

FERC NGA GAS TARIFF

FIFTH REVISED VOLUME NO. 1

(Supersedes Fourth Revised Volume No. 1)

of

STINGRAY PIPELINE COMPANY, L.L.C.

Filed with the

FEDERAL ENERGY REGULATORY COMMISSION

Communications Concerning this Tariff  
Should be Addressed to:

Michael T. Langston  
Vice President  
Chief Regulatory Officer  
Telephone: (713)989-7610  
Facsimile: (713) 989-1205  
[michael.langston@energytransfer.com](mailto:michael.langston@energytransfer.com)

Stingray Pipeline Company, L.L.C.  
P. O. Box 4967  
Houston, Texas 77210-4967

1300 Main Street  
Houston, TX 77002

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## PRELIMINARY STATEMENT

Stingray Pipeline Company, L.L.C. is a natural gas company engaged in the business of transporting natural gas. Its transmission line extends from offshore Louisiana in the West Cameron Area onshore to a point near Holly Beach, Louisiana.

The transportation of natural gas is undertaken by Stingray Pipeline Company, L.L.C. only under written contracts acceptable to it after consideration of its commitments to others, delivery capacity, and other factors deemed pertinent by it.

### System Map

The currently effective system map for the Stingray Pipeline Company, L.L.C. system can be found at:

<https://spcmessenger.energytransfer.com/ipost/maps/system-map?asset=SPC>

**Part IV**  
**Currently Effective Rates**

|                     |                           |
|---------------------|---------------------------|
| Rate Schedule FTS   | Currently Effective Rates |
| Rate Schedule FTS-2 | Currently Effective Rates |
| Rate Schedule ITS   | Currently Effective Rates |
| Rate Schedule PAL   | Currently Effective Rates |

CURRENTLY EFFECTIVE RATES  
 -----

Each rate set forth below is the currently effective rate pertaining to the particular rate schedule to which it is referenced, but each rate is separate and independent and a change in any such rate shall not thereby effect a change in any other rate schedule. 1/

|                                       | Maximum Rate<br>(Per Dth) | Minimum<br>Rate<br>(Per Dth) |
|---------------------------------------|---------------------------|------------------------------|
| Rate Schedule FTS                     |                           |                              |
| Reservation Rate                      | \$23.56                   | \$0.0000                     |
| Commodity Rate                        | \$0.775                   | \$0.0003                     |
| Authorized Overrun Rate               | \$0.775                   | \$0.0003                     |
| Rate Schedule FTS-2                   |                           |                              |
| Commodity Rate                        | \$0.775                   | \$0.0003                     |
| Authorized Overrun Rate               | \$0.775                   | \$0.0003                     |
| Daily Conditional<br>Reservation Rate | \$0.775                   | \$0.0000                     |
| Rate Schedule ITS                     |                           |                              |
| Commodity Rate                        | \$0.775                   | \$0.0003                     |
| Authorized Overrun Rate               | \$0.775                   | \$0.0003                     |
| Rate Schedule PAL                     |                           |                              |
| Daily Rate                            | \$0.775                   | \$0.0000                     |

Currently Effective Rate  
 Per Dth  
 -----

Event Surcharge \$0.00

Annual Charge Adjustment Provision

Pursuant to the General Terms and Conditions, the ACA charge will be applied to the commodity rates. The current applicable ACA charge is published on the Commission's website located at <http://www.ferc.gov>.

1/ Maximum daily quantities and rates set forth in individual service agreements on an Mcf basis shall be deemed to have been converted to a thermal billing basis utilizing a factor of 1.038 Btu.

**Part V**  
**Rate Schedules**

Rate Schedule FTS  
Rate Schedule FTS-2  
Rate Schedule ITS  
Rate Schedule PAL

Firm Transportation Service  
Firm Transportation Service  
Interruptible Transportation Service  
Parking and Lending Service

RATE SCHEDULE FTS  
FIRM TRANSPORTATION SERVICE

1. AVAILABILITY

This Rate Schedule FTS is available to any entity (hereinafter called Shipper) which: (a) submits to Stingray Pipeline Company, L.L.C. (hereinafter called Stingray) a valid request as defined in Section 3 hereof which Stingray has firm capacity available on all affected portions of its System and the firm operational capability to satisfy; and (b) executes a Firm Transportation Service Agreement FTS Agreement) with Stingray applicable to service under this Rate Schedule FTS. The form of FTS Agreement is contained in this Tariff. There is no limitation on the number of FTS Agreements any one Shipper may have.

2. APPLICABILITY AND CHARACTER OF SERVICE

- 2.1 The transportation service provided under this Rate Schedule FTS shall be performed under Part 284 of the Commission's Regulations. This Rate Schedule FTS shall apply to all gas transported by Stingray for Shipper pursuant to an FTS Agreement.
- 2.2 Service hereunder shall be provided on a firm basis. However, service may be interrupted for any of the reasons set out in this Tariff. Stingray shall have the right to waive any one or more specific defaults by any Shipper if such default will not affect the integrity of Stingray's System or the quality of service and on a basis which is not unduly discriminatory, provided that such waiver is not inconsistent with any applicable Commission Regulations or orders, and provided also that any waiver given to a Shipper by Stingray shall be made available to all Shippers during the time period when it is in effect. No such waiver shall operate or be construed as a waiver of any other existing or future default or defaults, whether of a like or different character.
- 2.3 Service hereunder shall consist of the acceptance by Stingray of natural gas tendered by Shipper for transportation at Receipt Points specified in the FTS Agreement, the transportation of that natural gas through Stingray's pipeline System, and the delivery of that natural gas by Stingray to Shipper or for Shipper's account at the Delivery Points specified in the FTS Agreement. Stingray shall not be required to accept any gas tendered in excess of the Maximum Daily Quantity (MDQ) specified in the FTS Agreement for each Receipt Point or Delivery Point or for the aggregate of all Firm Receipt Points or Delivery Points. Service hereunder shall not encompass gathering services, transportation through the facilities of any third party or processing unless the FTS Agreement so specifies.

- 2.4 Shipper shall only tender gas for transportation under this Rate Schedule to the extent such service would qualify under the applicable statutes, regulations and Commission orders. For transportation to be provided under Subpart B of Part 284 of the Commission's Regulations, Shipper shall provide to Stingray certification including sufficient information in order for Stingray to verify that the service qualifies under Subpart B of Part 284 of the Regulations. Where required by the Commission's Regulations, Shipper shall cause the intrastate pipeline or local distribution company on whose behalf the service will be provided to submit the necessary certification prior to tendering gas for transportation.
- 2.5 Allocation of capacity, curtailment and priorities of service for the purposes of scheduling and curtailment are all governed by the General Terms and Conditions of this Tariff.
- 2.6 Shipper may release capacity dedicated to service hereunder pursuant to Stingray's Capacity Release Program to the extent permitted by, and subject to the terms and conditions contained in, the General Terms and Conditions of this Tariff.

### 3. VALID REQUESTS

- 3.1 A request for service under this Rate Schedule FTS shall be valid as of the date received if it complies with this Section and contains adequate information on all of the items specified in Section 3.2, subject to any necessary verification of such information and to the following:
  - (a) A request shall not be valid and Stingray shall not be required to grant any such request: (1) for which adequate capacity is not available on any portion of Stingray's System necessary to provide such service; (2) as to which Stingray does not have the operational capability to effect receipt, transportation and/or delivery on a firm basis consistent with the terms and conditions of this Rate Schedule FTS; (3) which would require the construction, modification, expansion, or acquisition of any facilities; provided, however, that Stingray may agree in its reasonable discretion to construct, modify, expand, or acquire facilities to enable it to perform such services; (4) unless and until Shipper has provided Stingray with the information required in Section 3.2 hereof; (5) if Stingray determines, based on the credit analysis referenced in Section 3.2(f), that Shipper does not possess sufficient financial stability to make it reasonably likely the service provided hereunder will be paid for on a timely basis; (6) if the service requested would not comply with this Rate Schedule FTS; or (7) if the service requested is at less than the applicable maximum rate; provided, however, that Stingray may agree to provide service

hereunder at a discount consistent with this Rate Schedule FTS. Nothing herein is intended to govern the curtailment of service once a request for service has been granted pursuant to this Section and while an FTS Agreement is in effect. Such curtailment is governed by the General Terms and Conditions of this Tariff.

- (b) Stingray shall promptly notify Shipper if it cannot satisfy an otherwise valid request, in whole or in part, due to lack of capacity or System capability or if the request is incomplete or does not comply with this Rate Schedule FTS.
  - (1) Any request shall be null and void unless it is substantially complete and complies with this Rate Schedule FTS. In the event a request is substantially but not entirely complete, Stingray shall inform Shipper in writing of the specific items needed to complete the FTS Agreement, after which Shipper shall have fifteen (15) Days to provide the specified information. In the event such information is not received within fifteen (15) Days, Shipper's request shall be null and void.
  - (2) If Stingray cannot satisfy a request due to insufficient System capacity or capability, such request shall be of a continuing nature and shall remain valid unless and until Shipper notifies Stingray that it desires to withdraw its request except as follows:

Stingray may at any time tender an FTS Agreement to Shipper consistent with Shipper's request which is conditional on the future availability of System capacity and capability. Such conditional agreement must allow Shipper to void the contract and withdraw its request if Shipper's notice of withdrawal is given prior to Shipper receiving notice from Stingray that System capacity and capability is available and the request is approved. If Shipper declines to execute such an agreement within thirty (30) Days, its request shall be null and void.
- (c) Stingray shall tender an FTS Agreement to Shipper for execution when Shipper's request for service is accepted. Unless waived by Stingray, a request for service shall be invalid if Shipper fails to execute an FTS Agreement hereunder within thirty (30) Days after an FTS Agreement has been tendered by Stingray for execution.

3.2 Requests for service hereunder shall be deemed valid only after Shipper submits to Stingray the information specified in this Section via Stingray's Interactive Internet Website or in writing using Stingray's Form of Service Request Form to Stingray's Transportation Services, at 1300 Main Street, Houston, Texas 77002, or Fax Number (713)989-1205. The information required for a valid request shall be as follows:

(a) GAS QUANTITIES

The request shall specify in Dth the aggregate MDQ and the MDQ for each Firm Point, exclusive of applicable Company Use Gas; provided, however, that Stingray shall not be obligated to accept requests for an aggregate MDQ of less than one hundred (100) Dth per Day.

(b) RECEIPT POINT(S)

The request shall specify the Firm Point(s) at which Shipper desires Stingray to receive Gas.

(c) DELIVERY POINT(S)

The request shall specify the Firm Point(s) at which Shipper desires Stingray to deliver Gas.

(d) LIMITATION OF POINTS

(1) A Shipper may request any number of Firm Receipt and Firm Delivery Points so long as the summation of MDQs at all Firm Receipt Points and at all Firm Delivery Points equals the aggregate MDQ.

(2) The availability to Shipper of Interruptible Receipt and Delivery Points, and the related priorities and volumes, are governed by the General Terms and Conditions.

(e) TERM OF SERVICE

The request shall specify:

(1) The date service is requested to commence, which date may not be more than three (3) Months after the date of the request unless and to the extent a longer period results from the proper application of Section 18 of the General Terms and Conditions of this Tariff; and

(2) The date service is requested to terminate.

(f) CREDIT

Acceptance of a request is contingent upon a satisfactory credit appraisal by Stingray in accordance with the General Terms and Conditions of this Tariff.

(g) COMPLIANCE WITH FTS TARIFF

Submission of a request for service hereunder shall be deemed agreement by Shipper that it will abide by the terms and conditions of this Rate Schedule FTS, including the applicable General Terms and Conditions.

4. TERM

- (a) The term of service hereunder shall be set forth in the FTS Agreement between Shipper and Stingray.
- (b) The General Terms and Conditions of this Tariff shall govern the applicability of, and the terms and conditions relating to, rollovers and the right of first refusal vis a vis an FTS Agreement. Upon termination of any FTS Agreement, and subject to any such rollover or right of first refusal, service by Stingray to Shipper thereunder shall be terminated and automatically abandoned.
- (c) Stingray may terminate any FTS Agreement if Stingray is required by the FERC or some other agency or court to provide firm service for others utilizing the System capacity or capability required for service under such FTS Agreement or if Stingray ceases (after receipt of any requisite regulatory authorization) to offer service of the type covered by the FTS Agreement. Stingray's ability to terminate any FTS Agreement under this provision is intended to ensure that the contract term does not extend beyond the regulatory authority to provide the service and that the contract is consistent with the regulatory authority to provide the service.

5. RATE

- 5.1 Shipper shall pay Stingray each Month under this Rate Schedule FTS a two-part rate consisting of: (a) a Reservation Charge, based on Shipper's MDQ, which consists of the Monthly Reservation Cost; and (b) a Commodity Charge for each Dth of Gas received for transportation. Shipper shall also pay Stingray such other charges as are identified in this Tariff.

Where a Shipper has agreed to pay a Negotiated Rate or a rate under a Negotiated Rate Formula, the rates assessed hereunder shall be governed by Section 34 of the General Terms and Conditions of this Tariff. A request for service at a Negotiated Rate or a rate under a Negotiated Rate Formula shall specify the Negotiated Rate or Negotiated Rate Formula on which the Shipper is willing to agree.

- 5.2 Shipper shall reimburse Stingray for Company Use Gas required in transporting Gas hereunder as provided by Section 1.5 of the General Terms and Conditions.
- 5.3 (a) Shipper shall reimburse Stingray within five (5) Days after costs have been incurred by Stingray for all fees required by the FERC or any regulatory body including, but not limited to, filing, reporting, and application fees to the extent such fees are specifically related to service for that Shipper hereunder and are not generally applicable fees (such as general rate case filing fees).
- (b) If Stingray constructs, acquires or modifies any facilities to perform service hereunder, then as specified in an agreement between the parties either:
- (1) Shipper shall reimburse Stingray for the cost of such facilities or facility modifications; or
  - (2) Stingray shall assess a monthly charge reflecting such facility costs.
- 5.4 The ACA charge, as posted on the Commission's website at [www.ferc.gov](http://www.ferc.gov), and Event Surcharge will be assessed, when applicable, as provided in the General Terms and Conditions of this Tariff, on volumes received by Stingray from Shipper under this Rate Schedule FTS.
- 5.5 (a) Stingray shall have the unilateral right to file with any appropriate regulatory authority and make changes effective in: (1) the rates and charges applicable under this Rate Schedule FTS, including both the level and design of such rates and charges; or (2) the terms and conditions of this Rate Schedule FTS. Stingray agrees that Shipper may protest or contest the aforementioned filings, or may seek authorization from duly constituted regulatory authorities for such adjustment of Stingray's existing FERC Gas Tariff as may be found necessary to assure that its provisions are just and reasonable.
- (b) If, at any time and from time to time, the FERC or any other governmental authority having jurisdiction in the premises allows or

permits Stingray to collect, or to negotiate to collect, a higher rate for the service hereunder, the rate shall, subject to any contrary provision of the FTS Agreement or a separate discount agreement, be increased to the highest such rate. Should additional documentation be required in order for Stingray to collect such highest rate, Shipper shall execute or provide such documentation within fifteen (15) Days after a written request by Stingray. If, at any time and from time to time, the FERC or any other governmental authority having jurisdiction in the premises requires Stingray to charge a lower rate for transportation service hereunder, the rate shall be decreased to such reduced rate.

- 5.6 Stingray may from time to time and at any time, upon twenty-four (24) hours' verbal or written notice, subject to any provisions on discounting in the FTS Agreement or in a separate discount agreement, charge any individual Shipper for service under this Rate Schedule FTS a rate which is lower than the applicable maximum rate set forth in this Tariff; provided, however, that such rate may not be less than the applicable minimum rate for service under Rate Schedule FTS set forth in this Tariff. Stingray will confirm any verbal notice of the applicable charge in writing. Such notification shall specifically state the effective date of such rate change and the quantity of Gas so affected. Unless otherwise agreed in the FTS Agreement or in a separate discount agreement, Stingray may at any time further change such rate (subject to any restrictions as to maximum or minimum rates set out in this Tariff, the FTS Agreement and/or any discount agreement) upon twenty-four (24) hours' verbal notice to Shipper, which notice shall be confirmed in writing. Such notification shall specifically state the effective date of such rate change and the quantity of Gas so affected. Stingray shall file with the Commission any and all reports as required by the Commission's Regulations with respect to the institution or discontinuance of any discount.
- 5.7 All revenues collected by Stingray as a result of providing service under this Rate Schedule FTS shall be retained by Stingray unless Stingray has otherwise explicitly agreed on a different disposition of such amounts. Where crediting or refund mechanisms apply under other provision(s) of this Tariff or pursuant to effective Commission orders or settlements, such mechanisms shall supersede this Section to the extent necessary to carry out such provision(s).
- 5.8 Stingray may, but is not obligated to, transport liquids for Shipper. Any transportation of liquids on behalf of Shipper shall be pursuant to a separate agreement, which agreement shall set out the negotiated rate for such transportation.

6. NOMINATIONS, SCHEDULING CHARGES AND IMBALANCES

- (a) Shipper shall provide Stingray with daily nominations of receipts and deliveries by Receipt and Delivery Point in accordance with the General Terms and Conditions of this Tariff. It shall be Shipper's responsibility to cause Gas to be delivered to Stingray at Receipt Point(s), and to cause Gas to be taken from Stingray at Delivery Point(s), in accordance with the information supplied to Stingray.
- (b) It shall be Shipper's responsibility to keep receipts and deliveries in balance. Stingray may curtail service hereunder to the extent necessary to bring receipts and deliveries into balance. Any imbalance between actual receipts and actual deliveries shall be eliminated by cash-out on a monthly basis in accordance with the General Terms and Conditions of this Tariff.

7. RECEIPT AND DELIVERY POINTS AND UPSTREAM AND DOWNSTREAM ARRANGEMENTS

- (a) The Firm Receipt Points for Gas tendered to Stingray for transportation hereunder and the Firm Delivery Point(s) for Gas delivered by Stingray to Shipper (or to a third party on behalf of Shipper) hereunder shall be specified in the FTS Agreement. For each individual Firm Receipt and Delivery Point, and for the aggregate of all such points, Stingray's maximum obligation to accept and deliver Gas on a firm basis shall be specified in Dth in the FTS Agreement. The sum of the MDQs for Firm Receipt Points and the sum of the MDQs for Firm Delivery Points shall not exceed the aggregate MDQ. Shipper may utilize any and all points as Interruptible Receipt or Delivery Points as specified in the General Terms and Conditions of this Tariff.
- (b) Conditions of delivery at Receipt and Delivery Points are set out in the General Terms and Conditions of this Tariff.
- (c) Shipper shall make all necessary arrangements with other parties: (1) at or upstream of the Receipt Point(s) where Gas is tendered to Stingray hereunder; and (2) at or downstream of the Delivery Point(s) where Stingray delivers Gas hereunder to or for the account of Shipper. Such arrangements must be consistent with this Rate Schedule FTS and must be coordinated with Stingray.

8. OVERRUN SERVICE

Upon request of Shipper, Stingray may (but is not obligated to) receive, transport, and deliver on any Day quantities of Gas in excess of Shipper's MDQ under the FTS Agreement when, in Stingray's reasonable judgment, the capacity and operating capability of its System will permit such receipt, transportation and delivery without

impairing the ability of Stingray to meet its other obligations. In granting requests for overrun service, Stingray shall act in a manner consistent with the overrun service priorities set out in the General Terms and Conditions of this Tariff. Shipper shall pay Stingray the maximum applicable rate for Authorized Overrun Service set forth in this Tariff. Except for Authorized Overrun Service hereunder, Shipper shall pay Stingray an Unauthorized Overrun Charge of \$10 per Dth if Gas tendered to Stingray or deliveries to Shipper under an FTS Agreement exceed the MDQ under such FTS Agreement during times an Operational Flow Order has been issued pursuant to Section 10 of the General Terms and Conditions. Any Unauthorized Overrun Charges collected hereunder shall be credited to Compliant Shippers pursuant to Section 10 of the General Terms and Conditions.

9. GENERAL TERMS AND CONDITIONS

The provisions of the General Terms and Conditions of this Tariff, as such provisions may be amended from time to time, are hereby incorporated by reference and made a part of this Rate Schedule FTS and shall apply to service rendered hereunder as though stated herein.

RATE SCHEDULE FTS-2  
FIRM TRANSPORTATION SERVICE

1. AVAILABILITY

This Rate Schedule FTS-2 is available to any entity (hereinafter called "Shipper") which has (a) submitted a valid request consistent with Section 3 of this Rate Schedule FTS-2; (b) made a Commitment consistent with Section 4 of this Rate Schedule FTS-2; and (c) demonstrated to Stingray's satisfaction that at the time the Gas included within the Commitment is produced, such Gas is, or will be, physically capable of being received into Stingray's Pipeline Facilities at one or more Point(s) of Receipt and delivered out of Stingray's Pipeline Facilities at one or more Point(s) of Delivery; and (d) entered into an FTS-2 Agreement with Stingray for firm service under this Rate Schedule FTS-2. This Rate Schedule FTS-2 is also available to any entity that has been assigned Shipper's FTS-2 Agreement and related rights to pipeline capacity pursuant to Section 21 of this Rate Schedule. The form of FTS-2 Agreement is contained in this Tariff. There is no limitation on the number of FTS-2 Agreements any one Shipper may have.

2. APPLICABILITY AND CHARACTER OF SERVICE

2.1 The transportation service provided under this Rate Schedule FTS-2 shall be performed under Part 284 of the Commission's Regulations. This Rate Schedule FTS-2 shall apply to all Gas transported by Stingray for Shipper pursuant to an FTS-2 Agreement. Service under this Rate Schedule FTS-2 shall be available on a daily basis for the transportation of quantities of Gas up to the MDQs set forth on Exhibit "B" to Shipper's FTS-2 Agreement. All such quantities shall be received by Stingray at the Point(s) of Receipt and Thermally Equivalent Quantities shall be delivered to Shipper at the Point(s) of Delivery specified on Exhibit "B" to Shipper's FTS-2 Agreement. Service under this Rate Schedule FTS-2 shall be firm except as provided in this Rate Schedule FTS-2, the General Terms and Conditions of this Tariff, and Shipper's executed FTS-2 Agreement. Service under this Rate Schedule FTS-2 shall not commence until Stingray and Shipper have executed an FTS-2 Agreement. If Shipper assigns its FTS-2 Agreement to another party pursuant to Section 21 of this Rate Schedule, service shall not commence until Stingray, Shipper, and Shipper's assignee have executed an agreement consenting to the assignment of such FTS-2 Agreement. If service under this Rate Schedule FTS-2 has not commenced within thirty-six (36) Months of the later of the date of Shipper's valid request or the in-service date of Stingray's Pipeline Facilities, Shipper's request for service and any FTS-2 Agreement entered into pursuant to such request shall become null and void and of no further legal effect.

- 2.2 Stingray shall have no obligation to accept any Gas for transportation under this Rate Schedule FTS-2 other than Gas produced from the OCS Field(s) and Leasehold Interest(s) identified on Exhibit "A" to Shipper's FTS-2 Agreement.
- 2.3 Stingray shall have no obligation to add any facilities or expand the capacity of its pipeline facilities beyond the initial certificated capacity in any manner in order to provide transportation service under this Rate Schedule FTS-2.
- 2.4 Nominations and scheduling of service under this Rate Schedule FTS-2 shall be in accordance with the procedures set out in Section 6 of the General Terms and Conditions of this Tariff.
- 2.5 Allocations of capacity shall be determined in accordance with Section 3 of the General Terms and Conditions of this Tariff.
- 2.6 Shipper shall only tender Gas for transportation under this Rate Schedule FTS-2 to the extent such service would qualify under the applicable statutes, regulations and Commission orders. For transportation to be provided under Subpart B of Part 284 of the Commission's Regulations, Shipper shall provide to Stingray certification including sufficient information in order for Stingray to verify that the service qualifies under Subpart B of Part 284 of the Regulations. Where required by the Commission's Regulations, Shipper shall cause the intrastate pipeline or local distribution company on whose behalf the service will be provided to submit the necessary certification prior to tendering Gas for transportation.

### 3. VALID REQUEST

- 3.1 A request for service under this Rate Schedule FTS-2 shall be valid as of the date received if it complies with this Section 3.1 and contains adequate information on all of the items specified in Section 3.2 of this Rate Schedule FTS-2, subject to any necessary verification of such information and to the following:
  - (a) A request shall not be valid and Stingray shall not be required to grant any such request: (1) for which adequate capacity is not available on any portion of Stingray's System necessary to provide such service; (2) as to which Stingray does not have the operational capability to effect receipt, transportation and/or delivery on a firm basis consistent with the terms and conditions of this Rate Schedule FTS-2; (3) which would require the construction, modification, expansion, or acquisition of any facilities; provided, however, that Stingray may agree in its reasonable discretion to construct, modify, expand, or acquire facilities to enable it to perform such services; (4) unless and until Shipper has provided Stingray with the information

required in Section 3.2 hereof; (5) if Stingray determines, based on the credit analysis referenced in Section 3.2(f), that Shipper does not possess sufficient financial stability to make it reasonably likely the service provided hereunder will be paid for on a timely basis; (6) if the service requested would not comply with this Rate Schedule FTS-2; or (7) if the service requested is at less than the applicable maximum rate; provided, however, that Stingray may agree to provide service hereunder at a discount consistent with this Rate Schedule FTS-2. Nothing herein is intended to govern the curtailment of service once a request for service has been granted pursuant to this Section and while an FTS-2 Agreement is in effect. Such curtailment is governed by the General Terms and Conditions of this Tariff.

- (b) Stingray shall promptly notify Shipper if it cannot satisfy an otherwise valid request, in whole or in part, due to lack of capacity or System capability or if the request is incomplete or does not comply with this Rate Schedule FTS-2.
  - (1) Any request shall be null and void unless it is substantially complete and complies with this Rate Schedule FTS-2. In the event a request is substantially but not entirely complete, Stingray shall inform Shipper in writing of the specific items needed to complete the FTS-2 Agreement, after which Shipper shall have fifteen (15) Days to provide the specified information. In the event such information is not received within fifteen (15) Days, Shipper's request shall be null and void.
  - (2) If Stingray cannot satisfy a request due to insufficient System capacity or capability, such request shall be of a continuing nature and shall remain valid unless and until Shipper notifies Stingray that it desires to withdraw its request except as follows: Stingray may at any time tender an FTS-2 Agreement to Shipper consistent with Shipper's request which is conditional on the future availability of System capacity and capability. Such conditional agreement must allow Shipper to void the contract and withdraw its request if Shipper's notice of withdrawal is given prior to Shipper receiving notice from Stingray that System capacity and capability is available and the request is approved. If Shipper declines to execute such an agreement within thirty (30) Days, its request shall be null and void.
- (c) Stingray shall tender an FTS-2 Agreement to Shipper for execution when Shipper's request for service is accepted. Unless waived by Stingray, a

request for service shall be invalid if Shipper fails to execute an FTS-2 Agreement hereunder within thirty (30) Days after an FTS-2 Agreement has been tendered by Stingray for execution.

3.2 Requests for service hereunder shall be deemed valid only after Shipper submits to Stingray the information specified in this Section via Stingray's Interactive Internet Website or in writing using Stingray's Form of Service Request Form to Stingray's Transportation Services, at 1300 Main Street, Houston, Texas 77002, or Fax Number (713) 989-1205. The information required for a valid request shall be as follows:

(a) GAS QUANTITIES

The request shall specify in Dth the aggregate MDQ and the MDQ for each Firm Point, exclusive of applicable Company Use Gas; provided, however, that Stingray shall not be obligated to accept requests for an aggregate MDQ of less than one hundred (100) Dth per Day.

(b) RECEIPT POINT(S)

The request shall specify the Firm Point(s) at which Shipper desires Stingray to receive Gas.

(c) DELIVERY POINT(S)

The request shall specify the Firm Point(s) at which Shipper desires Stingray to deliver Gas.

(d) LIMITATION OF POINTS

(1) A Shipper may request any number of Firm Receipt and Firm Delivery Points so long as the summation of MDQs at all Firm Receipt Points and at all Firm Delivery Points equals the aggregate MDQ.

(2) The availability to Shipper of Interruptible Receipt and Delivery Points, and the related priorities and volumes, are governed by the General Terms and Conditions.

(e) TERM OF SERVICE

The request shall specify:

(1) The date service is requested to commence; and

(2) The date service is requested to terminate.

(f) CREDIT

Acceptance of a request is contingent upon a satisfactory credit appraisal by Stingray in accordance with the General Terms and Conditions of this Tariff.

(g) COMPLIANCE WITH FTS-2 TARIFF

Submission of a request for service hereunder shall be deemed agreement by Shipper that it will abide by the terms and conditions of this Rate Schedule FTS-2, including the applicable General Terms and Conditions.

(h) SHIPPER'S COMMITMENT

The Shipper's Commitment as specified in Section 4 of this Rate Schedule FTS-2.

4. COMMITMENT

4.1 Every request for service under this Rate Schedule FTS-2 shall include Shipper's commitment to deliver into and ship through Stingray's Pipeline Facilities for the life of the reserves, all Gas (in excess of Gas required by Shipper for use on its Leases) produced by or for the account of Shipper, or any Affiliate thereof, attributable to Shipper's Leasehold Interest(s) in specifically identified OCS Field(s) which OCS Field(s) and Leasehold Interest(s) shall be listed on Exhibit "A" to Shipper's FTS-2 Agreement ("Commitment"). Shipper's Commitment may include more than one OCS Field but, in no event, shall Shipper's Commitment to any single FTS-2 Agreement be less than all of Shipper's Leasehold Interest(s) in each OCS Field listed on Exhibit "A" to Shipper's FTS-2 Agreement, as Exhibit "A" may be amended from time to time.

4.2 Shipper's Commitment included in its request for service under this Rate Schedule FTS-2 shall be accompanied by a life of reserves monthly production profile for all proven reserves included within Shipper's Commitment and shall designate Shipper's requested MDQ to be in effect during each Contract Quarter of each Contract Year throughout the term of its FTS-2 Agreement. For purposes of this Rate Schedule FTS-2, the term "Contract Quarter" means a consecutive three (3) month period as specified on Exhibit "B" of the FTS-2 Agreement; and the term "Contract Year" means a consecutive twelve (12) month period consisting of four (4) consecutive Contract Quarters as specified in the FTS-2 Agreement.

- 4.3 Shipper's life of reserves production profile shall be accompanied by either: (a) technical data necessary to support the production profile and demonstrate that Shipper's requested MDQs are supported by the production profile; provided, however, Shipper shall not be required to supply to Stingray data of a confidential nature; or (b) a report issued by one of the engineering firms listed on Appendix "A" to this Rate Schedule FTS-2 supporting Shipper's production profile and requested MDQs.
- 4.4 If Shipper elects to establish its life of reserves production profile and MDQs with a report from an independent engineering firm in accordance with Section 4.3(b) of this Rate Schedule FTS-2, then the cost of such report shall be borne by the Shipper. The production profile and MDQs established in such report shall be binding on both Shipper and Stingray for purposes of Shipper's request for service under Section 3 of this Rate Schedule FTS-2.
- 4.5 If Shipper submits its life of reserves production profile and supporting technical data to Stingray in accordance with Section 4.3(a) of this Rate Schedule FTS-2 and Stingray determines that (1) the data supplied are insufficient to permit Stingray to assess the reasonableness of Shipper's production profile and MDQs; or (2) Shipper's production profile is not reasonable or the requested MDQs are not supported by Shipper's production profile, then Stingray and Shipper shall make a good faith attempt to agree on a production profile and MDQs which, when agreed upon, shall be binding on Shipper and Stingray for purposes of Shipper's request for service under Section 3 of this Rate Schedule FTS-2. If Stingray and Shipper cannot reach agreement on such production profile and MDQs, then Shipper shall submit all technical data supporting Shipper's production profile and the requested MDQs, including data considered to be confidential and, therefore, not provided to Stingray under Section 4.3(a), to one of the engineering firms listed on Appendix "A" to this Rate Schedule FTS-2 which engineering firm, in consultation with Shipper, shall issue a report establishing Shipper's production profile and MDQ(s). The production profile and MDQs established in the report shall be binding on Shipper and Stingray for purposes of Shipper's request for service under Section 3 of this Rate Schedule FTS-2. All costs and fees due to the engineering firm with respect to the development of the production profile and MDQs under this Section 4.5 shall be shared equally between Shipper and Stingray unless Shipper determines not to contract for service under this Rate Schedule FTS-2, in which event Shipper shall bear all such costs and fees.
- 4.6 If Shipper submits its production profile and requested MDQs to an independent engineering firm in accordance with Section 4.5 of this Rate Schedule FTS-2 and, upon receipt of the binding engineering report Shipper believes that the MDQs set forth therein are inadequate to permit delivery of all

of Shipper's Gas production from the OCS Field(s) and Leasehold Interest(s) committed to its FTS-2 Agreement, then, upon Shipper's request, Stingray shall offer to Shipper a service agreement under Rate Schedule FTS for the incremental MDQs that Shipper requests. Except pursuant to Section 12.1 or where Shipper becomes a Replacement Shipper through the capacity release programs available under this Rate Schedule FTS-2 and Rate Schedule FTS, only in this limited circumstance may Shipper receive an FTS Agreement for production included within the OCS Field(s) identified on Exhibit "A" to its FTS-2 Agreement. Any such FTS Agreement shall be for a term of not less than one Year, shall have the same Contract Year as the FTS-2 Agreement covering production from the same OCS Field(s), and shall establish a rate equal to the rate charged for service under the Shipper's FTS-2 Agreement covering production from the same OCS Field(s). After one Contract Year under the FTS Agreement, Shipper may terminate its FTS Agreement and, if firm capacity is available on Stingray's Pipeline Facilities, increase the MDQs under its FTS-2 Agreement by an amount equal to Shipper's actual average daily throughput under its FTS Agreement.

- 4.7 Notwithstanding anything herein to the contrary, during periods of routine repair and maintenance in which Stingray curtails, interrupts, or discontinues service as described in Section 3 of the General Terms and Conditions of this Tariff, Shipper shall be temporarily released from that portion of its Commitment under this Rate Schedule FTS-2 as is tendered by Shipper to Stingray but which cannot be transported by Stingray on any Day up to Shipper's MDQ for such Day.

5. THROUGHPUT COMMITMENT

- 5.1 Shipper shall ship through Stingray's Pipeline Facilities under this Rate Schedule FTS-2 each Contract Year its "Throughput Commitment" which shall equal at least eighty-five percent (85%) of Shipper's contract entitlement for the relevant Contract Year. Shipper's contract entitlement for any given Contract Year shall be equal to the sum of the products of the MDQ set forth on Exhibit "B" to its FTS-2 Agreement for each of the four (4) Contract Quarters of the relevant Contract Year multiplied by the number of Days in each such Contract Quarter. Provided, however, for the first Contract Year of service under its FTS-2 Agreement Shipper's Throughput Commitment shall be equal to eighty-five percent (85%) of the sum of the product of the MDQs for the third and fourth Contract Quarters multiplied by the number of Days in each respective Contract Quarter. Failure to satisfy the Throughput Commitment will subject Shipper to the payment of the Conditional Reservation Charge as determined in Section 8.2(e) of this Rate Schedule FTS-2 or a reduction of capacity pursuant to Section 11.2 of this Rate Schedule FTS-2.

5.2 For purposes of determining whether Shipper has satisfied its Throughput Commitment under Section 5.1, above, Shipper's throughput for the Contract Year shall include (a) any quantity of Gas which Shipper tenders for delivery and which is transported by Stingray under this Rate Schedule FTS-2 up to Shipper's MDQ; (b) any quantity of Gas which Shipper nominates and tenders for delivery under its FTS-2 Agreement at the Point(s) of Receipt but which is not transported by Stingray unless Stingray's failure to transport is the result of (i) the failure of Shipper's Gas to meet the quality specifications of Section 22 of the General Terms and Conditions of this Tariff, (ii) Stingray's determination that delivery of Shipper's nominated quantities cannot be made at the designated Point(s) of Delivery, or (iii) Stingray's determination that Shipper's title or right to deliver Gas to Stingray is questioned or involved in any action; (c) all quantities of Gas shipped by Shipper as Authorized Overrun under Section 7 of this Rate Schedule FTS-2; and (d) all quantities of capacity released by Shipper under Section 14 of this Rate Schedule FTS-2.

## 6. POINTS OF RECEIPT AND DELIVERY

6.1 The Point(s) of Receipt into Stingray's Pipeline Facilities shall be specified on Exhibit "B" to Shipper's FTS-2 Agreement. Exhibit "B" may be superseded from time to time by a new Exhibit "B" to add or delete specific Point(s) of Receipt or to make other changes thereto which the parties deem appropriate. Stingray shall not be obligated to accept any additional Point(s) of Receipt if to do so, in the sole judgment of Stingray, would impair Stingray's ability to satisfy existing firm obligations under this Rate Schedule FTS-2 or any other firm Rate Schedule.

6.2 The Point(s) of Delivery out of Stingray's Pipeline Facilities shall be specified on Exhibit "B" to the FTS-2 Agreement. Exhibit "B" may be superseded by a new Exhibit "B" to add or delete specific Point(s) of Delivery or to make other changes thereto upon which the parties agree.

## 7. OVERRUN SERVICE

7.1 Upon request of Shipper, Stingray may (but is not obligated to) receive, transport, and deliver on any Day quantities of Gas in excess of Shipper's MDQ under the FTS-2 Agreement when, in Stingray's reasonable judgment, the capacity and operating capability of its System will permit such receipt, transportation and delivery without impairing the ability of Stingray to meet its other obligations. In granting requests for overrun service, Stingray shall act in a manner consistent with the overrun service priorities set out in the General Terms and Conditions of this Tariff. Shipper shall pay Stingray for each Dth of overrun Gas received for transportation the maximum applicable rate for Authorized Overrun Service as determined pursuant to Section 8.2(d) of this Rate Schedule FTS-2.

7.2 Except as provided in the last sentence of this Section 7.2, if, over any consecutive ninety (90) Day period during which Stingray's pipeline is not fully subscribed on a firm basis, Shipper ships through Stingray's Facilities a quantity of Gas in excess of 120% of the sum of Shipper's applicable MDQs for each Day of the ninety (90) Day period then Stingray shall have the right to require Shipper to make an election to increase its quarterly MDQs for the balance of the Contract Year by: (a) a quantity equal to the percentage increase in actual shipments under its FTS-2 Agreement for such ninety (90) Day period over the sum of Shipper's applicable MDQs for each Day of the ninety (90) Day period, or (b) a quantity equal to the difference between the quantity actually shipped by Shipper under its FTS-2 Agreement during said ninety (90) Day period and the sum of Shipper's applicable MDQs for each Day of such ninety (90) Day period. Shipper shall be required to make its election upon receipt of Stingray's notice provided in accordance with Section 25 of the General Terms and Conditions of this Tariff. Notice of Shipper's election shall be provided to Stingray in accordance with Section 25 of the General Terms and Conditions of this Tariff the next Day following receipt of Stingray's notice and the increase shall become effective on the first Day of the Contract Quarter next following Stingray's notice to Shipper. The increase shall remain in effect for the balance of the Contract Year. In the event that Shipper fails to make a timely election following receipt of Stingray's notice, Shipper shall be deemed to have elected to increase its MDQs in accordance with the methodology set forth in (a) above. This Section 7.2 shall not apply during the first and second Contract Quarters of the first Contract Year of service under Shipper's FTS-2 Agreement.

7.3 Except for Authorized Overrun Service, Shipper shall pay Stingray an Unauthorized Overrun Charge of \$10 per Dth if Gas tendered to Stingray or deliveries to Shipper under an FTS-2 Agreement exceed the MDQ under such FTS-2 Agreement during times an Operational Flow Order has been issued pursuant to Section 10 of the General Terms and Conditions. Any Unauthorized Overrun Charges collected hereunder shall be credited to Compliant Shippers pursuant to Section 10 of the General Terms and Conditions.

## 8. RATES AND CHARGES

8.1 The applicable maximum and minimum rates for service under this Rate Schedule FTS-2 are set forth on the Currently Effective Rates for Rate Schedule FTS-2 and are incorporated herein by reference.

8.2 Service hereunder shall be subject to the following charges:

(a) A Commodity Charge for each Dth of Gas received for transportation equal to: (i) the applicable maximum rate for service under this Rate Schedule FTS-2 as set forth on the Currently

Effective Rates for Rate Schedule FTS-2, (ii) a discounted rate pursuant to Section 8.4 of this Rate Schedule FTS-2, or (iii) a Negotiated Rate or a Negotiated Rate Formula pursuant to Section 34 of the General Terms and Conditions of this Tariff. Where a Shipper has agreed to pay a Negotiated Rate or a rate under a Negotiated Rate Formula, the rates assessed hereunder shall be governed by Section 34 of the General Terms and Conditions of this Tariff. A request for service at a Negotiated Rate or a rate under a Negotiated Rate Formula shall specify the Negotiated Rate or Negotiated Rate Formula on which the Shipper is willing to agree;

- (b) If Stingray constructs, acquires or modifies any facility to perform service hereunder, then as specified in an agreement between the parties either: (1) Shipper shall reimburse Stingray for the cost of such facilities or facility modifications; or (2) Stingray shall assess a monthly charge reflecting such facility costs;
- (c) Shipper shall reimburse Stingray within five (5) Days after costs have been incurred by Stingray for all fees required by the FERC or any regulatory body including, but not limited to, filing, reporting, and application fees to the extent such fees are specifically related to service for that Shipper hereunder and are not generally applicable fees (such as general rate case filing fees);
- (d) An Authorized Overrun charge for each Dth of Gas received for transportation pursuant to Section 7.1 of this Rate Schedule FTS-2 equal to: (i) the maximum rate for such service under this Rate Schedule FTS-2 as set forth on the Currently Effective Rates for Rate Schedule FTS-2, (ii) a discounted rate pursuant to Section 8.4 of this Rate Schedule FTS-2, or (iii) A Negotiated Rate or a rate under a Negotiated Rate Formula pursuant to Section 34 of the General Terms and Conditions of this Tariff;
- (e) For any Contract Year in which Shipper (1) does not satisfy the Throughput Commitment of Section 5.1 of this Rate Schedule FTS-2, and (2) does not elect to reduce its capacity entitlement pursuant to Section 11.2 of this Rate Schedule FTS-2, a Conditional Reservation Charge. The "Conditional Reservation Charge" shall be equal to the Daily Conditional Reservation rate stated on the Currently Effective Rates for Rate Schedule FTS-2 or such lesser rate charged to Shipper under section 8.2(a), above, multiplied by a quantity of Gas equal to the difference between the quantity of Gas that would have been shipped by Shipper under its FTS-2 Agreement had Shipper shipped one hundred percent (100%) of its MDQ each Day of such Contract Year and the actual

quantity of Gas shipped by Shipper under its FTS-2 Agreement in such Contract Year as determined by Section 5.2 of this Rate Schedule FTS-2;

- (f) For each Dth of capacity released by Shipper to a Replacement Shipper under Section 14 of this Rate Schedule FTS-2 an amount equal to the Conditional Reservation Charge for service under this Rate Schedule FTS-2, as determined in Section 8.2(e) of this Rate Schedule FTS-2, less any amounts credited to Shipper pursuant to Section 16.7 of the General Terms and Conditions of this Tariff; and
- (g) Any applicable surcharges, penalties, or other charges due to Stingray under the terms of this Rate Schedule FTS-2, Shipper's FTS-2 Agreement, and the General Terms and Conditions of this Tariff such as the ACA, as posted on the Commission's website at [www.ferc.gov](http://www.ferc.gov), and the Event Surcharge.

- 8.3 Stingray shall have the unilateral right to file with any appropriate regulatory authority and make changes effective in: (1) the rates and charges applicable under this Rate Schedule FTS-2, including both the level and design of such rates and charges; or (2) the terms and conditions of this Rate Schedule FTS-2. Stingray agrees that Shipper may protest or contest the aforementioned filing(s), or may seek authorization from duly constituted regulatory authorities for such adjustment of Stingray's existing Tariff as may be found necessary to assure that its provisions are just and reasonable.

