's Law applicable during each metering period will be used to make proper computations of Gas volumes measured hereunder.
- (e) The Gross Heating Value of Gas will, at Transporter's option, be determined at each point(s) of measurement hereunder: (1) by an online chromatograph, (2) by composite samples, or (3) by spot samples, taken by Transporter or its nominee by application of the methods contained in API/GPA standards and in such amendments and revisions thereto and superseding reports thereof as recommended by the API/GPA committee. The Gross Heating Value, however determined, will be converted to the same condition stipulated for the unit of volume in subsections (a) and (b) above. If an analytical chromatograph is used, such analytical chromatograph is to be of a design and manufacture mutually agreeable to both the Shipper and the Transporter. The method of Btu computation for a perfect Gas will be derived from the "Table of Physical Constants of Paraffin Hydrocarbons and Other Compounds" as published in the GPA Bulletin 2145-03 and superseding revisions thereof. The analysis will be complete and individual values in mol percent or fraction of each hydrocarbon compound will be listed through CH₆. The CH₆+ values will be as stated in GPA standard 2261, 7.3.6 Table IV (as may be revised from time to time) or, at Transporter's option, by use of an extended analysis. The analysis will further include the mol fraction or percent individually of additional compounds contained in chromatographically measurable quantity contained in the sample. The method to be used for chromatographic analysis will be that contained in GPA standard 2261, GPA Standard for Natural Gas and Similar Gaseous Mixtures by Gas Chromatography and any superseding revisions thereof.

- (f) Upon mutual agreement of Transporter and Shipper, other types of Btu per cubic foot measuring devices may be installed and operated and the Gross Heating Value will be computed in accordance with the manufacturer's instructions for same and consistent with industry-accepted practices for transmission Btu per cubic foot measurement.
- (g) Gas samples taken from the pipeline system for purposes of determining or deriving quantitative values that will be used in the computation of Gas volume and the Gross Heating Value will be obtained through use of a probe to be inserted sufficiently beyond the periphery of the internal pipe walls to assure that the Gas being drawn for the sample is free of any liquid accumulation from the internal pipe wall.
- (h) If any standards or methods for calculations or determinations set forth in any applicable GPA publications are revised, this Operating Statement will be amended accordingly.
- (i) Transporter will install, own, operate and maintain standard type measuring and testing equipment necessary to measure and test Gas transported hereunder and will keep same accurate and in good repair. Transporter's EFM equipment, if installed, will be tested once each month for accuracy. Data editing, calibrations, repairs and adjustments of Transporter's measuring and testing equipment will be done only by employees of Transporter or its designated representatives. All analyzing may be witnessed by Shipper. Shipper or its designated representative may, in the presence of an employee of Transporter or Transporter's designated representative, have access to Transporter's measuring and analyzing equipment at any reasonable time, and will have the right to witness tests, calibrations and adjustments thereof. All tests scheduled hereunder will be preceded by reasonable notice to Shipper. Upon request of Shipper for a special test of any meter or auxiliary equipment, Transporter will promptly verify the accuracy of same; provided, that the cost of such special test will be borne by the requesting party, unless the percentage of inaccuracy found is more than one percent (1%) of a recording corresponding to the average hourly rate of Gas flow.

If, upon any test, any measuring equipment is found to be inaccurate, such inaccuracy will be taken into account in a practical manner in computing the deliveries. If the resultant aggregate inaccuracy in the computed receipts is not more than one percent

(1%) of a recording corresponding to the average hourly rate of Gas flow for the period since the last preceding test, previously calculated receipts will be deemed accurate. All equipment will, in any case, be adjusted at the time of test to record accurately. If, however, the resultant aggregate inaccuracy in computed receipts exceeds one percent (1%) of a recording corresponding to the average hourly rate of Gas flow for the period since the last preceding test, the previous recordings of such equipment will be corrected to zero error for any period that is known definitely or agreed upon. If the period is not known definitely or agreed upon, such correction shall be for a period extending back the lesser of (i) one-half of the time elapsed since the date of the last test or (ii), sixteen (16) Days.

- (j) If any meter or auxiliary equipment is out of service or out of repair for a period of time so that the amount of Gas delivered cannot be ascertained or computed from the reading thereof, the Gas delivered during such period will be estimated based on the best data available, using the first of the following methods that is feasible: (1) by using the registration of any check meter or meters, if installed and accurately registering, (2) by correcting the error if the percentage of error is ascertainable by calibration tests or mathematical calculations, (3) by estimating Gas volumes on the basis of deliveries during the preceding periods under similar conditions when the equipment was registering accurately, or (4) by other method(s) mutually acceptable to Transporter and Shipper.
- (k) Upon request of Shipper, Transporter will provide an electronic measurement audit package that complies with *API Chapter 21.1 Measurement* to Shipper for examination, the same to be returned within thirty (30) Days. Transporter's measurement audit package for a given accounting month will be deemed correct if no written objection thereto is served on Transporter or Shipper by the other within the Year following any Month, but the same shall be retained for a two (2) Year period.
- (l) Shipper may install, operate and maintain, at its sole cost, risk and expense, but in the same manner as is required for Transporter's equipment hereunder, check measuring and testing equipment of standard type; provided, that the same does not interfere with the operation of Transporter's equipment. The measurement and testing of Gas hereunder or for purposes of the Agreement will,

nevertheless, be effected only by Transporter's equipment, except as provided in (j) above. Transporter will have the same rights with respect to said check metering and testing equipment of Shipper as are granted to Shipper with respect to Transporter's metering and testing equipment.

