ATMOS PIPELINE - TEXAS
Statement of Operating Conditions for Transportation Service
Effective: September 1, 2017

STATEMENT OF OPERATING CONDITIONS FOR
TRANSPORTATION SERVICE BY
ATMOS PIPELINE - TEXAS
PURSUANT TO SUBPART C OF PART 284
OF THE REGULATIONS OF THE
FEDERAL ENERGY REGULATORY COMMISSION

1. INTRODUCTION 2
2. DEFINITIONS 3
3. APPLICABILITY AND CHARACTER OF SERVICE 5
4. REQUESTS FOR TRANSPORTATION AND CREDITWORTHINESS 6
5. RATES AND CHARGES 8
6. RECEIPT AND DELIVERY POINTS 9
7. NOMINATIONS, BALANCING, CASH-OUT, AND PENALTIES 10
8. POSSESSION OF GAS 12
9. WARRANTY OF TITLE TO GAS 13
10. PRIORITY OF SERVICE 14
11. OTHER CONDITIONS OF SERVICE 15
12. OPERATIONAL REQUIREMENTS AND ASSESSMENTS BY UPSTREAM OR DOWNSTREAM PIPELINES....16
13. BILLING AND PAYMENT ..........................................................17
14. QUALITY SPECIFICATIONS 18
15. MEASUREMENT 20
16. FORCE MAJEURE 24

1. INTRODUCTION

1.1 Scope. This Statement shall apply to each Interruptible Transportation Agreement entered into between Shipper and Atmos Pipeline - Texas, an intrastate pipeline located in Texas and a division of Atmos Energy Corporation.

1.2 Availability. Transportation under this Statement is made available to any party for the Transportation of Gas by Transporter on Transporter’s System pursuant to Subpart C of Part 284 of the Federal Energy Regulatory Commission’s regulations when:

(a) Shipper desires Interruptible Transportation of Gas pursuant to this Statement;
(b) Shipper has submitted a valid request in accordance with Section 4 hereof for Service under this Statement and Transporter has available capacity to render such Service; and
(c) Shipper and Transporter have executed an Interruptible 311 Transportation
2. DEFINITIONS

2.1 Definitions. As used herein, the following terms shall have the meaning defined below:

(a) “British Thermal Unit” or “BTU” - The amount of heat required to raise the temperature of one (1) pound of water one degree Fahrenheit (1° F) at sixty degrees Fahrenheit (60° F). “MMBTU” shall mean one million (1,000,000) BTUs and it shall be the standard unit for purposes of nominations, scheduling, confirmations, allocations, invoicing, and balancing.

(b) “Business Day” - Monday through Friday from 8:00 a.m. to 5:00 p.m. Central Clock Time, excluding United States Federal Banking Holidays.

(c) “Day” - A period of time beginning and ending at 9:00 a.m. Central Clock Time.

(d) “Delivery Points” - Point or points located on Transporter’s System and specified in the Transportation Agreement at which Transporter shall deliver Gas to Shipper.

(e) “Equivalent Thermal Quantity” - During any given period of time, the quantity of Gas measured in MMBTUs received by Transporter at the Receipt Points will be the thermal equivalent of the quantities of Gas measured in MMBTUs for delivery at the Delivery Points less Fuel and L&U.

(f) “FERC” - The Federal Energy Regulatory Commission or any successor federal agency having jurisdiction over the rates and charges assessed by Transporter under Section 311(a)(2) of the Natural Gas Policy Act, as such may be amended from time to time.

(g) “Fuel” - The amount of Gas expressed as a percentage of the Gas received by Transporter at the Receipt Points, that Transporter shall retain for fuel.

(h) “Gas” or “Natural Gas” - Gas produced from gas wells and oil wells and the residue gas remaining after processing such gas for the removal of liquefiable hydrocarbons therefrom.

(i) “Interruptible” - Service that is subject to interruption by Transporter, without liability on the part of Transporter, as set forth herein, and shall have the priority as specified in Section 10 hereof.

(j) “L&U” - The amount of Gas, expressed as a percentage of the Gas received by Transporter at the Receipt Points, that Transporter shall retain for lost, and unaccounted-for quantities of Gas.

(k) “MMcf” - One thousand (1,000) standard cubic feet of gas. “MMcf” shall mean one million (1,000,000) standard cubic feet of gas.

(l) “MDQ” - Maximum daily quantity in MMBTUs stated in Shipper’s Transportation Agreement.

(m) “Month” - A period beginning at 9:00 a.m. Central Clock Time on the first Day of a calendar month and ending at 9:00 a.m. Central Clock Time on the first Day of the next succeeding calendar month.

(n) “Party” or “Parties” - Transporter or Shipper individually or Transporter and Shipper jointly.

(o) “Quality Specifications” - The quality specifications for gas delivered at the Receipt Points and redelivered at the Delivery Points set forth in Section 14 hereof.

(p) “Receipt Points” - Point or points located on the Transporter’s System and specified in the Transportation Agreement at which Transporter shall receive Gas from Shipper.

(q) “Service” - Include transportation, storage, parking, exchange, displacement, or backhaul service performed pursuant to a Transportation Agreement hereafter.

(r) “Shipper” - The party on whose behalf Transporter is providing Transportation of Gas on Transporter’s System in accordance with this Statement, the Transportation Agreement, and
pursuant to Subpart C of Part 284 of the Federal Energy Regulatory Commission’s

(s) **“Statement”** - This Statement of Operating Conditions for Transportation Service for Atmos Pipeline - Texas.

(t) **“Taxes”** - All taxes and fees levied upon and/or paid by Transporter [other than ad valorem, capital stock, income or excess profit taxes (except as provided herein), general franchise taxes imposed on corporations on account of their corporate existence or on their right to do business within the state as a foreign corporation and similar taxes], including, but not limited to, gross receipts tax, net profits tax, gas utility tax, street and alley rental fees agreed upon in franchise ordinances or street crossing agreements, licenses, fees and other charges levied, assessed, or made by any governmental authority on the act, right, or privilege of transporting, handling or delivering gas, which taxes or fees are based upon the quantity, heat content, value or sales/purchase price of the gas, or transportation fee payable hereunder and applicable federal income tax imposed as a result of installation of equipment at the Receipt and/or Delivery Points hereunder.

(u) **“Tender”** - A communicated offer to deliver Gas at a sufficient pressure to enter the receiving party’s facilities, coupled with the present ability of immediate delivery of such Gas at such pressure.

(aa) **“Transportation”** - The exchange, backhaul, displacement, or other methods of transportation of Gas.

(bb) **“Transportation Agreement”** - The Interruptible Transportation agreement entered into between Transporter and Shipper for the Interruptible Transportation of Gas on Transporter’s System in accordance with this Statement.