If, at any time and from time to time, the FERC or any other governmental authority having jurisdiction in the premises allows or permits Stingray to collect, or to negotiate to collect, a higher rate for the service hereunder, the rate shall, subject to any contrary provision of the FTS-2 Agreement or a separate written agreement, be increased to the highest such rate. Should additional documentation be required in order for Stingray to collect such highest rate, Shipper shall execute or provide such documentation within fifteen (15) Days after a written request by Stingray. If, at any time and from time to time, the FERC or any other governmental authority having jurisdiction in the premises requires Stingray to charge a lower rate for transportation service hereunder, the rate shall be decreased to such reduced rate.

- 8.4 Stingray may from time to time and at any time, upon twenty-four (24) hours' verbal or written notice, subject to any provisions on discounting in the FTS-2 Agreement or in a separate written agreement, charge any individual Shipper for service under this Rate Schedule FTS-2 a rate which is lower than the applicable maximum rate set forth in this Tariff; provided, however, that such rate may not be less than the applicable minimum rate for service under Rate Schedule FTS-2 set forth in this Tariff. Stingray will confirm any verbal notice of the applicable charge in writing. Such notification shall specifically state the effective date of such rate change and the quantity of Gas so affected. Unless

otherwise agreed in the FTS-2 Agreement or in a separate written agreement, Stingray may at any time further change such rate (subject to any restrictions as to maximum or minimum rates set out in this Tariff, the FTS-2 Agreement and/or any written agreement) upon twenty-four (24) hours' verbal notice to Shipper, which notice shall be confirmed in writing. Such notification shall specifically state the effective date of such rate change and the quantity of Gas so affected. Stingray shall file with the Commission any and all tariffs and/or reports as required by the Commission's Regulations with respect to the institution or discontinuance of any discount rate or a rate pursuant to Section 34 of this Tariff.

8.5 All revenues collected by Stingray as a result of providing service under this Rate Schedule FTS-2 shall be retained by Stingray unless Stingray has otherwise explicitly agreed on a different disposition of such amounts. Where crediting or refund mechanisms apply under other provision(s) of this Tariff or pursuant to effective Commission orders or settlements, such mechanisms shall supersede this Section to the extent necessary to carry out such provision(s).

8.6 Stingray may, but is not obligated to, transport liquids for Shipper. Any transportation of liquids on behalf of Shipper shall be pursuant to a separate written agreement, which agreement shall set out the negotiated rate for such transportation.

9. COMPANY USE GAS

Shipper shall reimburse Stingray for Company Use Gas required in transporting Gas as provided by Section 1.5 of the General Terms and Conditions of this Tariff.

10. MONTHLY BILL

The monthly bill for Gas transported under this Rate Schedule FTS-2 shall be equal to the sum of the applicable charges set forth in Section 8 above and any other charges assessed pursuant to this Tariff.

11. REDUCTIONS IN CAPACITY

11.1 (a) Shipper may request a reduction in its quarterly MDQs for any or all future Contract Years by giving Stingray written notice at least six (6) Months' prior to the beginning of any Contract Year; provided that (a) no reduction in MDQs shall become effective in the same Contract Year as the Contract Year in which the request is made; (b) the request is based on production declines or delays due to field production performance problems or changes in development plans or drilling rig schedules; and (c) the requested reduction shall be accompanied by a revised production profile supported by bona fide field production data

or evidence of the operational change underlying the request. The revised production profile shall reflect the impact, if any, of the requested reduction on future periods.

- (b) Stingray shall grant the requested reduction if Stingray agrees that it is adequately supported by Shipper's data. However, if Shipper and Stingray fail to agree on a new production profile within thirty (30) Days following Shipper's requested reduction, Shipper shall submit Shipper's proposed production profile and supporting data to one of the engineering firms listed on Appendix "A" to this Rate Schedule FTS-2. The engineering firm shall prepare a report, including a production profile based on its analysis of the supporting data and reflecting the impact of the requested reduction on future period MDQs, which shall be binding on Shipper and Stingray for purposes of establishing Shipper's requested MDQs under this Rate Schedule FTS-2. All costs and fees due to the engineering firm with respect to the development of the production profile and MDQs shall be shared equally between Shipper and Stingray.
- (c) In the event that Shipper's MDQs are reduced for any subsequent period pursuant to this Section 11.1 and Shipper does not satisfy its Throughput Commitment for the current Contract Year, Shipper shall not have the option of reducing its MDQs pursuant to Section 11.2 and shall be required to pay the Conditional Reservation Charge as determined in Section 8.2(e) of this Rate Schedule FTS-2.
- (d) If Shipper believes that the MDQs contained in the engineering report are inadequate to permit delivery of all of Shipper's Gas production from the OCS Field(s) and Leasehold Interest(s) committed to this Rate Schedule FTS-2 under Shipper's FTS-2 Agreement, Shipper shall be entitled to FTS service for the incremental MDQs that Shipper requests pursuant to Section 4.6 of this Rate Schedule FTS-2. If Shipper executes an FTS Agreement to supplement the FTS-2 MDQs prescribed by the engineering firm and, during the first Contract Quarter of service under its Rate Schedule FTS Agreement, Shipper's total throughput exceeds its FTS-2 MDQ, then Stingray shall have the option to increase Shipper's MDQ under its FTS-2 Agreement by the amount of such incremental MDQs and, if Stingray fails to provide such increase in Shipper's Rate Schedule FTS-2 MDQs within sixty (60) Days of the end of such Contract Quarter, Shipper shall have the right to release such incremental MDQs from its Commitment under its FTS-2 Agreement.

- 11.2 If, over any Contract Year, Shipper fails, for any reason other than force majeure, to satisfy its Throughput Commitment under Section 5.1 of this Rate Schedule FTS-2, then, at the conclusion of such Contract Year, Stingray shall

have the right, upon providing notice to Shipper in accordance with Section 25 of this Tariff, to require Shipper to elect either to (1) reduce its MDQs for the remaining term of its FTS-2 Agreement or (2) pay to Stingray the Conditional Reservation Charge as determined in Section 8.2(e) of this Rate Schedule FTS-2. Within ten (10) Days of receipt of Stingray's notice to Shipper requiring an election to be made, Shipper shall notify Stingray, in accordance with Section 25 of the General Terms and Conditions of this Tariff, of its election either to reduce permanently its MDQs or pay the Conditional Reservation Charge. If Shipper elects to reduce its MDQs, Shipper may reduce its Quarterly MDQs for the remaining term of its FTS-2 Agreement by either (a) a quantity equal to the difference between the average daily capacity actually utilized by Shipper during the Contract Year and Shipper's Average MDQ for such Contract Year or (b) a quantity equal to the percentage decrease in capacity actually utilized during the Contract Year compared to Shipper's MDQ for that Contract Year.

- 11.3 If Shipper elects to pay the Conditional Reservation Charge, as determined in Section 8.2(e) of this Rate Schedule FTS-2, then such charges shall be paid in accordance with Section 13 of the General Terms and Conditions of this Tariff. If Shipper fails to pay the Conditional Reservation Charge when due under Section 13 of the General Terms and Conditions, Shipper shall be deemed to have elected to reduce its capacity in accordance with the methodology set forth in Section 11.2(b) above. Any such reduction shall be effective as of the first Day of the Contract Year following the Contract Year in which Shipper failed to meet its Throughput Commitment.

## 12. INCREASES IN CAPACITY

- 12.1 Shipper, at any time, and subject to compliance with the requirements of Sections 4.2, 4.3, 4.4, and 4.5 of this Rate Schedule FTS-2 may, in accordance with the Notice provisions of Section 25 of the General Terms and Conditions of this Tariff, request an increase in its MDQs under its existing FTS-2 Agreement to become effective on the first Day of any Contract Quarter. If the Request is valid under Section 3 of this Rate Schedule FTS-2 and firm capacity is available, then Stingray shall grant such request to become effective on the date requested by Shipper. Unless otherwise agreed to in writing between Shipper and Stingray, increases in MDQs shall be at the maximum rate for service under this Rate Schedule FTS-2.
- 12.2 If sufficient firm capacity is not available to fully accommodate Shipper's Request under Section 12.1, Stingray shall notify Shipper within thirty (30) Days of the date of Shipper's request whether Stingray will (a) commence construction of facilities to fully accommodate the requested increase in the Shipper's MDQ; or (b) file an application with the FERC for permission to construct the requisite facilities. Where prior regulatory approvals for the

construction of facilities are not required, Stingray shall complete construction of the requisite facilities within eighteen (18) Months of the date of Shipper's request. If authorization for the construction of such facilities requires Stingray to make a certificate filing with FERC, including a prior notice filing under 18 C.F.R. 157 of the FERC's regulations, Stingray shall complete such facilities within twelve (12) Months of the date on which Stingray receives certificate authorization from the FERC to construct the facilities. When FERC authorization is required, Stingray may, at its option, conduct an open season to determine whether any other firm Shipper under Rate Schedules FTS or FTS-2 desires additional capacity. Requests for additional capacity under Rate Schedule FTS-2 received during an open season shall not be valid unless the requests comply with Sections 4.2, 4.3, and 4.4 of this Rate Schedule FTS-2.

- 12.3 Requests for additional capacity shall be processed, and capacity awarded, in accordance with Section 3 of the General Terms and Conditions of Stingray's Tariff. In the event that Stingray conducts an open season pursuant to Section 12.2 of this Rate Schedule FTS-2 all requests received under Section 12.1 of this Rate Schedule FTS-2 shall have a priority over requests received during the open season.
- 12.4 If Stingray agrees to construct facilities to accommodate Shipper's request for additional capacity under Sections 12.1 and 12.2 and Shipper requires such additional capacity prior to the date by which Stingray has committed to complete the construction of such facilities, then until such time as Stingray's facilities are completed and available to Shipper to ship its requested increased MDQs, Stingray shall release Shipper from that portion of its Commitment related to the requested increase in MDQs.
- 12.5 If Stingray elects not to construct the facilities necessary to satisfy the requests for increased service to accommodate increased production from OCS Field(s) already flowing Gas through Stingray's Pipeline Facilities, Stingray shall so notify Shipper within thirty (30) Days of receipt of Shipper's request, and, upon the request of Shipper, Stingray shall permanently release from Shipper's Commitment under its FTS-2 Agreement that portion of the Gas production from the specific OCS Field that is the subject of the request for increased capacity for which firm capacity on Stingray's Pipeline Facilities is not available. Such release shall become effective on the Day following the Day Shipper requests the release from Stingray under this Section 12.5. Provided, however, if Stingray fails to respond to Shipper's request for increased service within the thirty (30) Day period set forth in Section 12.2 of this Rate Schedule FTS-2, the release shall be deemed to be effective on the thirty first (31st) Day following the Day on which the request is made.
- 12.6 Upon request of Shipper, Stingray may release Shipper from such portions of the Commitment under its FTS-2 Agreement which Stingray and Shipper

mutually agree are uneconomic to connect to Stingray's Pipeline Facilities or to the gathering system of any gatherer to which Stingray's Pipeline Facilities are connected.

- 12.7 If additional facilities are required to fully accommodate Shipper's Request for additional capacity and Stingray constructs such facilities, immediately upon placing such additional facilities into service Shipper's MDQs under its FTS-2 Agreement shall be modified to incorporate the requested increase.

13. NOTIFICATION OF COMMERCIAL FEASIBILITY

In the event that Shipper intends to add new OCS Fields to its existing FTS-2 Agreement, Shipper shall provide to Stingray, at the same time as Shipper notifies the Minerals Management Service of the United States Department of the Interior, written notification of the commercial feasibility of any new discoveries which are to be included within Shipper's Commitment under its FTS-2 Agreement. As soon as practicable thereafter, Shipper shall provide to Stingray the expected daily, average and peak Day volumes of Gas associated therewith, the projected date when such new reserves will commence to be produced from transportation through Stingray's Pipeline Facilities, and the expected duration of such transportation. All such information provided to Stingray pursuant to this Section shall be kept confidential by Stingray.

14. RELEASE OF FIRM CAPACITY

Any Shipper receiving service under this Rate Schedule FTS-2 shall have the right to release its firm capacity rights on a temporary basis only and in accordance with Section 16 of the General Terms and Conditions of this Tariff.

15. TERM

- 15.1 The term of service hereunder shall be set forth in the FTS-2 Agreement between Shipper and Stingray.
- 15.2 Stingray may terminate any FTS-2 Agreement if Stingray is required by the FERC or some other agency or court to provide firm service for others utilizing the System capacity or capability required for service under such FTS-2 Agreement or if Stingray ceases (after receipt of any requisite regulatory authorization) to offer service of the type covered by the FTS-2 Agreement. Stingray's ability to terminate any FTS-2 Agreement under this provision is intended to ensure that the contract term does not extend beyond the regulatory authority to provide the service and that the contract is consistent with the regulatory authority to provide the service.

16. NOMINATIONS, SCHEDULING CHARGES AND IMBALANCES

- 16.1 Shipper shall provide Stingray with daily nominations of receipts and deliveries by Receipt and Delivery Point in accordance with the General Terms and Conditions of this Tariff. It shall be Shipper's responsibility to cause Gas to be delivered to Stingray at Receipt Point(s), and to cause Gas to be taken from Stingray at Delivery Point(s), in accordance with the information supplied to Stingray.
- 16.2 It shall be Shipper's responsibility to keep receipts and deliveries in balance. Stingray may curtail service hereunder to the extent necessary to bring receipts and deliveries into balance. Any imbalance between actual receipts and actual deliveries shall be eliminated by cash-out on a monthly basis in accordance with the General Terms and Conditions of this Tariff. In the event that Stingray, on any Day, is unable to receive and/or deliver the total nominations of all Shippers under any Rate Schedule of this Tariff, Stingray shall limit receipts and/or deliveries of Gas in accordance with Section 3 of the General Terms and Conditions of this Tariff.

17. RECEIPTS AND DELIVERY AND UPSTREAM AND DOWNSTREAM ARRANGEMENTS

- 17.1 The Firm Receipt Points for Gas tendered to Stingray for transportation hereunder and the Firm Delivery Point(s) for Gas delivered by Stingray to Shipper (or to a third party on behalf of Shipper) hereunder shall be specified in the FTS-2 Agreement. For each individual Firm Receipt and Delivery Point, and for the aggregate of all such points, Stingray's maximum obligation to accept and deliver Gas on a firm basis shall be specified in Dth in the FTS-2 Agreement. The sum of the MDQs for Firm Receipt Points and the sum of the MDQs for Firm Delivery Points shall not exceed the aggregate MDQ. Shipper may utilize any and all points as Interruptible Receipt or Delivery Points as specified in the General Terms and Conditions of this Tariff.
- 17.2 Conditions of delivery at Receipt and Delivery Points are set out in the General Terms and Conditions of this Tariff.
- 17.3 Shipper shall make all necessary arrangements with other parties: (1) at or upstream of the Receipt Point(s) where Gas is tendered to Stingray hereunder; and (2) at or downstream of the Delivery Point(s) where Stingray delivers Gas hereunder to or for the account of Shipper. Such arrangements must be consistent with this Rate Schedule FTS-2 and must be coordinated with Stingray Receipt and Delivery Point in accordance with the General Terms and Conditions of this Tariff. It shall be Shipper's responsibility to cause Gas to be delivered to Stingray at Receipt Point(s), and to cause Gas to be taken from Stingray at Delivery Point(s), in accordance with the information supplied to Stingray.

18. GOVERNMENTAL AUTHORIZATIONS

Transportation service under this Rate Schedule FTS-2 and effective FTS-2 Agreement(s) shall be implemented pursuant to any applicable self-implementing authorizations or program of the FERC for which Stingray has filed or in which Stingray has agreed to participate.

19. TERMINATION OF SERVICE AGREEMENT

19.1 If Shipper fails to make the payments due to Stingray under this Rate Schedule FTS-2 in accordance with Section 13 of the General Terms and Conditions of this Tariff, then following thirty (30) Days' Notice to Shipper by Stingray of its intent to terminate Shipper's FTS-2 Agreement by reason of such non-payment, provided in accordance with Section 25 of the General Terms and Conditions of this Tariff, Stingray shall have the right, in addition to any and all other remedies available to Stingray at law and in equity, to terminate Shipper's FTS-2 Agreement hereunder if Shipper fails to cure such non-payment within such thirty (30) Day period. Provided, however, if Shipper, in good faith, disputes the amount of any such bill or portion thereof and pays to Stingray in a timely manner such amounts as it concedes to be correct, Stingray shall not have the right to terminate Shipper's FTS-2 Agreement; provided, however, Stingray shall have all of the rights set out in this Tariff.

19.2 If either Shipper or Stingray fails to cure an event of Force Majeure within ninety (90) Days of having provided notice to the other party of the existence of a condition of Force Majeure declared in accordance with Section 23 of the General Terms and Conditions of this Tariff, then the party not claiming Force Majeure may, upon providing thirty (30) Days notice to the other party in accordance with Section 25 of the General Terms and Conditions of this Tariff, terminate the FTS-2 Agreement as to which the event of Force Majeure relates. Provided, however, Shipper shall have one hundred eighty (180) Days to cure an event of Force Majeure affecting production at depths of two hundred (200) meters or greater; and, provided further, if the party declaring Force Majeure has been diligently pursuing a cure of the Force Majeure event during such ninety (90) or one hundred eighty (180) Day cure period specified above but has not cured the Force Majeure event by the close of such period, then the termination rights of this Section shall not apply so long as such diligent pursuit continues.

20. GENERAL TERMS AND CONDITIONS

The provisions of the General Terms and Conditions of this Tariff, as such provisions may be amended from time to time, are hereby incorporated by reference and made a part of this Rate Schedule FTS-2 and shall apply as stated herein to service rendered hereunder to the extent that such terms and conditions are not contradicted by any

provision specifically stated in this Rate Schedule FTS-2. In the event of a conflict between the General Terms and Conditions and the provisions of this Rate Schedule FTS-2 or the FTS-2 Agreement under this Rate Schedule FTS-2, the specific provisions of this Rate Schedule FTS-2 or the FTS-2 Agreement shall control. As between this Rate Schedule FTS-2 and the FTS-2 Agreement, in the event of a conflict, the specific provision of this Rate Schedule FTS-2 shall control; except that this Rate Schedule FTS-2, the FTS-2 Agreement, and the General Terms and Conditions of this Tariff shall be construed in a manner to be consistent unless the context clearly indicates otherwise.

21. SUCCESSORS AND ASSIGNS

Shipper's FTS-2 Agreement may be assigned to any company ("Assignee") which shall succeed by purchase, merger, consolidation, sale or assignment to Shipper's interest in the Commitment set forth in Exhibit "A" of Shipper's FTS-2 Agreement; provided, that prior to assignment, Stingray reserves the right to evaluate and approve or disapprove the creditworthiness of the Assignee in accordance with Section 14 of the General Terms and Conditions of Stingray's FERC Gas Tariff. Upon assignment, Assignee shall be entitled to the rights, including related rights to pipeline capacity under this Rate Schedule, and subject to the obligations of Shipper's FTS-2 Agreement. Unless Stingray agrees on a not unduly discriminatory basis, no assignment shall relieve Shipper of its obligations under the FTS-2 Agreement. Neither Shipper nor Assignee shall be required to comply with the capacity release provisions set forth in Section 16 of the General Terms and Conditions of this Tariff to effectuate the assignment; provided, that the Assignee only receives assignment of the capacity rights and other rights and obligations under Shipper's FTS-2 Agreement proportionate to the interest in the Commitment set forth in Exhibit "A" of Shipper's FTS-2 Agreement so assigned to Assignee.

APPENDIX "A"  
to  
RATE SCHEDULE FTS-2

ENGINEERING FIRMS

1. Ryder Scott Company L.P.
2. Netherland, Sewell & Associates, Inc.
3. H. J. Gruy & Associates, Inc.
4. DeGolyer & MacNaughton
5. Purvin & Gertz, Inc.

RATE SCHEDULE ITS  
INTERRUPTIBLE TRANSPORTATION SERVICE

1. AVAILABILITY

This Rate Schedule ITS is available to any entity (hereinafter called Shipper) which: (a) submits to Stingray Pipeline Company, L.L.C. (hereinafter called Stingray) a valid request as defined in Section 3 hereof; and (b) executes an Interruptible Transportation Service Agreement (ITS Agreement) with Stingray applicable to service under this Rate Schedule ITS. The form of ITS Agreement is contained in this Tariff. There is no limitation on the number of ITS Agreements any one Shipper may have.

2. APPLICABILITY, CHARACTER AND PRIORITY OF SERVICE

2.1 This Rate Schedule ITS defines an interruptible transportation service. This Rate Schedule ITS shall apply to all Gas received by Stingray for Shipper pursuant to an ITS Agreement. As more fully set out in the General Terms and Conditions of this Tariff, Stingray is not providing a supply service under this Rate Schedule ITS.

2.2 Service hereunder shall consist of the acceptance by Stingray of Gas from or for the account of Shipper at Receipt Point(s) under the ITS Agreement, the transportation of that Gas through Stingray's System, and the delivery of that Gas by Stingray to Shipper or for Shipper's account at Delivery Point(s) under the ITS Agreement. Stingray shall not be required: (a) to accept on any Day Gas tendered, or to deliver on any Day Gas requested, in excess of the Maximum Daily Quantity (MDQ) specified in the ITS Agreement; (b) to accept or deliver on any Day Gas hereunder which is not properly nominated pursuant to and to the extent required by the General Terms and Conditions of this Tariff.

2.3 The service provided under this Rate Schedule ITS shall be performed under Part 284 of the Commission's Regulations. Shipper shall only tender Gas for transportation under this Rate Schedule ITS to the extent such service would qualify under the applicable statutes, regulations, Commission orders and the blanket certificate authorizing service by Stingray under this Rate Schedule. For service under Subpart B of Part 284 of the Commission's Regulations, Shipper shall provide to Stingray appropriate certification, including sufficient information in order for Stingray to verify that the service qualifies under Subpart B of Part 284 of the Regulations. Where required by the Commission's Regulations, Shipper shall (prior to tendering Gas under an ITS Agreement) cause the intrastate pipeline or local distribution company on whose behalf the service will be provided to submit the necessary certification.

- 2.4 Service hereunder is provided on an interruptible basis. Curtailment and priorities of service for the purposes of scheduling and curtailment are governed by the General Terms and Conditions of this Tariff.

3. VALID REQUESTS

- 3.1 Requests for service or requests for service modification under this Rate Schedule ITS shall be valid as of the date received if it complies with this Section and contains adequate information on all of the items specified in Section 3.2, subject to any necessary verification of such information and to the following:

- (a) A request shall not be valid and Stingray shall not be required to grant any such request: (1) which would require the construction, modification, expansion, or acquisition of any facilities; provided, however, that Stingray may agree in its reasonable discretion to construct, modify, expand, or acquire facilities to enable it to perform such services; (2) unless and until Shipper has provided Stingray with the information required in Section 3.2 hereof; (3) if Stingray determines, based on the credit analysis referenced in Section 3.2(d), that Shipper does not possess sufficient financial stability to make it reasonably likely the service provided hereunder will be paid for on a timely basis; (4) if the service requested would not comply with this Rate Schedule ITS; or (5) if the service requested is at less than the applicable maximum rate; provided, however, that Stingray may agree to provide service hereunder at a discount consistent with this Rate Schedule ITS. Nothing herein is intended to govern the curtailment of service once a request for service has been granted pursuant to this Section and while an ITS Agreement is in effect. Such curtailment is governed by the General Terms and Conditions of this Tariff.
- (b) Stingray shall promptly notify Shipper if it cannot satisfy an otherwise valid request because such request is incomplete or does not comply with this Rate Schedule ITS. Any request shall be null and void unless it is substantially complete and complies with this Rate Schedule. In the event a request is substantially but not entirely complete, Stingray shall inform Shipper in writing of the specific items needed to complete the ITS Agreement, after which Shipper shall have fifteen (15) Days to provide the specified information. In the event such information is not received within fifteen (15) Days, Shipper's request shall be null and void.
- (c) Stingray shall tender an ITS Agreement to Shipper for execution when Shipper's request for service is accepted. Unless waived by Stingray, a request for service shall be invalid if Shipper fails to

execute an ITS Agreement hereunder within thirty (30) Days after an ITS Agreement has been tendered by Stingray for execution.

- (d) The MDQ set forth in the ITS Agreement may be increased, subject to available capacity and subject to compliance with the requirements of Section 3 of this Rate Schedule. Any such increase in Shipper's MDQ shall be requested in accordance with Section 3.2 of this Rate Schedule and must also include a notation that the service requested is a modification of an existing service. Such modification shall be effective after the request for modification has been fully processed and accepted by Stingray.

3.2 Requests for service hereunder or requests for service modification pursuant to Section 3.1(d) shall be deemed valid only after the following information is provided by Shipper via Stingray's Interactive Internet Website or in writing using Stingray's Form of Service Request Form to Stingray's Transportation Services, at 1300 Main Street, Houston, Texas 77002, or Fax Number (713) 989-1205:

(a) GAS QUANTITIES

The request shall specify in Dth the aggregate MDQ, exclusive of applicable Company Use Gas; provided, however, that Stingray shall not be obligated to accept requests for an aggregate MDQ of less than one hundred (100) Dth per Day.

(b) AVAILABILITY OF POINTS

- (1) A Shipper may utilize all available Receipt and Delivery Points on Stingray's System under any ITS Agreement, as more fully set out in the General Terms and Conditions of this Tariff.
- (2) The available volume and priorities at any point shall be governed by the General Terms and Conditions of this Tariff.

(c) TERM OF SERVICE

The request shall specify:

- (1) The date service is requested to commence, which date may not be more than three (3) Months after the date of the request; and
- (2) The date service is requested to terminate.

(d) CREDIT

Acceptance of a request is contingent upon a satisfactory credit appraisal by Stingray in accordance with the General Terms and Conditions of this Tariff.

(e) COMPLIANCE WITH ITS TARIFF

Submission of a request for service hereunder shall be deemed agreement by Shipper that it will abide by the terms and conditions of this Rate Schedule ITS, including the applicable General Terms and Conditions.

4. TERM

- (a) The term of service hereunder shall be set forth in the ITS Agreement between Shipper and Stingray. Stingray may terminate the ITS Agreement if Shipper fails to cause Gas to be delivered during any twelve (12) consecutive Months when capacity is available, unless Shipper's failure to deliver Gas was attributable to circumstances of Force Majeure.
- (b) The General Terms and Conditions of this Tariff shall govern the applicability of rollovers vis a vis an ITS Agreement. Upon termination of any ITS Agreement, and subject to such rollovers, service by Stingray to Shipper thereunder shall be terminated and automatically abandoned.
- (c) Stingray may terminate any ITS Agreement if Stingray is required by the FERC or some other agency or court to provide service for others utilizing the interruptible System capacity or capability required for service under such ITS Agreement or if Stingray ceases (after receipt of any requisite regulatory authorization) to offer service of the type covered by the ITS Agreement.

5. RATE

- 5.1 Shipper shall pay Stingray each Month under this Rate Schedule ITS a one-part Commodity Charge for each Dth of Gas received for transportation, together with such other charges as are identified in this Tariff. The maximum Monthly Commodity Charge shall be the applicable maximum unit rate set out in this Tariff multiplied by the quantity of Gas actually received by Stingray for transportation during the billing Month.

Where a Shipper has agreed to pay a Negotiated Rate or a rate under a Negotiated Rate Formula, the rates assessed hereunder shall be governed by Section 34 of the General Terms and Conditions of this Tariff. A request for service at a Negotiated Rate or a rate under a Negotiated Rate Formula

shall specify the Negotiated Rate or Negotiated Rate Formula on which the Shipper is willing to agree.

- 5.2 Shipper shall reimburse Stingray for any Company Use Gas in transporting Gas hereunder as provided by Section 1.5 of the General Terms and Conditions.
- 5.3 (a) Shipper shall reimburse Stingray within five (5) Days after costs have been incurred by Stingray for all fees required by the FERC or any regulatory body including, but not limited to, filing, reporting, and application fees to the extent such fees are specifically related to service for that Shipper hereunder and are not generally applicable fees (such as general rate case filing fees).
- (b) If Stingray constructs, acquires or modifies any facilities to perform service hereunder, then as specified in an agreement between the parties either:
- (1) Shipper shall reimburse Stingray for the cost of such facilities or facility modifications; or
  - (2) Stingray shall assess a monthly charge reflecting such facility costs.
- 5.4 The ACA charge, as posted on the Commission's website at [www.ferc.gov](http://www.ferc.gov), and Event Surcharge will be assessed, when applicable, as provided in the General Terms and Conditions of this Tariff, on volumes received by Stingray from Shipper under this Rate Schedule ITS.
- 5.5 (a) Stingray shall have the unilateral right to file with any appropriate regulatory authority and make changes effective in: (1) the rates and charges applicable under this Rate Schedule ITS, including both the level and design of such rates and charges; or (2) the terms and conditions of this Rate Schedule ITS. Stingray agrees that Shipper may protest or contest the aforementioned filings, or may seek authorization from duly constituted regulatory authorities for such adjustment of Stingray's existing FERC Gas Tariff as may be found necessary to assure that its provisions are just and reasonable.
- (b) If, at any time and from time to time, the FERC or any other governmental authority having jurisdiction in the premises allows or permits Stingray to collect, or to negotiate to collect, a higher rate for the service hereunder, the rate shall, subject to any contrary provision of the ITS Agreement or a separate discount agreement, be increased to the highest such rate. Should additional documentation be required in order for Stingray to collect such highest rate, Shipper shall execute or provide such

documentation within fifteen (15) Days after a written request by Stingray. If, at any time and from time to time, the FERC or any other governmental authority having jurisdiction in the premises requires Stingray to charge a lower rate for transportation service hereunder, the rate shall be decreased to such reduced rate.

- 5.6 Stingray may from time to time and at any time, upon twenty-four (24) hours' verbal or written notice, including notification through its Internet Web Site subject to any provisions on discounting in the ITS Agreement or in a separate discount agreement, charge any individual Shipper for service under this Rate Schedule ITS a rate which is lower than the applicable maximum rate set forth in this Tariff; provided, however, that such rate charged may not be less than the applicable minimum rate for service under Rate Schedule ITS set forth in this Tariff. Stingray will confirm any verbal notice of the applicable rate in writing or via its Internet Web Site. Such notification shall specifically state the effective date of such rate change and the quantity of Gas so affected. Unless otherwise agreed in the ITS Agreement or in a separate discount agreement, Stingray may at any time further change such rate (subject to any restrictions as to maximum or minimum rates set out in this Tariff, the ITS Agreement and/or any discount agreement) upon twenty-four (24) hours' verbal notice to Shipper, which notice shall be confirmed in writing or via its Internet Web Site. Such notification shall specifically state the effective date of such rate change and the quantity of Gas so affected. Stingray shall file with the Commission any and all reports as required by the Commission's Regulations with respect to the institution or discontinuance of any discount.
- 5.7 Stingray may, but is not obligated to, transport liquids for Shipper. Any transportation of liquids on behalf of Shipper shall be pursuant to a separate agreement, which agreement shall set out the negotiated rate for such transportation.

6. NOMINATIONS, SCHEDULING CHARGES, IMBALANCES AND OVERRUN CHARGES

- (a) Shipper shall provide Stingray with daily nominations of receipts and deliveries by Receipt and Delivery Point in accordance with the General Terms and Conditions of this Tariff. It shall be Shipper's responsibility to cause Gas to be delivered to Stingray at Receipt Point(s), and to cause Gas to be taken from Stingray at Delivery Point(s), in accordance with the information supplied to Stingray.
- (b) It shall be Shipper's responsibility to keep receipts and deliveries in balance. Stingray may curtail service hereunder to the extent necessary to bring receipts and deliveries into balance. Any imbalance between actual receipts

and actual deliveries shall be eliminated by cash-out on a monthly basis in accordance with the General Terms and Conditions of this Tariff.

7. RECEIPT AND DELIVERY POINTS AND UPSTREAM AND DOWNSTREAM ARRANGEMENTS

- (a) An ITS Agreement shall include all available Receipt and Delivery Points on Stingray's System, as more fully set out in the General Terms and Conditions of this Tariff. Stingray's aggregate maximum obligation to accept and deliver Gas on an interruptible basis shall be specified in Dth in the ITS Agreement. The volumes available at each Receipt and Delivery Point, and the related priorities, shall be governed by the General Terms and Conditions of this Tariff.
- (b) Conditions of delivery at Receipt and Delivery Points are set out in the General Terms and Conditions of this Tariff.
- (c) Shipper shall make all necessary arrangements with other parties: (1) at or upstream of the Receipt Point(s) where Gas is tendered to Stingray hereunder; and (2) at or downstream of the Delivery Point(s) where Stingray delivers Gas hereunder to or for the account of Shipper. Such arrangements must be consistent with this Rate Schedule ITS and must be coordinated with Stingray.

8. OVERRUN SERVICE

Upon request of Shipper, Stingray may (but is not obligated to) receive, transport, and deliver on any Day quantities of Gas in excess of Shipper's MDQ under the ITS Agreement when, in Stingray's reasonable judgment, the capacity and operating capability of its System will permit such receipt, transportation and delivery without impairing the ability of Stingray to meet its other obligations. In granting requests for Authorized Overrun Service, Stingray shall act in a manner consistent with the overrun service priorities set out in the General Terms and Conditions of this Tariff. Shipper shall pay Stingray the maximum applicable rate for Authorized Overrun Service set forth in this Tariff. Except for Authorized Overrun Service hereunder, Shipper shall pay Stingray an Unauthorized Overrun Charge of \$10 per Dth if Gas tendered to Stingray or deliveries to Shipper under an ITS Agreement exceed the MDQ under such ITS Agreement during times an Operational Flow Order has been issued pursuant to Section 10 of the General Terms and Conditions. Any Unauthorized Overrun Charges collected hereunder shall be credited to Compliant Shippers pursuant to Section 10 of the General Terms and Conditions.

9. GENERAL TERMS AND CONDITIONS

The provisions of the General Terms and Conditions of this Tariff, as such provisions may be amended from time to time, are hereby incorporated by reference and made a part of this Rate Schedule ITS and shall apply to service rendered hereunder as though stated herein.

RATE SCHEDULE PAL  
PARKING AND LENDING SERVICE

1. AVAILABILITY

This Parking and Lending Service (PAL) Rate Schedule is available from Stingray Pipeline Company, L.L.C. (hereinafter called Stingray) to any party (hereinafter called Shipper) which has requested Parking and Lending Service hereunder and, after review and acceptance of such request by Stingray, has executed a Service Agreement with Stingray for service under this Rate Schedule PAL. Such Service Agreement shall be in the form contained in Stingray's FERC Gas Tariff, Fourth Revised Volume No. 1, of which this Rate Schedule PAL is a part.

2. VALID REQUESTS

- 2.1 A request for service under this Rate Schedule PAL shall be valid as of the date received if it complies with this Section and contains adequate information on all of the items specified in Section 2.2, subject to any necessary verification of such information and to the following:
- (a) A request shall not be valid and Stingray shall not be required to grant any such request: (1) which would require the construction, modification, expansion, or acquisition of any facilities; provided, however, that Stingray may agree in its reasonable discretion to construct, modify, expand, or acquire facilities to enable it to perform such services; (2) if Stingray determines, based on the credit analysis referenced in Section 2.2(b), that Shipper does not possess sufficient financial stability to make it reasonably likely the service provided hereunder will be paid for on a timely basis; (3) if the service requested would not comply with this Rate Schedule PAL; or (4) if the service requested is at less than the applicable maximum rate; provided, however, that Stingray may agree to provide service hereunder at a discount consistent with this Rate Schedule PAL.
  - (b) Stingray shall promptly notify Shipper if it cannot satisfy an otherwise valid request because such request is incomplete or does not comply with this Rate Schedule PAL. Any request shall be null and void unless it is substantially complete and complies with this Rate Schedule. In the event a request is substantially but not entirely complete, Stingray shall inform Shipper in writing of the specific items needed to complete the PAL Agreement, after which Shipper shall have fifteen (15) Days to provide the specified information. In the event such information is not received within fifteen (15) Days, Shipper's request shall be null and void.
  - (c) Stingray shall tender a PAL Agreement to Shipper for execution when Shipper's request for service is accepted. Unless waived by Stingray, a request for service shall be invalid if Shipper fails to execute a PAL Agreement hereunder within

thirty (30) Days after a PAL Agreement has been tendered by Stingray for execution.

- (d) Requests for service shall specify:
  - (i) The date service is requested to commence, which date may not be more than three (3) Months after the date of the request; and
  - (ii) The date service is requested to terminate.

2.2 Requests for service hereunder shall be deemed valid only after the following information is provided by Shipper via Stingray's Interactive Internet Website or in writing using Stingray's Form of Service Request Form to Stingray's Transportation Services, at 1300 Main Street, Houston, Texas 77002, or Fax Number (713) 989-1205:

- (a) Gas Quantities  
The request shall specify in Dth the Maximum Parked Quantity and Maximum Loaned Quantity that can be parked and/or loaned, as applicable, on any Day; provided, however, that Stingray shall not be obligated to accept requests for a Maximum Parked Quantity or Maximum Loaned Quantity that is less than one hundred (100) Dth per Day.
- (b) Credit  
Acceptance of a request is contingent upon a satisfactory credit appraisal by Stingray in accordance with the General Terms and Conditions of this Tariff.

### 2.3 Availability of Points

- (a) Shipper shall utilize the pooling point on Stingray's System as such pooling point is described under Section 7 of Stingray's General Terms and Conditions for service under this Rate Schedule PAL. Accordingly, nominations for parks and repayments of loans shall reflect the pooling point as a Receipt Point and the PAL accounting point as a Delivery Point, and nominations to resolve all or a portion of the balance in a park account or to obtain loaned quantities shall reflect the PAL accounting point as a Receipt Point and the pooling point as a Delivery Point. Shipper shall receive and deliver Gas to or from the pooling point in accordance with Section 7 of Stingray's General Terms and Conditions.
- (b) The available volume and priorities at any point shall be governed by the General Terms and Conditions of this Tariff.

#### 2.4 Compliance with Stingray's Tariff

Submission of a request for service hereunder shall be deemed agreement by Shipper that it will abide by the terms and conditions of this Rate Schedule PAL, including the applicable General Terms and Conditions.

### 3. APPLICABILITY AND CHARACTER OF SERVICE

3.1 The interruptible service provided hereunder permits Shipper to nominate gas, made available to Stingray by Shipper in connection with an Agreement under Rate Schedule FTS, FTS-2 or ITS, up to the Maximum Parked Quantity or Maximum Loaned Quantity, as applicable, set forth in the PAL Agreement, subject to the General Terms and Conditions and the further provisions of the PAL Agreement. The services provided hereunder shall be provided only after all other services offered by Stingray are scheduled and to the extent permitted by Stingray's system. Parking and Lending Services shall not impede Stingray's ability to meet its firm and interruptible service obligations, including Stingray's system requirements.

(a) Parking Service. Parking Service is an interruptible service which provides for: (1) the receipt by Stingray of gas quantities delivered by Shipper to the pooling point;

(2) Stingray holding the parked quantities on its system; and (3) the return of parked quantities to Shipper at the pooling point; provided, however, that Stingray is not obligated to return parked quantities on the same Day that the Gas is parked.

(b) Lending Service. Lending Service is an interruptible service which provides for: (1) the receipt by Shipper of Gas quantities from Stingray at the pooling point; and (2) the subsequent return of the loaned quantities of Gas to Stingray at the agreed upon time and at the pooling point on Stingray's system; provided, however, that Stingray is not obligated to accept the return of the loaned Gas on the same Day that the Gas is loaned.

3.2 Stingray makes no representation, assurance or warranty that capacity will be available on Stingray's system at any time. Stingray may, at its sole discretion, interrupt or curtail the continuation of any or all of the services hereunder.

3.3 Shipper may nominate delivery of Gas under this rate schedule, subject to the nomination and confirmation procedures in Section 6 of the General Terms and Conditions. Services under this Rate Schedule PAL may be nominated for a minimum of one (1) Day and a maximum of one (1) Month. Shipper may nominate as many different Parking and/or Lending Service transactions as it desires during the term of its PAL

Agreement; provided that, with respect to each such transaction, Shipper's nomination provides for a period of Parking or Lending Service that terminates by the end of the same Month during which the Shipper has nominated for the Parking or Lending Service to commence. Services may be nominated consecutively, but quantities in Shipper's account under a PAL Agreement shall not exceed its Maximum Parked Quantity or Maximum Loaned Quantity, as applicable, thereunder or the term of the PAL Agreement.

- 3.4 Shipper may be required, upon notification from Stingray, to cease or reduce deliveries to Stingray for Shipper's parking service within the Day or to receive from parking all, or any part, of its parked quantity under this Rate Schedule PAL as rapidly as is consistent with Stingray's operating capabilities. Any parked quantity not removed in accordance with Stingray's notice within five (5) Days of Stingray giving Shipper such notice shall become the property of Stingray at no cost to Stingray, free and clear of any adverse claims; provided, however, that Stingray shall extend the time available for Shipper to remove its parked quantity by one (1) Day for every Day that Shipper has been unable to remove Gas due to operational conditions on Stingray's system. The realized value, net of applicable costs, of forfeited Gas for each annual billing period shall be refunded or carried forward in accordance with Section 11 of Stingray's General Terms and Conditions.
- 3.5 Shipper may be required, upon notification from Stingray to deliver all, or any part, of its loaned Gas quantity as rapidly as is consistent with Stingray's operating capabilities. Any quantity of Gas not delivered in accordance with Stingray's notice within five (5) Days of Stingray giving Shipper such notice shall be subject to Shipper's purchasing from Stingray such quantity of Gas at 150% of the Average Monthly Index Price as defined in Section 11.3 of Stingray's General Terms and Conditions. Stingray shall extend the time available for Shipper to return its loaned quantity by one (1) Day for every Day that Shipper has been unable to return Gas due to operational conditions on Stingray's system.
- 3.6 Any parked quantities remaining in Shipper's account at the end of the Day on the last Day of a Month shall be deemed an "imbalance" under the applicable PAL Agreement, and such "imbalance" shall be resolved under Section 11 of Stingray's General Terms and Conditions. In the event that parked quantities remain in Stingray's system at the end of the term of the PAL Agreement, such parked quantities shall become the property of Stingray at no cost to Stingray, free and clear of any adverse claims. The realized value, net of applicable costs, of forfeited Gas for each annual billing period shall be refunded or carried forward in accordance with Section 11 of Stingray's General Terms and Conditions.
- 3.7 Any loaned quantities remaining in Shipper's account at the end of the Day on the last Day of a Month shall be deemed an "imbalance" under the applicable PAL Agreement, and such "imbalance" shall be resolved under Section 11 of Stingray's General Terms and Conditions. In the event that loaned quantities have not been returned to

Stingray's system at the end of the term of the PAL Agreement, in addition to all other applicable rates, charges and fees, such Shipper shall purchase from Stingray such quantity of Gas at 150% of the Average Monthly Index Price as defined in Section 11.3 of Stingray's General Terms and Conditions.

3.8 Stingray and Shipper may mutually agree to an extended time frame and/or modified terms of any service agreement entered into pursuant to this rate schedule.

3.9 Service rights under a PAL Service Agreement may not be released or assigned.

#### 4. RATES

The rates and charges for interruptible Parking service under this Rate Schedule PAL shall be as follows:

##### 4.1 Daily Parking Charge

The daily parking charge shall be the absolute value of the product of the parked quantity for each Day of the Month and the daily parking and lending rate per Dth as set forth on the Currently Effective Rates for Rate Schedule PAL.

##### 4.2 Daily Lending Charge

The daily lending charge shall be the absolute value of the product of the loaned quantity for each Day of the Month and the daily parking and lending rate per Dth as set forth on the Currently Effective Rates for Rate Schedule PAL.