- (m) If it is determined prior to, or as a result of, in-service tests, experience and observation by either Shipper or Transporter that pulsations exist that affect the measurement accuracy, the operator of the facilities shall install and operate mechanical dampening equipment necessary to eliminate such pulsations.
- (n) If at any time during the term of an Agreement a new method or technique is developed with respect to Gas measurement or the determination of the factors used in such Gas measurement, such new method or technique may be substituted for the method set forth in this Section when, in Transporter's sole discretion, employing such new method or technique is advisable. Transporter will notify Shipper in writing of any such election prior to actually implementing such substitution.

11. OWNERSHIP, CONTROL, PROPERTIES AND FACILITIES

11.1 Gas.

As between Transporter and Shipper, Shipper will be in control and in possession of the Gas delivered under the Agreement and is responsible for any damages or injuries caused thereby until Gas is received by Transporter at the Receipt Point(s) and after Gas is delivered at the Delivery Point(s). After receipt of the Gas at the Receipt Point(s), Transporter will be deemed to be in exclusive control and possession thereof and is responsible, subject to Shipper's obligation to indemnify Transporter as provided in Section 13 (Indemnification), for any injuries or damages caused thereby until the Gas is delivered for the account of Shipper at the Delivery Point(s); provided, the parties understand and acknowledge that title to all Gas transported under the Agreement at all times remains with Shipper.

Upon receipt of Gas by Transporter at the Receipt Point(s), Transporter has the absolute and unqualified right to treat such Gas as its own, including the right to commingle such Gas, to deliver molecules different from those received, and to treat the molecules delivered in any manner.

11.2 Properties and Facilities.

TRANSPORTER AND SHIPPER EACH ASSUME FULL RESPONSIBILITY AND LIABILITY FOR THE MAINTENANCE AND OPERATION OF THEIR RESPECTIVE PROPERTIES AND AGREE TO

INDEMNIFY AND SAVE HARMLESS THE OTHER PARTY FROM AND AGAINST ALL LIABILITY AND EXPENSE ON ACCOUNT OF ANY AND ALL DAMAGES, CLAIM OR ACTIONS, INCLUDING INJURY TO AND DEATH OF PERSONS ARISING FROM ANY ACT OR ACCIDENT IN CONNECTION WITH THE INSTALLATION, PRESENCE, MAINTENANCE, AND OPERATION OF THE PROPERTY AND EQUIPMENT OF THE INDEMNIFYING PARTY.

11.3 Alterations, Maintenance and Repairs.

Transporter has the right, without liability to Shipper, to interrupt the receipt or delivery of Shipper's Gas when necessary to test, alter, modify, enlarge, maintain or repair any facility or property comprising part of, or appurtenant to, Transporter's transmission system, or otherwise related to the operation thereof. Except in cases of unforeseen emergency, Transporter shall give Shipper advance notice of its intention to curtail the receipt or delivery of Shipper's Gas for purposes set forth in this Section 11.3.

11.4 Transporter's Facilities.

- (a) Transporter is under no obligation to modify its pipeline pressure or to install additional facilities to permit the entry of Shipper's Gas into its pipeline.
- (b) Transporter in its sole discretion may, but is not obligated to, agree to Shipper's request to add, remove, or modify any facilities on Transporter's pipeline. Any request by Shipper will be made in writing with an initial service request under Section 5 (Request for Service) or at a later time. If Transporter agrees to negotiate with Shipper regarding any such request for facilities, Transporter and Shipper will negotiate a written facilities agreement, if applicable, that will be effective only after mutual agreement and the execution thereof.

12. WARRANTIES

Each Shipper receiving service under Section 311(a)(2) of the NGPA makes the following representations and warranties to Transporter hereunder and in the applicable Agreement:

12.1 SHIPPER WARRANTS (I) THAT IT HAS EITHER TITLE TO ALL GAS DELIVERED BY IT UNDER THE AGREEMENT FOR ITS ACCOUNT, OR THAT IT HAS THE RIGHT TO DELIVER THE GAS; AND (II) THAT SUCH GAS IS FREE FROM LIENS AND ADVERSE CLAIMS OF EVERY KIND. SHIPPER WILL INDEMNIFY AND SAVE TRANSPORTER HARMLESS FROM AND AGAINST ALL LOSSES, DAMAGES AND EXPENSES OF EVERY CHARACTER WITH RESPECT TO THE WARRANTIES ABOVE OR ON ACCOUNT OF ROYALTIES, TAXES, PAYMENTS, OR OTHER CHARGES APPLICABLE BEFORE OR UPON DELIVERY, OR UPON AND AFTER REDELIVERY OF THE GAS UNDER THE AGREEMENT.