(cc) **“Transporter”** - Atmos Pipeline - Texas, an operating division of Atmos Energy Corporation.

(dd) **“Year”** - Unless the context indicates a different meaning, a period of time equal to twelve consecutive Months.

2.2 **Construction.**

(a) Additionally, terms used throughout this Statement which are capitalized shall have the definitions given to such terms as set forth above or elsewhere in this Statement.

(b) The singular of a term shall also include the plural of such term and vice versa.

(c) The word “includes” and its derivatives means “includes, but not limited to” and corresponding derivative meanings. The words “hereof,” “herein,” “hereunder,” and words of similar import, when used in this Statement shall refer to this Statement as a whole and not to any particular provision of this Statement. Unless the context clearly indicates otherwise, the word “or” is not exclusive.

3. **APPLICABILITY AND CHARACTER OF SERVICE**

3.1 **Applicability.** This Statement shall apply to all Interruptible Service rendered by Transporter for Shipper pursuant to Part 284 of FERC’s regulations and the Transportation Agreement for Service under this Statement.

3.2 **Character of Service.** Subject to the Force Majeure provisions set forth in **Section 16 hereof**, Service under this Statement shall consist of:

(a) The receipt of Gas on behalf of Shipper at the Receipt Points specified in the Transportation Agreement;

(b) The Interruptible 311 Transportation of Gas through Transporter’s System;

(c) The Interruptible 311 Storage of Gas to the extent such Storage is contemplated by the Shipper’s Transportation Agreement, which must also include transportation service; and

(d) The delivery of an Equivalent Thermal Quantity of Gas, less Fuel and L&U by Transporter to
Shipper or for Shipper’s account at the Delivery Points specified in the 311 Transportation Agreement.

3.3 **Subject to Laws.** Transporter’s Services are subject to all present and future valid laws and lawful rules, regulations, and orders of all regulatory authorities now or hereafter having jurisdiction over the Services or facilities used to provide such Services. The Parties acknowledge that Transportation under this Statement is subject to the provisions of Subpart C of Part 284 of the FERC’s regulations (“**Subpart C Regulations**”). All Transportation of Gas hereunder must meet the “on behalf of” test of Section 284.121 of the FERC’s regulations and Section 311(a)(2) of the Natural Gas Policy Act of 1978. Shipper warrants that at all times during the term of the Transportation Agreement, Shipper will neither commit any act nor fail to take any action that will cause the Service provided to Shipper to fail to comply with all applicable rules and regulations of the applicable regulatory agencies, including, without limitation, the “on behalf of” provisions of the Part 284 regulations.

3.4 **Required Information.** Upon request, Shipper must furnish to Transporter all information that is required for Transporter to comply with any reporting requirements of FERC or any other duly constituted authorities.

3.5 **Laws and Regulations.** The Transportation Agreement is expressly made subject to this Statement, as such may be amended from time to time by Transporter and approved by any federal or state regulatory body having or asserting jurisdiction. Transporter will have the right to propose to the FERC or other governing regulatory body such changes in its rates and this Statement at any times as it deems necessary; and the Transportation Agreement will be deemed to include any changes that are made effective pursuant to such order, regulation, or provisions of law, without prejudice to Shipper’s right to protest the same. In the event of a conflict between this Statement or the Subpart C Regulations and the Transportation Agreement, the terms of this Statement and the Subpart C Regulations shall govern. If, by decree, law, order, or otherwise, any regulatory body having or asserting jurisdiction over the Transportation Agreement subjects Transporter’s System or Transporter’s Service hereunder or thereunder to any greater or different regulation or jurisdiction than that existing on the effective date of the Transportation Agreement, notwithstanding anything in this Statement or the Transportation Agreement to the contrary, Transporter may terminate the Transportation Agreement without any further liability to Shipper or any other entity in connection with such termination. If any order or regulation of a regulatory body having jurisdiction over the Transportation Agreement prohibits Transporter from charging or collecting rates specified in the Transportation Agreement, Shipper and Transporter shall negotiate in good faith to amend and restate the Transportation Agreement so as to (i) conform to the applicable order or regulation affecting such rates and (ii) to maintain the total consideration initially agreed upon by Transporter and Shipper, to the maximum extent possible; provided that, upon no less than thirty (30) days written notice to Shipper, Transporter shall have the right to terminate the Transportation Agreement without any further liability to Shipper or any other entity in connection with such termination if Shipper and Transporter are unable to mutually agree to amend and restate the Transportation Agreement to accomplish the foregoing objectives.

4. **REQUESTS FOR TRANSPORTATION AND CREDITWORTHINESS.**

4.1 **Requests for Transportation.** Requests for Transportation hereunder shall be considered acceptable only if the following information is provided in writing to the Transporter at either the mailing address or e-mail address below:

Atmos Pipeline - Texas  
5420 LBJ Freeway, Suite 1554  
Dallas, Texas 75240  
Attention: Transportation Services

aptcontractadmin@atmosenergy.com

(a) Shipper’s name, contact information, and use of Gas (i.e. system supply, end user);
(b) Projected daily quantities to be transported by Transporter during the requested term of Service and, if applicable, the maximum total quantity to be stored during the requested term of Service;

(c) Receipt Points and Delivery Points and the MDQ to be received by Transporter by Receipt Point and corresponding MDQ to be delivered to Shipper by Delivery Point;

(d) Names of entity or entities who will deliver Gas to Transporter and entity or entities who will receive Gas from Transporter;

(e) Term of Service, including (i) the date Service is requested to commence, and (ii) the date Service is requested to terminate; and,

(f) Certification that Shipper has good title to all Gas or the good right to deliver all Gas to be transported in accordance with Sections 3.3 and 9 hereof and has entered into or will enter into all necessary arrangements to ensure that all upstream and downstream Transportation will be in place prior to commencement of Service.

4.2 Creditworthiness. Shipper shall provide Transporter sufficient information to determine Shipper’s creditworthiness. To enable Transporter to conduct such credit appraisal, potential shipper shall submit the information set out below in Section 4.3; provided, however, that submission of such material shall not be deemed acceptance of a request for Service by Transporter, which determination shall be made by Transporter only after submission of the material and information set forth below and a determination by Transporter that potential shipper is sufficiently creditworthy. Transporter shall apply consistent evaluation practices on a not unduly discriminatory basis to determine creditworthiness.

4.3 Information to be Submitted. Potential shipper must provide (a) a copy of its most recent audited financial statement; (b) a bank reference; and (c) at least three (3) trade references, which indicate that potential shipper’s obligations are being paid on a prompt basis. Such documents shall be provided to Transporter at the address shown above.