##### 4.3 Range of Rates

Unless otherwise agreed to in writing between Shipper and Stingray, any rate applicable to a Shipper for service hereunder shall be the applicable Maximum Rate as set forth on the Currently Effective Rates for Rate Schedule PAL, as may be applicable from time to time. If an amount less than the applicable Maximum Rate and not less than the applicable Minimum Rate is agreed upon in writing, such amount shall be applied prospectively in accordance with such agreement. Stingray shall be responsible for compliance with any reporting requirements prescribed by the Commission. Stingray shall not be required to enter into any Agreement for Parking and Lending Service at a rate less than the Maximum Rate.

#### 5. GENERAL TERMS AND CONDITIONS

All of the General Terms and Conditions of Stingray's FERC Gas Tariff are hereby incorporated by reference in this Rate Schedule PAL.

In the event of a conflict between the General Terms and Conditions and the provisions of this Rate Schedule PAL, the provisions of this Rate Schedule PAL shall govern.

## 6. RESERVATIONS

Stingray reserves the right from time to time to unilaterally make any changes to, or to supersede, the rates and charges and other terms in this Rate Schedule PAL and the other provisions of Stingray's FERC Gas Tariff, and the applicability thereof, including the Form of Service Agreement hereunder, subject to the provisions of the Natural Gas Act and the Commission's Regulations thereunder.

**Part VI**  
**General Terms and Conditions**

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## GENERAL TERMS AND CONDITIONS

### 1. DEFINITIONS

#### 1.1 AFFILIATED-SHIPPER

The term "Affiliated-Shipper" shall mean any person which, directly or indirectly through one (1) or more intermediaries, controls or is controlled by or under common control with Stingray.

#### 1.2 AGREEMENT

"Agreement" shall mean a transportation agreement subject to, as applicable, Rate Schedule FTS, Rate Schedule ITS or Rate Schedule FTS-2.

#### 1.3 AUTHORIZED OVERRUN GAS

"Authorized Overrun Gas" shall mean Overrun Gas accepted by Stingray for scheduling pursuant to Section 6 hereof.

#### 1.4 BUSINESS DAY

"Business Day" shall mean Monday through Friday, 8:00 a.m. to 4:30 p.m. Central Clock Time excluding Federal Banking Holidays for transactions in the U.S., and similar holidays for transactions occurring in Canada and Mexico.

#### 1.5 COMPANY USE GAS

Gas used as fuel and lost and unaccounted for Gas for the current billing Month, and the difference between Stingray's actual fuel and lost and unaccounted for Gas for prior billing Months and the amounts billed Shippers in such Months shall be allocated pro rata based on each Shipper's total physical receipts in such Months, except that no fuel shall be assessed for backhauls unless compression is utilized for that service; and provided further that no fuel associated with onshore compression shall be assessed for Gas received at offshore receipt points that is redelivered to offshore delivery points. The formula used to determine the delivery quantity shall be:  $[1 - (\text{fuel percent}/100)]$  multiplied by the receipt quantity (rounded to the nearest Dth). For purposes of this formula, the fuel percentage shall reflect lost and unaccounted for Gas.

Upon the mutual agreement of Stingray and Shipper, in lieu of Stingray retaining Gas in kind, Shipper shall reimburse Stingray for Company Use Gas at a mutually agreed upon price.

#### 1.6 CONTRACT DEMAND

"Contract Demand" shall mean the MDQ as set forth in an Agreement.

1.7 DAILY ALLOCATION

"Daily Allocation" is the term used to describe the process where the Allocating Party performs the allocation process following each Gas Day.

1.8 DAY

"Day" shall mean a period from nine o'clock (9:00) a.m. to nine o'clock (9:00) a.m. Central Clock Time.

1.9 DEKATHERM (DTH)

"Dekatherm" or "Dth" shall mean the quantity of heat energy which is one million (1,000,000) British thermal units.

1.10 DELIVERY POINT

"Delivery Point" shall mean any point at which Stingray delivers to or for the account of Shipper, Gas which has been transported by Stingray under an Agreement.

1.11 ELECTRONIC DATA INTERCHANGE ("EDI")

The term "EDI" shall mean Electronic Data Interchange.

1.12 EQUIVALENT VOLUMES

"Equivalent Volumes" shall mean the sum of the volumes of Gas measured in Dth received by Stingray for the account of Shipper at the Receipt Points during any given period of time reduced by (a) Shipper's pro rata share of Company Use Gas as determined in Section 1.5 of this Tariff resulting from the operations of Stingray hereunder during the same period of time, and (b) any Gas vented as provided in Section 3.6 hereof during the same period of time; it being the intent of the parties that the volumes of Gas delivered hereunder at the Delivery Point after transportation be the thermal equivalent of the volumes of Gas delivered at the Receipt Point for transportation, after reduction, correction and adjustment as provided above.

1.13 FERC

"FERC" or "Commission" shall mean the Federal Energy Regulatory Commission or any federal commission, agency or other governmental body or bodies succeeding to, lawfully exercising or superseding any powers which are exercisable by the Federal Energy Regulatory Commission.

1.14 GAS

"Gas" shall mean combustible hydrocarbon gas.

1.15 HEATING VALUE

The term "heating value" shall mean the number of Btus per cubic feet of Gas at the base condition of 14.73 psia 60 degrees Fahrenheit dry. The Btu value will be determined utilizing the complete actual composition of the Gas according to the methods in GPA Standard 2172-96, titled "Calculation of Gross Heating Value, Relative Density and Compressibility Factor for Natural Gas Mixtures from Compositional Analysis," and corrected to the base conditions. For reporting purposes, Btu conversion factors will be reported to not less than three (3) decimal places and Pressure Base conversion factors will be reported to not less than six (6) decimal places. For calculation purposes, not less than six (6) decimal places will be used for both conversion factors.

1.16 INTERACTIVE INTERNET WEBSITE

The term "Interactive Internet Website" shall mean Stingray's Computer Information and Scheduling System accessed through the public internet.

1.17 INTERNET WEB SITE

The term "Internet Web Site" shall mean Stingray's public information system found on the World Wide Web at address:  
<https://spcmessenger.energytransfer.com> through which can be accessed, Stingray's Interactive Internet Website for scheduling, nomination and other services.

1.18 LIQUIDS

"Liquids" shall mean any hydrocarbons, other than crude oil, which in their natural state are liquids, which have an API gravity not less than thirty-five (35) degrees and not more than fifty (50) degrees, and which shall include any liquefiable hydrocarbons that condense out of the Gas stream during such transportation.

1.19 MAXIMUM LOANED QUANTITY

"Maximum Loaned Quantity" shall mean the maximum quantity of Gas permitted to be in Shipper's account on any Day as Lending Service under Rate Schedule PAL.

1.20 MAXIMUM PARKED QUANTITY

"Maximum Parked Quantity" shall mean the maximum quantity of Gas permitted to be in Shipper's account on any Day as Parking Service under Rate Schedule PAL.

1.21 MCF

"Mcf" shall mean one thousand (1,000) cubic feet of Gas.

1.22 MDQ

"MDQ" shall mean the maximum daily quantity of Gas which Stingray is obligated to receive or deliver at each Receipt or Delivery Point or in the aggregate, as specified in the Agreement.

1.23 MONTH

"Month" shall mean the period beginning on the first Day of any calendar month and ending on the first Day of the next succeeding calendar month.

1.24 MONTHLY ALLOCATION

"Monthly Allocation" is the term used to describe the process where the Allocating Party performs the allocation process at the end of the monthly flow period.

1.25 NEGOTIATED RATE

The term "Negotiated Rate" shall mean a rate provision under which Stingray and Shipper have agreed on the amount to be charged for the service under Rate Schedule FTS, FTS-2 or ITS which results in a rate where, for all or a portion of the contract term, one or more of the individual components of such rate exceeds or may exceed the applicable maximum rate or is less than or may be less than the applicable minimum rate. Any Agreement entered into after the effective date of this subsection which provides for a rate under Rate Schedule FTS, FTS-2 or ITS other than the applicable maximum rate shall contain a provision setting out the mutual agreement of the parties as to whether the pricing terms represent a discounted rate or a Negotiated Rate.

1.26 NEGOTIATED RATE FORMULA

The term "Negotiated Rate Formula" shall mean a rate formula provision under which Stingray and Shipper have agreed will be applied to service under Rate Schedule FTS, FTS-2 or ITS which results in a rate where, for all or a portion of the contract term, one or more of the individual components of such rate exceeds or may exceed the applicable maximum rate or is less than or may be less than the applicable minimum rate. Any Agreement entered into after the effective date of

this subsection which provides for a rate under Rate Schedule FTS, FTS-2 or ITS other than the applicable maximum rate shall contain a provision setting out the mutual agreement of the parties as to whether the pricing terms represent a discounted rate or a rate pursuant to a Negotiated Rate Formula.

1.27 NOMINATION

"Nomination" shall mean the written requests for transportation submitted pursuant to Section 6.

1.28 OPERATIONAL BALANCING AGREEMENT ("OBA")

An OBA is a contract between two parties which specifies the procedures to manage operating variances at an interconnect.

1.29 OVERRUN GAS

"Overrun Gas" shall mean those volumes of Gas tendered for transportation by Shipper on any Day in excess of its currently effective Contract Demand or MDQ.

1.30 RECEIPT POINT

"Receipt Point" shall mean any point at which Gas is tendered by or for the account of Shipper to Stingray for transportation as specified in an Agreement or as applicable to service under such Agreement by operation of this Tariff.

1.31 RECOURSE RATE

The term "Recourse Rate" shall mean the applicable maximum rate(s) which would apply to the service but for the rate flexibility allowed under Section 34 hereof.

1.32 SHIPPER

"Shipper" may refer to Existing Shippers, Prospective Shippers, FTS Shippers, FTS-2 Shippers, or ITS Shippers, individually or collectively, depending on the context. In addition, in a given context, Shipper may refer to an entity which is seeking to become a Shipper.

1.33 STANDARD REPORTING BASIS

Standardize the reporting basis for Btu as 14.73 psia at 60 degrees F (101.325 kPa at 15 degrees C) and dry. Standardize the reporting basis for gigacalorie as 1.035646 Kg/cm<sup>2</sup> at 15.6 degrees C and dry.

Standardize the reporting basis for Gas volumes as cubic feet at standard conditions of 14.73 psia at 60 degrees F and dry. For Gas volumes reported in cubic meters, the standard conditions are 101.325 kPa at 15 degrees C and dry. .

1.34 SYSTEM

"System" shall mean the pipeline, any compression, and related facilities owned by Stingray.

1.35 TRADING PARTNER

"Trading Partner" is the term used to describe Shippers or their agents with whom Shipper or its agent trades offsetting imbalances pursuant to Section 11 of the General Terms & Conditions of this Tariff.

1.36 UNAUTHORIZED OVERRUN GAS

"Unauthorized Overrun Gas" shall mean Overrun Gas not accepted by Stingray for scheduling pursuant to Section 6 hereof.

1.37 YEAR

"Year" shall mean a period of three hundred sixty-five (365) consecutive Days or three hundred sixty-six (366) consecutive Days if such period includes February 29.

## GENERAL TERMS AND CONDITIONS

### 2. ASSIGNMENT TO DOWNSTREAM CUSTOMERS OF PIPELINE SHIPPERS

- (a) Any interstate pipeline company which holds capacity on Stingray under any firm transportation Agreement which will continue in effect beyond December 1, 1993 may assign all or any portion of that capacity to its existing customers subject to the remainder of this Section 2.
- (b) An assignment pursuant to this Section shall not be valid unless and until the following prerequisites are satisfied:
  - (1) The proposed assignment meets all of the requirements of Stingray's Tariff for service under the applicable Rate Schedule including, but not limited to, the credit requirements; and
  - (2) The proposed assignee has executed an Agreement directly with Stingray under the Rate Schedules FTS and/or FTS-2.
- (c) Unless otherwise agreed by Stingray, the Firm Receipt and Delivery Point(s) under the Agreement with the assignee must be the same as under the Agreement being assigned and the Agreement term must be for a period at least as long as the remaining term of the Agreement being assigned.
- (d) Any assignment of firm capacity shall be effective the later of the date specified in the assigning interstate pipeline's effective tariff records implementing the assignment procedures, or the date on which the prerequisites under subsection (b) hereof are satisfied, or the date specified in the Agreement executed by the assignee with Stingray.
- (e) The assigning interstate pipeline shall remain liable for the payment of the demand/reservation charges applicable to the assignee through the original term of the assignor's Agreement under Rate Schedule FTS in the event the assignee fails to timely make payment of such charges, except where Stingray's loan agreement permits Stingray to release the assignor from such liability.

## GENERAL TERMS AND CONDITIONS

### 3. PRIORITY OF SERVICE

#### 3.1 ALLOCATION OF CAPACITY

This Section 3.1 governs the allocation of firm capacity on Stingray's System among entities requesting firm services. In assigning priority to otherwise valid requests for any particular firm service, Stingray shall afford priority based on rate, term, and volume applying consistent and objective economic criteria. Such criteria shall be identical to that utilized to evaluate bids under the Capacity Release Program. In applying such criteria where a Negotiated Rate or Negotiated Rate Formula is involved, the value assigned to a request which includes a Negotiated Rate or Negotiated Rate Formula shall be limited by the Recourse Rate as provided in Section 34 of these General Terms and Conditions. Requests with the same rate, term, and volume of firm service shall be assigned priority on a first come, first served basis. In the event valid requests are received on the same Day and there is insufficient capacity to serve all such Shippers, Stingray shall allocate the available capacity on a pro rata basis based on each Shipper's requested MDQ. Stingray shall not be required to grant otherwise valid requests at less than the applicable maximum rate, but may do so on a non-discriminatory basis.

#### 3.2 LIMITATION OF FIRM SERVICES

- (a) While firm services are not ordinarily interrupted or nominations for firm services within MDQ declined due to lack of capacity, capacity constraints may exist from time to time or limitation or interruption of firm service may be necessary for certain other reasons. Stingray may decline to schedule firm service for any of the following reasons and may curtail for any of the same reasons except (3):
- (1) If Shipper tenders Gas which does not conform to the applicable pressure or quality requirements of these General Terms and Conditions;
  - (2) For reasons of Force Majeure;
  - (3) Due to routine repair and maintenance to be reasonably determined by Stingray;
  - (4) Pursuant to Section 3.11 of these General Terms and Conditions;
  - (5) To rectify imbalances or to conform physical flows to nominations to the extent consistent with the specific Rate Schedule; or

- (6) To maintain System integrity.

Without limitation to the foregoing, Stingray shall have the right to reduce receipts or deliveries of Gas on any Day below Shipper's MDQ to permit maintenance, repair, overhaul, replacement, or construction of pipelines, compressors, metering, regulating, or other transmission facilities and equipment, or to maintain System integrity; provided, however, that with respect to routine repair and maintenance, Stingray will implement restrictions for scheduling purposes only, not for curtailment, and will attempt to schedule such activity during a period when it will not result in curtailment to firm services, or when such curtailment will be minimized, after consulting with the Shippers which could be affected.

- (b) For Shippers under all firm services, Stingray shall provide notice of any curtailment or of any scheduling restriction as far in advance as feasible. Stingray shall attempt to provide at least two (2) Days prior notice, unless more timely action is necessary to respond to a Force Majeure situation, in which case Stingray shall attempt to provide notice by posting on its Interactive Internet Website and sending electronic mail to affected Shippers, to balance the Agreement to the extent consistent with the applicable Rate Schedule, or to maintain System integrity.
- (c) Stingray and a Shipper under any firm service may add or delete Firm Delivery or Receipt Points from time to time by mutual agreement. Subject to the availability of firm capacity at the requested point, Stingray shall agree to any such change in Firm Delivery or Receipt Point to the extent such new point is within the transportation path of the existing Firm Points. At other points, Stingray shall agree to a change to the extent that firm transmission and point capacity is available after taking into account existing capacity commitments under other firm Agreements. Should Stingray agree to construct a new point for a Shipper, such Shipper shall be given a priority for that point based on the date of that Shipper's request for such point.

### 3.3 GENERAL SCHEDULING PRIORITIES

- (a) Stingray shall first schedule all firm services within MDQ at Firm Points and at Interruptible Points within a Firm Point path where no point constraint exists. To the extent capacity does not exist to provide for all volumes nominated by Shippers on a firm basis within MDQ at Firm Points and at Interruptible Points along any path defined by Firm Points where no point constraint exists under all firm Rate Schedules, scheduling shall be pro rata based on confirmed nominations within MDQ on any portion of Stingray's System affected by a capacity constraint.

- (b) Stingray shall next schedule firm service at other Interruptible Points. Where capacity is not sufficient to grant all such Interruptible Point requests, the Interruptible Point priorities set out in Section 3.5 shall govern.
- (c) Third, Stingray shall schedule other interruptible and authorized overrun services, applying scheduling priorities set out in Section 3.7.
- (d) Firm intra-day nominations are entitled to bump scheduled interruptible volumes, as defined in Sections 3.5 and 3.7, only during the Evening and Intra-day 1 Nomination Cycles, as defined in Section 6.2. Firm intra-day nominations are not entitled to bump already scheduled firm volumes.

#### 3.4 GENERAL CURTAILMENT PRIORITIES

In interrupting or curtailing service, Stingray shall curtail in accordance with the following priority sequence to the extent there is insufficient transportation capacity:

- (a) Stingray shall first interrupt interruptible and overrun services paying discounted rates on the basis of the rates being paid with the Shippers paying the lower rates being interrupted first. In the event there is capacity to provide some but not all such services to Shippers paying the same rate, Stingray shall interrupt such services pro rata based on the confirmed nominated volume.
- (b) Second, Stingray shall interrupt interruptible and overrun services paying maximum rates pro rata based on the confirmed nominated volume. Volumes subject to a Negotiated Rate or Negotiated Rate Formula shall be treated the same as maximum rate volumes if the revenue as determined under Section 34 of these General Terms and Conditions is equal to or greater than the revenue at the Recourse Rate. Otherwise, such volumes shall be treated the same as volumes at less than the applicable maximum rate.
- (c) Third, Stingray shall interrupt firm service at Interruptible Points outside the path and at Interruptible Points within the path where a point constraint exists. If Stingray can provide some but not all of such services, it shall curtail in accordance with the Interruptible Point priorities set out in Section 3.5.
- (d) Stingray shall last interrupt firm services within MDQ at Firm Points and at Interruptible Points along any path defined by Firm Points where no point constraint exists. Curtailment shall be pro rata based on confirmed

nominations within MDQ on any portion of Stingray's System affected by a capacity constraint.

### 3.5 INTERRUPTIBLE POINTS: AVAILABILITY, PRIORITY AND CURTAILMENT

- (a) Shippers under Rate Schedules FTS and FTS-2 shall have the right to use all Receipt and Delivery Points on Stingray's System as Interruptible Receipt and Delivery Points. The MDQ at any Interruptible Point shall be equal to the aggregate MDQ. The priority of service at Interruptible Points under Rate Schedules ITS, FTS and FTS-2 shall be governed by the remainder of this Section 3.5.
- (b) Service at the Interruptible Receipt and Delivery Points shall be provided to the extent capacity is available at such points after all nominations for Firm Point service under all of Stingray's firm Agreements have been satisfied; provided, however, that unless a capacity constraint exists at the point, an Interruptible Point nomination at a point within a path created by Shipper's Firm Points shall be treated the same as a nomination by Shipper at a Firm Point.
- (c) In scheduling service at Interruptible Points, the following rules shall apply:
  - (1) For an Interruptible Point outside a path created by Shipper's Firm Points, service at the point and service to or from the point shall be scheduled before interruptible service but shall be scheduled after nominations for Firm Point service.
  - (2) Service to or from such an Interruptible Point outside the path shall also be scheduled after Interruptible Point service within the path to the extent both services utilize the same capacity. If a capacity constraint exists at the point, subsection (e) shall govern.
  - (3) If capacity is available to schedule some but not all service nominated to and from Interruptible Points outside a Firm Point path, capacity shall be allocated among Interruptible Points under all firm Agreements which are outside the path as a class, and to individual Shippers within the class pro rata based on confirmed nominations within MDQ, unless there is a point constraint, in which case subsection (e) shall govern.
  - (4) Interruptible Point service shall not be subject to allocation [except as set out in Section 3.2(a)] if no capacity constraint exists at the point or on any segment to or from the point.

- (d) In curtailing service at Interruptible Points, the following rules shall apply:
- (1) For an Interruptible Point outside a path created by Shipper's Firm Points, service at the point and service to or from the point shall have priority over and shall be curtailed after interruptible service but shall be curtailed before nominations for Firm Point service.
  - (2) Service to or from such an Interruptible Point outside the path shall also be curtailed before Interruptible Point service within the path to the extent both services utilize the same capacity. If a capacity constraint exists at the point, subsection (e) shall govern.
  - (3) If capacity is available to provide some but not all service nominated to and from Interruptible Points outside a Firm Point path, curtailment of capacity shall be allocated among Interruptible Points under firm Agreements which are outside the path as a class, and to individual Shippers within the class pro rata based on confirmed nominations within MDQ, unless there is a point constraint, in which case subsection (e) shall govern.
  - (4) Interruptible Point service shall not be subject to curtailment [except as set out in Section 3.2(a)] if no capacity constraint exists at the point or on any segment to or from the point.
- (e) If nominations by all Shippers for Interruptible Point service for which such Shippers are eligible exceed Stingray's available capacity at any Interruptible Point, the following shall apply:
- (1) If, during scheduling, allocation is necessary within a customer class, available capacity shall be allocated, within applicable MDQs, on the basis of the rates being paid with the Shippers paying the higher rates receiving the higher allocation.
  - (2) If curtailment is necessary, such curtailment shall be on the basis of the rate paid with the Shipper paying the lowest rate fully curtailed before any other Shipper, then the Shipper paying the next lowest rate, and so on. If more than one Shipper is paying the same rate and there is insufficient capacity to serve all such Shippers after curtailing all Shippers paying the same rate, curtailment of such Shippers paying the same rate shall be pro rata, based on each Shipper's confirmed nomination at that Interruptible Point.
- (f) Once service under a firm Rate Schedule has commenced during a Month at the Interruptible Point, the service will not be interrupted during that Month as a result of subsequent nominations for Interruptible Point service

except as follows: (1) properly submitted and confirmed mid-month firm service nominations at Firm Points will supersede any Interruptible Point service outside the path or where there is a constraint at the point; and (2) properly submitted and confirmed mid-month nominations at Interruptible Points within a path created by Firm Points will supersede Interruptible Point service outside the path unless the capacity constraint is only at the point. Confirmed mid-month nominations within MDQ at an Interruptible Point by a holder of firm service will interrupt service at that point under any interruptible Rate Schedule.

- (g) The Firm Receipt and Delivery Points define the firm path(s), including the direction of flow for the firm path(s). Shippers may nominate service at Interruptible Points so that the direction of flow is the same as or the opposite from the firm path direction of flow. However, if the firm path direction of flow is physically a backhaul on a Day, a nomination for service that would require a physical forward haul shall be treated as being outside the firm path on that Day.

### 3.6 POOLING POINT

Service at the pooling point shall be governed by Section 7 of these General Terms and Conditions. To determine the volumes which can be accommodated at the pooling point, Stingray shall evaluate the capacity available both: (1) upstream and at Receipt Points for Gas tendered pursuant to the Agreement(s) under which Gas is nominated for delivery to the pooling point; and (2) downstream and at Delivery Points under the Agreement(s) pursuant to which Gas is nominated to be received from the pooling point. Gas shall not be confirmed at the pooling point to the extent capacity constraints exist which affect any such receipts or deliveries, applying the priorities set out elsewhere in this Section.

### 3.7 INTERRUPTIBLE AND OVERRUN SERVICES

This Section 3.7 governs the priority for scheduling and curtailing interruptible and overrun services, other than Interruptible Point services within MDQ under firm Agreements. All interruptible services shall have equal priority for capacity in accordance with the procedures set out in this Section. As used in this Section, the term "interruptible" includes all authorized overrun services under both firm and interruptible Agreements.

- (a) Stingray's interruptible transportation service shall be provided to the extent capacity is available after scheduling services with higher priority as provided in Section 3.3. Stingray may decline to schedule and/or may curtail interruptible service for any of the following reasons:

- (1) If Shipper tenders Gas which does not conform to the applicable pressure or quality requirements of these General Terms and Conditions;
  - (2) For reason of Force Majeure;
  - (3) Due to routine repair and maintenance to be reasonably determined by Stingray;
  - (4) Pursuant to Section 3.11 of these General Terms and Conditions;
  - (5) To rectify imbalances or to conform physical flows to nominations to the extent consistent with the specific Rate Schedule;
  - (6) To maintain System integrity; or
  - (7) If capacity is required to provide a service with higher priority.
- (b) To the extent there is insufficient capacity to provide service to all Shippers nominating interruptible service, capacity shall be allocated among such Shippers in the following order:
- (1) **INTERRUPTIBLE TRANSPORTATION AT MAXIMUM RATES**  
  
In the event there is insufficient capacity to provide service for the quantities nominated, capacity shall be allocated on the basis of the rates being paid with the Shippers paying the higher rates receiving the higher allocation. Volumes subject to a Negotiated Rate or Negotiated Rate Formula shall be treated the same as maximum rate volumes if the revenue as determined under Section 34 of these General Terms and Conditions is equal to or greater than the revenue at the Recourse Rate. Otherwise, such volumes shall be treated the same as volumes at less than the applicable maximum rate.
  - (2) **INTERRUPTIBLE TRANSPORTATION AT LESS THAN MAXIMUM RATES**  
  
In the event there is insufficient capacity to provide service for the quantities nominated, capacity shall be allocated on the basis of the rates being paid with the Shippers paying the higher rates receiving the higher allocation.

- (c) In the event there is insufficient capacity to provide service to all Shippers at the same rate under any of the categories under subsection (b) above, capacity shall be allocated pro rata based on the confirmed nomination.
- (d) A Shipper may conditionally elect to pay the applicable maximum rate at the time Shipper submits its nomination for interruptible or overrun service. In the event Shipper's nomination is for service at less than the applicable maximum rate and Stingray determines that all timely nominations exceed available capacity or that Stingray must curtail interruptible or overrun service, Shipper making such election will be required to pay the applicable maximum rate in order to have its nomination accepted and scheduled by Stingray or to avoid curtailment to the extent interruptible capacity is available as determined by Stingray. Such election shall be a one-time election effective for the remainder of the nomination period.
- (e) Confirmed nominations under any firm Agreement, including service at Interruptible Points, shall have priority over all interruptible service, whether submitted at the first of the Month or during the Month.
- (f) Stingray shall redetermine the priority of each Shipper under this Section 3.7 and reallocate capacity hereunder on a daily or such other periodic basis as is necessary for Stingray to recognize the priority of new Shippers or any changes in the priorities of existing Shippers, to assure service to its firm Shippers and to accommodate the operational requirements of its System. The priorities hereunder shall be applied on an Agreement-by-Agreement basis.
- (g) An Agreement under Rate Schedule ITS will include all Receipt and all Delivery Points available on Stingray's System. Notwithstanding the foregoing, a Shipper may not utilize a point for which there is no regulatory authorization to receive or deliver gas under the Agreement.

### 3.8 CAPACITY CONSTRAINTS

If Stingray experiences a capacity constraint on a portion of its System or at specific points, it shall (to the extent practicable), apply the scheduling and curtailment provisions hereof, for both firm and interruptible services, only to those Shippers with service affected by that portion of the System or at those points. Stingray shall endeavor to restrict curtailment to as limited a geographical area, number of Shippers and services as reasonably feasible, given the operational capabilities of its System.

3.9 UNAUTHORIZED OVERRUN GAS

No Shipper shall have any right to tender Unauthorized Overrun Gas. Unauthorized overruns are subject to additional charges as set out in the individual Rate Schedules.

3.10 OTHER TRANSPORTERS

Stingray's application of the priorities hereunder shall be subject to the actions of other transporters delivering or receiving Gas on behalf of Shippers.

3.11 DELINQUENCY IN PAYMENT

(a) Irrespective of any otherwise applicable priority, Stingray may suspend service to any Shipper which is delinquent in payments under any Agreement, subject to the following conditions:

- (1) Stingray shall give Shipper initial written notice of the delinquency and of Stingray's intent to curtail if the deficiency is not cured. If the delinquency is not remedied within twenty (20) Days of such initial notice, Stingray shall give final notice of its intent to curtail. If the deficiency is still not remedied within ten (10) Days of such final notice, Stingray may suspend service. Stingray shall simultaneously provide written notice to the Commission of any curtailment hereunder; and
- (2) Stingray shall not curtail, or shall cease curtailing, under this provision if Shipper cures any deficiency and provides adequate assurances of future performance by any of the means specified in Section 14 of these General Terms and Conditions.

(b) If at any time Stingray is not reasonably satisfied with Shipper's credit or ability to pay based on information received by Stingray, Stingray may request in writing that Shipper provide within ten Days the information specified for a credit appraisal under Section 14 of these General Terms and Conditions.

If Shipper fails to provide the information on a timely basis or make a timely election and comply on a timely basis with any of the means of providing adequate assurances of future performance or security included in the options available under these General Terms and Conditions, Stingray may (after providing the requisite notice in accordance with subsection (a)) cease providing service until Shipper complies with the applicable requirement. Stingray shall simultaneously notify the Commission in writing of any curtailment under this provision.

- (c) In the event of a billing dispute, absent the posting of a surety bond to cover the disputed amounts pending resolution, withholding of payment by Shipper shall be considered a delinquency in payment except to the extent specified in the applicable Agreement, subject to Section 13 of these General Terms and Conditions.

## GENERAL TERMS AND CONDITIONS

### 4. RECEIPT POINTS

#### 4.1 FACILITIES AT RECEIPT POINTS

- (a) Unless otherwise agreed by Stingray, Stingray shall own, operate and maintain all pipeline and measurement facilities necessary to receive and measure Gas hereunder. Shipper shall (in addition to all other applicable charges) reimburse Stingray for the actual cost (including income taxes associated with a contribution-in-aid of construction) of any and all facilities installed by Stingray pursuant to this Section at Shipper's request in order to provide service for such Shipper including, but not limited to, the cost of all labor, materials and rights-of-way; provided that Shipper shall repay Stingray in kind for any Gas lost from Stingray's pipeline as a result of the installation of such facilities. Stingray may submit billings to Shipper up to sixty (60) Days in advance for the estimated cost of construction to be incurred by Stingray. Shipper shall make payments within ten (10) Days of the date of receipt of any billings submitted by Stingray pursuant to this Section. For purposes of this Section, the bill is deemed to be received by Shipper three (3) Days after the postmark date. Late payments shall be subject to Section 13 of these General Terms and Conditions. Any such estimated billings shall be reconciled to the actual costs of construction, and any payments to reflect such reconciliation shall be made, within six (6) Months after construction is completed. Neither the amounts collected hereunder nor the cost of such facilities shall be recognized in establishing Stingray's general System rates.
- (b) Stingray may elect, on a nondiscriminatory basis, to pay all or a portion of the costs of the facilities constructed pursuant to subsection (a) above if Stingray determines that the construction of such facilities is economically beneficial to Stingray. For purposes of determining whether a project is beneficial, Stingray will evaluate projects on the basis of various economic criteria, which will include the estimated transportation throughput, cost of the facilities, operating and maintenance as well as administrative and general expenses attributable to the facilities, the revenues Stingray estimates will be generated as a result of such construction, and the availability of capital funds on terms and conditions acceptable to Stingray. In estimating the revenues to be generated, Stingray will base those revenues upon transportation rates it expects to be able to charge, exclusive of any surcharges such as ACA and Event Surcharge, and the projected incremental volumes which will result from the project.

- (c) Stingray will respond to each request for installation of Receipt Point facilities within 60 Days after receiving the request. Each request will be assessed in a manner that is not unduly discriminatory. If the requested Receipt Point facilities are operationally feasible (as hereinafter defined), Stingray will grant the request to construct the facilities. The Receipt Point facilities shall be considered operationally feasible if (1) the construction or operation of the facilities will not create any significant operational problems for Stingray, (2) the facilities will not adversely affect the rendition of existing firm service to Shippers under any of Stingray's firm service rate schedules or adversely alter the operation of Stingray's pipeline system, and (3) the location of the Receipt Point facilities is mutually agreeable.

#### 4.2 OBLIGATION

Stingray's maximum obligation to receive Gas at the Receipt Point(s) under the Agreement shall never exceed the lesser of: (a) the applicable MDQ under the Agreement in the aggregate or at individual points, as specified in the Agreement or as applicable at such point under this Tariff; or (b) the total daily volume Shipper or its designee is able and willing to tender at the Receipt Point(s).

#### 4.3 LOCATION

Unless otherwise described in the Agreement, the Receipt Point(s) for transportation Agreements shall be located at the interconnection between the facilities of Shipper, or its designee, and the facilities of Stingray.

## GENERAL TERMS AND CONDITIONS

### 5. DELIVERY OF GAS FOR THE ACCOUNT OF SHIPPER

#### 5.1 DELIVERY VOLUMES

Commencing on the date of first acceptance by Stingray of Gas delivered by or on behalf of Shipper at the Receipt Point(s) pursuant to an Agreement, and continuing thereafter during the term of that Agreement, Stingray shall deliver Equivalent Volumes, or cause Equivalent Volumes to be delivered in uniform hourly amounts to Shipper, or to a mutually agreeable third party for Shipper's account, at the Delivery Point(s) described in the Agreement or applicable to the Agreement under this Tariff. The methodology used to determine Equivalent Volumes is set forth in Section 1.11 of this Tariff.

#### 5.2 DELIVERY FACILITIES

- (a) Unless otherwise agreed by Stingray, Stingray shall own, operate and maintain all pipeline and measurement facilities necessary to deliver and measure Gas hereunder. Shipper shall (in addition to all other applicable charges) reimburse Stingray for the actual cost (including income taxes associated with a contribution-in-aid of construction) of any and all facilities installed by Stingray pursuant to this Section at Shipper's request in order to provide service for such Shipper including, but not limited to, the cost of all labor, materials and rights-of-way; provided that Shipper shall repay Stingray in kind for any Gas lost from Stingray's pipeline as a result of the installation of such facilities. Stingray may submit billings to Shipper up to sixty (60) Days in advance for the estimated cost of construction to be incurred by Stingray. Shipper shall make payments within ten (10) Days of the date of receipt of any billings submitted by Stingray pursuant to this Section. For purposes of this Section, the bill is deemed to be received by Shipper three (3) Days after the postmark date. Late payments shall be subject to Section 13 of these General Terms and Conditions. Any such estimated billings shall be reconciled to the actual costs of construction, and any payments to reflect such reconciliation shall be made, within six (6) Months after construction is completed. Neither the amounts collected hereunder nor the cost of such facilities shall be recognized in establishing Stingray's general System rates.
- (b) Stingray may elect, on a nondiscriminatory basis, to pay all or a portion of the costs of the facilities constructed pursuant to subsection (a) above if Stingray determines that the construction of such facilities is economically beneficial to Stingray. For purposes of determining whether a project is beneficial, Stingray will evaluate projects on the basis of various economic criteria, which will include the estimated transportation throughput, cost of

the facilities, operating and maintenance as well as administrative and general expenses attributable to the facilities, the revenues Stingray estimates will be generated as a result of such construction, and the availability of capital funds on terms and conditions acceptable to Stingray. In estimating the revenues to be generated, Stingray will base those revenues upon transportation rates it expects to be able to charge, exclusive of any surcharges such as ACA and the Event Surcharge, and the projected incremental volumes which will result from the project.

- (c) Stingray will respond to each request for installation of Delivery Point facilities within sixty (60) Days after receiving the request. Each request will be assessed in a manner that is not unduly discriminatory. If the requested Delivery Point facilities are operationally feasible (as hereinafter defined), Stingray will grant the request to construct the facilities. The Delivery Point facilities shall be considered operationally feasible if (1) the construction or operation of the facilities will not create any significant operational problems for Stingray, (2) the facilities will not adversely affect the rendition of existing firm service to Shippers under any of Stingray's firm service rate schedules or adversely alter the operation of Stingray's pipeline system, and (3) the location of the Delivery Point facilities is mutually agreeable.

### 5.3 OBLIGATIONS

Stingray's maximum obligation to deliver Gas at the Delivery Point(s) under an Agreement shall never exceed the lesser of: (a) the applicable MDQ under the Agreement in the aggregate or at each point as specified in the Agreement or as applicable to any point under this Tariff; or (b) the total daily volume Shipper or its designee is willing and able to receive at the Delivery Point(s).

### 5.4 LOCATION

Unless otherwise described in an Agreement, the Delivery Point(s) for transportation Agreements shall be located at the interconnection between the facilities of Shipper or its designee, and the facilities of Stingray.

## GENERAL TERMS AND CONDITIONS

### 6. NOMINATION/REPORTING AND BALANCING

#### 6.1 GENERAL

- (a) Stingray supports a seven-days-a-week, twenty-four- hours-a-day nominations process. It is recognized that the success of seven-days-a-week, twenty-four- hours-a-day nominations process is dependent on the availability of affected parties' scheduling personnel on a similar basis. Party contacts need not be at their ordinary work sites but should be available by telephone or other electronic means. Whenever Shipper desires service, Shipper shall furnish to Stingray a separate nomination for each nominated Receipt and Delivery Point under each transportation Agreement with a beginning and end date, or beginning hour, if applicable, for flow which can be for any duration within the term of the applicable Agreement (except as limited by Rate Schedule PAL); provided, however, any such nomination shall not be binding to the extent Shipper submits subsequent nominations. All nominations should be considered original nominations and should be replaced to be changed. When a nomination for a date range is received, each Day within that range is considered an original nomination. When a subsequent nomination is received for one or more Days within that range, the previous nomination is superseded by the subsequent nomination only to the extent of the Days specified. The Days of the previous nomination outside the range of the subsequent nomination are unaffected. Nominations have a prospective effect only.
- (b) For non-Intra-day Nominations, a rollover option is available such that a Shipper shall have the ability to nominate for several Days, Months, or Years, provided the nomination begin and end dates are within the term of the Shipper's contract (or as further limited by Rate Schedule PAL). All nominations should be based on a daily quantity and all volumes shall be expressed in Dth per Day and shall be stated for each Receipt and Delivery Point.
- (c) If an upstream or downstream party requires additional information, if the volumes transported are subject to a discounted rate, or if additional information is otherwise required by Stingray, then, upon notification by Stingray, Shipper must include in each nomination such additional information as is

specified by Stingray. Nominations must be submitted to Stingray through Stingray's Interactive Internet Website, or such other electronic means as are mutually agreed upon by Stingray and Shipper. The sending party should adhere to nomination, confirmation and scheduling deadlines. The receiving party may waive any submittal deadline in this Section 6.

- (d) The standard quantity for nominations, confirmation and scheduling is dekatherms per Gas Day in the United States, gigajoules per Gas Day in Canada and Mexico, and gigacalories per Gas Day in Mexico for transactions that occurred prior to the enactment of Mexico Resolution RES/267/2006 dated September 7, 2006. (For reference 1 dekatherm = 1,000,000 Btus; 1 gigajoule = 1,000,000,000 joules; and 1 gigacalorie = 1,000,000,000 calories.) For commercial purposes, the standard conversion factor between dekatherms and gigajoules is 1.055056 gigajoules per dekatherm and between dekatherms and gigacalories is 0.251996 gigacalories per dekatherm. The standard Btu is the International Btu, which is also called the Btu(IT); the standard joule is the joule specified in the SI system of units.<sup>1</sup>

## 6.2 STANDARD NOMINATION CYCLES

Stingray supports the following standard nomination cycles (all times are CCT pursuant to NAESB WGQ Standard No. 0.3.17):

- (a) The Timely Nomination Cycle On the day prior to gas flow:
- 1:00 p.m. Nominations leave control of the Service Requester (SR);
  - 1:15 p.m. Nominations are received by the TSP (including from Title Transfer Tracking Service Providers (TTTSPs));
  - 1:30 p.m. TSP sends the Quick Response to the SR;
  - 4:30 p.m. TSP receives completed confirmations from Confirming Parties;
  - 5:00 p.m. SR and Point Operator receive scheduled quantities from the TSP.

Scheduled quantities resulting from Timely Nominations should be effective at the start of the next Gas Day.

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<sup>1</sup> The International Btu is specified for use in the gas measurement standards of the American Gas Association, the American Petroleum Institute, the Gas Processors Association and the American Society for Testing Materials. For non-commercial purposes, these associations note that the exact conversion factor is 1.05505585262 gigajoules per dekatherm.

- (b) The Evening Nomination Cycle On the day prior to gas flow:  
6:00 p.m. Nominations leave control of the SR;  
6:15 p.m. Nominations are received by the TSP (including from TTTSPs);  
6:30 p.m. TSP sends the Quick Response to the SR;  
8:30 p.m. TSP receives completed confirmations from Confirming Parties;  
9:00 p.m. TSP provides scheduled quantities to the affected SR and Point Operator, including bumped parties (notice to bumped parties).  
Scheduled quantities resulting from Evening Nominations should be effective at the start of the next Gas Day.
- (c) The Intra-day 1 Nomination Cycle On the current Gas Day:  
10:00 a.m. Nominations leave control of the SR;  
10:15 a.m. Nominations are received by the TSP (including from TTTSPs);  
10:30 a.m. TSP sends the Quick Response to the SR;  
12:30 p.m. TSP receives completed confirmations from Confirming Parties;  
1:00 p.m. TSP provides scheduled quantities to the affected SR and Point Operator, including bumped parties (notice to bumped parties).  
Scheduled quantities resulting from Intraday 1 Nominations should be effective at 2:00 p.m. on the current Gas Day.
- (d) The Intra-day 2 Nomination Cycle n the current Gas Day:  
2:30 p.m. Nominations leave control of the SR;  
2:45 p.m. Nominations are received by the TSP (including from TTTSPs);  
3:00 p.m. TSP sends the Quick Response to the SR;  
5:00 p.m. TSP receives completed confirmations from Confirming Parties;  
5:30 p.m. TSP provides scheduled quantities to the affected SR and Point Operator, including bumped parties (notice to bumped parties).  
Scheduled quantities resulting from Intraday 2 Nominations should be effective at 6:00 p.m. on the current Gas Day.
- (e) The Intraday 3 Nomination Cycle On the current Gas Day:  
7:00 p.m. Nominations leave control of the SR;  
7:15 p.m. Nominations are received by the TSP (including from TTTSPs);  
7:30 p.m. TSP sends the Quick Response to the SR;

9:30 p.m. TSP receives completed confirmations from  
Confirming Parties;

10:00 p.m. TSP provides scheduled quantities to the  
affected SR and Point Operator.

Scheduled quantities resulting from Intraday 3 Nominations should  
be effective at 10:00 p.m. on the current Gas Day. Bumping is not  
allowed during the Intraday 3 Nomination Cycle.

- (f) For purposes of Section 6.2 (b), (c), (d), and (e), the word “provides” shall mean, for transmittals pursuant to NAESB WGQ Standards 1.4.x, receipt at the designated site, and for purposes of other forms of transmittal, it shall mean send or post.

### 6.3 TIMELY NOMINATIONS

- (a) Timely nominations are nominations submitted consistent with the standard nomination cycle set out in Section 6.2.
- (b) For nominations under Stingray's Rate Schedule ITS or for Overrun Gas, if acceptance of a nomination under this Section 6.3 would cause interruption of another Shipper's Gas on Stingray's System, then such nomination will not be accepted.
- (c) Nominations received after the nomination deadline will be scheduled after the nominations received before the nomination deadline.

### 6.4 INTRA-DAY NOMINATIONS

An intraday nomination is a nomination submitted after the nomination deadline whose effective time is no earlier than the beginning of the Gas Day and which runs through the end of that Gas Day.