12.2 Shipper further represents and warrants to Transporter that the transportation of Gas under an Agreement will be on behalf of an interstate pipeline, or on behalf of a local distribution company (LDC) served by an interstate pipeline, as contemplated and defined under Section 311 of the NGPA and the regulations implementing Section 311.

13. INDEMNIFICATION

SHIPPER COVENANTS THAT IT WILL RELEASE, DEFEND, INDEMNIFY AND SAVE TRANSPORTER HARMLESS FROM AND AGAINST ANY AND ALL SUITS, ACTIONS, CAUSES OF ACTION, CLAIMS, AND DEMANDS ARISING FROM OR OUT OF ANY ADVERSE CLAIMS MADE BY ANY THIRD PARTY OR BY SHIPPER FOR ANY LOSS, DAMAGE, COST OR EXPENSE RELATING TO, CAUSED BY, OR ARISING OUT OF (i) THE OWNERSHIP OF OR ANY INTEREST IN THE GAS TENDERED FOR TRANSPORTATION OR PARKING OR LENDING SERVICES HEREUNDER, (ii) THE QUALITY (OR LACK THEREOF) OF SHIPPER'S GAS, (iii) THE INTERRUPTION OF TRANSPORTATION SERVICE, OR OF PARKING OR LENDING SERVICE, (iv) THE BREACH BY SHIPPER OF ANY REPRESENTATION OR WARRANTY MADE BY SHIPPER HEREUNDER OR IN THE AGREEMENT, (v) THE LOSS OF SHIPPER'S GAS FOR REASONS OTHER THAN THE NEGLIGENCE OF TRANSPORTER, OR (vi) SHIPPER'S GAS BEFORE TRANSPORTER'S RECEIPT OF SHIPPER'S GAS OR AFTER TRANSPORTER'S DELIVERY OF SHIPPER'S GAS.

14. LIMITATION OF LIABILITY

IN NO EVENT WILL TRANSPORTER BE LIABLE TO SHIPPER FOR EXEMPLARY OR PUNITIVE DAMAGES OR ANY SPECIAL, INDIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES OF ANY CHARACTER, INCLUDING WITHOUT LIMITATION, LOSS OF USE, LOST PROFITS OR REVENUES, COST OF CAPITAL, CANCELLATION OF PERMITS, UNABSORBED TRANSPORTATION OR STORAGE CHARGES, TERMINATION OF CONTRACTS, TORT OR CONTRACT CLAIMS (OTHER THAN CONTRACT CLAIMS ARISING OUT OF AN AGREEMENT BETWEEN TRANSPORTER AND SHIPPER), OR LOST PRODUCTION, IRRESPECTIVE OF WHETHER CLAIMS FOR SUCH DAMAGES ARE BASED UPON CONTRACT, WARRANTY, NEGLIGENCE, STRICT LIABILITY OR OTHERWISE.

15. FORCE MAJEURE

15.1 If either Transporter or Shipper is rendered unable, wholly or in part, by *force majeure*, to perform or comply with any obligation or condition hereunder or in the Agreement, such obligation or condition will be suspended during the continuance of the inability so caused and such party will be relieved of liability and will suffer no prejudice for failure to perform the obligation or condition during such period; provided, the obligation to make payments when due, including without limitation Reservation Charges due during any such period (except as set forth in Section 15.4 below) will not be suspended and the cause for suspension (other than strikes or lockouts) will be remedied so far as possible with reasonable dispatch. The party suffering any such *force majeure* will give notice with reasonably full particulars to the other party as soon as reasonably possible upon the occurrence of such event.

The term "*force majeure*" includes, without limitation, the following: acts of God; strikes, lockouts, or other industrial disturbances; conditions arising from a change in governmental laws, orders, rules, or regulations; acts of public enemy; wars; blockades; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; storms; floods; washouts; acts, arrests and restraints of governments and people; civil disturbances; explosions; breakage or accident to machinery or lines of pipe; breakage or accident to the receiving pipeline(s); failure of the delivering pipeline(s) to deliver or receiving pipeline(s) to take delivery of Gas due to force majeure on their pipeline(s); maintenance or the necessity for making repairs, tests or alterations to machinery or lines of pipe; freezing of wells or lines of pipe; partial or entire failure of wells; and any other causes, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. "*Force majeure*" also includes: (a) in those instances where either Transporter or Shipper is required to obtain servitudes, rights-of-way, grants, permits or licenses to enable such party to fulfill its obligations hereunder or under the Agreement, the inability of such party to maintain in effect or to acquire or the delays on the part of such party in acquiring, at reasonable costs, and after the exercise of reasonable diligence, those servitudes, rights-of-way, grants, permits, or licenses; (b) in those instances where either Transporter or Shipper is required to furnish materials and supplies for the purpose of constructing or maintaining facilities or is required to secure permits or permissions from any governmental agency to enable such party to fulfill its obligations hereunder or under the Agreement, the inability of that party to acquire, or the delays on the part of that party in acquiring, at reasonable costs, and after the exercise of reasonable diligence, those materials and supplies, permits and permissions; and (c) in those instances where either Transporter or Shipper is required to construct facilities to enable such party to fulfill its obligations under the Agreement, any interruptions or delays on the part of that party in completing the construction of such facilities occasioned by any legal or regulatory proceeding.