4.4 Other Information. Prior to or at the time that Shipper returns the executed Transportation Agreement to Transporter, Shipper shall provide the following information to Transporter in writing at the address set forth in the Transportation Agreement:

(a) Unless Shipper is a local distribution company, interstate pipeline, or intrastate pipeline and Shipper is using such Gas for its system supply, the name of the corporate entities receiving the Gas to be transported under this Statement;

(b) Verification that the entities in subsection (a) above have entered into the necessary contractual arrangements with Shipper or others to purchase the Gas; and

4.5 Further Assurances. Transporter shall not be required to perform Service or to continue to perform Service under this Statement if Shipper is or has become insolvent or, at Transporter’s request, fails to demonstrate creditworthiness; provided, however, Shipper may receive Service under this Statement if Shipper prepays no greater than three (3) Months of the revenues Transporter would receive if Transporter was performing such Services at the rate of Shipper’s MDQ or Shipper furnishes within fifteen (15) days good and sufficient security, as determined solely by Transporter, of a continuing nature and in an amount equal to the revenues Transporter would receive if Transporter was performing such Service at the rate of Shipper’s MDQ for a period of no greater than three (3) Months; provided, however, in the event Shipper neither prepays the required revenues of no greater than three (3) Months nor furnishes the required security, Transporter may, without waiving any additional rights or remedies it may have, suspend further Service until such prepayment or security is received. For purposes of this Statement, the insolvency of Shipper shall be evidenced by the filing by Shipper or any parent entity thereof of a voluntary petition in bankruptcy or the entry of a decree or order by a court having jurisdiction in the premises adjudging the Shipper or any parent entity thereof a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment, or composition of or in respect of the Shipper or any parent entity thereof under the Federal Bankruptcy Act or any other applicable federal or state law, or appointing a receiver, liquidator, assignee, trustee, sequestrator, or other similar official of the Shipper or any parent entity
thereof or of any substantial part of its property, or the ordering of the winding-up or liquidation of its affairs, with said order or decree continuing unstayed and in effect for a period of sixty (60) consecutive days.

4.6 Termination. Requests for Transportation hereunder shall be void unless Shipper executes and returns the executed Transportation Agreement for Service under this Statement within thirty (30) days after Transporter has delivered the Transportation Agreement to Shipper.

5. RATES AND CHARGES

5.1 Rates. Rates for Service herein are provided pursuant to Part 284.123(b)(2). Unless Transporter and Shipper agree in writing to a lower rate for a specified period of time, for Interruptible Service under this Statement and the Transportation Agreement, the charge for Service shall be the maximum rate per MMBTU approved by the FERC.

5.2 Rates for Service are shown in the Statement of Rates appended to this Statement as Appendix A.

5.3 Fuel and L&U. For all Gas received by Transporter at any Receipt Point, Transporter shall retain the Fuel L&U based on the BTUs of the Gas received at the Receipt Points.

5.4 Regulatory Fees. In addition to the other applicable charges pursuant to this Section 5, Shipper shall pay or reimburse Transporter for all regulatory fees and charges that Transporter is assessed (i) by the FERC or any other governmental authority having jurisdiction and (ii) as a result of Shipper’s request for Service under this Statement.

5.5 Third Party Fees. Shipper shall pay any and all transportation, measurement, testing, compression, or other fees or charges imposed by any third party on deliveries at any Receipt Point or Delivery Point. Notwithstanding the foregoing, unless otherwise agreed upon, in the event Transporter pays any such fees and charges, Shipper shall reimburse Transporter for any such fees or charges paid by Transporter with respect to Shipper’s Gas. With regard to Shipper’s Gas, in the event that Transporter incurs any costs or expenses as the result of any governmental requirement to pay for, trade for, or otherwise minimize or mitigate greenhouse gasses (including, but not limited to CO2 and methane) attributable to or as a result of any activity of or by Transporter hereunder, Shipper shall reimburse Transporter for any costs or expenses associated therewith.

5.6 Taxes. In addition to the other applicable charges pursuant to this Section 5, Shipper shall pay or reimburse Transporter for any Taxes that Transporter is assessed by any governmental authority having jurisdiction. If any such Taxes paid by Transporter to any governmental authority are calculated based upon the value of or price paid for the Gas transported hereunder, Shipper will disclose to Transporter the purchase price of such Gas to enable Transporter to calculate and pay all such fees and taxes to appropriate governmental authorities in a timely manner. If Shipper fails or refuses to disclose the purchase price of such Gas, Transporter will have the right to terminate this Agreement by giving Shipper 10 days’ prior written notice. In any event, Shipper agrees to indemnify Transporter for, and hold Transporter harmless from, any and all claims, demands, losses or expenses, including attorneys’ fees, which Transporter may incur as a result of Shipper’s failure or refusal to disclose the purchase price of Gas transported hereunder.

5.7 New Facilities. Transporter shall have no obligation to install any new or additional facilities to service any person requesting Service. Unless otherwise mutually agreed to by Transporter and Shipper, Shipper shall reimburse Transporter for the costs and expenses incurred by Transporter associated with any new or additional facilities (including any costs or expenses associated with reestablishing existing facilities) which Transporter has agreed to install and are necessary to receive, measure, transport, or deliver Gas to or for the account of Shipper or to ensure that the Gas Quality Specifications are met. Any such facilities shall be designed, owned, and operated by Transporter.

5.8 Payment. Shipper shall pay or reimburse Transporter for the costs, expenses, fees, and charges pursuant to this Section 5 in accordance with Section 13 hereof.

6. RECEIPT AND DELIVERY POINTS

6.1 Receipt Points. The Receipt Points at which Transporter may receive Gas for Transportation under
this Statement may be set forth in the Transportation Agreement. Prior to execution of the Transportation Agreement, Transporter and Shipper may mutually agree upon an initial MDQ for each Receipt Point. Such initial MDQ shall be no greater than the lesser of (i) the physical limits of such Receipt Point or (ii) the quantity of Gas Shipper can demonstrate is currently available to Shipper for Transportation from such Points. The Transportation Agreement may state the MDQ at each Receipt Point. Such MDQ may be amended by mutual agreement between Transporter and Shipper, whereupon Transporter will revise the Receipt Point exhibit to the Transportation Agreement accordingly and provide Shipper with a copy of such revised exhibit.

6.2 Adding or Deleting Receipt Points. Subject to Section 5.7 hereof with regard to reimbursement for facilities, Receipt Points may be added or deleted by Shipper from time to time. In the event Shipper wishes to add Receipt Points to the Transportation Agreement, it must submit a request pursuant to Section 4 hereof. As between Shipper and Transporter, such request shall become effective after it has been accepted and fully processed by Transporter and Transporter has provided Shipper with a revised Receipt Point exhibit to the Transportation Agreement.