- (a) Stingray supports the nomination cycles set forth at Section 6.2 during non-Critical Times. During Critical Times, valid intraday nominations may be submitted at any time.
- (b) Stingray will provide notification of bumped volumes pursuant to Section 10.3(b) of the General Terms and Conditions of Stingray's Tariff. During non-Critical Times, Stingray will waive daily penalties applicable to bumped volumes on the Day of the bump. Stingray will also waive penalties if it fails to provide appropriate notice of the bump.
- (c) For services that provide for intraday nominations and scheduling,

there is no limitation as to the number of intraday nominations (line items as per NAESB Standard 1.2.1) which a service requester may submit at any one standard nomination cycle or in total across all standard nomination cycles.

- (d) Unless Stingray agrees to the contrary, the revised nomination under an intraday nomination may be limited by Section 6.4(c). Intraday nominations should include an effective date and time. Stingray and the interconnecting party will agree on the hourly flows of the intraday nomination.
- (e) Intraday nominations do not roll over (i.e. intraday nominations span one Gas Day only). Intraday nominations do not replace the remainder of a standing nomination. There is no need to re-nominate if an intraday nomination modifies an existing nomination. The Shipper should submit a new timely or late nomination if the Shipper wants to replace the previously submitted standing nomination or commence service for the next Gas Day.
- (f) Intraday nominations can be used to request increases or decreases in total flow, changes to Receipt Points, or changes to Delivery Points of scheduled Gas.

#### 6.5 REQUIRED NOMINATION CHANGES

If estimated daily flows under a particular transportation Agreement differ from the confirmed nominations, or if an imbalance has occurred due to some other reason, then prospective nomination change(s) (either receipt or delivery adjustments) may be required to bring the receipt and delivery volumes into balance. When a Shipper receives notification of a required change in the nomination, the Shipper shall be responsible for informing upstream and downstream parties of the prospective change and providing Stingray with a nomination as required in accordance with Section 6.2 hereof.

#### 6.6 CONFIRMATION BY STINGRAY

- (a) Nominations made in accordance with Sections 6.2, 6.3, 6.4 and 6.5 hereof shall not become effective until Stingray has confirmed the nominated receipts and deliveries with upstream and downstream parties. Shipper shall designate the appropriate person(s) who has the authority to resolve allocation issues, and if requested by Stingray, the appropriate person(s) to confirm nominations. Confirmations must be submitted to Stingray through the Interactive Internet Website, or such other electronic means as are mutually agreed upon by Stingray and

Shipper.

- (b) Subject to Section 6.2 and to the other provisions of this Tariff, Stingray shall provide Shippers and point operators via the Interactive Internet Website, or by EDI, the quantities that have been scheduled to flow for that Shipper and point operator on the next Day.
- (c) Default confirmation procedures are as follows:
  - (i) With respect to the timely nomination/confirmation process at a receptor delivery point, in the absence of agreement to the contrary, the lesser of the confirmation quantities will be the confirmed quantity. If there is no response to a Request for Confirmation or an unsolicited Confirmation Response, the lesser of the confirmation quantity or the scheduled quantity for the Timely Nomination Cycle of the previous Gas Day will be the new confirmed quantity.
  - (ii) With respect to the processing of requests for increases during the intraday nomination/confirmation process, in the absence of agreement to the contrary, the lesser of the confirmation quantities will be the new confirmed quantity. If there is no response to a Request for Confirmation or an unsolicited Confirmation Response, the scheduled quantity for the previous nomination cycle for the subject Gas Day should be the new confirmed quantity.
  - (iii) With respect to the processing of requests for decreases during the intra-day nomination/confirmation process, in the absence of agreement to the contrary, the lesser of the confirmation quantities will be the new confirmed quantity, but in any event no less than the elapsed-prorated-scheduled quantity. If there is no response to a Request for Confirmation or an unsolicited Confirmation Response, the greater of the confirmation quantity or the elapsed-prorated-scheduled quantity will be the new confirmed quantity. Elapsed-prorated-scheduled quantity means that portion of the scheduled quantity that would have theoretically flowed up to the effective time of the intra-day nomination being confirmed, based

upon a cumulative uniform hourly quantity for each nomination period affected.

- (iv) With respect to 6.6(c) (i), (ii), and (iii), if there is no response to a request for confirmation or an unsolicited confirmation response, the Transportation Service Provider will provide the Service Requester with the following information to explain why the nomination failed, as applicable:
- (1) the Service Requester's Transportation Service Provider did not conduct the confirmation;
  - (2) the Service Requester is told by its Transportation Service Provider that the upstream confirming party did not conduct the confirmation;
  - (3) the Service Requester is told by its Transportation Service Provider that the upstream Service Requester did not have the Gas or submit the nomination;
  - (4) the Service Requester is told by its Transportation Service Provider that the downstream confirming party did not conduct the confirmation;
  - (5) the Service Requester is told by its Transportation Service Provider that the downstream Service Requester did not have the market or submit the nomination.

This information will be imparted to the Service Requester on the Scheduled Quantity document.

#### 6.7 END-OF-GAS-DAY SCHEDULED QUANTITY DOCUMENT

At the end of each Gas Day, Stingray will provide the final scheduled quantities for the just completed GasDay to satisfy the NAESB requirement to report daily operational allocations. With respect to the implementation of this process via the scheduled quantity related standards, Stingray will send or make available on the Customer Activity section of its website an end of Gas Day Scheduled Quantity (NAESB WGQ Standard No. 1.4.5) document for each Shipper indicating their scheduled quantities on an "all locations for a Shipper basis". Receivers of the end of Gas Day Scheduled Quantity document can waive the sender's sending of the end of Gas Day Scheduled Quantity document.

#### 6.8 OVERRUN QUANTITIES

Shippers submitting nominations via the Interactive Internet Website or EDI for transportation of overrun volumes (volumes in excess of the applicable point or Agreement MDQ) may not include such overrun volumes in their nominations for volumes within MDQ, and must submit separate nominations for such overrun volumes. The Shipper should mark that nomination as being for overrun volumes.

#### 6.9 DELEGATION

A Shipper may delegate to any third party responsibility for submitting and receiving notices or nominations or performing other administrative duties under any Agreement, subject to the following conditions:

- (a) Any designation of such a representative, and any change in such designation, must be in writing and must be submitted at least two (2) Business Days prior to the requested effective date.
- (b) The written designation shall specify any limits on the authority of the representative, including any time limit on the designation; provided, however, that Stingray may reject any such limited designation if the limitations specified in the designation would result in an undue administrative burden.
- (c) Stingray may rely on communications from Shipper's designated representative for all purposes except to the extent the designation is explicitly limited as specified in the preceding Section 6.9(b). Communications by Stingray to such designated representative shall be deemed notice to Shipper except to the extent the representative's authority is explicitly limited with respect to the receipt of notice under the procedure set out in said Section 6.9(b).
- (d) Any third party may administer multiple transportation Agreements as the designated representative for one or more Shippers. However, such representative shall separately administer and account for each such Agreement.

#### 6.10 TRANSFER NOMINATIONS

Whenever gas is transferred at the Pooling Point on Stingray's System, that entity must submit a nomination to Stingray through the Interactive Internet Website (or other mutually agreed electronic means), identifying the quantities (in Dth) and the entities from whom the gas is being received and the entities to whom the gas is being delivered. Such transfer nominations are needed in order to be able to confirm the nominated receipts at that point and thus such transfer nominations are due by the deadlines applicable to Shipper nominations subject to Section 6.2.

#### 6.11 PROCESSING PLANTS NOMINATIONS

If a Shipper desires Stingray to transport, under the same Agreement, quantities of gas to and from any processing plant connected to Stingray, the following procedures shall apply:

- (a) Such Shipper shall nominate its plant requirement to the processing plant inlet as a delivery point.
- (b) The Plant Delivery Point shall be included as Interruptible Points to all Rate Schedules FTS, FTS-2 and ITS Agreements.
- (c) Acceptance of the processing plant(s) nominations are subject to the normal confirmation procedures.
- (d) No additional transport fee shall be assessed on interim volumes transported from the processing plant(s).
- (e) For purposes of Section 11, to determine whether monthly imbalances exist, the total of all initial and interim receipts will be compared to the total of all interim and ultimate deliveries under a specific Agreement.
- (f) Receipt Point nominations and flows at processing plants with multiple inlets and outlets shall be included in determining charges under Section 10 of these General Terms and Conditions.

#### 6.12 NOMINATION PRIORITIES

As part of the nomination and transfer nomination process, if there is more than one supply source nominated to be delivered to a single Delivery Point or buyer, the nomination or transfer nomination should identify how and which supply sources should be cut in the event all nominated deliveries are not or cannot be made. Similarly, the nomination or transfer nomination should identify which delivery should be cut in the event gas is not or cannot be received as nominated (i.e., ranking). Ranking should be included in the list of data elements. Transportation service providers should use service requester

provided rankings when making reductions during the scheduling process when this does not conflict with tariff-based rules.

## GENERAL TERMS AND CONDITIONS

### 7. POOLING POINT

#### 7.1 GENERAL

A paper pooling point has been designated on Stingray's System. This point is not a physical point on the System, but is used solely for nomination and transportation rate determination purposes. Subject to the remainder of this Section, any number of FTS, FTS-2 or ITS Agreements may be utilized to deliver Gas to or from a pooling point. Shippers will be able to nominate Gas volumes from one or more Receipt Points for delivery to a pooling point in order to aggregate supplies as long as such Gas volumes are nominated for simultaneous receipt and further transportation and delivery by Stingray under Agreement(s).

#### 7.2 INCLUSION IN AGREEMENTS

Agreements under Rate Schedules FTS, FTS-2 and ITS automatically have the pooling point as both Receipt and Delivery Points with point MDQs equal to the contract MDQ. The pooling point shall be an Interruptible Point for FTS, FTS-2 and ITS Agreements.

#### 7.3 PRIORITY DATE

For transportation Agreements pursuant to a valid request received on or before December 1, 1993, the pooling point is deemed to have been requested as of that date. For all other Agreements, the applicable pooling point or increases to the MDQs of the pooling point is deemed requested as of the date a valid request was received for the Agreement or for the amendment (in the case of a firm transportation Agreement) which results in an increase in the MDQ of the pooling point.

#### 7.4 USE OF POINTS

Nominations to and from the pooling point will be subject to the same nomination and confirmation procedures as all other receipts and deliveries. All volumes nominated for transportation to a pooling point on any Day must be matched with nominations of those volumes for transportation from the pooling point on the same Day. No imbalances will be permitted at the pooling point. Section 3 of these General Terms and Conditions sets out the order of priority for scheduling nominations to and from the pooling point. Volumes nominated to be delivered from an interim Receipt Point (i.e., after processing) to the pooling point may not be nominated for delivery from the pooling point to an interim Delivery Point (i.e., for processing a second time).

#### 7.5 CHARGES

There will be no transportation commodity charges or Company Use Gas applicable to transportation of gas from a pooling point. The applicable transportation commodity charges and Company Use Gas rates will be charged under the Agreement used to transport the gas to the pooling point. Under the delegation procedures of Section 6.7 of these General Terms and Conditions, the Shipper under the Agreement used to transport gas to the pooling point may designate that the Shipper receiving gas at the pooling point be billed the applicable charges set forth herein, subject to such Shipper meeting the creditworthiness provisions of this Tariff.

#### 7.6 MARKET CENTERS

The pooling point is intended to facilitate aggregation of supplies and the development of market centers. Nothing in this Tariff is intended to inhibit the development of market centers.

## GENERAL TERMS AND CONDITIONS

### 8. DETERMINATION OF DAILY RECEIPTS

- 8.1 To the extent feasible, all volumes received by Stingray at a Receipt Point shall be allocated in accordance with the confirmed nominations for that point. In the event the actual volumes received by Stingray do not equal the confirmed nominations for that point, any underage or overage will be allocated as follows:
- (a) First, in accordance with the effective predetermined allocations (PDAs) submitted by those entities (Allocators) owning or controlling the Gas being delivered to Stingray. An operational balancing agreement (OBA) is one type of a PDA. Shipper agrees that such an allocation is binding on Shipper.
  - (b) Then, if there is no effective PDA, pro rata to the extent applicable based on confirmed nominations or transfer nominations, as applicable. Shipper agrees that such an allocation is binding on Shipper.
- 8.2 The upstream or downstream party providing the point confirmation should submit the PDA to the allocating party after or during confirmation and before the start of the Gas Day, except no other PDAs need be submitted if an OBA is in effect at a point. Unless otherwise agreed, all PDAs must be submitted to Stingray through the Interactive Internet Website or through EDI before the start of the Gas Day the PDA is to be effective. Such PDA shall specify how any underage or overage from the confirmed nominated volumes should be allocated among the entities listed on the PDA. Stingray shall acknowledge receipt and acceptance of the PDA via the Interactive Internet Website if received via the Interactive Internet Website or via EDI if received via EDI. Such notification of acknowledgment and acceptance will be within fifteen (15) minutes of receipt. Stingray's acceptance is contingent on Stingray being able to administer the allocation submitted by the Allocator. Allocation methodology types upon which two parties may agree are: ranked, pro rata, percentages, swing and operator provided value. Other examples of allocation methods which can be used are matching of supply sources with specified customers and combinations of methodology types. Different methods may be submitted for overages or underages. If the parties cannot agree, Section 8.1(b) shall apply.
- 8.3 A PDA will be effective as of the date specified thereon (which may not be earlier than the date on which the PDA is submitted to Stingray unless otherwise agreed) and will continue in effect through the end of the Month unless the Allocator submits a new PDA that is accepted by Stingray. PDAs may be submitted to Stingray on any Business Day or Days during the Month and should be submitted if necessary to reflect any changes in the Shippers or the allocation method at the point.

- 8.4 At a location which is not covered by an OBA, a Confirming Party should submit a Pre-determined Allocation (PDA) to the allocating party at a level that is based on the allocating party's business practice, but, in no event, will such PDA be at a lower level (more detailed) than that level of information exchanged between such parties during their confirmation process.
- 8.5 A Pre-determined Allocation (PDA) may not be used to allocate Gas to a nominatable transaction that was not identified in the nomination or confirmation process, as applicable, absent prior mutual agreement among the Confirming Parties and the party being allocated to in such transaction. In the event of a conflict between this standard and Stingray's existing tariff or general terms and conditions, the latter will prevail.
- 8.6 Allocators who should submit PDAs include the operator of the upstream facilities, the shippers or producers/owners of the Gas being delivered by the upstream entity, buyers of the Gas who are in turn selling the Gas at that point, and Shippers who are using more than one transportation Agreement at that point.
- 8.7 After the end of each Month, Stingray shall provide each Allocator who submits effective PDA(s) with a monthly allocation statement showing the volumes allocated in accordance with such PDA(s).
- 8.8 Stingray may rely conclusively on effective PDAs in allocating the Gas received at a point. No retroactive changes to the PDA may be made unless Stingray and all affected parties agree.

## GENERAL TERMS AND CONDITIONS

### 9. DETERMINATION OF DELIVERIES

#### 9.1 PREDETERMINED ALLOCATIONS

In accounting for the volumes delivered by Stingray, in circumstances where multiple services are provided at any Delivery Point, the sequence of volumes delivered shall be determined by a predetermined allocation agreement between Stingray and the operator of the facilities immediately downstream of the point at which Stingray delivers Gas. The upstream or downstream party providing the point confirmation should submit the PDA to the allocating party after or during confirmation and before the start of the Gas Day. Allocation methodology types upon which two parties may agree are: ranked, pro rata, percentages, swing and operator provided value. Other examples of allocation methods that can be used are combinations of methodology types. Different methods may be submitted for overages and underages. In the absence of such an agreement, Sections 9.2 and 9.3 shall control. Any new or proposed change to the methodology should be sent to Stingray before the start of the Gas Day on which the methodology is to be effective. Stingray shall confirm receipt of the methodology within fifteen (15) minutes via the Interactive Internet Website if received via the Interactive Internet Website or via EDI if received via EDI.

#### 9.2 DELIVERY SEQUENCE

Unless otherwise agreed, Gas at any Delivery Point shall be deemed to have been delivered in the following sequence:

- (a) Volumes scheduled under firm transportation Agreements consistent with confirmed nominations and within MDQ;
- (b) Volumes scheduled under interruptible transportation Agreements consistent with confirmed nominations and within MDQ;
- (c) Authorized Overrun Gas consistent with confirmed nominations;
- (d) Additional volumes shall be allocated pro rata based on confirmed nominations, but not to exceed the applicable MDQ, among ITS Agreements under which Shippers nominated that Day; and
- (e) Any remaining volumes shall be allocated as Unauthorized Overrun Gas pro rata based on confirmed nominations among ITS Agreements under which Shippers nominated that Day.

### 9.3 DEFICIENT VOLUMES

Any deficiency in takes from nominated or scheduled volumes shall, unless otherwise agreed, be identified to services by allocating volumes delivered in the sequence set out in Section 9.2. Volumes shall be allocated among Agreements within each class based on confirmed nominations.

## GENERAL TERMS AND CONDITIONS

### 10. OPERATIONAL FLOW ORDERS

#### 10.1 General

Each Shipper has the obligation to ensure actual volumes delivered to Stingray at Receipt Points and actual volumes taken from Stingray at Delivery Points conform to the volumes nominated by the Shipper and confirmed by Stingray each Day. Stingray shall have the right to issue operational flow orders (OFO) as specified in this section which require actions by one or more Shippers in order to alleviate conditions which threaten the integrity of Stingray's pipeline system, maintain pipeline operations at the pressures required to provide safe, efficient and reliable transportation service to all Shippers, and maintain Stingray's pipeline system in balance. Before issuing an OFO, Stingray will attempt to identify specific Shippers causing a problem and attempt to remedy those problems with those Shippers. If Stingray issues an OFO pursuant to this section, Stingray shall not be required to limit or suspend service to a Shipper(s) whose current use of Stingray's pipeline system does not aggravate the operating conditions on which the OFO is based regardless of the class of service utilized by that Shipper(s). Shipper's response to any specified Gas quantities provision contained in an OFO shall be subject to the provisions of Section 10.2 hereof to the extent that the actual quantities of Gas involved in Shipper's response to the OFO are greater than or less than the tolerances specified in the OFO.

#### 10.2 OFO Violation Charges

All quantities tendered to Stingray and/or taken by Shipper(s) on a daily basis in violation of Stingray's OFO shall constitute unauthorized receipts or deliveries for which a charge of \$15 per Dth shall be assessed and paid by Shipper(s).

#### 10.3 Exemptions:

Shippers will be exempt from penalties on imbalances pursuant to Section 11 herein that result from complying with an OFO. Shippers will be allowed to correct OFO created imbalances until the end of the Month following the Month in which any such imbalance occurs, based on the then current operations of Stingray's pipeline system. Upon an OFO becoming effective as specified in the OFO or as provided in this section 10.3, Shipper or operator of the facilities connecting with Stingray's facilities shall be permitted up to the time stated in the OFO, to make adjustments in compliance with the OFO. If Shipper complies with the provisions of the OFO within such notice period then no Violation Charge pursuant to this section shall be assessed.

10.4 Notices:

Stingray will post on Stingray's Internet Web Site its intention to place an OFO into effect and notify the affected Shipper(s) by electronic mail at least 24 hours prior to the implementation of the OFO; provided, however, that a shorter notice period may be given where action must be taken to protect the integrity of Stingray's pipeline system. Such posting and electronic mail shall (i) identify the parties subject to the OFO, (ii) the time the OFO will become effective, (iii) the estimated duration of the OFO (or, if unknown, that the OFO is indefinite). Where an OFO is made effective on less than 24 hours notice, Stingray will also provide prompt notice to the affected Shippers by phone and/or facsimile to the Shipper's pre-designated contacts, and provide an explanation with all relevant information specific to the individual situation to justify issuance of that particular OFO. Within a reasonable period of time following the conclusion of the OFO, Stingray will post a report on its Internet Web Site describing the conditions that required the issuance and termination of the OFO.

10.5 Conditions:

If in Stingray's judgment, impending operating conditions will cause the operating pressure at one or more Receipt or Delivery Points to exceed the maximum allowable operating pressure or a firm contract pressure, or the operating pressure at one or more Delivery Points to decrease below the firm contract pressure, Stingray may issue an OFO pursuant to this subsection requiring that all Shippers adjust the Gas quantities or adjust the nominations at the Receipt and Delivery Points under all transportation Service Agreements to be in balance (adjusted for Company Use Gas) effective the earliest opportunity that Shippers have in their control to affect Gas quantities at either Receipt Points or Delivery Points. Stingray shall use all available opportunities in its control to affect Gas quantities at either Receipt Points or Delivery Points in support of Shipper's actions pursuant to the OFO and to mitigate the adverse effects on Stingray's facilities.

- a) Stingray may issue, on a nondiscriminatory basis, such reasonable OFOs as may be required for the purposes set forth in Section 10.1.
- a) Compliance with the OFOs and the other terms and conditions of Stingray's FERC Gas Tariff is essential to Stingray's ability to provide deliveries and services under all Rate Schedules. A failure by one or more Shippers to comply with an OFO may affect Stingray's ability to provide such deliveries and services. In such event and in addition to other provisions hereof and not in lieu of any other remedies available in law or at equity, Stingray will, except to the extent Stingray's inability to provide such deliveries and services arose from Stingray's gross negligence, or undue discrimination or intentional or willful misconduct, have no liability or responsibility for its inability to provide deliveries and services, and Shipper(s) shall indemnify and hold Stingray harmless from any claims brought by a third party against Stingray arising from such failure, provided that neither party shall be liable to the other party, or its corporate parent, subsidiaries or affiliates or members, for any special, punitive, exemplary,

indirect or consequential damages (including, without limitation, loss of profits or business interruptions) ("Indirect Damages") incurred by said party arising from such failure, except to the extent such Indirect Damages arose from the other party's gross negligence, willful misconduct or bad faith.

10.6 Waiver:

In recognition of the fact that this Section 10 is intended to promote conscientious operations by the Shipper such that service to other Shippers is not impaired in any way, Stingray may waive any Violation Charges incurred by Shipper if Stingray determines, in its reasonable judgment, that Shipper was conducting its operations in a responsible manner at the time the Violation Charges were incurred and that Shipper's conduct did not impair service to another Shipper. Stingray must grant waivers under this section on a non-discriminatory basis, but the waiver of any Violation Charges shall not constitute an automatic waiver of any future Violation Charges. Stingray shall maintain a record of all waivers granted under this section and shall make such record available upon written request to the Commission and to any Shipper.

10.7 Crediting of Collected Charges to Compliant Shippers:

Stingray shall credit to Compliant Shippers any OFO Violation Charges and/or Unauthorized Overrun Charges collected net of cost Stingray incurs as a result of such OFO issuance. The net amount shall be credited among Compliant Shippers based on their allocated physical receipts during the Month the OFO was initially issued. The credit shall be reflected on the Shipper invoice issued two Months after the Month of collection. If direct costs exceed the charges collected, no crediting shall occur. A Compliant Shipper is any Shipper that was charged for transportation service under any applicable rate schedule but was not assessed any OFO Violation or Unauthorized Overrun Charges during the Month an OFO was initially issued.

## GENERAL TERMS AND CONDITIONS

### 11. IMBALANCES

#### 11.1 RESPONSIBILITY FOR BALANCING

In addition to delivering and receiving volumes of Gas in conformance with nominations, Shippers are responsible for conforming their takes at Delivery Points with their deliveries to Stingray at Receipt Points each Day. Stingray has no obligation to deliver for the account of a Shipper more volumes of Gas than Stingray has received for the account of the Shipper or to accept for the account of the Shipper more volumes of Gas than are being delivered for the account of the Shipper on any Day.

#### 11.2 NETTING AND TRADING OF MONTHLY IMBALANCES

At the end of each Month, to the extent the net receipts (with the appropriate deductions for Company Use Gas) do not equal the deliveries under an Agreement on a Dth basis, the following transportation fees and netting and trading procedures will apply:

- (a) A transportation charge under the applicable provision(s) on the Currently Effective Rates for Rate Schedules FTS, FTS-2 and ITS will be assessed for any positive imbalance remaining at the end of a Month.
- (b) Imbalances under a Shipper's different Agreements will be netted together to obtain the Shipper's Total Monthly Imbalance ("TMI"). The TMI will be shown with the monthly billings sent to Shippers. To facilitate the trading or offsetting of a Shipper's TMI, Stingray will post on its Internet Web Site, on or before the ninth Business Day of the Month, the TMI of any Shipper that has not notified Stingray in writing that the Shipper does not elect to have that information posted. Shippers or their agents may then trade offsetting imbalances with Shippers or their agents until the close of business on the seventeenth Business Day of the Month (Trading Period). Parties that agree to trade all or part of an imbalance must notify Stingray in writing on or before the seventeenth Business Day of the Month through submission of the Confirmation of Agreement to Trade Imbalances, a form found on the Internet Web Site; otherwise, such trade shall not be effective. Upon receipt of the Confirmation of Agreement to Trade Imbalances, Stingray will send an Imbalance Trade Notification to the trading parties by noon (Central Clock Time) the next Business Day. All or part of a Shipper's TMI may be offset, provided that a Shipper's TMI that is positive may not become negative, and vice versa. Any Shipper

imbalance remaining after the Trading Period will be cashed out as described in Section 11.3.

11.3 CASH-OUT PROCEDURES

- (a) Any imbalance remaining after the end of Trading Period will be cashed out on a tiered basis pursuant to the following schedule:

| IMBALANCE LEVEL            | POSITIVE<br>(Stingray pays Shipper) | NEGATIVE<br>(Shipper pays Stingray) |
|----------------------------|-------------------------------------|-------------------------------------|
| -----                      | -----                               | -----                               |
| 0% to 5%                   | 100% x AMIP                         | 100% x AMIP                         |
| Greater than<br>5% to 10%  | 90% x AMIP                          | 110% x AMIP                         |
| Greater than<br>10% to 15% | 80% x AMIP                          | 120% x AMIP                         |
| Greater than<br>15% to 20% | 70% x AMIP                          | 130% x AMIP                         |
| Greater than 20%           | 60% x AMIP                          | 140% x AMIP                         |

Notwithstanding the foregoing, any imbalances created during the time an Operational Flow Order has been issued to the benefit of the System that are remaining at the end of the Month will be separately cashed out at 100% of the AMIP.

- (b) Following any offsetting with other Shippers, a Shipper's remaining imbalance will be cashed out based on the percentage of that imbalance compared to the total receipts for that Shipper during the Month, per the above table. For example, if the total receipts were 1,000 Dth and the remaining negative imbalance after offsetting with other Shippers was 100 Dth, the total Imbalance Level would be 10%. The first 5% (50 Dth) would be cashed out at 100% of the AMIP and the remaining 50 Dth would be cashed out at 110% of the AMIP.

- (c) The following pipeline price indexes (each a "Price Index" and all the "Price Indices") reported in 'Spot Gas Prices Delivered to Pipelines' issued by "Natural Gas Intelligence" (NGI) will be used in calculating the cash out prices applicable for the Month:
- (1) ANR, LA.; and
  - (2) Tennessee, LA., 800 Leg.
- (d) For each Price Index listed in subsection (c) above, the Monthly Index Price (MIP) is the arithmetic average of the Weekly Index Prices (WIP) as published during the Month for that Price Index. The Average Monthly Index Price ("AMIP") is the arithmetic average of all of the MIPs for the Month among the Price Indices.
- (e) In calculating the AMIP, the WIPs will be based on the prices reported in the issue of NGI dated on or after Stingray's nomination deadline for first of the Month service for that Month, and the subsequent issues dated prior to Stingray's nomination deadline for the following Month's first of the Month service.
- (f) All monthly billings will reflect cash-outs of imbalances remaining at the end of the prior Month. Following the Trading Period for offsetting or trading imbalances, Shipper may offset the billed amount related to the traded or offset imbalances against the total billed amount for the Month or, if an amount is owed Shipper, Stingray may credit the amount owed on the billings for the next Month.
- (g) In the event NGI ceases to publish entirely or fails to publish any Price Index listed in subsection (c) above, the following procedures shall apply in determining a Month's AMIP:
- (1) Should, in any given week, NGI fail to publish any Price Index, the MIP for that Price Index will be determined using the remaining published WIPs for the Month.
  - (2) Should, in a given Month, there be less than two WIPs available for the MIP calculation for any Price Index, that Price Index shall be omitted from the calculation of the AMIP for the Month and considered not available.
  - (3) Should, in any given Month, there be less than two MIPs available, Stingray shall determine reasonably representative substitute

prices to be used for the AMIP, which prices shall be posted on the Internet Web Site.

- (4) If there are less than two MIPs available because the same Price Index is unavailable for two consecutive Months, Stingray may file for Commission approval of a substitute for such Price Index.

11.4 (Intentionally Omitted)

11.5 REFUND/USE OF CASH-OUT REVENUES IN EXCESS OF/LESS THAN COSTS

- (a) This Section of the General Terms and Conditions sets forth the procedures under which Stingray will refund, use or invoice, for each annual billing period, any difference between the revenues received by Stingray and the costs incurred by Stingray under the cash-out provisions of Stingray's firm and interruptible transportation Rate Schedules (including without limitation costs associated with Gas purchases/sales valued at the then-current market prices to account for imbalances under OBAs that require "in kind" reimbursement at later dates). For purposes of this Section 11, an annual billing period shall be the twelve (12) Month period commencing each December 1 and ending the following November 30 with the first such annual billing period commencing December 1, 1993 and ending November 30, 1994.
- (b) Subsequent to the end of each annual billing period, Stingray shall compare the revenues received and the costs incurred during the applicable annual period. If the revenues received exceed the costs incurred, then Stingray shall either (1) refund, within sixty (60) Days of the end of the annual billing period, the net overrecoveries to firm and interruptible transportation customers on a pro rata basis in accordance with the transportation revenues (exclusive of penalty revenues) Stingray received for the annual billing period or (2) use the net overrecoveries to reduce any amount owed to Stingray (or to add to any amount owed by Stingray) in the Company Use Gas account, with the AMIP for November of the annual billing period used as the Gas price for determining the quantity (in Dths) to be deducted from the amount of Gas owed to Stingray (or to be added to any amount owed by Stingray, as applicable). In no event will a Shipper's refund exceed the revenue level utilized to determine its pro rata share. If the revenues received are less than the costs incurred, then Stingray shall use the net underrecoveries to add to any amount owed to Stingray in the Company Use Gas account, with the AMIP for November of the annual billing period used as the Gas price for determining the quantity (in Dths) to be added to the amount of Gas owed to Stingray (or decrease the amount owed by Stingray, as applicable).

11.6 OPERATIONAL DATA VS. ACTUALS

In determining the cash-out under Section 11.3 above, Stingray will utilize the operational data posted on the Interactive Internet Website as of the end of the Month or the actual flow volumes (or, if actual flow volumes are not available at the time of billing, the reasonable estimates), whichever results in a lower cash-out tier.

11.7 PRIOR PERIOD ADJUSTMENTS

Any imbalances for a Month that are booked after the transportation for that Month has been billed as a result of receiving actual or corrected flow information will be cashed out at 100% of the AMIP in effect during the Month the imbalance occurred.

11.8 OPERATIONAL TRANSACTION

Stingray is not providing a supply service under any Rate Schedule of this Tariff. Without limitation of the foregoing, Stingray may buy, sell, borrow and/or tender Gas to the extent necessary to maintain System pressure, to implement the cash-out procedures under this Section 11 and to perform other functions in connection with providing transportation service. The point of any such operational transaction shall occur at Receipt Points or Delivery Points on a Shipper Agreement. Any such operational transactions that are sales shall be authorized pursuant to Stingray's blanket sales certificate. Nothing herein shall impose on Stingray any obligation to provide a supply function to any of its Shippers. Any operational transactions will have a lower priority than firm service.

## GENERAL TERMS AND CONDITIONS

### 12. UNAUTHORIZED DELIVERY OF GAS

#### 12.1 DEFINITION

"Unauthorized Gas" shall mean any volume of Gas delivered to Stingray that Stingray cannot identify as being delivered pursuant to a transportation nomination on behalf of an existing Shipper.

#### 12.2 APPLICABILITY NOTICE AND CLAIMS

All Unauthorized Gas shall be subject to this Section. Stingray shall give notice in writing to the owner/Shipper of the Unauthorized Gas (if known) and to the operator of the applicable supply point where the Unauthorized Gas was received, that said Unauthorized Gas is subject to these provisions and will be posted on the Internet Web Site. In addition, on the first Business Day following the fifteenth of each Month, Stingray shall post on the Internet Web Site the volume, date first received on Stingray's System, and point of receipt of any Unauthorized Gas received ("Notice"). The initial posting will remain on the Internet Web Site until a Valid Claim has been submitted or until at least ninety (90) Days after the initial posting of the Notice. In order to be a Valid Claim for purposes hereof, a claim must: (a) be provided to Stingray in writing; (b) identify the specific Unauthorized Gas delivered; (c) provide independent evidence of ownership of the Unauthorized Gas claimed; and (d) agree to indemnify Stingray fully with respect to any adverse claims to ownership of the Gas or to the proceeds resulting from the sale thereof. In addition, the Unauthorized Gas must be nominated to an effective transportation Agreement with Stingray that contains the Receipt Point at which Unauthorized Gas was received ("Valid Nomination") in order to prevent the accrual of further penalties under Section 12.3 hereof.

#### 12.3 TREATMENT OF UNAUTHORIZED GAS

- (a) If a Valid Claim and Valid Nomination are submitted within three (3) Business Days of the posting of the Notice, no penalty shall be assessed under this Section but the provisions contained within Section 10 of these General Terms and Conditions shall apply fully to such nominations and receipts.
- (b) If a Valid Claim and Valid Nomination are submitted after three (3) Business Days of the posting of the Notice but within sixty (60) Days of the posting of the Notice, Stingray shall assess a penalty of fifty cents (\$.50) per Dth upon

that Shipper transporting the Unauthorized Gas after nomination to a transportation Agreement with Stingray. This charge is in lieu of the provisions contained within Section 10 of these General Terms and Conditions.

- (c) If a Valid Claim and Valid Nomination are submitted after sixty (60) Days but within one hundred twenty (120) Days of the posting of the Notice, Stingray shall assess a penalty of one dollar (\$1.00) per Dth upon that Shipper transporting the Unauthorized Gas after nomination to a transportation Agreement with Stingray. This charge is in lieu of the provisions contained within Section 10 of these General Terms and Conditions.
- (d) If a Valid Claim and Valid Nomination are not submitted within one hundred twenty (120) Days of the Notice, Stingray shall retain the Gas without any payment. Such volume of Gas retained shall be applied toward Company Use Gas.

#### 12.4 TREATMENT OF PENALTY COLLECTIONS

Any penalties collected in accordance with Sections 12.3(b) and 12.3(c), net of cost, shall be credited to Non-Offending Shippers. The credit amount shall be allocated to Non-Offending Shippers based on their physical receipts during a Month any penalties were assessed under Sections 12.3(b) or 12.3(c). The credit shall be reflected on Shippers' invoices issued in the second Month following the Month of penalty collection. A Non-Offending Shipper is any Shipper that was charged for transportation service under any of Stingray's applicable rate schedules but was not assessed any penalties under Sections 12.3(b) or 12.3(c) during the Month.

## GENERAL TERMS AND CONDITIONS

### 13. STATEMENTS, BILLING, PAYMENT AND DISCOUNTING POLICY

#### 13.1 STATEMENT AND INVOICES

Stingray shall, on or before the ninth (9th) Business Day of each Month, render to Shipper a bill or bills for service under each applicable Rate Schedule during the preceding Month. Rendered is defined as postmarked, time-stamped, and delivered (made available) to the designated site. As used in this Section 13, "render" shall also mean the provision by Stingray of a time-stamped statement and/or invoice downloadable from its Interactive Internet Website unless the Shipper has elected to have invoices rendered via U.S. mail. Stingray shall provide email notification to Shipper's designated email address, when invoices and statements are finalized and rendered. Further, Stingray shall post a notice to its Interactive Internet Website when such documents are finalized. Invoices will be based on actuals (if available) or best available data. Quantities at points where OBAs exist will be invoiced based on scheduled quantities. Invoices will reflect a cash-out of imbalances existing at the end of the preceding Month and may be adjusted pursuant to Section 11.3(f) of these General Terms and Conditions.

#### 13.2 SHIPPER INFORMATION

If information is required from Shipper, or its designee, to actualize volumes or allocations, Shipper shall furnish the required information, or cause it to be furnished, to Stingray, on or before the tenth (10th) Day of each Month.

#### 13.3 IMBALANCE STATEMENT

Imbalance statements will be rendered prior to or with the invoice. Prior to or with the above-required invoice for billing, Stingray shall render the Gas imbalance statement which details in Dth the Gas received and delivered each Month at the Receipt and Delivery Point(s) based on the best information available.

#### 13.4 PAYMENT

Shipper shall pay to Stingray at the address indicated on the invoice or, if directed by Stingray, by wire transfer to a bank designated by Stingray, the amount due Stingray for services provided pursuant to an Agreement during the appropriate Month as reflected in the billing described above, within ten

(10) Days after the date of receipt of such billing. For purposes of this Section, the bill is deemed to be received by Shipper on the date rendered as defined by Section 13.1 above. The invoice number should be identified on all payments. Pursuant to NAESB Standard 3.3.17: Party making payment should submit supporting documentation; party receiving payment should apply payment per supporting documentation provided by the paying party; and if payment differs from invoiced amount, remittance detail should be provided with the payment except when payment is made by electronic funds transfer (EFT), in which case, the remittance detail is due within two Business Days of the payment due date.

Should Shipper fail to pay any undisputed portion of any bill as herein provided when such amount is due, interest on the unpaid portion of the bill shall accrue at the maximum allowable interest permitted under the Commission's Regulations. Stingray agrees to waive interest charges on a late payment if such charges are not in excess of \$100.00 or if Shipper, through no fault of its own, fails to receive its monthly invoice by the payment due date and promptly notifies Stingray of such failure. For any amount to be considered "disputed," Shipper must provide appropriate documentation supporting and identifying the basis for the dispute. If Shipper fails to make payment in accordance with this Section, Stingray may, in addition to any other remedy it may have under this Tariff or under commercial law: (a) suspend deliveries as provided in Section 3.11 of these General Terms and Conditions; and (b) offset such deficient payments against any payments, refunds or credits owed by Stingray to Shipper.

#### 13.5 ADJUSTMENT OF ERRORS

- (a) The time limitation for disputes of allocations should be six (6) Months from the date of the initial month-end allocation with a three (3) Month rebuttal period. This standard shall not apply in the case of deliberate omission or misrepresentation or mutual mistake of fact. Parties' other statutory or contractual rights shall not otherwise be diminished by this standard. Mutual agreement between parties, legal decisions, and regulatory guidance may be necessary to determine if the event qualifies for an extension of the above time periods
- (b) Prior period adjustment time limits should be six (6) Months from the date of the initial transportation invoice and seven (7) Months from date of initial sales invoice with a three (3) Month rebuttal period, excluding government required rate changes. This standard shall not apply in the case of deliberate omission or misrepresentation or mutual mistake of fact. Parties' other statutory or contractual rights shall not otherwise be diminished by

this standard. Mutual agreement between parties, legal decisions, and regulatory guidance may be necessary to determine if the event qualifies for an extension of the above time periods.

- (c) In no event will any changes be made after twenty-four (24) Months from the date of statements, billings or payment, based on actualized volumes, unless the parties mutually agree.
- (d) Any error discovered as a result of a timely claim shall be corrected within thirty (30) Days of the determination thereof. Parties' other statutory or contractual rights shall not otherwise be diminished by this standard.

#### 13.6 DISCOUNTING POLICY FOR RATES AND CHARGES

- (a) In the event that Stingray agrees to discount its rate to Shipper below Stingray's maximum rate under Stingray's Rate Schedules, the following discount terms may be reflected on the applicable Service Agreements and will apply without the discount constituting a material deviation from Stingray's applicable proforma Service Agreements; provided, however, that any such discounted rates set forth below shall be between the minimum and maximum rates applicable to the service provided under the applicable Rate Schedule. Stingray and Shipper may agree that a specified discounted rate will apply under the following conditions:
  - (i) to specified quantities under Shipper's Service Agreement(s);
  - (ii) to specified quantities above or below a certain level or all quantities if quantities exceed a certain level;
  - (iii) in a specified relationship to quantities actually transported (i.e., that the reservation charge will be adjusted in a specified relationship to quantities actually transported);;
  - (iv) in a specified relationship to quantities actually transported (i.e., that the reservation charge will be adjusted in a specified relationship to quantities actually transported);
  - (vi) to specified quantities during specified periods of time or during specified periods of the Year;

- (v) to specified quantities at specific Receipt Point(s) or Delivery Point(s);
- (vi) to production reserves committed or dedicated to Stingray; and/or
- (vii) that a specific discounted rate is based on published index prices for specific Receipt Point(s) and/or Delivery Point(s) or other agreed-upon published pricing reference points (such discounted rate may be based upon the differential between published prices or arrived at by formula). Any agreement containing such discounted rate shall specify the rate component(s) to be discounted (i.e., reservation charge or commodity charge or both), and any formula will provide a reservation rate per unit of contract demand (Maximum Daily Quantity).

To the extent the firm reservation charge is discounted, the index price differential rate formula shall be calculated to state a rate per Dth. Furthermore, such discount shall not change the underlying rate design of the service being provided or include any minimum bill or maximum take provision that would have the effect of guaranteeing revenue.

In addition, the discount agreement may include a provision that if one rate component which was at or below the applicable maximum rate at the time the discount agreement was executed subsequently exceeds the applicable maximum rate or is less than the applicable minimum rate due to a change in Stingray's maximum (minimum) rates so that such rate component must be adjusted downward (upward) to equal the new applicable maximum (minimum) rate, the other rate components may be adjusted upward (downward) to achieve the agreed overall rate, so long as none of the resulting rate components exceed the maximum rate or are less than the minimum rate applicable to that rate component. Such changes to rate components shall be applied prospectively, commencing with the date a Commission order accepts revised tariff records. Nothing contained herein shall be construed to alter a refund obligation under applicable law for any period during which rates which had been charged under a discount agreement exceeded rates which ultimately are found to be just and reasonable.

- (b) To the extent Stingray agrees to a discount of any reservation rates and reservation transition-cost surcharges for firm transportation service, the discount will be apportioned first to the base reservation rate, and second, if the discount is greater than such base reservation rate, to any applicable reservation transition-cost surcharge. To the extent Stingray agrees to discount any commodity rates and commodity transition-cost surcharges for

firm transportation service, the discount will be apportioned first to the base commodity rate, and second, if the discount is greater than such base commodity rate, to the commodity transition-cost surcharge. To the extent Stingray agrees to a discount of any commodity rates and commodity transition-cost surcharges for interruptible transportation service, the discount will be apportioned first to the base commodity rate, and second, if the discount is greater than such base commodity rate, to any applicable commodity transition-cost surcharge. Nothing herein will require Stingray to agree to any discount.

## GENERAL TERMS AND CONDITIONS

### 14. EVALUATION OF CREDIT

In evaluating requests for service and for certain other purposes under this Tariff, Stingray will perform a credit appraisal of Shipper.

- (a) Such a credit appraisal shall be performed in accordance with the following criteria:
- (1) Stingray may require Shipper to provide current financial statements, annual reports, 10-K or other reports to regulatory agencies, a list of corporate affiliates, parents or subsidiaries, or any reports from credit reporting agencies which are available. Stingray shall apply consistent evaluation practices to determine the acceptability of the Shipper's overall financial condition, working capital, and profitability trends.
  - (2) A bank reference and two trade references must be provided by Shipper. The results of reference checks must show that Shipper's obligations are being paid on a reasonably prompt basis.
  - (3) Shipper must not be operating under any chapter of the bankruptcy laws and must not be subject to liquidation or debt reduction procedures under state laws, such as an assignment for the benefit of creditors, or any informal creditors' committee agreement. An exception can be made for a Shipper who is a debtor in possession operating under Chapter XI of the Federal Bankruptcy Act but only with adequate assurances that billing hereunder will be paid promptly as a cost of administration under the federal court's jurisdiction.
  - (4) Shipper must not be subject to the uncertainty of pending litigation which could cause a substantial deterioration in its financial condition, which could cause a condition of insolvency, or which could jeopardize the ability of the Shipper to exist as an ongoing business entity.
  - (5) If Shipper has an ongoing business relationship with Stingray or any of its affiliates, no delinquent balances may be consistently outstanding for natural gas sales, storage or transportation services rendered previously to Shipper and Shipper must have paid its account during the past according to the established terms and not made deductions or withheld payment for claims, absent the posting of a surety bond pending resolution of the disputed amount, unless authorized by contract.
  - (6) No significant collection lawsuits or judgments are outstanding which would seriously reflect upon the business entity's ability to remain solvent.