15.2 It is understood and agreed that the settlement of strikes or lockouts is entirely within the discretion of the party having the difficulty, and that the above requirement that any *force majeure* shall be remedied with reasonable dispatch does not require the settlement of strikes or lockouts by acceding to the demands of the opposing party when that course is inadvisable in the discretion of the party having the difficulty.

15.3 Notwithstanding the foregoing, no event of *force majeure* will in any way terminate or modify Shipper's obligation to balance the quantity of Gas received and delivered by Transporter under the Agreement, or to pay Transporter any Imbalance Charge in accordance with the provisions of Section 18(e) of this Operating Statement.

15.4 The payment of the Reservation Charge is not subject to suspension during a *force majeure* event, periods of curtailment (either operational or governmental) or periods where deliveries are suspended due to construction or activities permitted in Section 11.3; provided, for an event of *force majeure* on Transporter's pipeline lasting more than five (5)

consecutive Days in which Transporter cannot satisfy Shipper's full nomination for service at a Primary Receipt Point or Primary Delivery Point (up to the MRPO and MDPO, respectively), the portion of Shipper's Reservation Charge attributed to such unsatisfied nomination for each Day thereafter will be reduced by fifty percent (50%) until Transporter confirms Shipper's full nomination at the Primary Receipt Point or Primary Delivery Point (up to the MRPO or MDPO), or the cessation of the event of *force majeure*, whichever occurs first. If the event of *force majeure* on Transporter's pipeline lasts more than thirty (30) consecutive Days and Transporter cannot satisfy Shipper's full nomination for service at a Primary Receipt Point or Primary Delivery Point (up to the MRPO and MDPO, respectively) for thirty (30) consecutive Days, then the portion of Shipper's Reservation Charge attributed to such unsatisfied nomination will be suspended until Transporter confirms Shipper's full nomination for each Day thereafter at the Primary Receipt Point or Primary Delivery Point (up to the MRPO or MDPO), or for the remainder of the *force majeure* event, whichever occurs first.

16. BILLING

16.1 Billing Procedures.

- (a) *Billing and Payment for Firm Transportation Service:* Transporter will, on or before the 25th Day of each Month, submit to Shipper a statement showing the following information with regard to Firm Transportation Service provided in the prior Month:
- (i) the Reservation Charge payable for the prior Month;
 - (ii) the number of MMBtu of Gas received from or for the account of Shipper at the Receipt Point(s) during the prior Month;
 - (iii) the number of MMBtu of Gas delivered by Transporter to or for the account of Shipper at the Delivery Point(s) during the prior Month;
 - (iv) the number of MMBtu of Gas received from Shipper by Transporter as Fuel during the prior Month;
 - (v) the amount of any adjustment applicable to any prior Month;
 - (vi) the Commodity Charge payable by Shipper for the prior Month;
 - (vii) any Authorized Overrun Charges payable by Shipper for the prior Month;

- (viii) the amount, in MMBtu, of any Positive or Negative Imbalance;
 - (ix) the Imbalance Charge pursuant to Section 18(e)(iii);
 - (x) any other amount payable by Shipper to Transporter for services rendered hereunder, including without limitation dollar amounts for Fuel, the previous Month's Metering Fee(s) due, if applicable, any excess imbalance existing, any applicable penalty due, and the various taxes and charges that are payable by Shipper but that have been charged to Transporter; and
 - (xi) the volume in Mcf, as adjusted to meet any reporting requirements under local or state law.
- (b) *Billing and Payment for Interruptible Transportation Service:* Transporter will, on or before the 25th Day of each Month, submit to Shipper a statement showing the following information with regard to Interruptible transportation service provided in the prior Month:
- (i) the number of MMBtu of Gas received from or for the account of Shipper at the Receipt Point(s) during the prior Month;
 - (ii) the number of MMBtu of Gas delivered by Transporter to or for the account of Shipper at the Delivery Point(s) during the prior Month;
 - (iii) the number of MMBtu of Gas received from Shipper by Transporter as Fuel during the prior Month;
 - (iv) the amount of any adjustment applicable to any prior Month;
 - (v) the Transportation Charge payable by Shipper for the prior Month;
 - (vi) any Authorized Overrun service Charges payable by Shipper for the prior Month;
 - (vii) the amount, in MMBtu, of any Positive or Negative Imbalance;

- (viii) the Imbalance Charge pursuant to Section 18(e)(iii);
 - (ix) any other amount payable by Shipper to Transporter for services rendered hereunder, including without limitation dollar amounts for Fuel, the previous Month's Metering Fee(s) due, if applicable, any applicable penalty due, and the various taxes and charges that are payable by Shipper but that have been charged to Transporter; and
 - (x) the volume in Mcf, as adjusted to meet any reporting requirements under local or state law.
- (c) *Billing and Payment for Parking and Lending Service:* Transporter will, on or before the 25th Day of each Month, submit to Shipper a statement showing the following information with regard to parking and lending service provided in the prior Month.