6.3 Delivery Points. The eligible Delivery Points at which Transporter may deliver Gas hereunder shall be set forth in the Transportation Agreement. Prior to execution of the Transportation Agreement, Transporter and Shipper may mutually agree upon an initial MDQ for each Delivery Point. For each Delivery Point, the initial MDQ may be no greater than the lesser of (i) the physical limits of such Delivery Point or (ii) the quantity of Gas Shipper can demonstrate is currently available to Shipper for Transportation to such Delivery Points. The MDQ for all Delivery Points may be no greater than the sum of the MDQs for the Receipt Points. Actual deliverable MDQ will be the MDQ for all Delivery Points less Fuel and L&U.

6.4 Adding or Deleting Delivery Points. Subject to Section 5.7 hereof with regard to reimbursement for facilities, Delivery Points may be added or deleted by Shipper from time to time. In the event Shipper wishes to add Delivery Points to the Transportation Agreement, it must submit a request pursuant to Section 4 hereof. As between Shipper and Transporter, such request shall become effective after it has been accepted and fully processed by Transporter and Transporter has provided Shipper with a revised Delivery Point exhibit to the Transportation Agreement.

6.5 Receipt Point Pressure. Shipper (or its designee) will deliver Gas to Transporter at the Receipt Points at pressures sufficient to enter Transporter’s System at such points; provided, however, that Shipper’s delivery pressure into Transporter’s System at the Receipt Points may not exceed Transporter’s maximum allowable operating pressure at any such point or cause the pressure at any point to exceed Transporter’s maximum allowable operating pressure.

6.6 Delivery Point Pressure. Transporter will deliver Gas to Shipper or Shipper’s designee at Transporter’s operating pressure at each of the Delivery Points as such pressures may vary from time to time.

6.7 No Pressure Obligation. Unless otherwise separately agreed to by Transporter and Shipper, Transporter shall have no obligation to alter its pipeline pressures, provide compression, or modify its pipeline operations in order to effectuate the receipt or delivery of Gas.

7. NOMINATIONS, BALANCING, CASH-OUT, AND PENALTIES

7.1 Monthly Nomination Procedure. Transporter and Shipper shall adhere to the following nomination procedures:

(a) During periods of time when Transportation is provided under this Statement, Shipper will provide Transporter with its Transportation nomination for the first day of each Month no later than 11:30 a.m. Central Time for nominations submitted via e-mail and no later than 1:30 p.m. for nominations submitted on-line on the last Business Day prior to the first calendar day of each Month.

(b) Each such Transportation nomination will contain Shipper’s nominated quantities for the Receipt Point(s) and the Delivery Point(s), designation of the appropriate contract(s) covering such gas and the identity by name and telephone number of individual(s) who have authority to confirm the nominated gas quantities at each Receipt Point and Delivery Point.
(c) Shipper may change nominated quantities on any business day, provided such nomination change must be received by Transporter prior to 11:30 a.m. Central Time for nominations submitted via e-mail and no later than 1:30 p.m. for nominations submitted on-line of any business day to be effective the next business day.

(d) If Shipper fails to furnish transportation nominations as required herein for any month during periods of time when transactions occur under this Agreement, Transporter may suspend transportation service for such month.

(e) Transporter may refuse to receive or deliver quantities of gas on any day in excess of those quantities nominated by Shipper for transportation on such day under this Agreement.

(f) Shipper understands that with regard to Receipt Point nominations, Transporter at any time and from time to time and for any specified or unspecified time period(s), may for operational reasons prorate and/or totally refuse to accept new nominations or honor then existing nominations; however, Transporter will endeavor to notify Shipper or Shipper’s designee of such refusal as soon as practicable, but Transporter will not be liable for any failure to do so.

(g) Notwithstanding the foregoing, Shipper will not attempt to utilize the nomination process to reserve or gain additional pipeline capacity by over nomination, and in the event Transporter, in its sole discretion, determines that Shipper has attempted to do so, Transporter will have the right, with or without prior notice, to (i) revise the nomination, and/or (ii) suspend service under this Agreement for a reasonable period of time, as determined by Transporter in its sole discretion.
7.2 Balancing and Penalties.

(a) Transporter will always have the total and unrestricted right, but with no obligation whatsoever, to at any time and from time to time restrict, interrupt or reduce its receipt and/or delivery of gas hereunder in order to maintain a balance, or to correct any prior imbalance, hereunder for any applicable time period.

(b) Due to Transporter’s need to allocate unused capacity to Interruptible shippers in an efficient and systematic manner, Shipper or its representative may be required to balance, on an hourly, daily, monthly, or other basis, its nominations with its actual deliveries of Gas to Transporter at the Receipt Points as well as redeliveries of gas to Shipper or its representatives at the Delivery Points.

(c) Shipper and Transporter also intend that the quantity of Gas actually received each Day at the Receipt Points will be Equivalent Thermal Quantity to the actual quantity of Gas allocated to Shipper at the Delivery Points (plus Fuel and L&U). Any imbalance created when the actual physical quantity of Gas at the Receipt Points (adjusted for Fuel and L&U) is different than the actual quantity of Gas allocated to Shipper at the Delivery Points will be the “Operational Imbalance.” The correction of any Operational Imbalance will be the responsibility of the Shipper.

(d) The best available operating flow data at the Receipt Points and the Delivery Points shall be used during the current period to determine the estimated Operational Imbalance with physical or nominated quantity adjustments to be made during the current period to attempt to maintain or achieve an Operational Imbalance of zero.

(e) The Operational Imbalance at the end of each Month shall be paid back the following month on an in-kind basis.

(f) At the end of each month, Shipper will pay Transporter $0.25 for each MMBtu of Cumulative Imbalance that is greater than 5% of the volume of gas delivered hereunder at the Delivery Point(s) for such month.

(g) An event of Force Majeure, as defined in Section 16 hereof, shall not excuse Shipper from the operation of the provisions of Sections 7.2 hereof inasmuch as Shipper would be able to control its imbalances by adjusting its actual deliveries to Transporter at the Receipt Point or its Delivery Point Nominated Quantities.

8. POSSESSION OF GAS

8.1 Possession and Control. As between Transporter and Shipper:

(a) Shipper shall be deemed to be in control and possession of the Gas transported pursuant to the Transportation Agreement prior to delivery thereof to Transporter at the Receipt Points and after delivery thereof by Transporter at the Delivery Points; and

(b) Transporter shall be deemed to be in control and possession of such Gas after delivery thereof by Shipper at the Receipt Points and until redelivery thereof by Transporter at the Delivery Points.