- (b) If a Shipper fails to satisfy the credit criteria, Stingray will notify Shipper with an explanation of the reason why Shipper failed to satisfy the credit criteria.
- (c) A Shipper that fails to satisfy the credit criteria may still obtain service hereunder if it elects one of the following options:
  - (1) Payment in advance for three (3) Months' service;
  - (2) A standby irrevocable letter of credit drawn upon a bank acceptable to Stingray;
  - (3) Security interest in collateral provided by the Shipper found to be satisfactory to Stingray; or
  - (4) Guarantee by a person or another entity which does satisfy the credit appraisal.
- (c) Stingray's credit appraisal procedures involve the establishment of dollar credit limits on a standardized, nondiscriminatory basis. To the extent that a Shipper's accounts with Stingray do not exceed such limit, and Shipper has met all creditworthiness requirements as determined in periodic credit reviews by Stingray, which reviews may be conducted on at least an annual basis, no new credit appraisals shall be required when an existing Agreement is amended or a request for a new Agreement is made, provided that Shipper's payment history has been satisfactory and there is no bona fide basis for questioning Shipper's creditworthiness.
- (d) At any time after the Shipper is determined to be noncreditworthy by Stingray, the Shipper may initiate a creditworthiness re-evaluation. As part of the reevaluation request, the Shipper should either update or confirm in writing the prior information provided to Stingray related to the Shipper's creditworthiness. Such update should include any event(s) that the Shipper believes could lead to a material change in the Shipper's creditworthiness.
- (e) After a Transportation Service Provider's (TSP) receipt of Shipper's request for re-evaluation, including all required information pursuant to NAESB WGQ Standard 0.3.8 ("SR's Request"), within five (5) Business Days, Stingray should provide a written response to the Shipper's Request. Such written response should include either a determination of creditworthiness status, clearly stating the reason(s) for Stingray's decision, or an explanation supporting a future date by which a re-evaluation determination will be made. In no event should such re-evaluation determination exceed twenty (20) Business Days from the date of the receipt of the Shipper's Request unless specified in Stingray's tariff or if the parties mutually agree to some later date.

## GENERAL TERMS AND CONDITIONS

### 15. INFORMATION AND COMMUNICATIONS REGARDING SERVICES.

This Section describes the information Stingray will make available pursuant to Order Nos. 497 et al., and Order Nos. 636 et al. and the procedures through which the information will be made available.

#### 15.1 General

Stingray shall maintain an Internet Web Site for the purpose of providing its Shippers and third parties equal and timely access to Stingray's transportation log, and on information relevant to the availability of capacity on Stingray's System. Stingray shall also provide each Shipper access through its Interactive Internet Website to information related to activity under its agreement with Stingray, such as nominations, scheduled quantities, allocations and estimated imbalances as the information is confirmed. Furthermore, Stingray shall administer each Shipper's release of capacity as more particularly described in Section 16 hereof, through its Interactive Internet Website and shall provide to Shipper other interactive capabilities. All forms set forth or referenced in the Tariff will also be maintained on Stingray's Internet Web Site for Shipper's use.

#### 15.2 Submission of Information and Communications

Unless specifically provided otherwise in this Tariff, the generic provisions of this Tariff requiring that notices, requests, and other communications be in writing may be satisfied by Shipper through submission of such communications over Stingray's Interactive Internet Website. Transportation Service Agreement specific notices requiring communications to be in writing remain unchanged unless mutually agreed to otherwise by the parties. Submission of information and communications through Stingray's Interactive Internet Website shall be legally binding on Shipper and Stingray.

#### 15.3 Access to the Interactive Internet Website

- (a) A Shipper may communicate with Stingray via the Interactive Internet Website by:
  - (i) acquiring compatible PC capability;
  - (ii) executing the Interactive Internet Website Agreement with Stingray; and
  - (iii) receiving a user identification number for accessing the system.

## GENERAL TERMS AND CONDITIONS

### 16. CAPACITY RELEASE BY FIRM SHIPPERS

#### 16.1 GENERAL

- (a) Subject to the terms, conditions and limitations set forth in this Section 16, a Shipper holding capacity rights under an Eligible Firm Transportation Agreement shall have the right to release all or a portion of such capacity rights and, if a capacity release is effectuated under this Section 16, to receive a credit for reservation charge revenues received by Stingray from that other Shipper for such released capacity.
- (b) The capacity release timeline set forth in this Section 16 applies to all parties involved in the capacity release process provided that 1) all information provided by the parties to the transaction is valid and the Replacement Shipper (or Subreplacement Shipper, if applicable) has been determined to be creditworthy before the Qualified Bid is tendered, and 2) for index-based capacity release transactions, the Releasing Shipper has provided Stingray with sufficient instructions to evaluate the corresponding bid(s) according to the timeline, and 3) there are no special terms or conditions of the release.

Further, Stingray may complete the capacity release process on a different timeline if the Offer includes unfamiliar or unclear terms and conditions (e.g. designation of an index not supported by Stingray).

- (c) Following is a summary of the capacity release process and deadlines set forth in greater detail in the remainder of this Section 16:

NAESB Standard 5.3.2 (Version 1.5) states:

For biddable releases (1 Year or less):

- Offers should be tendered such that they can be posted by 9:00 a.m. on a Business Day.
- Open season ends at 10:00 a.m. on the same or a subsequent Business Day.
- Evaluation period begins at 10:00 a.m. during which any contingencies are eliminated, determination of best Bid is made,

and ties are broken.

- If no match is required, the evaluation period ends and the Award is posted by 11:00 a.m.
- Where match is required, the match is communicated by 11:00 a.m., the match response occurs by 11:30 a.m., and the Award is posted by 12:00 Noon.
- The contract is issued within one hour of the Award posting (with a new contract number, when applicable).
- Nomination is possible beginning at the next available nomination cycle for the effective date of the contract.

For biddable releases (More than 1 Year):

- Offers should be tendered such that they can be posted by 9:00 a.m. on a Business Day.
- Open season shall include no less than three 9:00 a.m. to 10:00 a.m. time periods on consecutive Business Days.
- Evaluation period begins at 10:00 a.m. during which any contingencies are eliminated, determination of best Bid is made, and ties are broken.
- If no match is required, the evaluation period ends and the Award is posted by 11:00 a.m.
- Where match is required, the match is communicated by 11:00 a.m., the match response occurs by 11:30 a.m., and the Award is posted by 12:00 Noon.
- The contract is issued within one hour of the Award posting (with a new contract number, when applicable).
- Nomination is possible beginning at the next available nomination cycle for the effective date of the contract.

For non-biddable releases:

- The posting of prearranged deals that are not subject to bid are due no later than one hour prior to the nomination deadline for the applicable cycle, pursuant to NAESB WGQ Standard No. 1.3.2.

The posting deadlines are:

- |   |                  |            |
|---|------------------|------------|
| - | Timely Cycle     | 12:00 Noon |
| - | Evening Cycle    | 5:00 p.m.  |
| - | Intraday 1 Cycle | 9:00 a.m.  |
| - | Intraday 2 Cycle | 1:30 p.m.  |
| - | Intraday 3 Cycle | 6:00 p.m.  |
- The contract is issued within one hour of the Award posting (with a new contract number, when applicable).

- Nomination is possible beginning at the next available nomination cycle for the effective date of the contract.

## 16.2 DEFINITIONS

### (a) BID VALUE

The value assigned to a Qualified Bid or a Prearranged Release according to the bid evaluation procedures set forth in Section 16.10 or, if applicable, the bid evaluation procedures set forth in the Capacity Release Request.

### (b) CAPACITY RELEASE REQUEST

The request that a Releasing Shipper submits to initiate the capacity release procedure under this Section 16.

### (c) ELIGIBLE FIRM TRANSPORTATION AGREEMENT

A transportation agreement under Rate Schedules FTS or FTS-2, except for FTS Agreements which the Shipper entered into pursuant to a release of capacity for which the Shipper is paying a volumetric rate rather than a fixed reservation charge.

### (d) MAXIMUM BID VOLUME

The maximum amount of capacity the Qualified Bidder agreed to accept in its Qualified Bid.

### (e) MINIMUM BID VOLUME

The minimum amount of capacity the Qualified Bidder agreed to accept in its Qualified Bid.

### (f) ORIGINAL SHIPPER

The entity who is the Shipper under an Eligible Firm Transportation Agreement (other than through a capacity release).

### (g) PREARRANGED RELEASE

The binding written release agreement between a Releasing Shipper and a Prearranged Shipper covering Eligible Firm Transportation Agreement capacity rights, the effectiveness of which is subject only to: (1) the prequalification of the Prearranged Shipper under Section 16.15; and (2)

the release of such capacity rights to the Prearranged Shipper as provided by this Section 16.

(h) PREARRANGED SHIPPER

A person or entity prequalified under Section 16.15 who has entered into a Prearranged Release with a Releasing Shipper for Eligible Firm Transportation Agreement capacity rights.

(i) QUALIFIED BID

A binding bid prequalified under Section 16.15 by a Qualified Bidder for capacity rights subject to a Capacity Release Request under this Section 16.

(j) QUALIFIED BIDDER

Any person or entity prequalified under Section 16.15 who bids for capacity rights being released under this Section 16.

(k) RELEASED TRANSPORTATION SERVICE CONTRACT

The agreement between Stingray and a Replacement Shipper or a Subreplacement Shipper by which the Replacement Shipper or Subreplacement Shipper indicates the desire to submit bids for capacity rights under an Eligible Firm Transportation Agreement released by a Releasing Shipper under this Section 16. Additionally, a Replacement Shipper or a Subreplacement Shipper further grants to Stingray its permission and approval to notify the Releasing Shipper, (even when such Releasing Shipper is an Energy Affiliate of Stingray) of certain credit-related issues pursuant to the General Terms and Conditions under Section 16.15 of the Stingray's Tariff.

(l) RELEASING SHIPPER

Any Shipper holding capacity rights under an Eligible Firm Transportation Agreement or Released Transportation Service Contract who has released or seeks to release such capacity rights pursuant to this Section 16.

(m) REPLACEMENT SHIPPER

A Shipper receiving capacity rights or seeking to receive capacity rights under an Eligible Firm Transportation Agreement pursuant to a direct release from an Original Shipper under this Section 16.

(n) SHORT-TERM PREARRANGED RELEASE

A Prearranged Release with a term of thirty-one (31) Days or less that is not for the maximum reservation charge.

(o) SUBREPLACEMENT SHIPPER

A Shipper receiving capacity rights or seeking to receive capacity rights released from an Eligible Firm Transportation Agreement by a Replacement Shipper or a Subreplacement Shipper under this Section 16.

(p) UNIT BID VALUE

The unit value per Dth assigned to a Qualified Bid or a Prearranged Release according to the bid evaluation procedures set forth in Section 16.10.

(q) WINNING BID VALUE

The highest possible total Bid Value achievable under Section 16.10 for the Capacity Release Request from the Qualified Bids consistent with the Capacity Release Request and this Section 16.

16.3 RELEASE WITHOUT A PREARRANGED SHIPPER

A Shipper seeking to release its Eligible Firm Transportation Agreement capacity rights without a Prearranged Shipper shall deliver a Capacity Release Request to Stingray's Interactive Internet Website or via EDI which sets forth:

- (a) The Releasing Shipper's legal name, address and phone number, the Eligible Firm Transportation Agreement number, the date of the Eligible Firm Transportation Agreement and the name and title of the individual responsible for authorizing the capacity release;
- (b) The quantity of the capacity (in Dth per Day) and the transportation path(s) [or segment(s) thereof] being released, including identification by Stingray's PIN Number (or Common Code) of the Receipt Points, Delivery Points, pooling point defining the release path/segment and the firm capacity to be released at each such point;
- (c) Whether the capacity being released is subject to recall and/or reput, and if so, the exact conditions for such recall and/or reput (which conditions must conform to Sections 16.5 and 16.14);
- (d) The proposed effective date and proposed term of the release;

- (e) Whether the Releasing Shipper wants Stingray to actively market the Releasing Shipper's capacity rights pursuant to Section 17 of these General Terms and Conditions;
- (f) Whether the Releasing Shipper will accept Qualified Bids which are contingent on subsequent events (such as the subsequent purchase of upstream or downstream capacity), and if so, what events and the last date by which such contingency must be fulfilled;
- (g) The starting date for the open season and the length of time for the open season (which must conform to Section 16.7);
- (h) Whether the Releasing Shipper will accept Qualified Bids whose revenues will vary by the volume transported, and if so, any minimum amount to be billed as a reservation charge even if there is no flow (or insufficient flow);
- (i) Which of the bid evaluation procedures set forth in Section 16.10 the Shipper wishes to use, if any;
- (j) The Releasing Shipper should specify which one of the following methods is acceptable for bidding on a given capacity release Offer: (Non-index based release) dollars and cents or (Non-index based release) percentage of maximum tariff rate or Index- based formula as detailed in the capacity release Offer; and
- (k) Any other applicable conditions (which must conform to Section 16.5), including any minimum price condition and whether the Releasing Shipper wishes to apply a bid evaluation procedure different than the bid evaluation procedure set forth in Section 16.10 for evaluating Qualified Bids for its capacity rights, and if so, all the factors to be used in evaluating Qualified Bids, including how its capacity rights are to be awarded in the event of a tie for the highest valued Qualified Bid and whether the Releasing Shipper has presubmitted a computer diskette for such bid evaluation procedure pursuant to Section 16.5(a).
- (l) The bids for the given capacity release Offer should adhere to the method specified by the Releasing Shipper.

#### 16.4 PREARRANGED RELEASE

Subject to Section 16.6, a Shipper seeking to release its Eligible Firm Transportation Agreement capacity rights to a Prearranged Shipper shall deliver a Capacity Release Request to Stingray's Interactive Internet Website or via EDI at Stingray's designated site for an open season.

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The Capacity Release Request shall set forth:

- (a) The Releasing Shipper's legal name, address and phone number, the Prearranged Shipper's legal name, address, phone number, and telefax number, the Eligible Firm Transportation Agreement number, the date of the Eligible Firm Transportation Agreement and the name and title of the individuals at the Releasing Shipper and the Prearranged Shipper responsible for authorizing the capacity release;
- (b) A statement that the Prearranged Shipper has agreed to be bound by a capacity award to the Prearranged Shipper under this Section 16 by Stingray. Such statement shall also set forth:

The quantity of the capacity (in Dth per Day) and the transportation path(s) [or segment(s) thereof] being released, including identification by Stingray's PIN Number (or common code) of the Receipt Points, Delivery Points, pooling point defining the released path/segment and the firm capacity to be released at each such point;

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- (1) The fixed reservation charge and/or volumetric charge the Prearranged Shipper has agreed to pay for the released capacity;
  - (2) Whether the capacity being released is subject to recall and/or reput in the Prearranged Release and, if so, the exact conditions of such recall and/or reput (which conditions must conform with Sections 16.5 and 16.14); and
  - (3) The proposed effective date of the Prearranged Release and the proposed term of the Prearranged Release.
  - (4) The Prearranged Shipper's Released Transportation Service Contract Number.
- (c) Whether the Releasing Shipper will accept Qualified Bids which are contingent on subsequent events (such as the purchase of upstream or downstream capacity), and if so, what events and the last date by which such contingency must be fulfilled;

- (d) Whether the Releasing Shipper will accept Qualified Bids with longer terms or larger volumes, and if so, what is the maximum volume and the longest term the Releasing Shipper will accept;
- (e) Whether the Releasing Shipper wants Stingray to actively market its capacity rights subject to the Prearranged Release pursuant to Section 17 of these General Terms and Conditions;
- (f) The starting date for and the length of time for the open season (which must conform to Section 16.7) and the length of time [consistent with Section 16.9(b)] for the Prearranged Shipper to be able to match a winning Qualified Bid;
- (g) Whether the Releasing Shipper will accept Qualified Bids whose revenues will vary by the volume transported, and if so, any minimum amount to be billed as a reservation charge even if there is no flow (or insufficient flow);
- (h) Which of the bid evaluation procedures set forth in Section 16.10 the Shipper wishes to use, if any;
- (i) The Releasing Shipper should specify which one of the following methods is acceptable for bidding on a given capacity release Offer: (for Non-index based releases) dollars and cents and/or (for Non-index based releases) percents of maximum tariff rate or Index-based formula as detailed in the capacity release Offer; and
- (j) Any other applicable conditions (which must conform with Section 16.5), including any minimum price condition and whether the Releasing Shipper wishes to apply a bid evaluation procedure different than the bid evaluation procedure set forth in Section 16.10 for evaluating Qualified Bids for its capacity rights, and if so, all the factors to be used in evaluating Qualified Bids, including how its capacity rights are to be awarded in the event of a tie for the highest valued Qualified Bid and whether the Releasing Shipper has presubmitted a computer diskette for such bid evaluation procedure pursuant to Section 16.5(a).

#### 16.5 CAPACITY RELEASE REQUIREMENTS

- (a) All terms and conditions relating to a release which is the subject of a Capacity Release Request: (1) must be nondiscriminatory and applicable to all potential bidders; (2) must be made available to Stingray for posting; (3) must relate solely to the details of acquiring or maintaining the transportation capacity rights on Stingray, which are the subject of the release; and (4) must not place any obligations or burdens on Stingray in addition to the terms and conditions applicable to a capacity release under

this Section 16 which are specified in Stingray's Tariff. Any bid evaluation procedure elected by a Releasing Shipper different from Stingray's bid evaluation procedure set forth in Sections 16.10(b) through 16.10(d) must be objective, nondiscriminatory in all circumstances and contain a complete description of the bid evaluation procedure for posting on Stingray's Interactive Internet Website. For index-based capacity release transactions, the Releasing Shipper should provide the necessary information and instructions to support the chosen methodology. Stingray may require the Releasing Shipper to submit a working computer program to Stingray in diskette form which is compatible with Stingray's Interactive Internet Website and which will enable Stingray to make such alternative bid evaluation entirely through Stingray's Interactive Internet Website, including prior to the time any alternative bid evaluation procedure is requested, if such bid evaluation procedure is not based on (1) highest rate; (2) net revenue; or (3) present value as determined in Sections 16.10(b)(1) through 16.10(b)(4) (collectively referred to as "Acceptable Alternative Bid Evaluation Procedure") and the remaining procedures set forth in Sections 16.10(c) and 16.10(d). If the Releasing Shipper elects a bid evaluation procedure that differs from Stingray's bid evaluation procedure or the Acceptable Alternative Bid Evaluation Procedure and the remaining procedures set forth in Sections 16.10(c) and 16.10(d), Stingray shall not be held to the subsequent deadlines set forth in this Section 16, but Stingray shall make a reasonable attempt to adhere to such deadlines. Stingray shall publish standards relating to such computer diskettes, but it is the responsibility of the Releasing Shipper to develop and provide the working computer diskette. The Releasing Shipper shall warrant that the computer diskette conforms to the bid evaluation procedure in the Capacity Release Request.

- (b) The term of any release of capacity sought under this Section 16 shall be at least one full Day and shall not exceed the remaining term of the Eligible Firm Transportation Agreement. No rate cap applies to releases of capacity for a period of one Year or less if the release is to take effect on or before one Year from the date on which the pipeline is notified of the release.
- (c) The quantity sought to be released under a Capacity Release Request shall not be less than the minimum quantity required for the Eligible Firm Transportation Agreement under Stingray's Tariff.
- (d) (1) For any given capacity under an Eligible Firm Transportation Agreement with an Original Shipper, unlimited segments can be created on Stingray's System by capacity release under this Section 16. No capacity release under this Section 16 shall result in an increase in the total capacity set forth in the Eligible Firm Transportation Agreement with the Original Shipper for any segment of a path covered by such

Eligible Firm Transportation Agreement. In the event a path is segmented by a capacity release under this Section 16, the upstream path segment shall receive all Interruptible Points upstream of the break point and the downstream path segment shall receive all Interruptible Points downstream of the break point. The direction of flow for path segments must be the same direction of flow for the original path. The Replacement Shipper may nominate service at Receipt and Delivery Points for the path segment that results in a reverse flow from the original path; however, a physical forward haul will be treated as being outside of the path if the original path is physically a backhaul, as provided in Section 3.5 of these General Terms and Conditions. The upstream and downstream path segments shall each have the pooling point, except that a pooling point which is an Interruptible Point under Stingray's Tariff and which is identified as the break point for the path segment release shall become the sole Delivery Point for the upstream capacity and the sole Receipt Point for the downstream capacity.

- (2) The commodity and reservation charges applicable to deliveries to and from newly created path endpoints that are the pooling point as a result of a path segment release shall be determined in accordance with Section 7 of these General Terms and Conditions.
  - (3) No Replacement Shipper or Subreplacement Shipper shall have the right to change the Firm Receipt or Delivery Points listed in the Eligible Firm Transportation Agreement, unless the Original Shipper and Stingray agree to amend the Eligible Firm Transportation Agreement to accordingly change the Firm Receipt and Delivery Points.
- (e) A Capacity Release Request may include the right by a Releasing Shipper to recall all or part of the capacity, and/or to repute all or part of the recalled capacity, at any time and from time to time. All recalls or reputs must be made in accordance with the other provisions of Stingray's Tariff, including Section 16.14 of these General Terms and Conditions.
- (f) (1) The Releasing Shipper may withdraw its posted Capacity Release Request during an open season under this Section 16 where unanticipated circumstances justify and no minimum bid has been received; following the close of the open season, a Releasing Shipper may not reject a winning Qualified Bid.
- (2) Offer should be binding until notice of withdrawal is received by Stingray on its Customer Activities Web site.

- (3) Notice of a withdrawal of a Capacity Release Request must be delivered to Stingray's Interactive Internet Website or via EDI no later than the end of the open season for the Capacity Release Request.
- (g) A Replacement Shipper or Subreplacement Shipper may release the capacity under the provisions of this Section 16 (except as prohibited by the Federal Energy Regulatory Commission Regulations).
- (h) Any Capacity Release Request not in compliance with this Section 16.5 and the other provisions of Stingray's Tariff shall be null and void and, even if posted, may be removed from Stingray's Interactive Internet Website by Stingray at any time.

#### 16.6 OPEN SEASON EXCEPTIONS

An open season is not required for: (a) a Prearranged Release for the maximum charge applicable to the capacity being released provided that, the release term is more than one Year; (b) a Short-term Prearranged Release (31 Days or less; (c) a release to an asset manager (AMA), as defined by FERC regulations at 18 CFR 284.8; or (d) releases to a marketer participating in a state-regulated retail access program), as defined by FERC regulations at 18 CFR 284.8. A Capacity Release Request which is not subject to an open season need only contain the information required in Sections 16.4(a) and (b). Such Capacity Release Request must be delivered to Stingray's Interactive Internet Website or via EDI sufficiently in advance so that the release may become effective under Section 16.9 before the release transaction is to commence. With the exception of releases to an AMA or state-approved retail access program, a Releasing Shipper may not rollover, extend or in any way continue a Short-term Prearranged Release with the same Replacement or Subreplacement Shipper until twenty-eight (28) Days after the Short-term Prearranged Release has ended unless the Releasing Shipper complies with the Capacity Release Request provisions in Sections 16.3 and 16.4.

#### 16.7 POSTINGS; OPEN SEASON

- (a) A Capacity Release Request received by Stingray via EDI (which is applicable only for Prearranged Capacity Release) or through the Interactive Internet Website prior to the starting time of the open season requested by the Releasing Shipper in its Capacity Release Request in conformance with this Section 16 shall be posted on Stingray's Interactive Internet Website as requested. The posting shall contain the information contained in the Capacity Release Request, including, at its option, the identification of the Releasing Shipper, except that the minimum price in any minimum price

condition requested to be held confidential by the Releasing Shipper (but not the existence of the minimum bid condition), shall be kept confidential and shall not be posted. The posting shall also include the maximum reservation charge (including any reservation surcharges) applicable to the capacity subject to the Capacity Release Request, the beginning and ending time for the open season and the time the notice was posted. Stingray shall post the Capacity Release Request upon receipt.

A Releasing Shipper may request a later posting time for posting of such Offer, and Stingray will support such request insofar as it comports with the standard Capacity Release timeline specified in NAESB WGQ Standard No. 5.3.2.

- (b) An open season shall consist of: (1) a one (1) hour period on a Business Day between 1:00 p.m. and 2:00 p.m. Central Clock Time or (2) any number (no fractions) of Days running from 1:00 p.m. Central Clock Time on a Business Day to 2:00 p.m. Central Clock Time on the following Business Day, as requested by the Releasing Shipper in its Capacity Release Request; provided, however, that any Capacity Release Request for a period of five (5) Months or longer must have an open season of at least three (3) Business Days, each Business Day running from 1:00 p.m. Central Clock Time on a Business Day to 2:00 p.m. Central Clock Time on the following Business Day.
- (c) A Releasing Shipper may not specify an extension of the original bid period or the pre-arranged deal match period, without posting a new release.

#### 16.8 QUALIFIED BIDS FOR RELEASED CAPACITY RIGHTS

- (a) At any time during an open season, a Qualified Bidder may submit a Qualified Bid to Stingray's Interactive Internet Website (or in writing for posting on Stingray's Interactive Internet Website if Stingray's Interactive Internet Website is unavailable for receiving Qualified Bids) seeking released capacity rights under a Capacity Release Request. In addition to being prequalified for credit pursuant to Section 16.15, each Qualified Bid must include the following:

- (1) The Qualified Bidder's legal name, address, phone number, telefax number, Released Transportation Service Contract Number, the name and title of the individual responsible for authorizing the Qualified Bid and identification of the capacity rights for which the Qualified Bid is made;
  - (2) The term for the purchase;
  - (3) A Minimum Bid Volume and a Maximum Bid Volume (in Dth per Day);
  - (4) The fixed reservation charge and/or volumetric charge that the Qualified Bidder agrees to pay for the capacity (and if a volumetric charge, any minimum amount to be billed as a reservation charge, which must be equal to or greater than any such amount designated by the Releasing Shipper);
  - (5) A statement that the Qualified Bidder agrees to all the terms and conditions of the Capacity Release Request, with only the modifications as expressly provided in its Qualified Bid, which modifications must be permitted by the Capacity Release Request and must conform with the requirements in Section 16. In the event that the Releasing Shipper has stated that Qualified Bid(s) may be contingent upon subsequent events and the Qualified Bidder submits such a contingent Qualified Bid, then the Qualified Bidder must state in full the nature of the condition and the last date by which the Qualified Bid is null and void if the contingency does not occur; and
  - (6) Agreement that the Qualified Bidder is bound by the terms and conditions of the capacity award by Stingray pursuant to this Section 16 to the Qualified Bidder, including Stingray's standard form of Agreement covering the Rate Schedule applicable to the released capacity and the terms and conditions of the Qualified Bid and the Capacity Release Request, in accordance with Stingray's Tariff.
- (b) The volume in a Qualified Bid may not be less than the minimum volume required for an Eligible Firm Transportation Agreement under Stingray's Tariff. Neither the volume nor the release term specified in a Qualified Bid may exceed the maximum volume or term specified in a Capacity Release Request, unless the Capacity Release Request specifically allows otherwise. A Qualified Bidder must accept all the terms and conditions of a Capacity

Release Request submitted under Section 16.4 (involving a Prearranged Release) except for the level of the reservation charge and the MDQ, unless the Capacity Release Request specifically allows otherwise.

- (c) Pursuant to Section 284.8(i) of the Commission's regulations, for releases with a term of one Year or less, a Qualified Bidder may bid rates which would exceed Stingray's maximum rate applicable to the Eligible Firm Transportation Agreement capacity. For releases with terms of more than one Year, a Qualified Bidder may not bid rates which would exceed Stingray's maximum reservation charge applicable to the Eligible Firm Transportation Agreement capacity. If the original Shipper is paying a Negotiated Rate or a rate under a Negotiated Rate Formula pursuant to Section 34 of these General Terms and Conditions, a Qualified Bidder may not bid a rate which exceeds the applicable Recourse Rate except as permitted by the Commission's regulations at Section 284.8(i) and Section 16.7(c) hereof for releases with a term of one Year or less. A Qualified Bid may state a dollar amount or a percentage of Stingray's maximum reservation rate, unless the Releasing Shipper has specified that the bid must specify one or the other, in which case, the Qualified Bid must comport with the Releasing Shipper's choice. A bid at a rate equal to Stingray's maximum reservation rate shall be a bid for Stingray's maximum reservation rate as such rate may increase or decrease from time to time in the future. The maximum Qualified Bid reservation charge includes all demand surcharges, including all direct-billed charges and Order No. 636 transition costs which are or may become applicable to the Eligible Firm Transportation Agreement capacity.
- (d) All Qualified Bids shall provide for payment of maximum commodity charges under Stingray's Tariff for the capacity bid, as well as all other applicable add-on charges and surcharges under Stingray's Tariff, such as, but not limited to, ACA, Company Use Gas and the Event Surcharge, and any FERC Order No. 636 commodity-based transition cost recovery surcharge, unless Stingray agrees in writing otherwise.
- (e) A Qualified Bid received by Stingray during an open season shall be posted by Stingray on its Interactive Internet Website upon receipt, without the name of the Qualified Bidder. A Qualified Bid may be withdrawn by the Qualified Bidder prior to the close of the open season, but may not be withdrawn thereafter. Following such withdrawal, the Qualified Bidder cannot bid for the same capacity during the open season at a lower rate.
- (f) All Qualified Bids must be consistent with all provisions of Stingray's Tariff. Any Qualified Bid inconsistent with Stingray's Tariff or the applicable Capacity Release Request shall be null and void.

16.9 AWARDING OF RELEASED CAPACITY; EFFECTIVE DATE; GAS NOMINATIONS

- (a) For a Prearranged Release for which no open season is required under Section 16.6 and which is received by 9:00 a.m. Central Clock Time on a Business Day, Stingray shall award the capacity to the Prearranged Shipper by 10:00 a.m. Central Clock Time on such Business Day on which Stingray received the Prearranged Release, provided that all applicable provisions of this Section 16 have been complied with.
- (b) As to any other Prearranged Release, in the event there was no winning Qualified Bid(s) with a higher total Bid Value than the Prearranged Shipper's Bid Value, Stingray shall notify the Prearranged Shipper by 3:00 p.m. Central Clock Time following the end of the open season. If, during an open season, the winning Qualified Bid(s) have a higher total Bid Value than the Bid Value of the Prearranged Release under the bid evaluation procedure selected by the Releasing Shipper, then, by 3:00 p.m. Central Clock Time following the conclusion of the open season, Stingray shall notify the Prearranged Shipper of the terms and conditions of the winning Qualified Bid(s), except for any identification of the Qualified Bidder(s). The Prearranged Shipper may elect to match any or all of such winning Qualified Bid(s), but may not elect to match only a portion of a winning Qualified Bid. Such election shall consist of the Prearranged Shipper submitting notice to Stingray of its unconditional agreement to the terms and conditions of one or more of such winning Qualified Bid(s) in writing or electronic means by 4:00 p.m. Central Clock Time on the Business Day on which Stingray gave notice to the Prearranged Shipper of such winning Qualified Bid(s) (or such later time as requested by the Releasing Shipper in its Capacity Release Request). In the event of a timely match, then the Prearranged Shipper shall be awarded the released capacity by 5:00 p.m. Central Clock Time on that Business Day. To the extent that the Prearranged Shipper fails to timely match (within the above time frame) the winning Qualified Bid(s) with a higher Bid Value, then the Qualified Bidder(s) who made the winning Qualified Bid shall be awarded the capacity by 5:00 p.m. Central Clock Time on the Business Day of Stingray's notice to the Prearranged Shipper.
- (c) For any other Capacity Release Request, the capacity rights shall be automatically awarded to the winning Qualified Bidder(s) when Stingray has identified the entity(s) to receive the released capacity under this Section 16.
- (d) A capacity release shall become effective, and nominations for Gas service utilizing the release capacity shall be accepted, at the latest of the following times:

- (1) The applicable nomination deadline set forth in Section 6.2 of these General Terms and Conditions for the start of service requested for such release in the Capacity Release Request; or
  - (2) The applicable nomination deadline set forth in Section 6.2 of these General Terms and Conditions on the Day following the capacity award.
- (e) Gas nominations for transportation pursuant to released capacity are subject to the provisions of Section 6 of these General Terms and Conditions. Gas nominations by a Shipper utilizing released capacity awarded by Stingray shall constitute Shipper's binding acceptance of the terms and conditions of the capacity award by Stingray pursuant to this Section 16, including Stingray's standard form of Agreement covering the Rate Schedule applicable to the released capacity and the terms and conditions of the Qualified Bid and the Capacity Release Request, in accordance with Stingray's Tariff.
- (f) Subject to the other provisions in this Section 16, in the event that there is no Qualified Bidder or Prearranged Shipper for posted Eligible Firm Transportation Agreement capacity during an open season, no capacity release will be awarded and the Releasing Shipper shall retain the capacity sought to be released.

#### 16.10 BID EVALUATION PROCEDURE

- (a) Unless specifically requested otherwise by a Releasing Shipper in its Capacity Release Request, Qualified Bids for released capacity shall be evaluated pursuant to Sections 16.10(b) through 16.10(g) below. Any Qualified Bid which does not meet a minimum price condition stated in the Capacity Release Request shall be rejected outright. Any Qualified Bid with a contingency must have such contingency eliminated before 3:00 p.m. Central Clock Time following the close of the open season, unless the Releasing Shipper's offer has specified a later time; otherwise, such Qualified Bid will be rejected.
- (b) Stingray shall calculate a Bid Value and Unit Bid Value for each Qualified Bid and Prearranged Release (if any), and shall calculate the Winning Bid Value, as follows:
- (1) For each Month, the volume and reservation charge per Dth stated in the Qualified Bid shall be multiplied together to derive a gross monthly revenue figure. If the Qualified Bids contain volumetric-based charges permitted by the Capacity Release Request, then the gross monthly revenue figure shall be equal to any minimum

amount designated by the bidder to be billed as a reservation charge even if there is no (or insufficient) flow.

- (2) Each gross monthly revenue figure shall be discounted to a net present value figure as of the first Day of the capacity release as sought in the Capacity Release Request, using the current Federal Energy Regulatory Commission interest rate as defined in 18 C.F.R. Section 154.67(c)(2)(iii)(A).
  - (3) The net present value figures for the proposed release shall be summed, and such sum shall be the Bid Value.
  - (4) The Unit Bid Value is defined to equal the Bid Value divided by the product of: (i) the highest volume of capacity (in Dth) sought in the Qualified Bid for any Day; multiplied by (ii) the release term (in Months) in the Capacity Release Request; and multiplied further by (iii) thirty and four-tenths (30.4).
- (c) The combination of Qualified Bid(s) with the highest possible total Bid Value (Winning Bid Value) for the capacity in the Capacity Release Request shall be the winning Qualified Bid(s). A Qualified Bid may be allocated less than its Maximum Bid Volume, but in no event shall the Qualified Bid be allocated less than its Minimum Bid Volume. It is recognized that this procedure is intended to result in the highest possible total Bid Value for the Releasing Shipper consistent with the Qualified Bids, and it is possible that a Qualified Bid with the highest individual Unit Bid Value may be rejected partially or in its entirety.
- (d) If there is more than one combination of Qualified Bids with a total Bid Value equal to the Winning Bid Value this Section 16.10(d) provides the procedure for selecting just one such combination, and thereby the winning Qualified Bid(s).

Subject to the provisions in Sections 16.10(d)(1), (2) and (3) below, the selection of winning Qualified Bid(s) among Qualified Bids (or combinations thereof) of equal Winning Bid Value is based on the following order of preference: (i) pro rata, if possible; (ii) preference for a Qualified Bid with the highest Maximum Bid Volume; (iii) preference for a Qualified Bid with the lowest Minimum Bid Volume; and (iv) first come, first served.

The specific Qualified Bid selection procedure is as follows:

- (1) Identify the Winning Bid Value. If there is only one Qualified Bid, or combination of Qualified Bids, which create the Winning Bid Value, such Qualified Bid(s) shall be awarded the released capacity.

- (2) In order to break ties, identify all Qualified Bids which, alone or in combination with other Qualified Bids, can create the Winning Bid Value. Rank order these Qualified Bids in order of their Unit Bid Value from highest to lowest. Allocate the Capacity Release Request capacity first to the Maximum Bid Volume of each Qualified Bid with the highest Unit Bid Value; allocate any remainder to the Maximum Bid Volume of each Qualified Bid with the next highest Unit Bid Value; and so forth. If, at any step, the available Capacity Release Request capacity is less than the combined Maximum Bid Volumes of Qualified Bids with equal Unit Bid Values, then the Capacity Release Request capacity shall be allocated on a pro rata basis to each Qualified Bid based on its Maximum Bid Volume. To the extent such a pro rata allocation would result in a capacity allocation to one or more Qualified Bid(s) below its Minimum Bid Volume, then such below-minimum Qualified Bids shall be discarded in their entirety and the Capacity Release Request capacity shall instead be allocated on a pro rata basis (based on the Maximum Bid Volume of each Qualified Bid) among the remaining Qualified Bid(s).
- (3) In the event that the previous Section 16.10(d)(2) pro rata allocation procedure does not result in a single winning combination of Qualified Bid(s) with the Winning Bid Value, then Section 16.10(d)(2) shall be disregarded and the winning Qualified Bid(s) shall be determined in the following manner:
  - (A) Identify the highest individual Maximum Bid Volume for a Qualified Bid which, alone or in combination with other Qualified Bid(s), can create the Winning Bid Value. Discard all Qualified Bid combinations which do not contain a Qualified Bid with such highest Maximum Bid Volume. Identify the highest volume which can be allocated to such Qualified Bid with such highest Maximum Bid Volume in the remaining combinations and still have the Winning Bid Value. Discard all combinations of Qualified Bid(s) which do not contain the highest such volume allocation. If this does not break the tie, then repeat the above procedure looking to the next highest Maximum Bid Volume, with the highest volume allocated thereto, within each remaining combination of Qualified Bid(s) with a Winning Bid Value; and so forth, until the tie is broken or all Qualified Bids in the remaining combinations are reviewed.

- (B) If the above does not break the tie, identify again the Qualified Bid within each remaining combination with the highest Maximum Bid Volume and the highest volume allocated to such Qualified Bid, and identify which such Qualified Bid has the lowest Minimum Bid Volume. Discard all combinations which do not contain such Qualified Bid. If this does not break the tie, repeat the above procedure looking to the next highest Maximum Bid Volume, with the lowest Minimum Bid Volume, within each remaining combination of Qualified Bid(s) with the Winning Bid Value; and so forth, until the tie is broken or all Qualified Bid(s) in the remaining combination are reviewed.
- (C) If the above does not break the tie, identify again the Qualified Bid within each remaining combination with the highest Maximum Bid Volume. The combination containing such Qualified Bid that Stingray's Interactive Internet Website shows was submitted and received earliest by the Interactive Internet Website (or if the Interactive Internet Website is not available and the Qualified Bid was submitted in writing, the time Stingray received the Qualified Bid) shall be the winning combination. The next highest Maximum Bid Volume within each remaining combination shall be used as necessary pursuant to the above first come, first served rule to break any remaining ties; and so forth as necessary to break any remaining ties.
- (4) In no event shall the combination of winning Qualified Bid(s) result in a total Bid Value less than the highest possible total Bid Value achievable from a combination of Qualified Bid(s) consistent with the Qualified Bids, the Capacity Release Request and this Section 16.
- (5) The Qualified Bid(s) allocated capacity under Sections 16.10(c) or 16.10(d) shall be winning Qualified Bid(s) to the extent of such capacity allocations.
- (6) Here are examples of the application of Section 16.10(d):

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EXAMPLE (1) Assume:

Capacity Release Request = 100,000/Day for 5 Years

Qualified Bids:

| Maximum Bid<br>Volume<br>----- | Term<br>----- | Unit Bid<br>Value<br>----- | Minimum<br>Bid Value<br>----- | Minimum<br>Bid Volume<br>----- |
|--------------------------------|---------------|----------------------------|-------------------------------|--------------------------------|
| Bid (a)                        | 20,000/Day    | 5 Years                    | \$.18                         | 0                              |
| Bid (b)                        | 10,000/Day    | 5 Years                    | \$.17                         | 0                              |
| Bid (c)                        | 85,000/Day    | 5 Years                    | \$.15                         | 0                              |

Winning Qualified Bids: There is only one combination of bids with the highest possible total Bid Value (Winning Bid Value). Therefore, Bid (a) receives its Maximum Bid Volume (20,000); Bid (b) receives its Maximum Bid Volume (10,000); Bid (c) receives 70,000.

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EXAMPLE (2) The assumptions remain the same as in Example (1), except that we assume that Bid (c) has a Minimum Bid Volume of 85,000.

Winning Qualified Bids: Again, there is only one combination of bids with the Winning Bid Value. Therefore, Bid (c) receives its Maximum Bid Volume (85,000) plus Bid (a) receives 15,000.

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EXAMPLE (3) The assumptions remain the same as in Example (1), except that we assume that Bid (a) has a Minimum Bid Volume of 20,000 and Bid (c) has a Minimum Bid Volume of 85,000.

Winning Qualified Bids: Again, there is only one combination of bids with the Winning Bid Value. Therefore, Bids (b) and (c) each receive their Maximum Bid Volumes. This combination leaves 5,000 unallocated, which stays with the Releasing Shipper.

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EXAMPLE (4) Assume:

Capacity Release Request = 100,000/Day for 5 Years

Qualified Bids:

|         | Maximum Bid<br>Volume<br>----- | Term<br>----- | Unit Bid<br>Value<br>----- | Minimum<br>Bid Volume<br>----- |
|---------|--------------------------------|---------------|----------------------------|--------------------------------|
| Bid (a) | 60,000/Day                     | 5 Years       | \$.18                      | 0                              |
| Bid (b) | 60,000/Day                     | 5 Years       | \$.18                      | 0                              |
| Bid (c) | 70,000/Day                     | 5 Years       | \$.18                      | 45,000                         |
| Bid (d) | 50,000/Day                     | 5 Years       | \$.18                      | 15,000                         |
| Bid (e) | 30,000/Day                     | 5 Years       | \$.18                      | 10,000                         |
| Bid (f) | 40,000/Day                     | 5 Years       | \$.17                      | 0                              |

Winning Qualified Bids: Bid (a) receives 30,000; Bid (b) receives 30,000; Bid (d) receives 25,000; and Bid (e) receives 15,000.

Explanation: There are many combinations of Bids (a), (b), (c), (d) and (e) with the same Winning Bid Value. Each Bid has the same Unit Bid Value. There is insufficient capacity being released to provide all the Maximum Bid Volumes for Bids (a), (b), (c), (d) and (e). Pursuant to Section 16.10(d)(2), a pro rata allocation is attempted. This would result in each bidder receiving 100/270 of its Maximum Bid Volume. In the case of Bid (c), Bid (c) would receive 70,000 (100/270) = 25,925 Dth. Since this figure is below Bid (c)'s Minimum Bid Volume of 45,000, Bid (c) must be discarded. Bids (a), (b), (d) and (e) are able to be allocated capacity based on a 100/270 pro rata factor. With Bid (c) discarded, the pro rata allocation factor is now 100/200 (i.e., one-half) so that Bids (a), (b), (d), and (e) each receive half of their Maximum Bid Volumes. Bid (c) receives zero (0) because its Minimum Bid Volume was too high for the initial pro rata allocation.