Parking:

- (i) the number of MMBtu of Gas received Daily from or for the account of Shipper at the Receipt Point(s) during the prior Month for parking;
- (ii) the number of MMBtu of Gas withdrawn Daily from or for the account of Shipper's parking account during the prior Month;
- (iii) the amount of any adjustment applicable to any prior Month;
- (iv) the parking Charge payable by Shipper for the prior Month for each MMBtu of Gas parked each Day;
- (v) any other amount payable by Shipper to Transporter for services rendered hereunder or applicable fees, charges or penalties; and
- (vi) the volume in Mcf, as adjusted to meet any reporting requirements under local or state law.

Lending:

- (i) the number of MMBtu of Gas loaned Daily to or for the account of Shipper at the Delivery Point(s) during the prior Month for lending;

- (ii) the number of MMBtu of Gas returned by or for the account of Shipper on each Day of the prior Month;
 - (iii) the amount of any adjustment applicable to any prior Month;
 - (iv) the lending Charge payable by Shipper for the prior Month for each MMBtu of Gas loaned each Day;
 - (v) any other amount payable by Shipper to Transporter for services rendered hereunder or applicable fees, charges or penalties; and
 - (vi) the volume in Mcf, as adjusted to meet any reporting requirements under local or state law.
- (d) Payment Method: Shipper will pay by wire transfer, check or ACH Transfer to the account or remittance address set forth in the Agreement or according to the instructions set forth in the applicable statement or invoice, the full amount payable according to such statement, on or before ten (10) Days following receipt thereof by Shipper. Shipper may elect at any time to prepay the applicable Charges under an Agreement.
- (e) Estimated Quantity: In the event the quantity set forth in the statement is estimated for any period, corrected statements will be rendered by Transporter to Shipper and paid by Shipper or refunded or credited by Transporter, as the case may be, in each instance in which the actual quantity received or delivered hereunder with respect to a Month shall be determined to be at variance with the estimated quantity theretofore made the basis of billing and payment hereunder.
- (f) Reservation Charge Payment Defaults - Acceleration: Shipper's failure to pay the entire Reservation Charge for any Month when due as specified above constitutes a default (Payment Default). If such Payment Default is not fully cured to Transporter's satisfaction within thirty (30) Days after Transporter has provided written notice of such Payment Default to Shipper, Transporter has and may exercise its right to accelerate the payment of the remaining Reservation Charges, causing the sum of the Reservation Charge(s) for each Month remaining in the term of the Agreement to be immediately due and payable. In addition to its right to accelerate payments upon a Payment Default,

Transporter may pursue any other rights and remedies available at law or in equity, and Transporter shall have no obligation to receive, transport or deliver any quantity of Gas hereunder or under an Agreement during any Month until such Payment Default has been fully cured to Transporter's satisfaction.

- (g) Interest: In addition to all other remedies available to Transporter, should Shipper fail to pay any amount to Transporter when due, interest thereon shall accrue at the rate of the prime interest rate charged by Wells Fargo Bank, N.A., Dallas, Texas, plus two percent (2%) per annum, not to exceed the maximum legal rate, from the date when such amount is due until the same is paid.
- (h) Failure to Pay: If Shipper fails to pay in full any amount owing Transporter within five (5) Days of when such amount becomes payable, then, in addition to all other remedies available to it at law or in equity, Transporter may refuse to accept any further deliveries of Gas from Shipper at the Receipt Point(s), refuse to deliver Gas to Shipper at the Delivery Point(s), or both, until Shipper corrects such default in full; provided, that before Transporter may exercise its remedies under this Subsection, it must first provide Shipper with written notice, to be effective upon receipt, of its intention to effect such suspension of service.
- (i) Prepayments and Payment Securities: In addition to any prepayment as set forth in Section 5.2, Shipper shall, if requested by Transporter at any time during the term of the Agreement and within any timelines set forth herein, provide Transporter with payment securities in an amount and of a type acceptable to Transporter to cover any other financial exposure of Transporter to Shipper-caused imbalances or for any other reimbursable amounts or cost pass-throughs allowed hereunder or by a governmental agency. If Shipper fails to provide acceptable payment securities as requested by Transporter and within any timelines set forth herein, Transporter may terminate this Agreement or suspend its performance hereunder as set forth in Section 5.2(d) until such time as Shipper furnishes acceptable payment securities to Transporter.
- (j) Accounting Adjustment of Billing Errors: If Transporter or Shipper discovers any overcharge or undercharge (other than as a result of measurement or allocation adjustments) and the invoice therefor has been paid, the party which received the

overpayment or made the underpayment will pay the other, which payment may be accomplished by netting or offset, within thirty (30) Days after the final determination thereof, the amount which it underpaid or was overpaid, along with interest from the date of such overpayment or under payment calculated in accordance with Subsection 16.1(g); provided, that no retroactive adjustment will be made beyond a period of twenty-four (24) months following the date of such overpayment or underpayment unless such retroactive adjustment is made necessary by measurement or allocation adjustments instigated by an upstream or downstream transporter.