8.2 Liability. Except for Gas not meeting the Quality Specifications, the Party in control and possession of the Gas shall be responsible for and shall indemnify and hold the other Party harmless from and against any losses, injuries, claims, liabilities, damages, and expenses except loss of profits and consequential damages, caused thereby and occurring while the Gas is in the possession of the Party in control, except to the extent of the fault of the other Party. If Shipper delivers Gas that does not meet the Quality Specifications, Shipper shall be liable to and shall indemnify and hold Transporter and any third party harmless from and against any losses, injuries, claims, liabilities, or damages resulting therefrom.
8.3 Deliveries of Equivalent Thermal Quantities. The Gas received by Transporter at the Points of Receipt will be commingled with the Gas in Transporter’s System. Consequently, the Gas delivered to Shipper at the Delivery Points will not be the same molecules as the Gas delivered to Transporter at the Receipt Point. Transporter’s sole obligation in this regard is to deliver to Shipper at the Delivery Points the Equivalent Thermal Quantities of the Gas received by Transporter from Shipper at the Receipt Points.

9. WARRANTY OF TITLE TO GAS

9.1 Shipper Warranty. Shipper warrants that it has good title to all the Gas delivered by it to Transporter or the right to deliver such Gas to Transporter under the Transportation Agreement and this Statement, and that such Gas shall be free and clear of all liens, encumbrances, and claims whatsoever. Shipper agrees to indemnify and hold Transporter harmless from and against all losses, costs, suits, actions, damages, and expenses incurred by Transporter on account of any such liens, encumbrances, and claims.

9.2 Transporter Warranty. Transporter warrants that at the time of delivery to or for the account of Shipper, the Gas delivered hereunder shall be free and clear of all liens, encumbrances, and claims whatsoever resulting from Transporter’s possession or Transportation of the Gas pursuant to the Transportation Agreement and this Statement, and agrees to indemnify and hold Shipper harmless from and against all losses, costs, suits, actions, damages, and expenses incurred by Transporter on account of any such liens, encumbrances, and claims whatsoever.

10. PRIORITY OF SERVICE

10.1 Priority of Service. Interruptible Transportation service shall be the lowest priority service provided by Transporter.

10.2 Capacity Allocation for Interstate Interruptible Transportation Service.

(a) In allocating capacity and scheduling Interruptible Service under Section 10.1 hereof, Transporter will give priority based upon the highest rate paid. If two (or more) Transportation Agreements have identical rates, they will be allocated pro-ratably.

(b) For any Month Transporter shall allocate capacity to and schedule Interruptible Transportation Service for the continuation of existing Service up to (but not exceeding) Shipper’s Receipt and Delivery Point Nominated Quantities (as such terms are defined in Section 8 hereof) for the preceding Month before scheduling additional Interruptible Transportation Service under Section 8 hereof. No shipper receiving Interruptible Transportation Service may be interrupted during a Month to provide increased Service to another Interruptible shipper.

(c) Shippers with Interruptible Transportation Agreements, including those using only the Waha Header, have the option to pay up to the applicable maximum rate to obtain a higher scheduling priority.

10.3 Curtailment. On any Day, Transporter may curtail or interrupt deliveries in accordance with the priorities set forth herein to the extent necessary to maintain the priority of Services set forth above. If interruptible storage is curtailed, natural gas in storage is still the property of the storing shipper.

11. OTHER CONDITIONS OF SERVICE

11.1 Minimum Delivery Volume. Provided that Transporter terminates or suspends Service to similarly-situated Interruptible Service Shippers on a not unduly discriminatory or not unduly preferential basis, if Shipper nominates or delivers an average of less than one hundred (100) MMBTU per Day during any Month ("Minimum Delivery Volume") at any Receipt Point or Delivery Point under any Interruptible Transportation Agreement, Transporter shall have the right:

(a) To refuse to provide Service or to suspend Service at any such Receipt Point or Delivery Point during that Month; or

(b) Upon thirty (30) days written notice to Shipper, to terminate the Transportation Agreement
with regard to any such Receipt Point or Delivery Point. If Transporter refuses to provide or suspends Service or if Transporter terminates the Transportation Agreement with regard to any such Receipt Point or Delivery Point, Transporter shall be deemed released from all obligations and liabilities concerning the receipt or delivery of Gas at such Receipt Point or Delivery Point under the Transportation Agreement upon the effective date of the suspension or termination of such Service; provided, however, that Transporter’s right to terminate shall not apply if:

(i) Shipper notifies Transporter in advance that Shipper does not wish to obtain Service during the Month that, at any Receipt Point or Delivery Point, the Minimum Delivery Volume is not nominated, received, or delivered; or

(ii) The inability to receive or deliver the Minimum Delivery Volume is due to an interruption of Service by Transporter.

11.2 Suspension of Deliveries. If within three (3) Months after the execution of an Transportation Agreement for Interruptible Service, Shipper has not commenced Service under the provisions of such Transportation Agreement or, if Shipper has commenced Service but fails to use Service during a consecutive twelve (12) Month period thereafter, on a not unduly discriminatory basis, Transporter may terminate the Transportation Agreement, whereupon Shipper’s request for Interruptible Service shall be deemed a nullity for all present and future purposes. Transporter shall give Shipper written notice thirty (30) days in advance of termination of the Transportation Agreement. Shipper may retain the Transportation Agreement by notifying Transporter in writing of its intent to retain the Transportation Agreement; provided, however, if Shipper fails to such Interruptible Service during a consecutive twelve (12) Month period after notice of its intent to retain such Service, the Transportation Agreement and Shipper’s request for Interruptible Service shall be automatically terminated.

12. OPERATIONAL REQUIREMENTS AND ASSESSMENTS BY UPSTREAM OR DOWNSTREAM PIPELINES

12.1 Operational Order. Transporter shall have the right, in its sole discretion, to issue an Operational Requirement (“OR”) on its system when operational conditions warrant or an upstream or downstream pipeline has instituted an Operational Flow Order or other conditions exist that affect the integrity of Transporter’s system or jeopardize Service. If Shipper fails to comply with the OR after notice by either phone or email, Shipper shall pay a penalty equal to the Penalty Price defined in Section 12.3 hereof for each MMBTU of Gas that deviates from the OR. For purposes of this Section 12.1, an OR is an order issued to alleviate conditions that threaten the safety or integrity of Transporter’s System or an upstream or downstream pipeline system. In the event of an extreme condition requiring an immediate response, Transporter may take such unilateral actions as it deems reasonably necessary, and Shipper shall indemnify and hold Transporter harmless against any losses, injuries, claims, liabilities, or damages resulting therefrom.

12.2 Third-Party Penalties. Transporter shall have the right, in its sole discretion, to charge Shipper for any charges, penalties or similar assessments assessed by an upstream or downstream pipeline to the extent that Shipper’s actions caused the assessment of the charges, penalties, or similar assessments.