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EXAMPLE (5) Assume:

Capacity Release Request = 100,000/Day for 5 Years

Qualified Bids:

|         | Maximum Bid<br>Volume | Term    | Unit Bid<br>Value | Minimum<br>Bid Volume |
|---------|-----------------------|---------|-------------------|-----------------------|
| Bid (a) | 60,000/Day            | 5 Years | \$.18             | 60,000                |
| Bid (b) | 60,000/Day            | 5 Years | \$.18             | 50,000                |
| Bid (c) | 70,000/Day            | 5 Years | \$.18             | 65,000                |
| Bid (d) | 50,000/Day            | 5 Years | \$.18             | 15,000                |
| Bid (e) | 30,000/Day            | 5 Years | \$.18             | 10,000                |
| Bid (f) | 40,000/Day            | 5 Years | \$.17             | 0                     |

Winning Qualified Bids: Bid (c) receives 70,000. Bid (d) receives 30,000.

Explanation: Again, there are many combinations of Bids (a), (b), (c), (d) and (e) with the same Winning Bid Value. Pro rata allocation won't work, because each Bid would receive 100/270 of the capacity; only Bids (d) and (e) have low enough Minimum Bid Volumes for a pro rata allocation, and the sum of Bid (d)'s and Bid (e)'s Maximum Bid Volumes is less than 100,000. Under Section 16.10(d)(3)(A), we then look to the combinations of Bid(s) (a), (b), (c), (d) and (e) to identify the Bid with the highest Maximum Bid Volume. This is Bid (c). We allocate the highest volume to Bid (c) consistent with creating the Winning Bid Value, so 70,000 is allocated to (c). This leaves 30,000 to be allocated. Bids (a) and (b) have the next highest Maximum Bid Volume (60,000), but the Minimum Bid Volumes of Bids (a) and (b) are each too high to receive the remaining capacity. The next highest available Maximum Bid Volume is in Bid (d), which is allocated the remaining capacity of 30,000.

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EXAMPLE (6) The assumptions remain the same as in Example (5), except that we assume that Bids (c) and (d) were never made.

Winning Qualified Bids: Bid (b) receives 60,000. Bid (e) receives 30,000. Bid (f) receives 10,000.

Explanation: There are two combinations of Qualified Bids with the Winning Bid Value:

| Combination 1<br>----- | Combination 2<br>----- |
|------------------------|------------------------|
| Bid (a): 60,000        | Bid (b): 60,000        |
| Bid (e): 30,000        | Bid (e): 30,000        |
| Bid (f): 10,000        | Bid (f): 10,000        |

(Pro rata allocation pursuant to Section 16.10(d)(2) between Bids (a), (b) and (e) doesn't work, because only Bid (e) has a low enough Minimum Bid Volume to accept 100/150 capacity allocation and Bid (e) alone cannot create the Winning Bid Value). Under Section 16.10(d)(3)(A), we compare Combinations 1 and 2 for the highest individual Maximum Bid Volumes, and find them all equal. Under Section 16.10(d)(3)(B), the tie breaker goes to the Winning Bid Value combination containing the Qualified Bid having the highest Maximum Bid Volume and the lowest Minimum Bid Volume. In this case, Bid (b) has the same (highest) Maximum Bid Volume as Bid (a) but a lower Minimum Bid Volume. Therefore, Combination 2 wins.

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EXAMPLE (7) Assume:

Capacity Release Request = 100,000/Day for 5 Years

Qualified Bids (which were all received through the Interactive Internet Website):

|         | Maximum<br>Bid Volume<br>----- | Term<br>----- | Unit<br>Bid Value<br>----- | Minimum Bid<br>Volume<br>----- |
|---------|--------------------------------|---------------|----------------------------|--------------------------------|
| Bid (a) | 50,000/Day                     | 5 Years       | \$.18                      | 50,000                         |

|         |            |         |       |        |
|---------|------------|---------|-------|--------|
| Bid (b) | 50,000/Day | 5 Years | \$.18 | 50,000 |
| Bid (c) | 50,000/Day | 5 Years | \$.18 | 50,000 |

Winning Qualified Bids: The two Qualified Bids shown as received earliest by Stingray's Interactive Internet Website shall each receive their Maximum Bid Volume.

Explanation: Clearly, any two Bids in combination have the same Winning Bid Value. Since the Bids are completely inflexible and have equivalent Maximum Bid Volumes and equivalent Minimum Bid Volumes, only Section 16.10(d)(3)(C) can be used to break the tie. The tie breaker looks to the Qualified Bid(s) shown as received earliest on Stingray's Interactive Internet Website.

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- (e) In no event shall this Section 16.10 result in winning Qualified Bids with a total volume in excess of the capacity specified in the Capacity Release Request.
- (f) The bid evaluation procedure set forth in this Section 16.10 shall only consider Qualified Bids to the extent they provide for an objectively quantifiable payment by the Qualified Bidder. A Qualified Bid based on a percentage of Stingray's reservation charge shall be evaluated by Stingray based solely on the maximum reservation charge being charged by Stingray for such service as of the end of the open season.
- (g) If the Releasing Shipper selected a bid evaluation procedure which is different from the procedure set forth in this Section 16.10, which procedure must comply with Section 16.5, Stingray shall determine the winning Qualified Bid(s) pursuant to the Releasing Shipper's bid evaluation procedure in its Capacity Release Request and computer diskette (if any) submitted by the Releasing Shipper pursuant to Section 16.5(a).

16.11 CONFIRMATIONS; RELEASED FIRM TRANSPORTATION AGREEMENT

At the time the award of capacity under this Section 16 is posted, Stingray shall send the winning Qualified Bidder or the Prearranged Shipper confirmation of the capacity release awarded to such Qualified Bidder or Prearranged Shipper. Prior to Stingray awarding capacity on a Prearranged Release, the Prearranged Shipper shall confirm electronically the terms of the Prearranged Release.

16.12 COMPLETED TRANSACTIONS

By 5:00 p.m. Central Clock Time after capacity has been awarded, Stingray shall post on its Interactive Internet Website the name(s) of the winning Qualified Bidder(s), identification of the winning Qualified Bid(s) and any minimum bid conditions held confidential during the open season. The Releasing Shipper is

responsible for reviewing the Qualified Bids to ensure that the released capacity was correctly awarded. The Releasing Shipper shall notify Stingray of any error in the award of capacity within one Business Day after such posting on the Interactive Internet Website. In the event of an error, the capacity shall be reawarded by Stingray. As between Stingray and the Releasing Shipper, the Releasing Shipper shall indemnify and hold Stingray harmless as to any costs, damages or expenses relating to the bid evaluation procedure for which timely notice of an error was not provided to Stingray by the Releasing Shipper hereunder. Stingray shall correct an error in a timely fashion after receiving notice of such error from the Releasing Shipper or another person.

#### 16.13 BILLING

- (a) Stingray shall bill the Replacement Shippers and the Subreplacement Shippers the rate(s) specified in the Released Transportation Service Contract and any other applicable charges and each such Replacement Shipper and Subreplacement Shipper shall pay the billed amounts directly to Stingray. Stingray shall have the right to discount the commodity rates under the Released Transportation Service Contract. Stingray will support volumetric releases with volumetric commitments by fully accounting for volumetric and reservation components, consistent with the rules and regulations enunciated by the Federal Energy Regulatory Commission.
- (b) A Releasing Shipper shall be billed the reservation charge associated with the entire amount of released capacity pursuant to its contract rate, which includes all non-commodity based charges under Stingray's Tariff for such released capacity including but not limited to additional direct-bill charges and FERC Order No. 636 transition costs, with a concurrent conditional credit for payment of the reservation charge due from the Replacement or Subreplacement Shipper(s), as applicable, which received the released capacity. A Releasing Shipper shall also be billed a marketing fee, if applicable, pursuant to the provisions of Section 17 of these General Terms and Conditions. As to any capacity released by a Releasing Shipper, the Releasing Shipper shall not be billed or be responsible for: (1) commodity charges; (2) scheduling or Critical Time imbalance charges or cash-outs of imbalances; and (3) add-on charges and surcharges applicable to Stingray's commodity rates under Stingray's Tariff such as ACA, Company Use Gas, and the Event Surcharge which are incurred by a Replacement Shipper or Subreplacement Shipper which received the released capacity.
- (c) If a Replacement Shipper or Subreplacement Shipper does not make payment to Stingray of the reservation portion of the charges due as set forth in its Released Transportation Service Contract, Stingray shall bill the Releasing Shipper(s) from whom such Replacement or Subreplacement Shipper received the capacity for the amount(s) due, including all

applicable late charges authorized by Stingray's Tariff, and such amount shall be paid by such Releasing Shipper within ten (10) Days of the receipt of such billing, or interest shall continue to accrue. In the event that the Replacement or Subreplacement Shipper has not paid such amount(s) due by the end of such ten (10) Day period, then: (1) the Releasing Shipper has the right to recall the capacity; and (2) Stingray's rights against the delinquent Replacement/ Subreplacement Shipper shall be subrogated to the related rights of the Releasing Shipper. Stingray shall make a reasonable effort to collect from the Replacement/Subreplacement Shipper the amount(s) due. Such reasonable effort shall not include incurring costs from outside attorneys, collection agents or other third parties.

- (d) All payments received from a Replacement or Subreplacement Shipper shall first be applied to reservation charges, then to late charges on reservation charges, then to scheduling and Critical Time imbalance charges and cash-out amounts, then to late charges not on the reservation charges, and then last to commodity-based charges. Payments by Replacement or Subreplacement Shippers in excess of the total amount(s) due for the Released Transportation Service Contract capacity shall be a credit applied to any outstanding balance owed under any contract with Stingray, or a refund if requested in writing and no such outstanding balance exists.

#### 16.14 NOMINATIONS/SCHEDULING; RECALLS AND REPUTS

- (a) All Replacement and Subreplacement Shippers shall nominate and schedule Gas for service hereunder directly with Stingray in accordance with the applicable procedures set forth in Section 6 of these General Terms and Conditions. In order for any capacity recall or capacity reput to be effective, a Releasing Shipper must give prior notice of such recall or reput, pursuant to the Tariff and NAESB WGQ Standards incorporated by reference herein, to Stingray and to the Replacement Shipper or Subreplacement Shipper from which the capacity is recalled or to whom the capacity is reput.
- (b) The recall notification provided to Stingray should be expressed in terms of the total released capacity entitlement that is the subject of the recall. When capacity is recalled, it may not be reput for the same Gas Day.
- (c) For recalls, Releasing Shippers may, to the extent permitted as a condition of the capacity release, recall released capacity by providing prior notice to Stingray and Replacement Shipper and Subreplacement Shippers by the following times:

(i) Timely Recall Notification:

- (a) A Releasing Shipper recalling capacity should provide notice of such recall to Stingray and the first Replacement Shipper no later than 8:00 a.m. on the Day that Timely Nominations are due;
- (b) Stingray should provide notification of such recall to all affected Replacement Shippers no later than 9:00 a.m. on the Day that Timely Nominations are due;

(ii) Early Evening Recall Notification:

- (a) A Releasing Shipper recalling capacity should provide notice of such recall to Stingray and the first Replacement Shipper no later than 3:00 p.m. on the Day that Evening Nominations are due;
- (b) Stingray should provide notification of such recall to all affected Replacement Shippers no later than 4:00 p.m. on the Day that Evening Nominations are due;

(iii) Evening Recall Notification:

- (a) A Releasing Shipper recalling capacity should provide notice of such recall to Stingray and the first Replacement Shipper no later than 5:00 p.m. on the Day that Evening Nominations are due;
- (b) Stingray should provide notification of such recall to all affected Replacement Shippers no later than 6:00 p.m. on the Day that Evening Nominations are due;

(iv) Intraday 1 Recall Notification:

- (a) A Releasing Shipper recalling capacity should provide notice of such recall to Stingray and the first Replacement Shipper no later than 7:00 a.m. on the Day that Intraday 1 Nominations are due;
- (b) Stingray should provide notification of such recall to all affected Replacement Shippers no later than 8:00 a.m. on the Day that Intraday 1 Nominations are due; and

(v) Intraday 2 Recall Notification:

- (a) A Releasing Shipper recalling capacity should provide notice of such recall to Stingray and the first Replacement Shipper no later than 12:00 p.m. on the Day that Intraday 2 Nominations are due;
  - (b) Stingray should provide notification of such recall to all affected Replacement Shippers no later than 1:00 p.m. on the Day that Intraday 2 Nominations are due;
- (vi) Intraday 3 Recall Notification:
  - (a) A Releasing Shipper recalling capacity should provide notice of such recall to Stingray and the first Replacement Shipper no later than 4:00 p.m. on the day that Intraday 3 Nominations are due;
  - (b) The TSP should provide notification of such recall to all affected Replacement Shippers no later than 5:00 p.m. on the day that Intraday 3 Nominations are due.
- (e) All reputs shall be effective as of the start of a Day, must be for a term of at least one full Day (i.e., there are no partial Day reputs) and must be consistent with the procedures set forth in the Capacity Release Request and this Tariff. The deadline for notifying Stingray of a reput is 8:00 a.m. to allow for timely nominations to flow on the next Gas Day.
- (f) Recalls or reputs on non-Business Days: The Releasing Shipper recalling or reputting capacity on a non-Business Day must provide notice to Stingray and the first Replacement Shipper at least one hour prior to the notice deadline for the applicable nomination cycle provided for in this section. The notice to Stingray must be telephonic to Stingray's Gas Control Center (1-877-548-1800). Stingray should provide telephonic notification of such recall or reput to all affected Replacement Shippers by the applicable nomination cycle deadline.
- (g) In the event of a dispute between the Releasing Shipper and any other person as to the validity of any recall or reput, or the status of the holder of the capacity rights, Stingray shall be entitled to conclusively rely on any notice provided by the Releasing Shipper. The Original Shipper, Replacement Shipper and/or Subreplacement Shipper involved in any such dispute shall indemnify and hold Stingray harmless from any costs, damages or expenses relating to Stingray's reliance on such notice.

16.15 QUALIFICATION FOR PARTICIPATION IN THE CAPACITY RELEASE PROGRAM

- (a) Any person wishing to become a Qualified Bidder and make a Qualified Bid must satisfy the creditworthiness requirements in Section 14 of these General Terms and Conditions prior to submitting a Qualified Bid under this Section 16. A person cannot bid for services which exceed its pre-qualified level of credit-worthiness. Stingray shall process--and encourages-- applications from potential Qualified Bidders seeking prequalification for bids they may make in the future.
- (b) Credit applications shall be completed in full with all information required to establish creditworthiness under the credit criteria included in Section 14 of these General Terms and Conditions. Should a potential bidder fail to satisfy such credit criteria, the potential bidder may still become a Qualified Bidder by providing a prepayment, letter of credit, security interest or guarantee satisfactory to Stingray as further set forth in Section 14 of these General Terms and Conditions.
- (c) Based on Stingray's continuing review of a Shipper's financial records, Stingray shall have the right to amend a Shipper's line of credit and lower or increase the quantity and term.
- (d) Stingray's determination of a Shipper's creditworthiness is solely for Stingray's purposes under Stingray's Tariff and such determination is neither a representation nor a guarantee to a Releasing Shipper or any other entity as to the ability of a Replacement or Subreplacement Shipper to pay any outstanding amount under a Released Transportation Service Contract.
- (e) The Transportation Service Provider (TSP) should provide the original Releasing Shipper with Internet E-mail notification reasonably proximate in time with any of the following formal notices given by the TSP to the Releasing Shipper's Replacement Shipper(s), of the following:
  - (1) Notice to the Replacement Shipper regarding the Replacement Shipper's past due, deficiency, or default status pursuant to the TSP's tariff;
  - (2) Notice to the Replacement Shipper regarding the Replacement Shipper's suspension of service notice;
  - (3) Notice to the Replacement Shipper regarding the Replacement Shipper's contract termination notice due to default or credit-related issues; and

- (4) Notice to the Replacement Shipper that the Replacement Shipper(s) is no longer creditworthy and has not provided credit alternative(s) pursuant to the TSP's tariff.

#### 16.16 COMPLIANCE BY SHIPPER

By acquiring released capacity, a Shipper agrees that it will comply with all provisions of Stingray's Tariff and all applicable Commission orders, rules and regulations. Such Shipper also agrees to be responsible to Stingray for compliance with all applicable terms and conditions of Stingray's Tariff, as well as the terms and conditions of the Released Transportation Service Contract.

#### 16.17 OBLIGATIONS OF RELEASING SHIPPER

- (a) Subject to Section 16.17(c), the Releasing Shipper shall continue to be liable and responsible for all reservation charges associated with the released capacity up to the reservation charge specified in such Releasing Shipper's Agreement with Stingray. The Releasing Shipper agrees that the award of capacity to a Replacement Shipper or Subreplacement Shipper shall automatically reduce the Releasing Shipper's firm capacity rights under the Agreement with Stingray effective on the effective date of the release for the period of the release, except for any period that the firm capacity is recalled by the Releasing Shipper (if the successful bid so permits) until such capacity is reup to the Replacement or Subreplacement Shipper, in accordance with this Section 16.
- (b) A release by a Replacement Shipper shall not relieve the Original Shipper or the Replacement Shipper of their obligations under this Section 16.
- (c) In the event that a Released Transportation Service Contract covers the remaining term of the Eligible Firm Transportation Agreement at maximum rates, or higher if applicable pursuant to Section 16.7(c) hereof, then the Original Shipper may request in writing that the Original Shippers' rights and obligations under the Eligible Firm Transportation Agreement shall be prospectively assigned to, and be assumed by, the Replacement Shipper. Following such request, Stingray shall send the Original Shipper and Replacement Shipper an assignment agreement to so provide. In the event that the Original Shipper and the Replacement Shipper execute such assignment agreement, subject to the approval of Stingray's lenders if Stingray's loan agreement so requires, the Original Shipper shall be released from all liability under the Eligible Firm Transportation Agreement arising after such execution date.

#### 16.18 CONVERSIONS BETWEEN MONTHLY AND DAILY RESERVATION RATES

For less than maximum rate transactions only, converting daily rate to monthly rate is accomplished by multiplying the daily rate times number of Days in rate period, dividing the result by number of Months in rate period and taking the remainder out to five (5) decimal places and rounding up or down to Stingray's specified decimal place. Converting a monthly rate to a daily rate is accomplished by multiplying the monthly rate by number of Months in rate period, dividing the result by number of Days in rate period and taking the remainder out to five (5) decimal places and rounding up or down to Stingray's specified decimal place.

#### 16.19 OFFERS TO ACQUIRE FIRM CAPACITY

At a party's request, Stingray will post on its Internet Web Site Offers to purchase releasable firm capacity on a permanent or temporary basis. Each such Offer will remain on Stingray's Internet Web Site for a period of ninety (90) Business Days before it is removed, unless the requesting party notifies Stingray prior to the expiration of any ninety (90) Business Day period that it wishes to extend the posting for an additional five (5) Business Days. Such Offers may be tendered electronically to Stingray by using the links and instructions found under "Request to Purchase Capacity" on the Internet Web Site. These Offers must include, at a minimum, the following information:

- The party's name and contact information,
- The Quantity(ies) requested,
- The commencement date and term of service desired,
- Whether the party seeks firm capacity on a permanent or temporary basis
- Location information (receipt and delivery points),
- The price per Dth the party will pay for the firm Capacity,
- Other terms and conditions specified by the requesting party

All such parties must have met the Pre-qualified Bidder Requirements pursuant to Section 16.15 of the General Terms and Conditions of Stingray's FERC Gas Tariff.

## GENERAL TERMS AND CONDITIONS

### 17. MARKETING FEES

#### FEE FOR ACTIVE MARKETING

When a Releasing Shipper under Section 16 of these General Terms and Conditions requests that Stingray actively market capacity to be released, the Releasing Shipper and Stingray shall negotiate the terms of the marketing service to be provided by Stingray and the marketing fee to be charged therefor.

## GENERAL TERMS AND CONDITIONS

### 18. PRE-GRANTED ABANDONMENT, CONTRACT ROLLOVERS AND RIGHT OF FIRST REFUSAL

#### 18.1 GENERAL

Subject to Section 18.3, service performed by Stingray under Part 284 of the Commission's Regulations shall expire, and shall be automatically abandoned, upon contract termination under: (a) any FTS Agreement with a primary term of less than one (1) Year; and (b) any ITS Agreement regardless of term. Service under any FTS Agreement with a term of one (1) Year or greater shall expire, and shall be automatically abandoned, on contract termination unless service is continued pursuant to Sections 18.2 or 18.3.

#### 18.2 RIGHT OF FIRST REFUSAL

- (a) Any Shipper under an FTS Agreement with a term of one (1) Year or greater shall have the right to continue receiving service after the expiration of its existing Agreement if, pursuant to the Right of First Refusal procedures set forth in this Section 18.2, it matches the price and term offered for such service by any other bidder; provided, however, that (irrespective of the price offered by the existing Shipper or any bidder) Stingray shall not be required to provide service at a discount from its applicable maximum rate unless it otherwise agrees; and, provided further that if a bid is submitted for a Negotiated Rate or Negotiated Rate Formula under Section 34 of these General Terms and Conditions, the existing Shipper need match only the lesser of the value of the bid at the Negotiated Rate or Negotiated Rate Formula or the value of that bid utilizing the Recourse Rate in lieu of the Negotiated Rate or Negotiated Rate Formula consistent with said Section 34. A bidder may only submit a Negotiated Rate or Negotiated Rate Formula bid with the prior agreement of Stingray or if the existing Agreement contains a Negotiated Rate or Negotiated Rate Formula provision in the same rate form.
- (b) To exercise the Right of First Refusal, Shipper must provide Stingray with notice via Stingray's Interactive Internet Website of Shipper's intent to do so in a form specified by Stingray and must submit such notice on or before the later of: (i) six (6) Months prior to the expiration of the existing Agreement; or (ii) one (1) Month after receiving written notice from Stingray that the Shipper may utilize these Right of First Refusal procedures. Stingray shall advise Shipper in writing of the date by which such notice must be submitted at least three (3) Months prior to the last Day on which such notice can be made on a timely basis. The Shipper's notice must specify a desired term of service and the desired MDQ in total

and at each Receipt and Delivery Point. If the requested MDQ is greater than the existing MDQ in total and at each Receipt and Delivery Point, any such increase shall be treated as a request for new service under the applicable Rate Schedule and only the original MDQ shall be subject to the Right of First Refusal under this Section. The Right of First Refusal may apply to a portion of the original Shipper's then effective service. Any notice specifying a decrease in MDQ in total or at any point shall not affect the existing Agreement during its remaining term.

- (c) Within fifteen (15) Days after receipt of a notice under Section 18.2(b), Stingray shall post on its Internet Web Site an Announcement of Capacity Availability Subject to Right of First Refusal (Capacity Announcement) which shall: (1) specify the original Shipper's service rights; (2) indicate the availability of such service as of the date the existing Agreement expires, subject to the Right of First Refusal; (3) state the maximum rate applicable to such service; (4) set out any other information required by this Section; and (5) solicit bids for such service. Such Capacity Announcement shall be maintained, and bids accepted via the Interactive Internet Website, for a period of one (1) Month from the initial posting.
- (d)
  - (1) Within one (1) week after the end of the one Month period during which the Capacity Announcement is posted, Stingray shall convey to the original Shipper a term sheet for the best bid (based on price and term) which would qualify for such service in all respects (including meeting applicable credit criteria), which is a bona fide bid and which Stingray is willing to accept. Stingray may, but is not required to, accept any bid which reflects a discount from the applicable maximum rate. In assessing which is the best bid if more than one bid is received, Stingray shall apply the same criteria utilized to evaluate bids under the Capacity Release Program (except that contract terms in excess of five Years shall not increase the value of any bids). If a bid is received for a Negotiated Rate or Negotiated Rate Formula pursuant to Section 34 of these General Terms and Conditions which would result in a higher value for that bid than if the Recourse Rate was used, the value of the bid shall be assessed utilizing the Recourse Rate in lieu of the Negotiated Rate or Negotiated Rate Formula consistent with said Section 34.
  - (2) Stingray's term sheet shall contain any and all terms of the bid but shall not identify the bidder; provided, however, such bid sheet shall indicate if the best bid was submitted by an affiliate of Stingray. Except for the providing of such term sheet to the original Shipper, all terms and conditions of any bid and the identity of the bidder shall remain confidential; provided that the Commission may on request have access to such information on a confidential basis.

(3) The original Shipper shall have two (2) weeks to notify Stingray whether or not it desires to match the best bid. To match the best bid, the original Shipper must agree to a price (up to the applicable maximum rate or Recourse Rate) and a term (up to five (5) Years) which at least equals the bid on all or any portion of the service the original Shipper desires to retain; provided, however, that if the original Shipper seeks to retain only a portion of its MDQ, the analysis of whether the original Shipper has matched the best bid may take into account the MDQ requested under the best bid relative to the MDQ the original Shipper seeks to retain. The original Shipper may provide a counteroffer which contains either a higher price than the best bid or a longer term than the best bid to offset a shorter term or a lower price than that offered in the best bid. Stingray shall determine whether such a counteroffer constitutes a match, utilizing the same criteria as were applied to determine the best bid.

(e)(1) If the original Shipper matches the best bid that Stingray is willing to accept, it shall be entitled to continuation of service and shall be obligated to sign an Agreement tendered by Stingray which reflects the best bid or any counteroffer by the original Shipper which matches such best bid.

(2) If the existing Shipper fails to match the best bid, the existing Agreement shall terminate at the end of its term and service to the existing Shipper shall be automatically abandoned.

(3) Submission of a bid shall be binding on the bidder. The bidder submitting the best bid shall be obligated to sign an Agreement reflecting its bid if the original Shipper fails to match. Nothing herein shall preclude negotiation of a more acceptable Agreement by mutual consent of Stingray and such bidder; provided, however, that service may not be agreed upon under terms and conditions less favorable to Stingray than the best bid without providing the original Shipper an additional opportunity to match such revised terms and conditions.

(f) In the absence of a qualified bid, the rate (within applicable maximums and minimums) and the term shall be negotiated between Stingray and the Shipper. No discount or other special terms shall continue under a rollover Agreement unless Stingray and Shipper mutually agree. If no agreement is reached prior to the expiration of the existing Agreement, Shipper may require that Stingray enter into an Agreement to provide service at the applicable maximum rate for a term specified by Shipper and running from the date the existing Agreement expires. Unless Shipper so elects, service hereunder shall be terminated and automatically abandoned.

### 18.3 CONTRACTUAL ROLLOVERS

The term of service under any firm or interruptible transportation Agreement may be extended pursuant to a rollover or evergreen provision in such Agreement, which provision supersedes any otherwise applicable rollover or Right of First Refusal pursuant to this Section. In addition, the parties may subsequently negotiate rollover or evergreen provisions which differ from this Section. Stingray is not obligated to offer or agree to any such rollover or evergreen provisions; provided, however, that to the extent it offers or agrees to any such provision, it must do so on a non-discriminatory basis for similarly situated Shippers.

### 18.4 VALID REQUEST CRITERIA

Unless waived by Stingray, the requirements for a valid request under the applicable Rate Schedule (including the applicable credit analysis) apply to any rollover Agreement.

### 18.5 FURTHER ROLLOVER

Any Agreement entered into pursuant to this Section 18 shall be evaluated on a stand-alone basis hereunder for purposes of determining whether it, in turn, is eligible for the Right of First Refusal under this Section.

### 18.6 EXTENSION OF TRANSPORTATION AGREEMENTS

- (a) Stingray and Shipper may mutually agree to the early termination of one or more transportation agreements in exchange for Shipper's extension of the use of all or part of the underlying capacity under new terms. To the extent that Stingray and Shipper have mutually agreed to this arrangement, Shipper need not participate in an open season for the extension nor must the underlying capacity be posted on Stingray's Interactive Internet Website as unsubscribed, available capacity prior to the extension.
- (b) Prior to the expiration of the term of a transportation agreement, Stingray and Shipper may mutually agree to an extension of the term of the transportation agreement with respect to all or part of the underlying capacity (the exact terms of which are to be negotiated on a case-by-case basis in a not unduly discriminatory manner). If a transportation agreement has either a contractual or a regulatory right-of-first-refusal, the mutual agreement of the parties to extend the transportation agreement must be reached prior to the receipt of an acceptable bid submitted pursuant to the right-of-first-refusal procedures described in Section 18.2.
- (c) When a transportation agreement is subject to a regulatory right-of-first-refusal, or contains a contractual right-of-first-refusal, or a rollover clause,

the extension rights described in this Section 18.6 will apply to each portion of capacity that expires in increments (*i.e.*, on a step-down basis) during the term of the transportation agreement.

## GENERAL TERMS AND CONDITIONS

### 19. OPERATIONAL CONTROL

#### 19.1 GENERAL

- (a) Stingray shall endeavor to maintain adequate pressure throughout its System and to preserve the overall operational integrity of its System; provided, however, that Stingray shall not be obligated to buy or sell Gas or to install additional compression or otherwise modify its System for these purposes. Operating personnel for Shippers and other entities which are physically taking delivery of Gas from Stingray or tendering Gas to Stingray shall cooperate with Stingray in furtherance of this Section. Each Shipper shall designate one or more persons [but not more than two (2) primary and two (2) backup persons] for Stingray to contact on operating matters at any time, on a 24-hour a Day, 365 Day a Year basis, with their electronic mail addresses and telephone numbers including a cellphone number. Such contact persons must have adequate authority and expertise to deal with such operating matters. If Stingray cannot contact any Shipper because that Shipper has failed to designate a contact person or Shipper's contact person is unavailable or unsuitable, such Shipper shall be solely responsible for any consequences which could have been prevented by communication.
- (b) For the purpose of this Section 19, the overall operational integrity of Stingray's System shall encompass the integrity of the physical System and the preservation of physical assets and their performance (including the capability and deliverability of storage reservoirs), the overall operating performance of the entire physical System as an entity (or any portion thereof), and the maintenance (on a reliable and operationally sound basis) of total System deliverability and the quality of Gas delivered.

#### 19.2 STANDARDS

- (a) Stingray shall apply consistent and objective engineering and operational criteria to define the overall operational integrity of the System and acceptable pressure levels to be protected, to evaluate the imminent nature of any threat to these factors, and to determine what steps are necessary to preserve such factors. Such criteria may be changed from time to time as operating experience indicates.
- (b) In applying this Section, Stingray shall operate its System on a non-discriminatory manner, without regard to the source of supply, the identity or nature of any Shipper or the identity of any entity tendering or receiving Gas except as otherwise explicitly provided herein.

- (c) Stingray may request that Shippers periodically provide non-binding estimates of flow patterns, injections and withdrawals and other operating parameters.
- (d) Stingray may order operating or remedial curtailment or interruption at any time if in Stingray's judgment, capacity or operating conditions so require or it is desirable or necessary to make modifications, repairs or operating changes, the conduct of which will be affected thereby, upon such notice as is reasonable under the circumstances including posting on Stingray's Interactive Internet Website and electronic mail notice, and Shipper shall be required to comply with such order in the time specified by Stingray.
- (e) Capacity available during any curtailment or interruption shall be allocated consistent with the priorities set forth in Section 3 hereof.
- (f) Without regard to any other remedy provided by law or by the provisions hereof, Stingray shall be entitled to seek an order from the Commission or any other appropriate tribunal requiring compliance with curtailment or interruption ordered by Stingray in compliance with this Section 19 or any directive from any governmental authority having jurisdiction in the premises.

### 19.3 LIABILITY

Stingray shall not be liable to any person for the manner in which it operates its System or any other adverse consequences to such person which may result from Stingray's actions, provided that Stingray's actions were undertaken in furtherance of and in accordance with this Tariff; except to the extent such adverse consequences, including lost Gas supply, are attributable to Stingray's negligence or misfeasance.

### 19.4 COMMUNICATIONS

Information pursuant to this Section may be communicated by Stingray by any appropriate medium, including electronic mail, telephone or telecopier, and shall be confirmed via its Internet Web Site.

## GENERAL TERMS AND CONDITIONS

### 20. MEASUREMENT

- (a) Quantities delivered hereunder at each Point of Receipt and Point of Redelivery will be determined by either of Stingray or Shipper responsible for measurement at such point, as listed on Exhibit A of the Transportation Agreement. The Heating Value, specific gravity and supercompressibility (Mol percent of nitrogen and carbon dioxide) values of the Gas shall be determined at the beginning of receipt and redelivery and annually thereafter, or at more frequent intervals as may be found necessary in practice. Water content shall be determined at intervals as found necessary in practice.
- (b) Such measurement, both volumetric and thermal, shall be at a temperature of sixty degrees Fahrenheit (60 F.) and at a pressure of 14.73 psia, and on the basis of the methods prescribed and published by the American Gas Association in conjunction with the ANSI/API 2530 Report as now and any subsequent amendments thereof accepted and agreed upon between the parties if orifice meters are used, and in accordance with generally accepted industry practices, as mutually agreed upon, if positive or turbine meters are used. The Btu content (Dth) shall be determined by taking the arithmetic average of the Heating Value as recorded by recording calorimeter or other method of determination generally accepted in the industry. Flowing temperature shall be determined by a recording thermometer.
- (c) All measuring stations shall be acceptable to Stingray and Shipper and installed and operated to conform to recognized industry standards, using flange connections and, where necessary, pulsation dampening equipment. Auxiliary equipment shall be installed so as not to interfere with the measurement of either party. New installations or modifications to existing locations shall include EGM of a design acceptable to Stingray.
- (d) Either Stingray or Shipper may witness the installation or maintenance of other's equipment. Either Stingray or Shipper shall not be required to verify accuracy more often than once during any thirty (30) Day period. If, upon test, accuracy is found to be within 2% by volume (chromatograph/calorimeter within 0.5%), such equipment shall be assumed to be accurate. Any error exceeding these percentages will require correction to zero error of previous recordings back to the date error began. If beginning date of error is unknown, correction shall extend to one-half the time since the last test, not to exceed sixteen (16) Days.

Measurement data corrections should be processed within six (6) Months of the production Month with a three (3) Month rebuttal period. This standard shall not apply in the case of deliberate omission or misrepresentation or mutual mistake of fact. Parties' other statutory or contractual rights shall not otherwise be diminished by this standard. Mutual agreement between parties, legal decisions, and regulatory guidance may be necessary to determine if the event qualifies for an extension of the above time periods.

## GENERAL TERMS AND CONDITIONS

### 21. PRESSURE AND DELIVERY CONDITIONS

#### 21.1 RECEIPT POINT PRESSURE

Shipper shall deliver gas to Stingray at the pressure prevailing in Stingray's System at the Receipt Point, as such pressure may vary from time to time.

#### 21.2 DELIVERY POINT PRESSURE

Stingray shall deliver natural gas to Shipper at the Delivery Point at the pressure available in Stingray's pipeline at such point.

## GENERAL TERMS AND CONDITIONS

### 22. QUALITY OF GAS

#### 22.1 HEAT CONTENT

The Gas delivered at each of the points of receipt and delivery hereunder shall contain a Heating Value of not less than nine hundred seventy-five (975) Btus per cubic foot and not more than eleven hundred seventy-five (1,175) Btus per cubic foot at 14.73 psia dry.

#### 22.2 FREEDOM FROM OBJECTIONABLE MATTER

The Gas received and delivered:

- (a) Shall be merchantable Gas and shall be free of water and liquid hydrocarbons other than Liquids (as defined in Section 1.18);
- (b) Shall not contain more than one-quarter (1/4) grain of hydrogen sulfide and five (5) grains of total sulfur per one hundred (100) cubic feet of Gas;
- (c) Shall not contain oxygen;
- (d) Shall be delivered at a temperature of not less than forty degrees Fahrenheit (40°F) and not in excess of one hundred twenty degrees Fahrenheit (120°F);
- (e) Shall not contain more than three percent (3%) by volume of a combined total of carbon dioxide and nitrogen components; however, the Gas shall not contain more than two percent (2%) carbon dioxide by volume;
- (f) Shall not contain water vapor in excess of seven (7) pounds per million (1,000,000) cubic feet of Gas, measured at fourteen and seventy-three hundredths pounds per square inch absolute (14.73 psia) at a standard temperature of sixty degrees Fahrenheit (60°F);
- (g) Shall contain not more than a total of twenty-hundredths (0.20) gallons of isopentane, normal pentane, and heavier liquefiable hydrocarbons per 1000 cubic feet;
- (h) Shall not contain more than four hundred parts per million (400 ppm) of hydrogen;
- (i) Shall contain no carbon monoxide, halogens, or unsaturated hydrocarbons;

- (j) Shall be commercially free from dust, gum, gum-forming constituents, or other objectionable liquid or solid matter that might become separate from the Gas in Stingray's System under normal pipeline operating conditions; and
- (k) Shall not contain deleterious substances in concentrations that are hazardous to health, injurious to Stingray's System or adversely affect merchantability.

### 22.3 TOXIC AND HAZARDOUS SUBSTANCES

Shipper agrees to supply or cause its designee to supply to Stingray upon demand, at any time and from time to time, a sample of liquids removed from the Gas stream at any Receipt Point, whether removed by a coalescer or otherwise, for analysis at a laboratory of Stingray's choosing. If at any time PCBs or any other toxic substances or chemicals that Stingray deems hazardous and/or in any way unsafe for transportation are found in the liquid samples supplied to Stingray by Shipper, Stingray may in its sole discretion immediately cease the receipt of such Gas and any associated liquids through its facilities. Upon proof that such toxic or hazardous substances are no longer present at levels deemed unsafe by Stingray, Stingray shall restore service to Shipper at the affected Receipt Point.

### 22.4 NON-CONFORMING GAS

- (a) In the event that the Gas being received does not conform to the standards outlined above, Stingray reserves the right to restrict or refuse any volumes that are non-conforming or deficient.
- (b) Stingray, at its option, may agree on a not unduly discriminatory basis to accept Gas that differs from the quality specifications set forth above. The acceptance of non-conforming Gas shall not act as a continuing or future waiver of the quality specifications in this Section 22, nor require Stingray to receive Gas of similar non-conforming quality in the future. In the event Stingray does agree to accept Gas which differs from the quality specifications, Stingray will have the continuing right to notify Shipper that within a specific period of time, as determined in Stingray's discretion, all prospective volumes of Gas to be delivered must comply with the quality specifications set forth above or the provisions of Section 22.4(a) shall be applicable to all Gas delivered to Stingray which does not comply. Shipper shall be liable for and indemnify Stingray against and reimburse Stingray for all losses, damages and liabilities of any nature (including consequential damages) incurred by Stingray and arising from Shipper's delivery of Gas not in conformance with the above specifications.

### 22.5 PROCESSING RIGHTS

To the extent Shipper or any other Person elects not to exercise its rights, if any, to process Gas for the removal of liquids and liquefiable hydrocarbons, Stingray shall have the unqualified right to process or cause to be processed such Gas for the purpose of removing, among other things, liquids and liquefiable hydrocarbons and ownership of such liquids and liquefiable hydrocarbons shall be vested in Stingray so long as Stingray redelivers Thermally Equivalent Quantities of Gas to Shipper.

#### 22.6 GAS QUALITY POSTING

Stingray will provide on its Informational Postings Web Site a link to the Gas quality provisions in the Stingray tariff as well as the daily average Gas quality information for prior Gas Day(s), to the extent available, for location(s) that are representative of mainline Gas flow. The information available for the identified location(s) is provided in a tabular downloadable format. In any event, compliance with Gas quality requirements is in accordance with this tariff.

## GENERAL TERMS AND CONDITIONS

### 23. FORCE MAJEURE

In the event, to the extent, and for so long as either Stingray or Shipper is unable, by reason of Force Majeure, to carry out its obligations hereunder, in whole or in part, the obligations of either of Stingray or Shipper, other than to make payments due, shall be suspended, in whole or in part. "Force Majeure", as employed herein, shall mean any cause, whether of the kind herein enumerated or otherwise, not within the control of either of Stingray or Shipper claiming suspension, and which by the exercise of due diligence, either of Stingray or Shipper has been unable to prevent or overcome, including without limitation acts of God, the government, or a public enemy; strikes, lockouts, or other industrial disturbances; wars, blockades, or civil disturbances of any kind; epidemics, landslides, hurricanes, washouts, tornadoes, storms, fires, explosions, arrests, and restraints of governments or people; freezing of, breakage or accident to, or the necessity for making repairs or alterations to wells, machinery or lines of pipe; partial or entire failure of wells; and the inability of either Stingray or Shipper to acquire, or the delays on the part of either of Stingray or Shipper in acquiring, at reasonable cost and after the exercise of reasonable diligence: (a) any servitudes, rights of way grants, permits, or licenses; (b) any materials or supplies for the construction or maintenance of facilities; or (c) any permits or permissions from any governmental agency; if such are required to enable either of Stingray or Shipper to fulfill its obligations hereunder. Additionally, Stingray or Shipper shall be excused in whole or in part, from its performance, for inability to obtain transportation from or through third party pipelines, or as a result of supervening or fortuitous events or circumstance, whether or not foreseeable, or within the contemplation of Stingray and Shipper at the time that the transportation Agreement was entered into, which make performance of Stingray's obligations hereunder commercially impracticable. Either Stingray or Shipper claiming Force Majeure shall give to the other(s) notice and full particulars of such Force Majeure (x) in the case of Stingray, by a posting on Stingray's Interactive Internet Website and by sending an electronic mail to the affected Shippers and (y) in the case of Shipper, by sending an electronic mail to Stingray, as soon as reasonably possible after the occurrence of the case relied on, and shall remedy such inability to perform with all reasonable dispatch; provided, however, that such requirement or remedy shall not require the settlement of strikes or lockouts by accession to the demands of those opposing either of Stingray or Shipper when such course is inadvisable in the discretion of either of Stingray or Shipper.

## GENERAL TERMS AND CONDITIONS

### 24. POSSESSION OF GAS, TITLE AND RESPONSIBILITY

Shipper warrants that it will at the time of delivery to Stingray have good title to all gas so delivered free and clear of all liens, encumbrances and claims whatsoever. As between Shipper and Stingray, Shipper shall be deemed to be in control and possession of the gas and responsible for and hold Stingray harmless of and from any damage or injury caused thereby until it shall have been delivered to Stingray at the Receipt Point(s), after which Stingray shall be deemed to be in control and possession of such gas until its delivery to Shipper, or for Shipper's account at the Delivery Point(s) and while in such possession Stingray shall be responsible therefor and hold Shipper harmless of and from any damage or injury caused thereby. Stingray shall have no responsibility with respect to any gas on account of anything which may be done, happen or arise with respect to said gas until it is received by Stingray. Shipper shall have no responsibility with respect to said gas after its receipt by Stingray or on/account of anything which may be done, happen or arise with respect to said gas after such receipt until its delivery to Shipper, or for Shipper's account, at the Delivery Point(s). The point of the division of responsibility shall be the point of interconnection between the facilities of Stingray and Shipper, or their respective agents, at the Receipt or Delivery Point(s), as applicable. The foregoing provisions of this Section shall not relieve either party from responsibility for acts of gross negligence or willful misconduct of such party, its agents or employees.

## GENERAL TERMS AND CONDITIONS

### 25. NOTIFICATION

#### 25.1 GENERAL

Except as provided otherwise in this Tariff or the Agreement, operational and other communications may be made by a posting on Stingray's Interactive Internet Website and by electronic mail or other mutually agreeable means without subsequent written confirmation, unless written confirmation is requested by either party hereto. Any notice, request, demand, statement or other formal communication shall only be deemed given when delivered by first class, certified or registered U.S. mail, overnight delivery, courier, telefax, or electronic mail or postings on Stingray's Internet Web Site. Such delivery shall: (a) be sent to Stingray at the address specified in the Agreement, or through the Interactive Internet Website, or at an address otherwise stated in a notice by Stingray to Shipper; and (b) be sent to Shipper at the address in the Agreement pursuant to the Rate Schedule, through the Interactive Internet Website or at an address otherwise stated in a notice by Shipper to Stingray.