- (k) *Right to Examine Books and Records*: Transporter and Shipper or their representatives have the right at all reasonable times to examine the books and records of the other party to the extent necessary to verify the accuracy of any statement, Charge, computation or demand made under or pursuant to the Agreement. Any statement is final unless questioned within two (2) years after payment thereof has been made.

16.2 Netting and Offset.

If Transporter and Shipper are each required to pay an amount in the same Month under this Operating Statement or the Agreement, such amounts with respect to each party may be aggregated and the parties may discharge their obligations to pay through netting, in which case the party, if any, owing the greater aggregate amount may pay to the other party the difference between the amounts owed. All outstanding transactions and the obligations to make payment in connection therewith or under any Agreement may be offset against each other, set off or recouped therefrom. Transporter and Shipper may also agree by separate agreement to aggregate amounts due either party and their affiliates pursuant to this Operating Statement, the Agreement, and various other agreements between Transporter (and its affiliates) and Shipper (and its affiliates), and the parties may discharge their obligations to pay through netting.

17. NON-WAIVER OF FUTURE DEFAULTS

No waiver by either Transporter or Shipper of any one or more defaults by the other in the performance of any of the provisions of the Agreement will operate or be construed as a waiver of any future default or defaults whether of a like kind or different nature.

18. NOMINATIONS AND SCHEDULING

- (a) Nominations for Gas are to be submitted to the Attention of the Gas Scheduling Department of Transporter in writing, by-email, fax or other electronic means designated by Transporter.
- (b) By 11:30 a.m. Central Time on Monday through Friday on the Business Day before Gas is desired to flow, Shipper shall submit to Transporter a nomination which includes the following:
 - (i) Shipper name, contact name and phone number;
 - (ii) Contract number assigned by Transporter;
 - (iii) Daily quantity of Gas to be transported in MMBtu, separately stating any Authorized Overrun quantities;
 - (iv) Daily quantity of Gas to be received by Transporter at each Receipt Point, before deducting any quantity for Fuel due to Transporter, separately stating any Authorized Overrun quantities;
 - (v) Daily quantity of Gas to be delivered by Transporter at each Delivery Point, separately stating any Authorized Overrun quantities;
 - (vi) Begin date for the nomination and end date for the nomination (not to extend past the last Day of the Month in which Gas would first flow under the nomination); and
 - (vii) Shipper's contract numbers with upstream and downstream parties to which Gas will be received and delivered.

Transporter may, at its sole discretion, accept nominations at such later time as operating conditions permit, and may waive any nomination requirement.

A quantity nominated for receipt and delivery, less quantities received for fuel, is to be equal, unless Shipper is making up an imbalance. A quantity nominated as an Authorized Overrun is to be separately stated on the nomination.

- (c) The quantity of Gas nominated by Shipper will be deemed the confirmed Scheduled Quantity by Transporter at 4:00 p.m. Central

Time on the Day before Gas is desired to flow, unless Transporter provides notice to Shipper of a lower Scheduled Quantity prior to 4:00 p.m. Central Time.

(d) Operational Flow Order.

In order to protect Transporter's pipeline operations, Transporter may, at any time and with written, oral, or electronic notification, (including website posting), initiate an operational flow order that limits receipts and deliveries and requires hourly and Daily rates of flow to be uniform and in balance. In such event, Shipper's Scheduled Quantity will be adjusted to comply with the operational flow order. Shipper will be subject to the penalties set forth in section (f) herein for violating an operational flow order.

(e) Imbalances.

The term "imbalance" for purposes of this Section 18 means the cumulative difference in a Month between the quantity of Gas received for the account of Shipper at the Receipt Point(s), less Shipper's Fuel Charge or Fuel quantity, and the Scheduled Quantity of Gas confirmed for the account of Shipper at the Delivery Point(s). If the "imbalance" is the result of over deliveries of Gas for Shipper's account at the Receipt Point(s), it is a "Positive Imbalance." If the "imbalance" is the result of under deliveries of Gas for Shipper's account at the Receipt Point(s), it is a "Negative Imbalance."

(i) Balancing Obligations.

The Gas to be transported hereunder will be received, transported and delivered at uniform hourly and Daily rates of flow as set forth in Section 3.3, to the extent it is consistent with the operating conditions on Transporter's system. The quantity of Gas received and delivered for Shipper shall be kept in balance on a Daily as well as Monthly basis. It is the intent of Transporter and Shipper that any variance, or imbalance, between the quantity of Gas received from or for the account of Shipper at the Receipt Point(s), less applicable fuel, and the Scheduled Quantity of Gas confirmed for delivery to or for the account of Shipper at the Delivery Point(s) be minimal and incidental. Transporter may establish operational balancing agreements with interconnecting

pipelines to resolve imbalances between pipelines to keep its pipeline and Shippers balanced on daily basis.

(ii) Notification.