12.3 Penalty Price. The Penalty Price will be defined by multiplying by a factor of three (3) the higher of the daily spot price (Midpoint) published for that Day in Platt’s Gas Daily - Daily Price Survey for East Texas - Katy and Southwest - Waha indices (“Penalty Price”). In the event that Platt’s Gas Daily ceases to publish either or both indices or ceases publication in its entirety, Transporter will substitute a comparable index upon which to base the Penalty Price.
13. BILLING AND PAYMENT

13.1 Statement and Payment. On approximately the 15th day of each Month, Transporter shall render to Shipper a statement setting forth the amount due, deductions made, and total quantity of Gas received during the previous Month at the Receipt Points and the total quantity of Gas delivered at the Delivery Points during said Month together with any balancing charges, penalties, and other costs, expenses, fees, charges, and other similar assessments owed by Shipper to Transporter pursuant to the Transportation Agreement or this Statement. Shipper shall pay Transporter in accordance with such statement the later of the twenty-fifth (25th) day of each Month or ten (10) days from the date of the invoice. Payments from Shipper to Transporter shall be made in accordance with the Transportation Agreement.

13.2 Interest. If either Party fails to pay the other Party any amount when due, interest thereon shall accrue at a rate equal to the rate then set forth in 18 C.F.R. Section 154.501 of the FERC’s Regulations from the date payment was due until the date payment is made.

13.3 Estimates. In the event any quantities are estimated for any period, corrected statements shall be rendered by Transporter to Shipper and paid by Shipper 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.

13.4 Error. If an error is discovered in the amount billed in any statement rendered by Transporter, then such error will be adjusted within 30 days of the discovery of the error.

13.5 Disputes. If a bona fide dispute arises as to the amount payable in any statement rendered, then Shipper will nevertheless pay the undisputed amount payable to Transporter under the statement rendered pending resolution of the dispute. With regard to any amount payable in an the invoice that is disputed, the Parties will act in a diligent and good faith manner to resolve any such dispute before a Party initiates a proceeding for the formal resolution of such dispute. Upon resolution of such dispute, to the extent that Shipper owes Transporter any amount payable, Shipper will pay any monies owed Transporter, including interest calculated in accordance with Section 13.2 hereof.

13.6 Audit. Each Party to the Transportation Agreement or its representative shall have the right at all reasonable times and upon reasonable prior notice to examine the books and records of the other Party to the Transportation Agreement to the extent necessary to confirm the accuracy of any statement, charge, computation, or demand made under or pursuant to the Transportation Agreement. Any statement shall be final as to all Parties unless questioned within two (2) years after payment thereof is due.

14. QUALITY SPECIFICATIONS

14.1 Quality Specifications. Gas delivered to Transporter at each Receipt Point under the Transportation Agreement must meet the more stringent of each of the quality specifications set forth below and each of the quality specifications of the pipeline to which Gas is delivered at each Delivery Point in accordance with each such pipeline’s then current published quality specifications. Transporter’s Quality Specifications requires that all Gas delivered to Transporter at the each Receipt Point shall, at a minimum, meet the following Quality Specifications:

(a) Objectionable Materials: The Gas shall be commercially free from dust, gum, gum-forming constituents, or other objectionable liquid or solid matter that might become separated from the Gas in the course of transmission through pipelines.

(b) Free Water and Liquid Hydrocarbons: Be delivered to the Receipt Points after standard mechanical separation by Shipper for the removal of free water and free liquid hydrocarbons.

(c) Vapor: The Gas shall be free of water at the temperature and pressure at which the Gas is delivered and shall not contain any hydrocarbons that might condense to free liquids in the pipeline under normal pipeline conditions; and in no event shall the Gas contain water vapor in
excess of seven (7) pounds per one million (1,000,000) cubic feet, measured at fourteen and sixty-five hundredths pounds per square inch absolute (14.65 psia) at a standard temperature of sixty degrees Fahrenheit (60° F).

(d) Hydrogen Sulfide: The Gas shall not contain more than one-quarter (1/4) grains of hydrogen sulfide per one hundred (100) standard cubic feet as determined by quantitative methods in general use within the natural gas industry and as mutually acceptable to the Parties.

(e) Total Sulfur: The Gas shall not contain more than five (5) grains of total sulfur per one hundred (100) cubic feet as determined by quantitative methods in general use within the natural gas industry and as mutually acceptable to the Parties.

(f) Total Inerts: The Gas shall not contain more than three percent (3%) total inerts by volume, with no more than two percent (2%) by total volume of carbon dioxide (CO₂) and no more than one percent (1%) by total volume of nitrogen (N₂).

(g) Oxygen: The Gas shall not contain more than 0.005 mole percent of oxygen (O₂).

(h) Temperature: The Gas shall have a temperature of not less than forty degrees Fahrenheit (40° F) or more than one hundred and twenty degrees Fahrenheit (120° F).

(i) Gross Heating Value: The Gas shall contain a daily average heating content of not less than nine hundred fifty (950) and not more than eleven hundred (1,100) BTUs per cubic foot at 14.65 p.s.i.a. dry.

(j) Mercaptans: The Gas shall not contain more than one (1) grain of mercaptans per one hundred (100) standard cubic feet.

(k) Interchangeability: The Gas must be interchangeable with other gas in the Transporter’s pipeline at the Point(s) of Receipt. Transporter’s determination of such interchangeability shall be based upon a factor which is equivalent to the quotient obtained by dividing the total heating value of such gas, expressed in BTU’s by the square root of the specific gravity of such Gas. Such factor must be within +/- 7% of the interchange factor established by Transporter.
14.2 Receipt Point Non-Conformity. Should Shipper’s Gas at any Receipt Point not comply with the Quality Specifications of Section 14.1 hereof, Transporter shall immediately have the right to discontinue Transportation of Gas from such Receipt Point and shall notify Shipper in writing of the Quality Specifications violation. Within forty-eight (48) hours thereafter, Shipper will be required to submit to Transporter a plan to conform such Gas to the Quality Specifications. If Shipper does not submit a plan and Shipper desires to continue to flow non-specification Gas, Transporter shall have the right, at its sole discretion, but not the obligation, to accept said non-specification Gas, provided that Transporter shall have the right to cease taking such non-specification Gas at any time or from time to time. If Shipper does not conform the non-specification Gas to the Quality Standards and if Transporter does not accept said non-specification Gas, Transporter may terminate the Transportation Agreement, without any further liability to Shipper or any other entity in connection with such termination, upon thirty (30) days written notice to Shipper.