#### 25.2 NOTIFICATION PROCEDURES

##### (a) PRICING

- (1) The availability and pricing of services on Stingray's System is governed by this Tariff. From time to time, Stingray changes or updates its Tariff by filings with the FERC. Each Shipper is notified by Stingray of such filings and is provided a copy of each filing.
- (2) Telephone inquiries related to the availability or pricing of services are answered by representatives of Stingray and upon request, potential Shippers are provided copies of Stingray's Tariff filings.
- (3) Shippers desiring a rate under any Agreement other than the maximum rate on file with the FERC are required to submit such requests in writing or by electronic medium to the Vice President, Commercial Development, in Houston. Any lower rate agreed to by Stingray is evidenced in writing to such Shipper, and such rate is considered confidential until it is reported to the FERC as required by the Regulations. In order to attract or determine interest in the use of any particular service, representatives of Stingray from time to time contact Shippers by telephone. Such conversations are confidential and may or may not result in Shipper submitting a request for a discounted rate for a particular service.

(b) CAPACITY

- (1) Capacity available for firm service is communicated to requestors of that service under the provisions of the applicable firm Rate Schedule. The general availability of firm capacity is also communicated by Stingray's Internet Web Site which is described in Section 16 of these General Terms and Conditions.
- (2) Capacity available for interruptible services is communicated to holders of interruptible Agreements by representatives of Stingray in response to the Shippers' nominations for service under Stingray's service queue which is based on the rate paid. The nomination and confirmation procedure is detailed in Section 6 of these General Terms and Conditions and in the Transportation Handbook available as provided in subsection (c). The general availability of interruptible capacity is also communicated by Stingray's Internet Web Site, which is described in Section 16 of these General Terms and Conditions.
- (3) When available capacity is affected by construction projects or unforeseen conditions, Stingray communicates such information primarily via Internet Web Site postings to its Shippers. Stingray also uses letters or telephone calls to communicate capacity information when such means are appropriate.

## GENERAL TERMS AND CONDITIONS

### 26. FACILITIES/OBLIGATION TO CARRY OUT AGREEMENT/FILINGS

#### 26.1 FACILITIES

The nature of, and responsibility for, any facilities which must be acquired, modified or constructed to effectuate an Agreement are to be set out in a separate agreement between Stingray and Shipper or the operator of a point. To the extent that Shipper builds facilities to interconnect with Stingray's System, such facilities shall be in conformance with Department of Transportation regulations, and any other applicable governmental regulations, and shall be subject to inspection and prior approval by Stingray.

#### 26.2 OBLIGATIONS TO CARRY OUT AGREEMENT

Other provisions of an Agreement notwithstanding, Stingray shall be under no obligation to commence service thereunder unless and until: (a) all facilities, of whatever nature, as are required to permit (as applicable) the receipt, measurement, transportation and delivery of natural gas under the Agreement have been installed and are in operating condition; (b) any payments due Stingray thereunder have been received; and (c) Stingray has, in its reasonable discretion, determined that such service is authorized under all applicable Regulations.

#### 26.3 REGULATORY FILINGS

After the execution of an Agreement, each party shall make and diligently prosecute, any and all necessary filings with Federal or other governmental bodies, or both, as may be required for the initiation and continuation of the service which is the subject of an Agreement. Upon either party's request, the other party shall timely provide or cause to be provided to the requesting party such information and material not within the requesting party's control and/or possession that may be required for such filings. Each party shall promptly inform the other party of any changes in the representations made by such party herein and/or in the information provided pursuant to this Section. Each party shall promptly provide the other party with a copy of all filings, notice, approvals, and authorizations in the course of the prosecution of its filings.

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### 27. INDEMNIFICATION

#### 27.1 GENERAL

Shipper will indemnify and hold Stingray harmless from and against any and all suits, actions, causes of action, claims and demands arising from or out of any adverse claims by third parties claiming ownership of or an interest in the gas tendered under an Agreement. Stingray will indemnify and save Shipper harmless from and against any and all suits, actions, causes of action, claims and demands arising from or out of any adverse claims by third parties claiming ownership of or an interest in the gas delivered to Shipper, or for Shipper's account, under an Agreement.

#### 27.2 ELIGIBILITY FOR SERVICE

Shipper warrants that its requested service meets the requirement for service under the applicable Rate Schedule and these General Terms and Conditions and conforms to applicable Regulations of the FERC. Shipper further agrees to abide by the terms of the applicable Rate Schedule and these General Terms and Conditions. Shipper will indemnify Stingray and hold Stingray harmless from all suits, actions, damages, costs, losses, expenses (including reasonable attorney fees) and regulatory proceedings arising from its breach of this warranty. Shipper further agrees to indemnify Stingray and save Stingray harmless from any claims asserted by any person because of any curtailment or interruption of service which is consistent with the applicable Rate Schedule and these General Terms and Conditions. Shipper, however, shall have no obligation to indemnify Stingray for the results of any intentional or unintentional acts by Stingray that contravene the applicable Rate Schedule or these General Terms and Conditions, or for adverse consequences of Stingray's actions to the extent such consequences are the result of Stingray's negligence or misfeasance.

## GENERAL TERMS AND CONDITIONS

### 28. SUCCESSORS AND ASSIGNS

Any company which shall succeed by purchase, merger or consolidation to the properties, substantially as an entirety, of Shipper or Stingray shall be entitled to the rights and shall be subject to the obligations of its predecessor in title under the Agreement; provided, however, that Stingray reserves the right to evaluate and approve the creditworthiness of the new entity in accordance with the Evaluation of Credit section of these General Terms and Conditions. Except as provided in Section 2 of these General Terms and Conditions and in Section 19 of Rate Schedule FTS-2, no other assignment of an Agreement or any of the rights or obligations thereunder shall be made by Shipper unless there first shall have been obtained the written consent thereto of Stingray. Shipper or Stingray may pledge or assign their respective right, title and interest in and to and under the Agreement to a trustee or trustees, individual or corporate, as security for bonds or other obligations or securities without the necessity of such trustee or trustees becoming in any respect obligated to perform the obligations of the assignor under the Agreement and, if any such trustee be a corporation, without its being required to qualify to do business in any State in which performance of the Agreement may occur.

## GENERAL TERMS AND CONDITIONS

### 29. REGULATION

The operation of the provisions of this Tariff shall be subject to any and all governmental statutes and all lawful orders, rules, and regulations affecting the receipt, storage, transportation or delivery of gas hereunder or the equipment required in connection with such receipt, storage, transportation or delivery. It is understood that performance under any Agreement shall be subject to all valid laws, orders, rules and regulations of duly constituted governmental authorities having jurisdiction or control of the matter related hereto. Should either of the parties, by force of any such law, order, rule or regulation, at any time during the term of the Agreement be ordered or required to do any act inconsistent with the provisions thereof, then for that period only during which the requirements of such law, order, rule or regulation are applicable, the Agreement shall be deemed modified to conform with the requirement of such law, order, rule or regulation; provided, however, nothing herein shall alter, modify or otherwise affect the respective rights of the parties to cancel or terminate the Agreement under its the terms and conditions.

GENERAL TERMS AND CONDITIONS

30. MISCELLANEOUS

- (a) The transportation Agreement creates no rights in third parties.
- (b) Stingray may waive any rights hereunder or any obligations of Shipper as to any specific default that has already occurred, or case-by-case in advance as to any specific, temporary operation problem, on a basis which is not unduly discriminatory; provided that no waiver shall operate or be construed as a waiver of other or future rights or obligations, whether of a like or different character.
- (c) No waiver by either Shipper or Stingray of any one or more defaults by the other in performance of any of the provisions of the Agreement shall operate or be construed as a waiver of any other existing or future default or defaults, whether of a like or of a different character.

## GENERAL TERMS AND CONDITIONS

### 31. COMPLAINT PROCEDURE

It is the goal of Stingray, as a provider of transportation services for others, that each of its existing and potential shippers receive service that is in accordance with Stingray's Tariff and is fully satisfactory to the customer. To that end, it is the policy of Stingray that customer concerns and problems, communicated in any form to any representative of Stingray, be satisfactorily resolved as informally, as rapidly and at as low a level as is possible. If attempts to resolve problems and concerns through such normal communication channels are unsuccessful, the procedures set forth in Sections 31.3(a) through 31.3(e) should be followed.

- (a) Formal complaints by Shippers and potential shippers shall be addressed to the Vice President, Transportation Services, located in Houston, Texas. A complaint should contain as much specific information as is possible in order to facilitate the appropriate resolution of the matter. Anyone making a verbal complaint should specifically identify the communication as a complaint.
- (b) The Vice President, or his designee, shall acknowledge the receipt of the complaint within forty-eight (48) hours of receipt. If appropriate, Stingray's resolution of the matter will be communicated tentatively to the complainant at that time.
- (c) The Vice President, or his designee, shall communicate, as necessary, with others concerning the complaint and the formation of an appropriate response to it.
- (d) The timing and nature of subsequent communications with the complainant, including final resolution of the matter, shall be at the discretion of the Vice President. Every effort shall be made to resolve finally each complaint in writing within thirty (30) Days after the complaint was originally received. At a minimum, Stingray shall notify Shipper in writing of the status of the complaint within thirty (30) Days of its receipt.
- (e) The foregoing recognizes that individual complaints may vary greatly as to complexity and seriousness. For this reason, the informed judgment of the Vice President shall be relied upon in each instance for the necessary determinations concerning such things as: (1) the exact steps to be taken in addressing the complaint; (2) the need to involve more senior officers in the matter; and (3) the appropriate final resolution of the complaint.

## GENERAL TERMS AND CONDITIONS

### 32. ANNUAL CHARGES ADJUSTMENT CHARGE

#### 32.1 PURPOSE

This Section of the General Terms and Conditions is filed pursuant to Section 154.38(d)(6) and Subpart B of Part 382 of the Commission's Regulations under the Natural Gas Act (NGA) and the Natural Gas Policy Act of 1978. The intent and purpose of this Section is to establish an Annual Charges Adjustment (ACA) provision under which Stingray can recover from its customers annual charges assessed to it by the Commission pursuant to Part 382 of the Commission's Regulations (ACA Cost). All amounts assessed pursuant to Part 382 of the Commission's Regulations shall be recorded in Account 928. Stingray will not seek to recover annual charges assessed to it pursuant to Part 382 of the Commission's Regulations in an NGA Section 4 rate case. For the purpose of recovering annual charges assessed to Stingray pursuant to Part 382 of the Commission's Regulations, this Section establishes an ACA charge as set forth in the Currently Effective Rates section of this Tariff and as posted on the Commission's website at [www.ferc.gov](http://www.ferc.gov).

#### 32.2 APPLICABILITY

The ACA charge shall be applicable to all transportation transactions performed by Stingray.

#### 32.3 BASIS OF THE ACA CHARGE

The rates for all transactions specified in Section 32.2 hereof shall be adjusted by a unit charge to recover ACA Cost. Such unit charge shall be that increment, adjusted to Stingray's pressure base and Heating Value, if required, which has been established by the Commission. The ACA unit charge shall be applied to the commodity component of rates.

#### 32.4 INCORPORATION BY REFERENCE

Stingray incorporates by reference the Commission-authorized annual charge unit rate published on the Commission's website located at <http://www.ferc.gov>.

GENERAL TERMS AND CONDITIONS

33. NORTH AMERICAN ENERGY STANDARDS BOARD (NAESB) STANDARDS

Compliance with 18 CFR, Section 284.12

Stingray has adopted the Business Practices and Electronic Communications Standards, NAESB WGQ Version 4.0, and the standard revised by Minor Correction MC24002 marked with an asterisk [\*], which are required by the Commission in 18 CFR Section 284.12 (a), as indicated below. Standards without accompanying identification or notations are incorporated by reference. Standards that are not incorporated by reference are identified along with the tariff record in which they are located. Standards for which waivers or extensions of time have been granted are also identified.

**Standards not Incorporated by Reference and their Location in Tariff:**

Pursuant to NAESB’s Copyright Policy, Stingray may publish in its tariff, compliance filings, in communications with customers or stakeholders in conducting day to day business or in communications with regulatory agencies some or all of the language contained in NAESB standards protected by copyright, provided that Transporter includes appropriate citations in the submission.

| <u>NAESB Standard</u> | <u>Tariff record</u>                                | <u>Specific Section</u> |
|-----------------------|---|-------------------------|
| 0.3.8                 | GT&C Section 14., Evaluation of Credit              | 14(d)                   |
| 0.3.9                 | GT&C Section 14., Evaluation of Credit              | 14(e)                   |
| 1.2.4                 | GT&C Section 6., Nomination/Reporting and Balancing | 6.4                     |
| 1.2.12                | GT&C Section 6., Nomination/Reporting and Balancing | 6.6(c)(iii)             |
| 1.3.2 (i-vi)          | GT&C Section 6., Nomination/Reporting and Balancing | 6.2                     |
| 1.3.4                 | GT&C Section 6., Nomination/Reporting and Balancing | 6.1(a)                  |
| 1.3.5                 | GT&C Section 6., Nomination/Reporting and Balancing | 6.1                     |
| 1.3.6                 | GT&C Section 6., Nomination/Reporting and Balancing | 6.3(c)                  |
| 1.3.7                 | GT&C Section 6., Nomination/Reporting and Balancing | 6.1                     |
| 1.3.11                | GT&C Section 6., Nomination/Reporting and Balancing | 6.4(f)                  |
| 1.3.13                | GT&C Section 6., Nomination/Reporting and Balancing | 6.4(e)                  |
| 1.3.14                | GT&C Section 6., Nomination/Reporting and Balancing | 6.1(d)                  |
| 1.3.17                | GT&C Section 7., Pooling Point                      | 7.2                     |
| 1.3.18                | GT&C Section 7., Pooling Point                      | 7.2                     |
| 1.3.19                | GT&C Section 6., Nomination/Reporting and Balancing | 6.8                     |
| 1.3.21                | GT&C Section 6., Nomination/Reporting and Balancing | 6.1(c)                  |
| 1.3.22                | GT&C Section 6., Nomination/Reporting and Balancing | 6.6(c)                  |
| 1.3.23                | GT&C Section 6., Nomination/Reporting and Balancing | 6.12                    |
| 1.3.32                | GT&C Section 6., Nomination/Reporting and Balancing | 6.4(c)                  |
| 2.2.1                 | GT&C Section 1., Definitions                        | 1.                      |
| 2.2.4                 | GT&C Section 1., Definitions                        | 1.                      |
| 2.2.5                 | GT&C Section 1., Definitions                        | 1.                      |

|        |   |                  |
|--------|---|------------------|
| 2.3.3  | GT&C Section 8., Determination of Daily Receipts                      | 8.2              |
| 2.3.5  | GT&C Section 8., Determination of Daily Receipts                      | 8.2              |
|        | GT&C Section 9., Determination of Deliveries                          | 9.1              |
| 2.3.6  | GT&C Section 8., Determination of Daily Receipts                      | 8.2              |
|        | GT&C Section 9., Determination of Deliveries                          | 9.1              |
| 2.3.9  | GT&C Section 1., Definitions  | 1.               |
| 2.3.10 | GT&C Section 1., Definitions  | 1.               |
| 2.3.14 | GT&C Section 20., Measurement   | 20(d)            |
| 2.3.16 | GT&C Section 8., Determination of Daily Receipts                      | 8.2              |
|        | GT&C Section 9., Determination of Deliveries                          | 9.1              |
| 2.3.26 | GT&C Section 13., Statements, Billing, Payment and Discounting Policy | 13.5             |
| 2.3.28 | GT&C Section 13., Statements, Billing, Payment and Discounting Policy | 13.3             |
| 2.3.60 | GT&C Section 8., Determination of Daily Receipts                      | 8.4              |
| 2.3.61 | GT&C Section 8., Determination of Daily Receipts                      | 8.5              |
| 3.2.1  | GT&C Section 1., Definitions  | 1.               |
| 3.3.9  | GT&C Section 13., Statements, Billing, Payment and Discounting Policy | 13.1             |
| 3.3.14 | GT&C Section 13., Statements, Billing, Payment and Discounting Policy | 13.1             |
|        | GT&C Section 13., Statements, Billing, Payment and Discounting Policy | 13.3             |
| 3.3.15 | GT&C Section 13., Statements, Billing, Payment and Discounting Policy | 13.5(b)          |
| 3.3.17 | GT&C Section 13., Statements, Billing, Payment and Discounting Policy | 13.4             |
| 3.3.18 | GT&C Section 13., Statements, Billing, Payment and Discounting Policy | 13.4             |
| 3.3.19 | GT&C Section 13., Statements, Billing, Payment and Discounting Policy | 13.4             |
| 4.3.89 | GT&C Section 22., Quality of Gas                                      | 22.6             |
| 5.3.1  | GT&C Section 16., Capacity Release by Firm Shippers                   | 16.1(b)          |
| 5.3.2  | GT&C Section 16., Capacity Release by Firm Shippers                   | 16.1(c)          |
| 5.3.5  | GT&C Section 16., Capacity Release by Firm Shippers                   | 16.13(a)         |
| 5.3.11 | GT&C Section 16., Capacity Release by Firm Shippers                   | 16.11            |
| 5.3.14 | GT&C Section 16., Capacity Release by Firm Shippers                   | 16.5(f)(2)       |
| 5.3.15 | GT&C Section 16., Capacity Release by Firm Shippers                   | 16.8(e)          |
| 5.3.16 | GT&C Section 16., Capacity Release by Firm Shippers                   | 16.5(f)(1)       |
| 5.3.24 | GT&C Section 16., Capacity Release by Firm Shippers                   | 16.7(a)          |
| 5.3.25 | GT&C Section 16., Capacity Release by Firm Shippers                   | 16.7(c)          |
| 5.3.26 | GT&C Section 16., Capacity Release by Firm Shippers                   | 16.3(j); 16.3(l) |
|        | GT&C Section 16., Capacity Release by Firm Shippers                   | 16.4(i)          |
| 5.3.44 | GT&C Section 16., Capacity Release by Firm Shippers                   | 16.14            |
| 5.3.53 | GT&C Section 16., Capacity Release by Firm Shippers                   | 16.14(b)         |
| 5.3.54 | GT&C Section 16., Capacity Release by Firm Shippers                   | 16.14(e)         |
| 5.3.55 | GT&C Section 16., Capacity Release by Firm Shippers                   | 16.14(b)         |
| 5.3.60 | GT&C Section 16., Capacity Release by Firm Shippers                   | 16.15(e)         |

**Standards Incorporated by Reference:**

**Additional Standards:**

**General:**

Principles (Optional): 0.1.1, 0.1.2, 0.1.3

Definition: 0.2.5

Standards: 0.3.1, 0.3.2, 0.3.16, 0.3.17

**Creditworthiness:**

Standards: 0.3.3, 0.3.4, 0.3.5, 0.3.6, 0.3.7, 0.3.10

**Gas/Electric Operational Communications:**

Definitions: 0.2.1, 0.2.2, 0.2.3, 0.2.4

Standards: 0.3.11, 0.3.12, 0.3.13, 0.3.14, 0.3.15

**Operating Capacity and Unsubscribed:**

Standards: 0.3.18, 0.3.20, 0.3.21, 0.3.22

Datasets: 0.4.2, 0.4.3

**Location Data Download:**

Standards: 0.3.23, 0.3.24, 0.3.25, 0.3.26, 0.3.27, 0.3.28, 0.3.29

Dataset: 0.4.4

**Storage Information:**

Dataset: 0.4.1

**Nominations Related Standards:**

Principles (Optional): 1.1.1, 1.1.2, 1.1.3, 1.1.4, 1.1.10, 1.1.11, 1.1.12, 1.1.13, 1.1.14, 1.1.15, 1.1.16,  
1.1.18, 1.1.20, 1.1.21, 1.1.22

Definitions: 1.2.1, 1.2.2, 1.2.3, 1.2.5, 1.2.6, 1.2.8, 1.2.9, 1.2.10, 1.2.11, 1.2.13, 1.2.14, 1.2.15,  
1.2.16, 1.2.17, 1.2.18, 1.2.19

Standards: 1.3.1, 1.3.3, 1.3.8, 1.3.9, 1.3.15, 1.3.16, 1.3.20, 1.3.24, 1.3.25, 1.3.26, 1.3.27, 1.3.28,  
1.3.29, 1.3.30, 1.3.31, 1.3.33, 1.3.34, 1.3.35, 1.3.36, 1.3.37, 1.3.38, 1.3.39, 1.3.40, 1.3.41, 1.3.42,  
1.3.43, 1.3.44, 1.3.45, 1.3.46, 1.3.48, 1.3.51, 1.3.53, 1.3.55, 1.3.56, 1.3.58, 1.3.62, 1.3.64, 1.3.65,  
1.3.66, 1.3.67, 1.3.68, 1.3.69, 1.3.70, 1.3.71, 1.3.72, 1.3.73, 1.3.74, 1.3.75, 1.3.76, 1.3.77, 1.3.79,  
1.3.80, 1.3.81, 1.3.82

Datasets: 1.4.1, 1.4.2, 1.4.3, 1.4.4, 1.4.5, 1.4.6, 1.4.7

### **Flowing Gas Related Standards:**

Principles (Optional): 2.1.1, 2.1.2, 2.1.3, 2.1.4, 2.1.5, 2.1.6

Definitions: 2.2.2, 2.2.3

Standards: 2.3.1, 2.3.2, 2.3.4, 2.3.7, 2.3.8, 2.3.11, 2.3.12, 2.3.13, 2.3.15, 2.3.17, 2.3.18, 2.3.19,  
2.3.20, 2.3.21, 2.3.22, 2.3.23, 2.3.25, 2.3.27, 2.3.29, 2.3.30, 2.3.31, 2.3.32, 2.3.40, 2.3.41, 2.3.42,  
2.3.43, 2.3.44, 2.3.45, 2.3.46, 2.3.47, 2.3.48, 2.3.50, 2.3.51, 2.3.52, 2.3.53, 2.3.54, 2.3.55, 2.3.56,  
2.3.57, 2.3.58, 2.3.59, 2.3.62, 2.3.63, 2.3.64, 2.3.65, 2.3.66

Datasets: 2.4.1, 2.4.2, 2.4.3, 2.4.4, 2.4.5, 2.4.6, 2.4.7, 2.4.8, 2.4.9, 2.4.10, 2.4.11, 2.4.17, 2.4.18

### **Invoicing Related Standards:**

Principles (Optional): 3.1.1, 3.1.2

Definition:

Standards: 3.3.3, 3.3.4, 3.3.5, 3.3.6, 3.3.7, 3.3.8, 3.3.10, 3.3.11, 3.3.12, 3.3.13, 3.3.16, 3.3.21, 3.3.22,  
3.3.23, 3.3.24, 3.3.25, 3.3.26, 3.3.27

Datasets: 3.4.1\*, 3.4.2, 3.4.3, 3.4.4

### **Quadrant Electronic Delivery Mechanism Related Standards:**

Principles (Optional): 4.1.2, 4.1.3, 4.1.4, 4.1.6, 4.1.7, 4.1.10, 4.1.12, 4.1.13, 4.1.15, 4.1.16, 4.1.17,  
4.1.18, 4.1.19, 4.1.20, 4.1.21, 4.1.22, 4.1.23, 4.1.24, 4.1.26, 4.1.27, 4.1.28, 4.1.29, 4.1.30, 4.1.32,  
4.1.33, 4.1.34, 4.1.35, 4.1.36, 4.1.38, 4.1.39, 4.1.40

Definitions: 4.2.1, 4.2.2, 4.2.3, 4.2.4, 4.2.5, 4.2.6, 4.2.7, 4.2.8, 4.2.9, 4.2.10, 4.2.11, 4.2.12,  
4.2.13, 4.2.14, 4.2.15, 4.2.16, 4.2.17, 4.2.18

Standards: 4.3.1, 4.3.2, 4.3.3, 4.3.16, 4.3.17, 4.3.18, 4.3.20, 4.3.22, 4.3.23, 4.3.24, 4.3.25, 4.3.26, 4.3.27, 4.3.28, 4.3.30, 4.3.31, 4.3.32, 4.3.33, 4.3.34, 4.3.35, 4.3.36, 4.3.38, 4.3.40, 4.3.41, 4.3.42, 4.3.43, 4.3.44, 4.3.45, 4.3.46, 4.3.47, 4.3.48, 4.3.49, 4.3.50, 4.3.52, 4.3.53, 4.3.54, 4.3.55, 4.3.57, 4.3.58, 4.3.66, 4.3.67, 4.3.68, 4.3.69, 4.3.72, 4.3.75, 4.3.78, 4.3.79, 4.3.80, 4.3.81, 4.3.82, 4.3.85, 4.3.86, 4.3.87, 4.3.90, 4.3.91, 4.3.92, 4.3.93, 4.3.94, 4.3.95, 4.3.96, 4.3.97, 4.3.98, 4.3.99, 4.3.100, 4.3.101, 4.3.102, 4.3.104, 4.3.105, 4.3.106, 4.3.107, 4.3.108, 4.3.110

**Capacity Release Related Standards:**

Principles (Optional): 5.1.1, 5.1.2, 5.1.3, 5.1.4

Definitions: 5.2.1, 5.2.2, 5.2.3, 5.2.4, 5.2.5

Standards: 5.3.3, 5.3.4, 5.3.7, 5.3.8, 5.3.9, 5.3.10, 5.3.12, 5.3.13, 5.3.18, 5.3.19, 5.3.20, 5.3.21, 5.3.22, 5.3.23, 5.3.28, 5.3.29, 5.3.31, 5.3.32, 5.3.33, 5.3.34, 5.3.35, 5.3.36, 5.3.37, 5.3.38, 5.3.39, 5.3.40, 5.3.41, 5.3.42, 5.3.45, 5.3.46, 5.3.47, 5.3.48, 5.3.49, 5.3.50, 5.3.51, 5.3.52, 5.3.56, 5.3.57, 5.3.58, 5.3.59, 5.3.62, 5.3.62a, 5.3.63, 5.3.64, 5.3.65, 5.3.66, 5.3.67, 5.3.68, 5.3.69, 5.3.70, 5.3.71, 5.3.72, 5.3.73

Datasets: 5.4.14, 5.4.15, 5.4.16, 5.4.17, 5.4.20, 5.4.21, 5.4.22, 5.4.23, 5.4.24, 5.4.25, 5.4.26, 5.4.27

**Cybersecurity Related Standards:**

Principles (Optional): 12.1.1, 12.1.2, 12.1.3, 12.1.4, 12.1.5, 12.1.6, 12.1.7, 12.1.8

Definitions: 12.2.1, 12.2.2, 12.2.3, 12.2.4, 12.2.5, 12.2.6, 12.2.7, 12.2.8, 12.2.9, 12.2.10, 12.2.11, 12.2.12, 12.2.13, 12.2.14, 12.2.15, 12.2.16, 12.2.17, 12.2.18, 12.2.19, 12.2.21, 12.2.22, 12.2.23, 12.2.24, 12.2.25, 12.2.26, 12.2.27, 12.2.28, 12.2.29, 12.2.30, 12.2.31, 12.2.32, 12.2.33, 12.2.34, 12.2.35, 12.2.36, 12.2.37, 12.2.38, 12.2.39, 12.2.40, 12.2.41

Standards: 12.3.1, 12.3.2, 12.3.3, 12.3.4, 12.3.5, 12.3.6, 12.3.7, 12.3.8, 12.3.9, 12.3.10, 12.3.11, 12.3.12, 12.3.13, 12.3.14, 12.3.15, 12.3.16, 12.3.17, 12.3.18, 12.3.19, 12.3.20, 12.3.21, 12.3.22, 12.3.23, 12.3.24, 12.3.25, 12.3.26, 12.3.27, 12.3.28, 12.3.29, 12.3.30, 12.3.31

**Standards for which Waiver or Extension of Time to Comply have been granted:**

NAESB Standard

All EDI related standards and data sets:  
0.4.1-0.4.4, 1.4.1-1.4.7, 2.4.1-2.4.11,  
2.4.17-2.4.18, 3.4.1-3.4.4, 4.3.107, 4.3.108,  
4.3.110, 5.4.14-5.4.17, 5.4.20-5.4.27,  
12.3.26, 12.3.27  
(only as they relate to EDI/EDM/IET)

Waiver or Extension of Time

Extension of Time

## GENERAL TERMS AND CONDITIONS

### 34. NEGOTIATED RATES

#### 34.1 PRECONDITIONS TO NEGOTIATED RATES

Rates to be charged by Stingray for service to any Shipper under Rate Schedule FTS, FTS-2 or ITS may deviate in either form or level or both from the applicable maximum and/or minimum rate level in this Tariff, subject to the following provisions:

- (a) Stingray and Shipper have executed a valid Agreement containing therein or in a related agreement a specific mutual understanding that Negotiated Rate(s) or a Negotiated Rate Formula will apply to service for that Shipper;
- (b) At the time of execution of the Agreement (or the amendment to an Agreement), which first provides for the applicability to Shipper of the Negotiated Rate(s) or Negotiated Rate Formula, service was available pursuant to the terms and conditions (not modified by this Section 34) of Rate Schedule FTS, FTS-2 or ITS of this Tariff, as applicable;
- (c) Stingray may only offer or accept offers for service under this Section 34 if and to the extent service is available at the Recourse Rate;
- (d) Stingray will not negotiate terms and conditions of service under this Section 34; and
- (e) No later than the Business Day on which Stingray commences service at such Negotiated Rate(s) or Negotiated Rate Formula (or if the Day on which Stingray commences service is not a Business Day, then no later than the next Business Day after Stingray commences service), Stingray will file a tariff record advising the Commission of such Negotiated Rate or Negotiated Rate Formula, stating the name of Shipper, the type of service, the primary Receipt and Delivery Point(s) applicable to the service, the volume of the Gas to be transported, any other charges, and specifying either: (i) the specific Negotiated Rate included in such Agreement; or (ii) the Negotiated Rate Formula included in such Agreement with sufficient specificity such that the rate in effect from time to time can be readily calculated. The tariff record must either incorporate a statement that the Agreement does not deviate from the Form of Service Agreement in any material respect, or Stingray shall file with the Commission a copy of the non-conformity contract.

### 34.2 CAPACITY ALLOCATION

- (a) To the extent the revenue level pursuant to the Negotiated Rate(s) or Negotiated Rate Formula provided for in Section 34.1 above, as calculated under Subsection (b) of this Section 34.2, exceeds the comparable revenue level at the Recourse Rate, the Shipper bidding or paying such Negotiated Rate(s) or rate(s) under a Negotiated Rate Formula shall be treated, for all capacity allocation purposes, as if the rate(s) bid or paid had been equal to the Recourse Rate. Any Shipper, existing or new, paying the Recourse Rate(s) has the same right to capacity as a Shipper willing to pay an equal or higher Negotiated Rate(s) or rate(s) under a Negotiated Rate Formula. If the Negotiated Rate or the rate under a Negotiated Rate Formula is higher than the corresponding Recourse Rate, the Recourse Rate rather than the Negotiated Rate will be used as the price cap for release capacity pursuant to Section 16.5 of these General Terms and Conditions and for the Right of First Refusal pursuant to Section 18.2 of these General Terms and Conditions. Where the Negotiated Rate(s) or rate(s) under a Negotiated Rate Formula results in revenue which is greater than the Recourse Rate during certain portions of the relevant evaluation period but less than the revenue at the Recourse Rate during other portions of the relevant evaluation period (but the revenue pursuant to the Negotiated Rate(s) or rate(s) under a Negotiated Rate Formula equals or exceeds that which would be generated at the Recourse Rate for the entire evaluation period), the value of bids and requests at the Negotiated Rate(s) or rate(s) under a Negotiated Rate Formula shall be evaluated as though the Recourse Rate applied under such bid or request for the entire evaluation period. Where the Negotiated Rate(s) or rate(s) under the Negotiated Rate Formula result in revenue which is less than revenue at the Recourse Rate over the relevant evaluation period, the value of the bids or requests at the Negotiated Rate(s) or rate(s) under the Negotiated Rate Formula shall be evaluated based on such lower revenue and shall be afforded a correspondingly lower priority than bids or requests at the Recourse Rate.
- (b) In allocating capacity among competing requests where one or more request is at a Negotiated Rate or Negotiated Rate Formula, Stingray will consider, in assigning value to such request(s), only reservation or demand charge revenue or other revenue which is guaranteed to be received by Stingray (i.e., through a minimum throughput condition or minimum bill). For capacity evaluation purposes, the value of any such request shall be capped by the value of the maximum applicable reservation rate for such service over the contract term bid.

### 34.3 ACCOUNTING FOR COSTS AND REVENUES

The allocation of costs to, and the recording of revenues from service at Negotiated Rate(s) will follow Stingray's normal practices associated with all of its services under this Tariff. Stingray will maintain separate records of Negotiated Rate and Negotiated Rate Formula transactions for each billing period. These records shall include the volumes transported, the billing determinants (contract MDQ), the rates charged and the revenue received associated with such transactions. Stingray will separately identify such transactions in Statements G, I and J (or their equivalent) filed in any general rate proceeding.

## GENERAL TERMS AND CONDITIONS

### 35. NON-CONFORMING AGREEMENTS

#### 35.1 ITS Service Agreements

- (a) Amerada Hess Corporation, Contract No. 101931
- (b) Anadarko Energy Services Company, Contract No. 112833
- (c) Anadarko US Offshore Corporation, Contract No. 102631
- (d) Apache Corporation, Contract No. 100527
- (e) BP Energy Company, Contract No. 101959
- (f) Castex Offshore, Inc., Contract No. 109592
- (g) Castleton Commodities Merchant Trading L.P., Contract No. 103208
- (h) Chevron U.S.A., Inc., Contract No. 102688
- (i) Cokinos Natural Gas Company, Contract No. 102129
- (j) Crosstex Energy Services, L.P., Contract No. 102060
- (k) Energy Resource Technology GOM, Inc., Contract No. 100329
- (l) McMoRan Oil & Gas LLC, Contract No. 111932
- (m) Nexen Petroleum Sales U.S.A., Inc., Contract No. 102072
- (n) Superior Natural Gas Corporation, Contract No. 100954
- (o) Targa Midstream Services Limited Partnership, Contract No. 103018
- (p) Texon L.P., Contract No. 107811

## GENERAL TERMS AND CONDITIONS

### 36. LIMITED SECTION 4 EVENT SURCHARGE

#### 36.1 PURPOSE & APPLICABILITY OF EVENT COST SURCHARGE

Stingray shall have the right to recover, through a limited filing under Section 4 of the Natural Gas Act, a commodity surcharge (the “Event Surcharge”) applicable to all capital and operation and maintenance expenditures, as defined in Section 36.2, in connection with the repair of damage to its facilities caused by an Event; and/or an inspection of or for damage related to an Event; or other actions related to an Event and required by federal or state laws or regulations. As used in all subsections of this Section 36, an Event is defined as any hurricane, tropical storm or depression named or numbered by the U.S. National Weather Service. The Event Surcharge shall be applicable to Gas transportation service, as well as park and loan service, provided by Stingray pursuant to all its rate schedules. The Event Surcharge shall apply to each Dekatherm of Gas transportation and park and loan service, consistent with the ACA charge, and be paid in addition to the rates applicable to such services including service qualifying for any rate discount or provided under any negotiated rate agreement. The Event Surcharge shall reimburse Stingray for Eligible Costs.

#### 36.2 DEFINITION OF ELIGIBLE COSTS

The costs eligible for reimbursement through the Event Surcharge (the “Eligible Costs”) are the actual capital and operation and maintenance expenses related to Event damage (including inspections of or for damage related to an Event, and/or other actions related to an Event and required by federal or state laws or regulations). Event-damage costs that will later be covered by insurance recoveries (“Insurance Recoveries”) qualify as Eligible Costs as long as the Insurance Recoveries are later credited to the Event Surcharge Cost Account. Examples of Eligible Costs include but are not limited to actual costs associated with: temporary or permanent pipeline re-routings; repair or replacements of pipeline (including but not limited to Event-related damage caused by dragging of shipping anchors and damage to third parties caused by Event-related damage to Stingray), receipt points, delivery points, compressors, buildings, fences and other property and appurtenant equipment used by Stingray to provide jurisdictional service; construction of replacement or alternative, or remediation of existing, pipeline interconnections or multiple pipeline crossings and associated facilities; removal of pipelines and other equipment (including but not limited to removal of Stingray’s equipment on offshore platforms owned by third parties); removal of debris (including but not limited to sunken ships and platforms); pipeline burials; smart pigging operations related to an Event; post-storm inspections (including but not limited to inspections by remote operated submersible vehicles and inspections

required by any governmental authority)); reimbursement of damage to third party property and persons; miscellaneous expenses associated with having personnel available to repair Stingray's system; and other storm-related incremental costs related to an Event resulting from federal, state and/or local regulation; provided, however, the term "Eligible Costs" shall in all cases include only actual costs incurred to repair damage and/or recover system operations related to an Event.

### 36.3 FILING PROCEDURES

- (a) Stingray shall file by September 1 and March 1 of each Year to establish the Event Surcharge to be effective October 1 and April 1, respectively, of each Year. The Event Surcharge shall be shown on Stingray's FERC Gas Tariff Currently Effective Rates.
- (b) With each Event Surcharge filing, Stingray shall include detailed information on the Eligible Costs included in the filing and a written explanation of how each such cost qualifies for reimbursement through the Event Surcharge pursuant to this Section 36. Each Event Surcharge filing shall also include (1) all the revenues Stingray has collected through the Event Surcharge, (2) all the Eligible Costs Stingray has incurred, and (3) any Insurance Recoveries and other recoveries from third parties of Eligible Costs previously included in the Event Surcharge Cost Account, for each Month during the period beginning on the date immediately following the last Month for which such information has been provided in a previous Event Surcharge filing and ending on the same date of the Event Surcharge Cost Account balance used by Stingray in the Event Surcharge filing.
- (c) In evaluating the timing and costs of repairing its facilities, it shall be prudent for Stingray to (1) consider the time of the Year in which any Event damage repair occurs, (2) incur Eligible Costs reflecting high demand for offshore repair services and equipment (for example, special barges) at the time of or after the Event occurred, (3) incur Eligible Costs as necessary to return its pipeline system (or any part thereof) damaged by the Event back into service as soon as possible, including but not limited to in response to urging by any governmental authority, and (4) incur costs to arrange for temporary housing, meals, travel and other necessities for personnel to be available to repair Stingray's system.
- (d) Prior to making an Event Surcharge filing, Stingray shall provide a draft of the Event Surcharge to its shippers and offer to meet with its shippers in Houston, Texas to preview the filing and answer any questions.
- (e) By each March 1, Stingray shall file with the Commission an annual report setting forth for each Event Surcharge Cost Account (1) all the revenue Stingray has collected through the Event Surcharge, (2) all the Eligible Costs

it has incurred, and (3) any Insurance Recoveries and other recoveries from third parties of Eligible Costs previously included in the Event Surcharge Cost Account, for each Month during the 12-Month period ending on the same date of the Event Surcharge Cost Account balance used by Stingray in its revision to the Event Surcharge filed on or before the same March 1. Interested parties shall have the right to protest any such annual filing.

#### 36.4 EVENT SURCHARGE COST ACCOUNT

Stingray shall establish and maintain separately an Event Surcharge Cost Account for each twelve-month period ending May 31, except that the first such account shall cover all amounts in such account as of December 31, 2011, and the second such account shall cover the seventeen-month period from January 1, 2012 to May 31, 2013 (each an "Event Season"), as follows:

- (a) In respect to each Event Season, each Month, the Event Surcharge Cost Account shall be (1) debited by the Eligible Costs incurred that Month, (2) credited by any Insurance Recoveries and other recoveries from third parties for that Month of any Eligible Costs previously debited to the Event Surcharge Cost Account, (3) credited by the revenue collected by Stingray that Month through collection of the Event Surcharge, and (4) debited or credited, as appropriate, each Month by carrying charges calculated at the FERC-prescribed interest rate on the monthly balance of the Event Surcharge Cost Account for the prior Month.
- (b) It is Stingray's intent that the accounting set forth in Section 36.4(a) hereof shall operate as a true-up mechanism for each Event Season between Stingray's (1) Eligible Costs and (2) Event Surcharge revenue plus Insurance Recoveries and other recoveries from third parties of Eligible Costs previously included in the appropriate Event Surcharge Cost Account.

#### 36.5 CALCULATION OF THE EVENT SURCHARGE

- (a) The Event Surcharge shall equal \$0.05/Dth for the Event Surcharge Cost Account for each Event Season until collection of the surcharge brings the balance in the account to \$0.00. Stingray shall give notice to the Commission and Stingray's Shippers when the balance in an Event Surcharge Cost Account equals \$0.00 and shall promptly cease collection of the surcharge associated with that account, unless and until the account is re-instated as set forth in Section 36.5(c) hereof. If Stingray over-collects respecting the balance in an Event Surcharge Cost Account for an Event Season, including through collection of any Insurance Recoveries and other recoveries from third parties of Eligible Costs previously included in the appropriate Event Surcharge Cost Account, Stingray shall credit any over-

collections to the Event Surcharge Account associated with an active Event Surcharge for another Event Season. In the event that there are no additional Event Surcharges in effect at the time of the over-collection, Stingray shall refund to its Shippers any such over-collection. Any such refunds shall be based on the actual quantities received by Stingray for each Shipper during the Month covered by the invoice on which such refund is reflected.

- (b) In any monthly billing period, the total of the Event Surcharges charged for the Event Surcharge Cost Accounts for all Event Seasons shall not exceed \$0.15/Dth. Subject to the right to re-instate an Event Surcharge for an Event Season as set forth in Section 36.5(c) hereof, upon recovery of costs (plus carrying charges) associated with an Event Season and the resulting termination of a surcharge imposed to recover damages incurred in such Event Season, and subject to the \$0.15/Dth cap, Stingray may impose a new flat \$0.05/Dth surcharge to recover Eligible Costs incurred with respect to damages from one or more Events that occur or which have occurred in another Event Season for which no Event Surcharge is already established.
- (c) Subject to the \$0.15/Dth limitation set forth in Section 36.5(b) hereof, if an Event Surcharge is terminated during an Event Season and Stingray incurs additional Eligible Costs from Event(s) during such Event Season, Stingray shall have the right, pursuant to the semi-annual filing schedule set forth in Section 36.3 hereof, to re-instate the \$0.05/Dth Event Surcharge for such Event Season to recover Eligible Costs from such Event(s) for that account. In addition, if in any monthly billing period Stingray cannot charge an Event Surcharge for the Event Surcharge Cost Account for an Event Season because of the \$0.15/Dth limitation set forth in Section 36.5(b) hereof, once the total of the Event Surcharges is reduced to \$0.10/Dth or less, then Stingray may, pursuant to the semi-annual filing schedule set forth in Section 36.3 hereof, begin to charge \$0.05/Dth for the subject Event Surcharge Cost Account and shall begin to credit the amounts collected toward the accrued balance in such Event Surcharge Cost Account.
- (d) If the amount in the Event Surcharge Cost Account for any Event Season is less than \$100,000 (either negative or positive), Stingray may, upon at least thirty (30) Days prior notice to the Commission, reduce the Event Surcharge to \$0.00/Dth for that account and (i) credit or debit the amount to the Event Surcharge Cost Account associated with an active Event Surcharge for another Event Season, or (ii) refund to or bill Shippers the amount in

the Event Surcharge Cost Account in the invoice for the Month following the date the Event Surcharge is reduced to \$0.00/Dth based on the actual quantities received by Stingray for each Shipper during such Month.