Either party shall notify the other as soon as practicable when it becomes aware of receipts or deliveries that are not in balance. Transporter shall provide written, oral or electronic notification of any variances in receipts and deliveries, including website postings, and Transporter and Shipper will promptly make adjustments in receipts and deliveries as is consistent with Transporter's operating conditions and this Operating Statement in order to balance any variances so shown. Transporter shall settle any monthly imbalances by using the methods set forth in Section 18(e). There will be a final cash out immediately upon or following the termination of the Agreement and the provisions of this Section will survive the termination of the Agreement.

(f) Cash Out of Monthly Imbalances.

Monthly imbalances shall be cashed out in accordance with the provisions set forth below. In the event that Shipper has multiple Agreements with Transporter, the cash out provisions will be applied separately to each Agreement.

(i) Cash Out Index Price.

The "Cash Out Index Price" is a price that is calculated by:

- (a) multiplying the quantity of Gas delivered each Month for the account of Shipper to any downstream pipeline(s) at a Delivery Point (Downstream Pipeline) by: (1) the Downstream Pipeline(s)' cash out price(s) at the Delivery Point(s), if the Downstream Pipeline uses a cash out mechanism, or (2) the average of the Gas Daily daily mid-point index prices as published for each Delivery Point for the corresponding Downstream Pipeline(s) for each Day of the Month of deliveries, if the Downstream Pipeline(s) does not use a cash out mechanism; and
- (b) dividing (i) the sum of the products of (a) above for each Downstream Pipeline at which Gas was

delivered to or for the account of Shipper in the Month by (ii) the total quantity of Gas delivered to or for the account of Shipper at all of the Delivery Point(s) for the Month.

(ii) Shipper Cash Outs by Transporter.

The Imbalance Percent set forth in the table below will be determined by comparing the quantity of the imbalance to the greater of the total physical receipts of the quantity of Gas at the Receipt Point(s) or the total quantity of Gas confirmed and scheduled at the Delivery Point(s) for the Agreement under which the imbalance is being Cashed Out. The Imbalance Percent will be applied in the Month that the imbalance accumulated. The Cash Out Index Price will be adjusted to reflect a premium for the quantity of Gas owed to Transporter or to reflect a discount for the quantity of Gas owed to Shipper, based on the Imbalance Percent as set forth in the table below.

<u>Imbalance Percent</u>	<u>Premium/Discount Percent</u>
0 – 5%	0%
>5% - 10%	10%
>10% - 15%	15%
>15% - 20%	20%
>20%	25%

(iii) Using the table above, payments are to be made for any imbalances (Imbalance Charge) in a Month as follows: (a) Transporter will pay Shipper an amount that is the product of the Positive Imbalance each Month, if any, and the Cash Out Index Price as reduced by the Discount Percent corresponding to Shipper’s Imbalance Percent; and (b) Shipper will pay Transporter an amount that is the product of the Negative Imbalance each Month, if any, and the Cash Out Index Price as inflated by the Premium Percent corresponding to the Shipper’s Imbalance Percent.

(iv) Transporter may, in its sole discretion, waive or discount the applicable premium or discount percent attributable to an Imbalance Charge.

(g) Penalties During Operational Flow Orders.

If Transporter initiates an operational flow order, Shipper will be notified orally, in writing, or electronically, including a website posting, of any limitations on receipts and deliveries, adjustments to the Scheduled Quantity, and requirements to balance receipts and deliveries on an hourly and Daily basis. In addition to and notwithstanding any requirements to cash out imbalances under (f) above, if Shipper violates an operational flow order, Shipper shall pay Transporter a penalty (in addition to any Imbalance Charge) equal to (i) the quantity of Gas that is in violation of the operational flow order, in MMBtu, times (ii) the monthly average of the daily Gas price posting published in Gas Daily for the point closest in proximity to the Downstream Pipeline(s), times (iii) 200 (%).

(h) SHIPPER IS RESPONSIBLE FOR AND WILL BEAR THE COSTS OF ANY PENALTIES IMPOSED, CLAIMS MADE, OR JUDGMENTS OBTAINED AGAINST TRANSPORTER BY (I) ANY UPSTREAM OR DOWNSTREAM TRANSPORTERS, OR (II) ANY PARTY BUMPED FROM CAPACITY, OR (III) ANY OTHER THIRD-PARTY, AND SHALL INDEMNIFY AND HOLD TRANSPORTER HARMLESS FROM AND AGAINST ALL PENALTIES, LOSS, LIABILITY, CLAIMS, OR JUDGMENTS OBTAINED, INCLUDING THE PAYMENT OF ATTORNEYS' FEES AND COURT COSTS, FOR IMBALANCES BETWEEN THE RECEIPT POINT(S) AND THE DELIVERY POINT(S) CAUSED BY SHIPPER'S FAILURE TO TIMELY BALANCE RECEIPTS AND DELIVERIES ON TRANSPORTER'S SYSTEM.