14.3 Delivery Point Non-Conformity. If Shipper Tenders Gas that complies with the Quality Specifications of Section 14.1 hereof but Transporter delivers at the Delivery Points Gas that does not comply with such Quality Specifications, Transporter will, with due diligence, take action to conform such Gas to the Quality Specifications.

15. MEASUREMENT.

15.1 Base Conditions.
(a) The unit of volume for measurement of gas delivered shall be one thousand (1,000) cubic feet of gas at a base temperature of sixty degrees Fahrenheit (60° F) and at an absolute pressure of fourteen and sixty-five hundredths pounds per square inch, absolute (14.65 psia). All volumes shall be measured and calculated according to the current standards prescribed in the American Gas Association Report No. 3, Orifice Metering of Natural Gas and Other Hydrocarbon Fluids, Parts 1-4, as amended from time to time or as mutually agreed upon between the Parties.
(b) Adjustments to measured gas volumes for the effects of compressibility shall be made according to the latest revision of the standard, American Gas Association (AGA), Transmission Measurement Committee Report No. 8, Compressibility Factors of Natural Gas and Other Related Hydrocarbon Gases.
(c) For purposes of measurement hereunder, the atmospheric pressure shall be assumed to be fourteen and seventy hundredths per square inch (14.70 psia) irrespective of variations in the actual atmospheric pressure from time to time.

15.2 Quality Basis.
(a) The total energy value of gas delivered shall be reported in MMBTUs, as the product of volumes measured and the gross heating value determined.
(b) Heating values shall be expressed in BTU’s per cubic foot, determined by calculation from compositional analysis according to the Gas Processors Association (GPA) Publication 2172, Calculation of Gross Heating Value, Specific Gravity, and Compressibility of Natural Gas Mixtures from Compositional Analysis, latest revision. Heating values shall be converted to gross heating values that reflect adjustments from actual delivery conditions for temperature, pressure, water content, and compressibility.
(c) Gas produced and not dehydrated at the point of measurement shall be considered saturated with water at measurement temperature and pressure, unless determined otherwise. Gas dehydrated to a water content not exceeding 7 pounds per MMSCF shall be considered dry.

15.3 Meters.
(a) If orifice meters are used in the measurement of gas to be delivered to the Transporter, such

(b) If ultrasonic meters are used in the measurement of gas to be delivered to the Transporter, such meters shall be designed, installed and operated in accordance with specifications of the American Gas Association (AGA) Report No. 9, Measurement of Gas by Multipath Ultrasonic Meters, latest revision. If turbine meters are used in the measurement of gas to be delivered to the Transporter, such meters shall be designed, installed and operated in accordance with specifications of the American Gas Association (AGA) Report No. 7, Measurement of Gas by Turbine Meters, latest revision.

(c) If rotary positive displacement meters are used in the measurement of gas to be delivered to the Transporter, such meters shall be designed, installed, and operated in accordance with specifications of the American Gas Association (AGA) Report No. 9, Measurement of Gas by Multipath Ultrasonic Meters, latest revision.
15.4 **Electronic Flow Measurement.** The Electronic Flow Measurement (EFM) system shall be capable of establishing an audit trail by compiling and retaining sufficient electronic data and information for the purpose of verifying daily and hourly quantities, and shall comply with the American Petroleum Institute, Manual of Petroleum Measurement Standards, Chapter 21, Section 1 - Electronic Gas Measurement (API Chapter 21.1). The Transporter shall preserve audit trail information for a minimum of 5 years or the time required by any governmental agency, whichever is greater.

15.5 **Check Measurement.** Shipper may, at its option and expense, install check meter equipment upstream of Transporter’s measurement station for checking the Transporter’s metering equipment. Such measurement equipment shall be installed so as not to interfere with the operation of Transporter’s facilities and shall comply with the standards set forth in this Statement. In addition, Shipper may install a check EFM device on Transporter’s meter run utilizing a separate set of taps on the same orifice fitting. This system shall be installed so as not to interfere with the operation of Transporter’s facility.

15.6 **Pulsation.** When gas compressors are located close to and either upstream or downstream of the meter station, a pulsation dampener shall be installed in the piping between the compressor and the meter station. If pulsation induced measurement errors are found to be +/- 0.2% it will be the responsibility of the Shipper to reduce the error to that level or a higher level acceptable to Transporter.

15.7 **Gas Sampling.**

(a) Shipper will determine the specific gravity, the gross heating value, and composition of the gas by taking a representative sample according to the schedule below. Sampling or collection shall be performed during Shipper’s scheduled meter inspection and calibration test and all samples shall be obtained and analyzed using Gas Processors Association (GPA) Standard, 2261, Analysis for Natural Gas and Similar Gaseous Mixtures by Gas Chromatograph. These analytical results shall be applied at the beginning of the Month the sample was taken and until a subsequent representative sample is applied.

(b) The sampling rate shall be determined on the following volumetric basis:

(i) For daily average flow rates of 5000 MCF per Day or less on a monthly basis, the sampling rate shall be quarterly.

(ii) For average daily flow rates greater than 5000 MCF per Day on a monthly basis, the sampling rate shall be monthly.

(c) Samples collected by spot or continuous, proportional to flow, sampling methods shall be collected using procedures and equipment specified in Gas Processors Association (GPA) Standard, 2166, Obtaining Natural Gas Samples for Analysis by Gas Chromatography or in the American Petroleum Institute (API) Manual of Petroleum Measurement Standards (MPMS), Chapter 14, Section 1, Collecting and Handling of Natural Gas Samples for Custody Transfer, latest revisions.
(d) When a gas chromatograph is used to determine the real-time Hexanes plus quantity, the applicable physical properties required for the characterization of the Hexanes plus quantity shall be determined using an extended analysis as detailed in Gas Processors Association (GPA) Standard, 2261, Analysis for Natural Gas and Similar Gaseous Mixtures by Gas Chromatograph, or upon an allocation of representative components and associated physical properties as per Gas Processors Association (GPA) Standard, 2145, Table of Physical Constants for Hydrocarbons and Other Compounds of Interest to the Natural gas Industry, latest revision. The on-line gas chromatograph used for the analysis of natural gas shall be standardized daily.

(e) Shipper shall have the right to obtain a duplicate sample of Shipper’s gas. If a difference between Transporter and Shipper’s duplicate sample exceeds one-half percent (0.5%) in MMBTU, then Shipper all have the right to call for retest and the analysis from the preceding period shall be used until the results can be verified or a representative sample is obtained and applied. Upon written request to Gas Measurement Services, the Shipper shall furnish the requesting Party with their natural gas sample, chromatographic gas analysis report, or any other information, which may be required to verify the other Party’s analytical procedures or results.

15.8 Calibration.

(a) Shipper shall have the right to have a representative present at the time of any installing, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with the equipment used in measuring gas deliveries heurunder.

(b) At the frequencies of sampling tabulated above Shipper shall also calibrate or cause to be calibrated the meters and instruments used for measurement hereunder. Transporter shall give Shipper sufficient advance notice so Shipper may, at its election, have a representative present at such tests. In the event either Party shall notify the other Party that it desires a special test of any measurement equipment, the Parties shall cooperate to secure a prompt verification of the accuracy of such equipment. The expense of any such special test, if requested, shall be borne by the Party requesting the test if the measuring equipment tested is found not to be in error or to be in composite error by not more than one percent.

15.9 Corrections.

(a) If, upon test, the aggregate error of all measuring equipment, excluding gas chromatographs, is not in excess of one percent (1.0%), previous recordings of such equipment shall be considered accurate for computing deliveries to the Transporter. A calibration shall be performed on any measuring equipment found in error by an amount in excess of that specified in API Chapter 21.1 or any other level agreed to by both Parties.

(b) If, upon test, any measuring equipment shall be found, in aggregate, to be inaccurate by an amount exceeding one percent (1.0%) of all measurement parameters and associated measuring equipment under review, at a recording corresponding to the average hourly rate of flow for the period since the last test, such equipment shall be corrected to zero percent (0.0%) error for any period which is known definitely, but in case the period is not known or agreed upon, such correction shall be for a period equal to one-half of the time elapsed since the date of the last test.

(c) Where unacceptable measurement differences exist and all other tests have been conducted to remedy the error, the orifice meter run shall be inspected and tests shall be performed to verify compliance with current AGA Committee No. 3, Part 2, Specification and Installation Requirements, as amended from time to time.

(d) If for any reason the meter is out of service or repair so that the quantity of gas deliveries
through such meter cannot be ascertained or computed from the readings thereof, the quantity of gas so delivered during the period when the meter is out of service or repair shall be determined on the basis of the first of the following methods which is feasible, as agreed between the Parties.
(i) By using the registration of any check measuring equipment, if such equipment is recording accurately. The Transporter shall witness and audit such measurement in the same manner that it would any custody transfer measurement equipment;

(ii) By using the cumulative volumes from any field measurement source adjusting for historical differences or fuel consumption between the field meters and sales.

(iii) By correcting the error, if possible, by calibration, tests, or mathematical calculation.

(iv) By estimating the quantity received or delivered by receipts or deliveries during periods under similar conditions when the meter was verified to be registering correctly.

15.10 Prior Period Adjustment.

(a) All adjustments will be taken back to the delivery Month. A meter adjustment becomes a prior period adjustment after the final measurement close of the Month. All missing or late measurement data will be estimated and actual data will be treated as a prior period adjustment. The measuring Party is responsible for providing the estimated volume to be used.

15.11 Errors. In the event a meter is out of service or registering inaccurately, the quantities of Gas received or delivered during such period shall be determined as follows:

(a) By using the registration of any check meter or meters, if installed and accurately registering; or in the absence of this subsection (a),

(b) By correcting the error if the percentage of error is ascertainable by calibration, tests or mathematical calculation; or in the absence of both subsections (a) above and this subsection (b),

(c) By estimating the quantity received or delivered by receipts or deliveries during preceding periods under similar conditions when the meter was registering accurately.

15.12 Requesting Charts and Records. Each Party shall, upon request of the other, mail or deliver for checking and calculation all volume and temperature meter charts in its possession and used in the measurement of Gas received or delivered hereunder within thirty (30) days after the last chart for each billing period is removed from the meter. Such charts shall be returned within thirty (30) days after the receipt thereof. Where electric measurement is used for custody transfer of the Gas, the standard audit package will be supplied by the measuring Party.

15.13 Preservation of Records. Each Party shall preserve or cause to be preserved for mutual use all test data, charts, or other similar records in accordance with the applicable rules and regulations of any regulatory bodies having jurisdiction with respect to the retention of such records, and, in any event, for at least two (2) years.

16. FORCE MAJEURE

16.1 Definition. Inability of either Party to perform shall be excused if and when, given the particulars of the circumstances, the disabled Party is unable to control, prevent, or overcome the cause thereof by the exercise of reasonable diligence and at a reasonable cost, including an inability caused by any act of God, nature, one-time, non-recurring acts of government, terrorism or acts of terror, or a third party, including outages or failures of utilities or communications equipment or services, servitudes, personnel, tools, equipment, or supplies ("Force Majeure"); provided, however, that performance by the Parties shall only be excused as to the particular duty or obligation affected by such Force Majeure. A Force Majeure shall be remedied by the disabled Party with all due diligence. Notwithstanding the foregoing, a Force Majeure shall not relieve:

(a) The disabled Party of any obligation or duty under this Statement in the event of its failure to remedy the Force Majeure in an adequate manner and with all due diligence;

(b) Either Party from its obligations to make payments of amounts then due; or
Either Party of any duty or obligation under this Statement not affected by the Force Majeure.

16.2 Notification. The Party experiencing a Force Majeure shall notify the other Party as soon as practicable after the occurrence of the Force Majeure and provide the other Party with information regarding the nature and extent of the Force Majeure and the expected duration of the Force Majeure. The Party experiencing the Force Majeure Condition shall keep the other Party apprised of the status of the Force Majeure.

16.3 Strikes. The settlement of strikes or lockouts shall be entirely within the discretion of the Party having the difficulty, and the requirement herein that any Force Majeure shall be remedied with all due diligence shall not require the settlement of strikes or lockouts by acceding to the demands of opposing Party when such course is inadvisable in the discretion of the Party having the difficulty.

STATEMENT OF RATES

Transporter’s Maximum and Minimum Fees for Service pursuant to Section 311(a)(2) of the Natural Gas Policy Act are based on the methodology set forth in 18 C.F.R. Section 284.123(b)(2).

Transporter’s Maximum and Minimum Transportation Fees are as follows:

Interruptible 311 Transportation & Storage Service:

Maximum Daily Capacity Charge: $0.31013 per MMBTU
Minimum Daily Capacity Charge: $0.00000 per MMBTU
Maximum Volumetric Usage Charge: $0.02785 per MMBTU
Minimum Volumetric Usage Charge: $0.00000 per MMBTU

Discounting. Transporter reserves the right to discount to levels below maximum charges on a not unduly discriminatory basis but not to less than the sum of any minimum charges plus any add-on charge for fuel.

Lost and Unaccounted-For Natural Gas: All Receipt Points: Actual, not to exceed 1.0%.

Fuel: As stated in the Transportation Agreement based on the Receipt Point(s) and Delivery Point(s) for each Service provided.
* There is no separate storage charge in the Statement of Rates. Storage Service is not available as a separate service and must be contracted for in addition to transportation service.