(i) If Shipper delivers a quantity of Gas at the Receipt Point(s) that is in excess of or less than the quantity received by Shipper at the Delivery Point(s) and that imbalance would jeopardize the safety of Transporter's operations or its ability to meet its contractual commitments to others, Transporter has the right to (1) vent, without being held liable to Shipper, or any other person, all or such part of that excess quantity as Transporter, in its reasonable discretion, deems necessary; (2) cease receipt of all or any portion of Shipper's Gas at the Receipt Point(s) if Transporter, in its reasonable discretion, deems that action necessary; or (3) cease delivery of all or any portion of Shipper's Gas at the Delivery Point(s) if Transporter, in its reasonable discretion, deems that

action necessary. Shipper shall be responsible for all taxes, fines, fees, charges, penalties, and all costs whatsoever associated with the venting of Gas described herein.

- (j) Transporter may select alternate indices in its reasonable discretion if any of the above-mentioned indices are unavailable. If there is no index posting at a Delivery Point(s), Transporter may select an index posting that is nearest to the Delivery Point(s).

19. WAIVER, MODIFICATIONS, OR SUPPLEMENTS TO OPERATING STATEMENT

Transporter may waive, modify, or supplement the terms and conditions set forth in this Operating Statement or any Agreement, without undue discrimination or preference, and without consent from any Shippers, when in Transporter's reasonable judgment such action is necessary or appropriate or consistent with reasonable business practices, and Transporter shall have no liability to any Shipper for such action.

20. APPLICABLE LAW

20.1 THIS OPERATING STATEMENT AND ANY AGREEMENT SHALL BE INTERPRETED, CONSTRUED AND GOVERNED BY THE LAWS OF THE STATE OF TEXAS, EXCLUDING ANY CONFLICTS OF LAW RULE THAT WOULD APPLY THE LAW OF ANOTHER JURISDICTION.

20.2 This Operating Statement and any Agreement and the respective rights and obligations of the parties thereto are subject to all present and future valid laws, orders, rules and regulations of any competent legislative body or duly constituted authority now or hereafter having jurisdiction and this Operating Statement or the Agreement shall be varied and amended to comply with or conform to any valid order or direction of any board, tribunal or administrative agency which affects any of the provisions of this Operating Statement or the Agreement. Notwithstanding the foregoing, if any regulatory authority having jurisdiction should, by rule or order, deny recovery or pass-through by Shipper of part or all of any payments made by Shipper to Transporter that are required hereunder or by the terms and conditions of the Agreement, or in any other way rules adversely to Shipper in any manner whatsoever in respect of Shipper's having entered into the Agreement with Transporter, Shipper's obligations to make all payments to Transporter as provided for hereunder or in the Agreement will remain unaltered and in full force and effect.

21. ASSIGNMENT

If Shipper desires to assign or transfer its rights under its Agreement, Shipper shall request in writing Transporter's consent for such assignment. The creditworthiness of a proposed assignee (prospective shipper) will be evaluated by Transporter in accordance with the Financial Requirements and Credit Evaluation provisions of Section 5.5. If the proposed assignee meets or exceeds the creditworthiness standards of Transporter, to be determined

within Transporter's sole discretion, the assignment will be permitted; however, if the proposed assignee does not meet or exceed the creditworthiness standards of Transporter, such assignment will not be permitted unless the proposed assignee provides Adequate Assurance of Performance required by Transporter in accordance with Section 5.5. Subject to Transporter's consent to any assignment, the Agreement shall bind and inure to the benefit of the successors and assigns of the Transporter and Shipper. If Shipper makes such an assignment in violation of the above requirements, then Shipper shall continue to be obligated under its Agreement and this Operating Statement for full performance, including payments of all fees and charges. Additionally, Transporter may also seek any remedies available hereunder or at law, rule or regulation, and may immediately terminate the Agreement. Transporter has the right to assign this Operating Statement and any Agreement.

22. MISCELLANEOUS

22.1 The provisions of this Operating Statement and any Agreement do not impart rights enforceable by any person, firm or organization that is not a Shipper on Transporter's system or not a permitted successor or assignee of a Shipper on Transporter's system. Should Shipper elect to have an agent act on its behalf for performance under this Operating Statement and the Agreement, Shipper shall provide prior written notice to Transporter and execute Transporter's Agency Agreement prior to the effective date of the change. Notwithstanding any such agent, Shipper shall continue to be bound by the Agreement and Operating Statement.

22.2 No modification or change to any Agreement between Transporter and Shipper will be enforceable unless reduced to writing and executed by both parties.

22.3 Transporter and Shipper shall provide such data and information, execute and deliver such further documents and instruments, give such further assurances and perform such acts as may be reasonably required by the other party in order to carry out the purposes, intentions and provisions of this Operating Statement or any Agreement. Without limiting the generality of the foregoing, Shipper agrees, upon any reasonable request, to execute such consent or other agreement or acknowledgment in favor of Transporter's lenders in connection with Transporter's project financing, if any.

22.4 Transporter and Shipper may record the telephone conversations between their employees or agents and neither party may challenge the admissibility of any such recordings.

22.5 The warranties, waivers, releases or indemnities made or given herein by Transporter or Shipper will survive the expiration or termination of the Agreement. Likewise, any obligation of Transporter or Shipper to pay amounts owed under the terms hereof or an Agreement will survive the expiration or termination of the Agreement.