#### 36.6 MISCELLANEOUS

- (a) Except as provided in Section 36.6(b) hereof, no Eligible Cost included in the calculation of the Event Surcharge may be included in Stingray's existing base rates. Nor shall any cost included in Stingray's existing base rates be included in the calculation of any Event Surcharge.
- (b) At the time Stingray files to revise its base rates under Section 4 of the Natural Gas Act, or at the time rates go into effect as a result of a final Commission order issued in response to an investigation into Stingray's base rates under Section 5 of the Natural Gas Act, all Eligible Costs (or portions thereof) that have not been reimbursed through collection of any Event Surcharge may be included in the cost-of-service used to calculate Stingray's base rates and, if so included, shall no longer be the basis for any calculation of any Event Surcharge. Interested parties shall have the right to protest any such filing.
- (c) Any capital-related Eligible Costs (or portion thereof) for which Stingray is reimbursed through collection of an Event Surcharge shall not be debited to Stingray's gross plant (Property, Plant, and Equipment) accounts.
- (d) Any rate discount agreed to by Stingray shall not be considered a discount of the Event Surcharge.
- (e) If Stingray discontinues the use of the Event Surcharge mechanism as set forth in this Section 36, Stingray shall file to refund to or bill its Shippers any negative or positive amount remaining in any Event Surcharge Cost Account as of the date that the Event Surcharge is discontinued; provided, however, that all amounts for reimbursement for Eligible Costs received after such date (such as Insurance Recoveries and other recoveries from third parties of Eligible Costs previously included in the Event Surcharge Cost Account) shall be refunded to its Shippers. Any such refunds to or billings of Shippers shall be based on the actual quantities received by Stingray for each Shipper during the Month covered by the invoice on which such refund or billing is reflected.

## GENERAL TERMS AND CONDITIONS

### 37. OFF-SYSTEM CAPACITY

Stingray may enter into an agreement(s) with other interstate and intrastate pipeline companies for the lease or to acquire for transportation capacity or transportation rights. In the event that Stingray leases or acquires off-system capacity, Stingray will use such capacity for operational reasons or to render service for its Shippers. In the event that Stingray uses off-system capacity to render service for its Shippers, it will only render service to Shippers on the leased or acquired capacity pursuant to Stingray's FERC Gas Tariff and subject to Stingray's approved rates, as such tariff and approved rates may change from time to time. For purposes of transactions entered into subject to this Section 37, the "Shipper-Must-Have-Title" requirement is waived.

**Part VIII**  
**FORM OF SERVICE AGREEMENTS**

|                           |                           |
|---------------------------|---------------------------|
| Rate Schedule FTS and ITS | Form of Service Agreement |
| Rate Schedule FTS-2       | Form of Service Agreement |
| Rate Schedule PAL         | Form of Service Agreement |
| ITS Reserve Dedication    | Form of Service Agreement |
| FTS-2 Reserve Dedication  | Form of Service Agreement |
| Capacity Release          | Form of Service Agreement |

[FOR RATE SCHEDULES FTS, ITS]

Contract No. \_\_\_\_\_

STINGRAY PIPELINE COMPANY, L.L.C. (STINGRAY)  
TRANSPORTATION RATE SCHEDULE  
AGREEMENT DATED \_\_\_\_\_  
UNDER SUBPART \_\_\_\_\_ OF PART 284  
OF THE FERC'S REGULATIONS

1. SHIPPER is: \_\_\_\_\_, a \_\_\_\_\_
2. Shipper's MDQ shall be the MDQ stated in Exhibit A to this Agreement.
3. TERM: \_\_\_\_\_ through \_\_\_\_\_ ("Primary Term"), and from \_\_\_\_\_ to \_\_\_\_\_ thereafter until this Agreement is terminated. This Agreement may be terminated by either Stingray or Shipper upon \_\_\_\_\_ prior written notice to the other specifying a termination date occurring on or after the expiration of the Primary Term.
4. Service will be ON BEHALF OF:  
  
\_\_\_\_\_ Shipper or  
\_\_\_\_\_ Other: \_\_\_\_\_, a \_\_\_\_\_
5. The ULTIMATE END USERS are (check one):  
  
\_\_\_\_\_ customers of the following LDC/pipeline company(ies): \_\_\_\_\_;  
\_\_\_\_\_ customers in these states: \_\_\_\_\_ or  
\_\_\_\_\_ customers within any state in the continental U.S.
6. \_\_\_\_\_ This Agreement supersedes and cancels a \_\_\_\_\_ Agreement dated \_\_\_\_\_  
\_\_\_\_\_ Capacity rights for this Agreement were released from \_\_\_\_\_  
\_\_\_\_\_ [for firm service only] Service and reservation charges commence the later of:  
    (a) \_\_\_\_\_, and  
    (b) the date capacity to provide the service hereunder is available on Stingray's System.  
\_\_\_\_\_ Other: \_\_\_\_\_

7. SHIPPER'S ADDRESSES

STINGRAY'S ADDRESSES

\_\_\_\_\_  
\_\_\_\_\_

DUNS #: \_\_\_\_\_ Federal Tax I.D. No.: \_\_\_\_\_

- 8. This Agreement shall be subject to the effective provisions of the above-stated rate schedule and to the General Terms and Conditions incorporated therein, as the same may be changed or superseded from time to time in accordance with the rules and regulations of the FERC. The attached Exhibits A and B are a part of this Agreement. THIS AGREEMENT SHALL BE CONSTRUED AND GOVERNED BY THE LAWS OF \_\_\_\_\_ AND NO STATE LAW SHALL APPLY TO REACH A DIFFERENT RESULT. This Agreement states the entire agreement between the parties and no waiver, representation or agreement shall affect this Agreement unless it is in writing. Shipper shall provide the actual end user purchaser name(s) to Stingray if Stingray must provide them to the FERC.
  
- 9. [USE IN ITS AGREEMENT ASSOCIATED WITH A RESERVE DEDICATION AGREEMENT ONLY]  
Shipper may assign its rights and obligations under this Agreement to any company (“Assignee”) which shall succeed by purchase, merger, consolidation, sale or assignment to Shipper’s interest in the reserves dedicated to transportation by Stingray under this Agreement; provided, that prior to assignment, Stingray reserves the right to evaluate and approve the creditworthiness of the Assignee in accordance with Section 14 of the General Terms and Conditions of Stingray’s FERC Gas Tariff. Unless Stingray agrees, no assignment shall relieve Shipper of its obligations under this Agreement. Upon assignment, Assignee shall be entitled to the rights under Rate Schedule ITS and subject to the obligations of this Agreement and the accompanying reserve dedication agreement; provided, that the Assignee only receives assignment of rights and obligations under this Agreement proportionate to its interest in the reserves subject to the accompanying reserve dedication agreement.

Agreed to by:

STINGRAY PIPELINE COMPANY, L.L.C. (SHIPPER)

/s/: \_\_\_\_\_ /s/: \_\_\_\_\_

NAME: \_\_\_\_\_ NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_ TITLE: \_\_\_\_\_

EXHIBIT A

Dated: \_\_\_\_\_

Company:

Contract No.:

MDQ Totals: \_\_\_\_\_ Dth per Day.

Receipt Point(s):

| <u>Name / Location</u> | <u>County/Parish Area</u> | <u>State</u> | <u>PIN No.</u> | <u>MDQ<br/>(Dth)</u> |
|------------------------|---------------------------|--------------|----------------|----------------------|
|------------------------|---------------------------|--------------|----------------|----------------------|

FIRM RECEIPT POINT(S):

INTERRUPTIBLE RECEIPT POINT(S):

Receipt Pressure, Assumed Atmospheric Pressure

Gas to be delivered to Stingray at the Receipt Point(s) shall be at a delivery pressure sufficient to enter Stingray's pipeline facilities at the pressure maintained from time to time, but Shipper shall not deliver Gas at a pressure in excess of the Maximum Allowable Operating Pressure (MAOP) stated for each Receipt Point. The measuring party shall use or cause to be used an assumed atmospheric pressure corresponding to the elevation at such Receipt Point(s).

Rates

Except as otherwise provided below, Shipper shall pay Stingray the applicable maximum rate(s) and all other lawful charges as specified in Stingray's applicable rate schedule. In the event the parties agree upon a rate lower than the applicable maximum rate(s) set forth in the Tariff, such discounted rate shall be set forth in Exhibit C-1. If Shipper subsequently requests and receives a discounted rate for additional quantities of Gas or production reserves, an additional exhibit (designated sequentially as Exhibit C-2, C-3, etc.) shall be added to this Agreement for each discounted rate. In the event the parties agree upon a Negotiated Rate or Negotiated Rate

Formula, this Agreement shall be subject to Section 34 of the General Terms and Conditions of the Tariff.

Company Use Gas Percentage (%)

Shipper will be assessed the applicable percentage for Company Use Gas unless Stingray and Shipper mutually agree on monetary reimbursement.

Signed for Identification

Stingray: \_\_\_\_\_

Shipper: \_\_\_\_\_

Supersedes Exhibit A, Dated: \_\_\_\_\_

EXHIBIT B - \_\_\_\_

Dated: \_\_\_\_\_

Company:

Contract No.:

Delivery Point(s):

| <u>Name / Location</u> | <u>PIN No.</u> | <u>MDQ</u><br><u>(Dth)</u> |
|------------------------|----------------|----------------------------|
|------------------------|----------------|----------------------------|

FIRM DELIVERY POINT(S):

1. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

INTERRUPTIBLE DELIVERY POINT(S):

2. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Delivery Pressure, Assumed Atmospheric Pressure

Gas to be delivered by Stingray to Shipper, or for Shipper's account, at the Delivery Point(s) shall be at the pressures available in Stingray's pipeline facilities from time to time. The measuring party shall use or cause to be used an assumed atmospheric pressure corresponding to the elevation at such Delivery Point(s).

Signed for Identification

Stingray: \_\_\_\_\_

Shipper: \_\_\_\_\_

Supersedes Exhibit B - \_\_, Dated: \_\_\_\_\_

EXHIBIT C-\_\_\_

Dated: \_\_\_\_\_

Discount Information

Discounted Transportation Rate: \_\_\_\_\_

Discounted Rate Effective: From: \_\_\_\_\_ To: \_\_\_\_\_

\_\_\_ Life of Reserves/Lease

\_\_\_ Evergreen: \_\_\_ Year-to-Year  
\_\_\_ Month-to-Month

Condition for Discounted Transportation Rate (check applicable condition(s)):

\_\_\_ Discounted Transportation Rate applicable to specified quantities under Shipper's Service Agreement(s):

[ \_\_\_\_\_ Dth]

or

[All quantities produced from oil and gas leases identified below, located in the Gulf of Mexico, offshore Louisiana, that are currently dedicated to Stingray pursuant to \_\_\_\_\_, Contract No. \_\_\_\_\_, by and between \_\_\_\_\_:

\_\_\_\_\_ [Field or Block]]

\_\_\_ Discounted Transportation Rate applicable to specified quantities above or below a certain level or all quantities if quantities exceed a certain level:

Discounted Transportation Rate applicable to \_\_\_\_\_ Dth  
above/below \_\_\_\_\_ Dth

Or

Discounted Transportation Rate applicable to all quantities above  
\_\_\_\_\_ Dth

\_\_\_ Discounted Transportation Rate applicable in a specified relationship to quantities actually transported:

Adjustment in Transportation Rate: \_\_\_\_\_ (based on  
\_\_\_\_\_ Dth actually transported)

\_\_\_\_\_ Discounted Transportation Rate applicable to specified quantities during  
specified periods of time or during specified periods of the Year:

\_\_\_\_\_ Dth for the following time period(s):  
\_\_\_\_\_

\_\_\_\_\_ Discounted Transportation Rate applicable to specified quantities at specific  
Receipt Point(s) or of Delivery Point(s):

Receipt Point(s): \_\_\_\_\_

Delivery Point(s): \_\_\_\_\_

\_\_\_\_\_ [Discounted Transportation Rate applicable to production reserves committed  
or dedicated by Shipper:]

or

[Discounted Transportation Rate applicable to production reserves committed or  
dedicated to Stingray pursuant to \_\_\_\_\_, Contract No. \_\_\_\_\_, by and  
between \_\_\_\_\_:]

Production Reserves: \_\_\_\_\_ [Field or Block]

The following options are available for Rate Schedule ITS service only:

\_\_\_\_\_ All production reserves from above identified Field(s) or Block(s).

\_\_\_\_\_ All production reserves from the following well(s) located in the  
above identified Field(s) or Block(s):

\_\_\_\_\_ [Well]

\_\_\_\_\_ All production reserves from all well(s) connected to or that will  
be connected to the following platform(s) located in the above  
identified Field(s) or Block(s):

\_\_\_\_\_ [Platform]

\_\_\_\_\_ Discounted Transportation Rate based on published index prices for specific Receipt Point(s) and/or Delivery Point(s) or other agreed-upon published pricing reference points (based upon the differential between published prices or arrived at by formula):

Index Price(s): \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_ Differential between Index Prices

or

\_\_\_\_\_ Formula: \_\_\_\_\_

In no event shall the discounted rate established as set forth above exceed the otherwise applicable maximum lawful rate.

Signed for Identification

Stingray: \_\_\_\_\_

Shipper: \_\_\_\_\_

Supersedes Exhibit C-\_\_\_\_, Dated: \_\_\_\_\_

[FOR RATE SCHEDULE FTS-2]

Contract No. \_\_\_\_\_

STINGRAY PIPELINE COMPANY, L.L.C. (STINGRAY)  
TRANSPORTATION RATE SCHEDULE \_\_\_\_\_  
AGREEMENT DATED \_\_\_\_\_  
UNDER SUBPART \_\_\_\_\_ OF PART 284  
OF THE FERC'S REGULATIONS

1. SHIPPER is: \_\_\_\_\_, a \_\_\_\_\_
2. MDQ totals: \_\_\_\_\_ Dth per Day.
3. TERM: \_\_\_\_\_ through \_\_\_\_\_,  
and from \_\_\_\_\_ to \_\_\_\_\_ thereafter until this Agreement is terminated.  
This Agreement may be terminated by either Stingray or Shipper upon \_\_\_\_\_ prior  
written notice to the other specifying a termination date occurring on or after the expiration of the  
Primary Term.
4. Service will be ON BEHALF OF:  
\_\_\_\_ Shipper or  
\_\_\_\_ Other: \_\_\_\_\_, a \_\_\_\_\_
5. The ULTIMATE END USERS are (check one):  
\_\_\_\_ customers of the following LDC/pipeline company(ies): \_\_\_\_\_;  
\_\_\_\_ customers in these states: \_\_\_\_\_; or  
\_\_\_\_ customers within any state in the continental U.S.
6. \_\_\_\_ This Agreement supersedes and cancels a \_\_\_\_\_ Agreement dated  
\_\_\_\_\_  
\_\_\_\_ Capacity rights for this Agreement were released from \_\_\_\_\_  
\_\_\_\_ [for firm service only] Service and reservation charges commence the later of:  
(a) \_\_\_\_\_,  
and  
(b) the date capacity to provide the service hereunder is available on Stingray's  
System.  
\_\_\_\_ Other:  
\_\_\_\_\_
7. SHIPPER'S ADDRESSES  
\_\_\_\_\_  
\_\_\_\_\_  
STINGRAY'S ADDRESSES  
\_\_\_\_\_  
\_\_\_\_\_

DUNS #: \_\_\_\_\_ Federal Tax I.D. No.: \_\_\_\_\_

- 8. Shipper may assign its rights and obligations under this Agreement to any company (“Assignee”) which shall succeed by purchase, merger, consolidation, sale or assignment to Shipper’s interest in the Commitment set forth in Exhibit “A” of this Agreement; provided, that prior to assignment, Stingray reserves the right to evaluate and approve the creditworthiness of the Assignee in accordance with Section 14 of the General Terms and Conditions of Stingray’s FERC Gas Tariff. Upon assignment, Assignee shall be entitled to the rights, including related rights to pipeline capacity under Rate Schedule FTS-2, and subject to the obligations of this Agreement and the accompanying reserve dedication agreement. Unless Stingray agrees, no assignment shall relieve Shipper of its obligations under this Agreement. Neither Shipper nor Assignee shall be required to comply with the capacity release provisions set forth in Section 16 of the General Terms and Conditions of Stingray’s FERC Gas Tariff to effectuate the assignment; provided, that the Assignee only receives assignment of the capacity rights and other rights and obligations under this Agreement proportionate to the interest in the Commitment set forth in Exhibit “A” of this Agreement so assigned to Assignee.
  
- 9. This Agreement shall be subject to the effective provisions of the above-stated rate schedule and to the General Terms and Conditions incorporated therein, as the same may be changed or superseded from time to time in accordance with the rules and regulations of the FERC. The attached Exhibits A and B are a part of this Agreement. THIS AGREEMENT SHALL BE CONSTRUED AND GOVERNED BY THE LAWS OF \_\_\_\_\_, AND NO STATE LAW SHALL APPLY TO REACH A DIFFERENT RESULT. This Agreement states the entire agreement between the parties and no waiver, representation or agreement shall affect this Agreement unless it is in writing. Shipper shall provide the actual end user purchaser name(s) to Stingray if Stingray must provide them to the FERC.

Agreed to by:

STINGRAY PIPELINE COMPANY, L.L.C.

(SHIPPER)

/s/: \_\_\_\_\_ /s/: \_\_\_\_\_

NAME: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

TITLE: \_\_\_\_\_

EXHIBIT A

Dated: \_\_\_\_\_

Company:

Contract No.:

SHIPPER'S COMMITMENT

Leasehold Interest(s):

Signed for Identification

Stingray: \_\_\_\_\_

Shipper: \_\_\_\_\_

Supersedes Exhibit A, Dated: \_\_\_\_\_

EXHIBIT B - \_\_\_\_

Dated: \_\_\_\_\_

Company:

Contract No.: \_\_\_\_\_

| Delivery Period(s)<br>FROM TO<br>(mm/dd/yyyy)(mm/dd/yyyy) |  | Receipt<br>Point(s) | Receipt<br>Point(s)<br><br>MDQ | Delivery<br>Point(s) | Delivery<br>Point(s)<br><br>MDQ |
|---|--|---------------------|--------------------------------|----------------------|---------------------------------|
|   |  |                     |                                |                      |                                 |
|   |  |                     |                                |                      |                                 |
|   |  |                     |                                |                      |                                 |
|   |  |                     |                                |                      |                                 |

RECEIPT, PRESSURE, ASSUMED ATMOSPHERIC PRESSURE

Gas to be delivered to Stingray at the Receipt Point(s) shall be at a delivery pressure sufficient to enter Stingray's pipeline facilities at the pressure maintained from time to time, but Shipper shall not deliver Gas at a pressure in excess of the Maximum Allowable Operating Pressure (MAOP) stated for each Receipt Point in Stingray's Catalog of Points. The measuring party shall use or cause to be used an assumed atmospheric pressure corresponding to the elevation at such Receipt Point(s).

DELIVERY PRESSURE, ASSUMED ATMOSPHERIC PRESSURE

Gas to be delivered by Stingray to Shipper, or for Shipper's account, at the Delivery Point(s) shall be at the pressures available in Stingray's pipeline facilities from time to time. The measuring party shall use or cause to be used an assumed atmospheric pressure corresponding to the elevation at such Delivery Point(s).

RATES

Except as otherwise provided below, Shipper shall pay Stingray the applicable maximum rate(s) and all other lawful charges as specified in Stingray's applicable rate schedule. In the event the parties agree upon a rate lower than the applicable maximum rate(s) set forth in the Tariff, such discounted rate shall be set forth in Exhibit C-1. If Shipper subsequently requests and receives a

discounted rate for additional quantities of Gas or production reserves, an additional exhibit (designated sequentially as Exhibit C-2, C-3, etc.) shall be added to this Agreement for each discounted rate. In the event the parties agree upon a Negotiated Rate or Negotiated Rate Formula, this Agreement shall be subject to Section 34 of the General Terms and Conditions of the Tariff.

COMPANY USE PERCENTAGE (%)

Shipper will be assessed the applicable percentage for Company Use Gas unless Stingray and Shipper mutually agree on monetary reimbursement.

Signed for Identification

Stingray: \_\_\_\_\_

Shipper: \_\_\_\_\_

Supersedes Exhibit B - \_\_\_\_, Dated: \_\_\_\_\_

EXHIBIT C-\_\_\_

Dated: \_\_\_\_\_

Discount Information

Discounted Transportation Rate: \_\_\_\_\_

Discounted Rate Effective: From: \_\_\_\_\_ To: \_\_\_\_\_

\_\_\_ Life of Reserves/Lease

\_\_\_ Evergreen: \_\_\_ Year-to-Year  
\_\_\_ Month-to-Month

Condition for Discounted Transportation Rate (check applicable condition(s)):

\_\_\_ Discounted Transportation Rate applicable to specified quantities under Shipper's Service Agreement(s):  
[ \_\_\_\_\_ Dth]

or

[All quantities produced from oil and gas leases identified below, located in the Gulf of Mexico, offshore Louisiana, that are currently dedicated to Stingray pursuant to \_\_\_\_\_, Contract No. \_\_\_\_\_, by and between \_\_\_\_\_:

\_\_\_\_\_ [Field or Block]]

\_\_\_ Discounted Transportation Rate applicable to specified quantities above or below a certain level or all quantities if quantities exceed a certain level:

Discounted Transportation Rate applicable to \_\_\_\_\_ Dth  
above/below \_\_\_\_\_ Dth

or

Discounted Transportation Rate applicable to all quantities above \_\_\_\_\_ Dth

\_\_\_ Discounted Transportation Rate applicable in a specified relationship to quantities actually transported:

Adjustment in Transportation Rate: \_\_\_\_\_ (based on \_\_\_\_\_ Dth actually transported)

\_\_\_\_\_ Discounted Transportation Rate applicable to specified quantities during specified periods of time or during specified periods of the Year:

\_\_\_\_\_ Dth for the following time period(s): \_\_\_\_\_  
\_\_\_\_\_ Discounted Transportation Rate applicable to specified quantities at specific Receipt Point(s) or Delivery Point(s):

Receipt Point(s): \_\_\_\_\_  
Delivery Point(s): \_\_\_\_\_

\_\_\_\_\_ [Discounted Transportation Rate applicable to production reserves committed or dedicated by Shipper:]

or

[Discounted Transportation Rate applicable to production reserves committed or dedicated to Stingray pursuant to \_\_\_\_\_, Contract No. \_\_\_\_\_, by and between \_\_\_\_\_:]

Production Reserves: \_\_\_\_\_ [Field or Block]

\_\_\_\_\_ Discounted Transportation Rate based on published index prices for specific Receipt Point(s) and/or Delivery Point(s) or other agreed-upon published pricing reference points (based upon the differential between published prices or arrived at by formula):

Index Price(s): \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_ Differential between Index Prices

or

\_\_\_\_\_ Formula: \_\_\_\_\_

In no event shall the discounted rate established as set forth above exceed the otherwise applicable maximum lawful rate.

Signed for Identification

Stingray: \_\_\_\_\_

Shipper: \_\_\_\_\_

Supersedes Exhibit C-\_\_\_\_, Dated:\_\_\_\_\_

RATE SCHEDULE PAL

CONTRACT NO. \_\_\_\_\_

THIS AGREEMENT is made effective as of the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_,  
by and between:

STINGRAY PIPELINE COMPANY, L.L.C. (hereinafter called "Stingray"),

and

\_\_\_\_\_ (hereinafter called "Shipper").

Shipper represents and warrants that Shipper conforms to the requirements of 18 C.F.R.

Section 284.102 (284B - Intrastate Pipelines or  
Local Distribution Companies) \_\_\_\_\_  
Section 284.223 (284G - Others) \_\_\_\_\_

In consideration of the mutual covenants and agreements as herein set forth, both Stingray and Shipper covenant and agree as follows:

ARTICLE 1 – QUANTITIES AND POINTS OF SERVICE

Subject to the provisions of this Agreement, Stingray shall park, and/or receive a loan of, Gas hereunder up to, as applicable, the Maximum Parked Quantity, which is \_\_\_\_\_ Dth of gas, or the Maximum Loaned Quantity, which is \_\_\_\_\_ Dth of gas, for the account of Shipper at the pooling point contemplated in Section 7 of the General Terms and Conditions or the PAL accounting point, as applicable.

At no time shall Shipper's quantity of parked or loaned Gas hereunder exceed this maximum agreed upon quantity.

ARTICLE 2 - TERM

This Agreement shall be effective from the date first stated \_\_\_\_\_ above. Stingray shall provide interruptible Parking and Lending service for Shipper pursuant to this Agreement from \_\_\_\_\_ until \_\_\_\_\_, when this Agreement shall expire.

### ARTICLE 3 - RATES AND CHARGES

For the services provided or contracted for hereunder, Shipper agrees to pay Stingray the then-effective, applicable rates and charges under Stingray's Rate Schedule PAL filed with the Commission, as such rates and charges and Rate Schedule PAL may hereafter be modified, supplemented, superseded, or replaced generally or as to the service hereunder. Stingray reserves the right from time to time to unilaterally file and to make effective any such changes in the terms or rate levels under Rate Schedule PAL and the applicability thereof, the General Terms and Conditions or any other provisions of Stingray's Tariff, subject to the applicable provisions of the Natural Gas Act and the Commission's Regulations thereunder.

From time to time, Shipper and Stingray may agree in writing on a level of discount of the otherwise applicable rates and charges hereunder pursuant to the effective applicable provisions of Rate Schedule PAL and subject to the Regulations and Orders of the Commission. Any discount shall be effective only on a prospective basis and as specified on Exhibit A-1 hereto. If Shipper subsequently requests and receives a discounted rate for additional quantities of natural gas or production reserves, an additional exhibit (designated sequentially as Exhibit A-2, A-3, etc.) shall be added to this Agreement for each discounted rate.

### ARTICLE 4 - GENERAL TERMS AND CONDITIONS

This Agreement and all terms for service hereunder are subject to the further provisions of Rate Schedule PAL and the General Terms and Conditions of Stingray's Tariff, as such may be modified supplemented, superseded or replaced generally or as to the service hereunder. Stingray reserves the right from time to time to unilaterally file and to make effective any such changes in the provisions of Rate Schedule PAL and the General Terms and Conditions, subject to the applicable provisions of the Natural Gas Act and the Commission's Regulations thereunder. Such Rate Schedule and General Terms and Conditions, as may be changed from time to time, are by this reference incorporated in their entirety into this Agreement and made an integral part hereof.

ARTICLE 5 - NOTICES

The mailing addresses of both Stingray and Shipper are as follows:

STINGRAY

Stingray Pipeline Company, L.L.C.  
1300 Main Street  
Houston, Texas 77002

SHIPPER

IN WITNESS WHEREOF, both Stingray and Shipper have caused this Agreement to be executed in several counterparts by their respective officers or other persons duly authorized to do so.

SHIPPER

By: \_\_\_\_\_

\_\_\_\_\_  
(Please type or print name)

Title: \_\_\_\_\_

EXECUTED \_\_\_\_\_, \_\_\_\_\_  
(Date)

STINGRAY PIPELINE COMPANY, L.L.C.

By: \_\_\_\_\_

\_\_\_\_\_  
(Please type or print name)

Title: \_\_\_\_\_

EXECUTED \_\_\_\_\_, \_\_\_\_\_  
(Date)

Service Agreement No.

EXHIBIT A-\_\_\_

Dated:\_\_\_\_\_

Discount Information

Discounted Transportation Rate:\_\_\_\_\_

Discounted Rate Effective: From:\_\_\_\_\_ To:\_\_\_\_\_

\_\_\_ Life of Reserves/Lease

\_\_\_ Evergreen: \_\_\_ Year-to-Year  
\_\_\_ Month-to-Month

Condition for Discounted Transportation Rate (check applicable condition(s)):

\_\_\_ Discounted Transportation Rate applicable to specified quantities under Shipper's Service Agreement(s):  
\_\_\_\_\_ Dth

\_\_\_ Discounted Transportation Rate applicable to specified quantities above or below a certain level or all quantities if quantities exceed a certain level:

Discounted Transportation Rate applicable to \_\_\_\_\_ Dth  
above/below \_\_\_\_\_ Dth

or

Discounted Transportation Rate applicable to all quantities above  
\_\_\_\_\_ Dth

\_\_\_ Discounted Transportation Rate applicable in a specified relationship to quantities actually transported:

Adjustment in Transportation Rate:\_\_\_\_\_ (based on  
\_\_\_\_\_ Dth actually transported)

\_\_\_ Discounted Transportation Rate applicable to specified quantities during specified periods of time or during specified periods of the Year:

\_\_\_\_\_ Dth for the following time period(s): \_\_\_\_\_

\_\_\_ Discounted Transportation Rate applicable to specified quantities at specific Receipt Point(s) or Delivery Point(s):

Receipt Point(s): \_\_\_\_\_

Delivery Point(s): \_\_\_\_\_

\_\_\_ Discounted Transportation Rate applicable to production reserves committed or dedicated by Shipper:

Production Reserves: \_\_\_\_\_ [Field or Block]

\_\_\_ Discounted Transportation Rate based on published index prices for specific Receipt Point(s) and/or Delivery Point(s) or other agreed-upon published pricing reference points (based upon the differential between published prices or arrived at by formula):

Index Price(s): \_\_\_\_\_

\_\_\_\_\_

\_\_\_ Differential between Index Prices

or

\_\_\_ Formula: \_\_\_\_\_

In no event shall the discounted rate established as set forth above exceed the otherwise applicable maximum lawful rate.

Signed for Identification

Stingray: \_\_\_\_\_

Shipper: \_\_\_\_\_

Supersedes Exhibit A-\_\_\_, Dated: \_\_\_\_\_

Contract No. \_\_\_\_\_ - RDA

RESERVE DEDICATION AGREEMENT  
[for use under Rate Schedule ITS]

This Reserve Dedication Agreement (“Agreement”) is made and entered into effective the \_\_\_\_ Day of \_\_\_\_\_, \_\_\_\_\_, by and between Stingray Pipeline Company, L.L.C. (“Stingray”) and \_\_\_\_\_ (“Shipper”). Stingray and Shipper shall individually be referred to herein as a “Party”, and collectively as the “Parties”. Capitalized terms not defined herein shall have the meaning ascribed thereto in Stingray’s FERC Gas Tariff, as it exists from time to time (“Tariff”).

ARTICLE 1  
DEDICATION OF RESERVES

- 1.1 In exchange for the discounted transportation rate granted by Stingray to Shipper for transportation service under ITS Service Agreement, Contract No. \_\_\_\_\_, dated \_\_\_\_\_ (“ITS Agreement”), Shipper hereby exclusively dedicates [select one of the following -- all Gas produced from or attributable to \_\_\_\_\_ [identify offshore block(s)], now or hereafter, owned or controlled by Shipper (“Dedicated Reserves”), or all Gas produced from or attributable to \_\_\_\_\_ [identify specific well(s)], located in \_\_\_\_\_ [identify offshore block(s)], now or hereafter, owned or controlled by Shipper (“Dedicated Reserves”), or all Gas produced from or attributable to all well(s) connected to or that will be connected to \_\_\_\_\_ platform(s) [identify specific platform(s)], located in \_\_\_\_\_ [identify offshore block(s)], now or hereafter, owned or controlled by Shipper (“Dedicated Reserves”) or all Gas produced from or attributed to [areas mutually agreed to by Stingray and Shipper], now or hereafter, owned or controlled by Shipper (“Dedicated Reserves”)], for transportation by (a) Shipper or (b) any party that purchases from Shipper at the wellhead any production reserves from the blocks listed above (“Shipper’s Designee”) on Stingray under Rate Schedule ITS for the [select one of the following -- economic life of the Dedicated Reserves, or time period commencing \_\_\_\_\_, \_\_\_\_ through \_\_\_\_\_, \_\_\_\_\_, and from \_\_\_\_-to-\_\_\_\_ thereafter, unless terminated by either Party upon thirty (30) Days’ prior written notice to the other Party as set out in Article 2].
- 1.2 In the event Shipper transfers or assigns any or all of its right, title and/or interest in the Dedicated Reserves, Shipper agrees that any such transfer or assignment will be made subject to the terms of this dedication, it being the intent of the Parties that the Dedicated Reserves remain dedicated for transportation on Stingray for the [select one of the following -- economic life of the reserves, or time period set forth in Section 1.1 above]. Stingray shall be entitled to treat any transfer or assignment of any or all of Shipper’s right, title and/or interest in the Dedicated Reserves as null and void unless such assignment or other transfer shall include express provisions stating that such assignment or other transfer is made in compliance with and subject to the terms of this dedication as to the interests transferred or assigned, such that all of Shipper’s (including its successors’) rights, titles and/or interests in and to the Dedicated Reserves remain dedicated for transportation on Stingray for the [select one of the following -- economic life of the reserves, or time period set forth in Section 1.1 above].

- 1.3 The transportation of Dedicated Reserves by Shipper or by Shipper's Designee on another pipeline (other than when Stingray has invoked Force Majeure on its pipeline system) is a breach and violation of the dedication hereunder. In such event, the discounted transportation rate granted by Stingray to Shipper or to Shipper's Designee for the transportation of Dedicated Reserves shall be revoked on a prospective basis, and this Agreement shall terminate and be of no further force and effect, as set forth in Section 2.5 below.
- 1.4 In the event of interruption by Stingray due to a Force Majeure situation, Shipper or Shipper's Designee has the right immediately to deliver the affected Dedicated Reserves to an alternate pipeline for transportation service during that time without penalty; provided, however, that Shipper or Shipper's Designee shall be required to resume deliveries of the Dedicated Reserves to Stingray for transportation service no later than:
- (a) the first Day of the Month after receipt by Shipper or Shipper's Designee of Stingray's notice to Shipper or Shipper's Designee to resume deliveries of the Dedicated Reserves to Stingray, provided that such notice is provided to Shipper or Shipper's Designee no later than the 20th Day of a Month, or
  - (b) the first Day of the second Month after receipt by Shipper of Stingray's notice to Shipper or Shipper's Designee to resume deliveries of the Dedicated Reserves to Stingray, in the event that such notice is made after the 20th Day of a Month.
- 1.5 In the event of a temporary interruption by Stingray due to an event on Stingray's system (other than an event in the ordinary course of business, normal operation fluctuations allowed for within Stingray's Tariff, or a Force Majeure situation) and not an event on the facilities of a third-party, Shipper or Shipper's Designee has the right immediately to deliver the affected Dedicated Reserves to an alternate pipeline for transportation service during that time without penalty; provided, however, that Shipper or Shipper's Designee shall be required to resume deliveries of the Dedicated Reserves to Stingray for transportation service as soon as reasonably possible or operationally practicable but no more than two (2) Business Days following a posting by Stingray on its Interactive Internet Website that the interruption by Stingray has ceased.
- 1.6 If Stingray, for any reason, fails to provide transportation service for the Dedicated Reserves under the ITS Agreement for more than ninety (90) consecutive Days in any twelve (12) Month period, Shipper or Shipper's Designee may request, in writing, from Stingray a prospective permanent release of the Dedicated Reserves for which Stingray has been unable to provide transportation service under the ITS Agreement ("Impacted Quantities"). Within sixty (60) Days following receipt of a request from Shipper or Shipper's Designee for a permanent release of Impacted Quantities, Stingray shall either:
- (a) prepare a project schedule and review with Shipper or Shipper's Designee the steps or actions that Stingray is taking or proposes to take to enable Stingray to receive and transport the Impacted Quantities from Shipper or Shipper's Designee within a Construction Period (defined below), or

- (b) grant Shipper's or Shipper's Designee's request for a permanent release of the Impacted Quantities.

Stingray shall have the following time periods, beginning from the date of receipt of Shipper's or Shipper's Designee's request for a permanent release of Impacted Quantities, to take action (including, but not limited to, the installation of facilities) to enable Stingray to receive and transport the Impacted Quantities: six (6) Months if minor construction is required, or fifteen (15) Months if additional pipeline, platform and/or compression facilities are required ("Construction Period"); provided, however, Stingray shall have the right to extend a Construction Period for an additional three (3) Months if Stingray has made a significant economic commitment with respect to the actions it is taking to enable Stingray to receive and transport the Impacted Quantities, and if it is reasonable to believe that such actions will enable Stingray to receive the Impacted Quantities within the additional three (3) Month extension of the original Construction Period.

- 1.7 The Parties hereby agree to execute a Memorandum of Agreement in the form of Exhibit A, which may be filed, together with all applicable leases and assignments of interests for the Dedicated Reserves, with the Minerals Management Service of the United States Department of the Interior or any successor agency and in the parish and county records of the appropriate jurisdictions to the extent such documents have not been filed previously.

## ARTICLE 2 TERM

- 2.1 This Agreement shall be effective \_\_\_\_\_, \_\_\_\_\_, and shall remain in force and effect [select one of the following -- for the economic life of the Dedicated Reserves, or through \_\_\_\_\_, \_\_\_\_\_, and from Year-to-Year thereafter, unless terminated by either Party upon thirty (30) Days' prior written notice to the other Party].
- 2.2 Notwithstanding the provisions of Section 2.1 above, in the event Shipper or Shipper's Designee transports any of the Dedicated Reserves under a valid FTS-2 Service Agreement between Stingray and Shipper, this Agreement shall terminate and be of no further force and effect.
- 2.3 Notwithstanding the provisions of Section 2.1 above, in the event Shipper sells or assigns its right, title, and interest in the Dedicated Reserves, upon the satisfaction of all conditions set forth in Section 4.3(b) below, this Agreement shall terminate and be of no further force and effect.
- 2.4 Notwithstanding the provisions of Section 2.1 above, in the event that Transporter has waived compliance with any of the quality specifications set forth in Section 22 of the General Terms and Conditions of Transporter's Tariff for the Dedicated Reserves, but revokes such waiver due to operational considerations, this Agreement shall terminate and be of no further force and effect.

2.5 Notwithstanding the provisions of Section 2.1 above, in the event that Dedicated Reserves are transported on another pipeline in breach and violation of the dedication hereunder (other than when Stingray has invoked Force Majeure on its pipeline system), this Agreement shall terminate and be of no further force and effect.

ARTICLE 3  
NOTICES

Except as otherwise provided in the General Terms and Conditions applicable to this Agreement, any notice or communication contemplated or required by this Agreement shall be in writing, and shall be sent to the appropriate Party at the applicable address set forth below, as may be revised from time to time, in accordance herewith. Written notices required herein may be sent by facsimile or mutually acceptable electronic means, a nationally recognized overnight courier service, first class mail or hand delivered.

(a) All notices to be sent to Stingray shall be addressed to:

Stingray Pipeline Company, L.L.C.  
1300 Main Street  
Houston, Texas 77002  
Attention: \_\_\_\_\_  
Phone: \_\_\_\_\_  
Facsimile: \_\_\_\_\_

(b) All notices to be sent to Shipper shall be addressed to:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_  
Phone: \_\_\_\_\_  
Facsimile: \_\_\_\_\_

ARTICLE 4  
MISCELLANEOUS

- 4.1 General Terms and Conditions. This Agreement is subject to the provisions of the General Terms and Conditions of Stingray's Tariff, as such may be modified, supplemented, superseded or replaced generally or as to the service hereunder. Stingray reserves the right from time to time to unilaterally file and to make effective any such changes in the provisions of the General Terms and Conditions, subject to the applicable provisions of the Natural Gas Act and the Commission's Regulations thereunder. The General Terms and Conditions of Stingray's Tariff are by this reference incorporated in their entirety into this Agreement and made an integral part hereof.
- 4.2 Nonwaiver of Rights. No delay or failure to exercise any right or remedy accruing to either Stingray or Shipper or Shipper's Designee upon breach or default by the other will impair any right or remedy or be construed to be a waiver of any such breach or default, nor will a waiver of any single breach be deemed a waiver of any other breach or default.
- 4.3 Succession and Assignment.
- (a) Any entity which shall succeed by purchase, merger or consolidation to title to the properties, substantially as an entirety, of Stingray or Shipper, as the case may be, shall be entitled to the rights and shall be subject to the obligations of its predecessor in title under this Agreement.
  - (b) No sale or assignment of Shipper's right, title, and interest in the Dedicated Reserves shall be effective as to Stingray without the prior written consent of Stingray, which consent shall be subject to the following conditions:
    - (i) the party acquiring the Dedicated Reserves from Shipper ("Assignee") acquiring sufficient transportation capacity on Stingray to transport the Dedicated Reserves through either the capacity release process under Stingray's Tariff or directly from Stingray pursuant to a request for service;
    - (ii) if requested by Stingray, Assignee providing Stingray confirmation of Assignee's acceptance of a discounted transportation rate from Stingray for the Dedicated Reserves to be transported on Stingray consistent with the discounted transportation rate that Shipper received from Stingray for the transportation of the Dedicated Reserves;
    - (iii) if required by Stingray, Assignee providing a corporate guarantee or other security, consistent with the creditworthiness provisions of Stingray's Tariff that is acceptable to Stingray in its sole discretion;
    - (iv) Stingray and Assignee executing a transportation service agreement (which shall include the discounted transportation rate for the Dedicated Reserves),

consistent with the applicable Form of Service Agreement set forth in Stingray's Tariff, for the transportation of the Dedicated Reserves; provided that, for purposes of Section 3 of the General Terms and Conditions of Stingray's FERC Gas Tariff, the effective date for this transportation service agreement between Stingray and Assignee shall be deemed to be the effective date of the ITS Agreement between Stingray and Shipper; and

- (v) Stingray and Assignee executing a new Reserve Dedication Agreement with Stingray upon substantially similar terms and conditions as that contained in this Agreement between Stingray and Shipper including without limitation dedication to transportation by Stingray of all the Dedicated Reserves purchased by Assignee.

- 4.4 No Third Party Beneficiaries. This Agreement shall not create any rights in any third parties, and no provision of this Agreement shall be construed as creating any obligations for the benefit of, or rights in favor of, any person or entity other than Stingray or Shipper.
- 4.5 Conformance to Law. It is understood that performance hereunder shall be subject to all valid laws, orders, rules and regulations of duly constituted governmental authorities having jurisdiction or control of the matters related hereto.
- 4.6 GOVERNING LAW. THE CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT OF THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF TEXAS, EXCLUDING ANY CONFLICT OF LAW RULE WHICH WOULD REFER ANY MATTER TO THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF TEXAS.
- 4.7 Entire Agreement. This Agreement contains the entire agreement between Stingray and Shipper with respect to the subject matter herein as of the effective date hereof, and supersedes any and all prior understandings and agreements between the parties, whether oral or written, concerning the subject matter herein, and any and all such prior understandings and agreements are hereby deemed to be void and of no effect. No amendments to or modifications of this Agreement shall be effective unless agreed upon in a written instrument executed by Stingray and Shipper which expressly refers to this Agreement.
- 4.8 Authority. Each of Stingray and Shipper represents and warrants to the other that it has all requisite power and authority to carry on its business as presently conducted, to enter into this Agreement and to perform its respective obligations under this Agreement.

Stingray and Shipper have caused their duly authorized representatives to execute this Agreement effective as of the date first set forth above.

STINGRAY PIPELINE COMPANY, L.L.C.

\_\_\_\_\_  
[Shipper]

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

EXHIBIT A  
MEMORANDUM OF AGREEMENT AND  
COVENANT RUNNING WITH THE DEDICATED RESERVES

This Memorandum of Agreement and Covenant Running With The Dedicated Reserves (“Memorandum”) is effective as of the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, and is entered into by and between Stingray Pipeline Company, L.L.C. (“Stingray”) and \_\_\_\_\_ (“Shipper”). Stingray and Shipper shall individually be referred to herein as a “Party”, and collectively as the “Parties”.

1. The Parties have entered into a Reserve Dedication Agreement, dated \_\_\_\_\_, providing for, among other things, the dedication by Shipper of [select one of the following -- all natural gas produced from or attributable to \_\_\_\_\_ [identify offshore block(s)], now or hereafter, owned or controlled by Shipper (“Dedicated Reserves”), or all natural gas produced from or attributable to \_\_\_\_\_ [identify specific well(s)], located in \_\_\_\_\_ [identify offshore block(s)], now or hereafter, owned or controlled by Shipper (“Dedicated Reserves”), or all natural gas produced from or attributable to all well(s) connected to or that will be connected to \_\_\_\_\_ platform(s) [identify specific platform(s)], located in \_\_\_\_\_ [identify offshore block(s)], now or hereafter, owned or controlled by Shipper (“Dedicated Reserves”) or all Gas produced from or attributed to [areas mutually agreed to by Stingray and Shipper], now or hereafter, owned or controlled by Shipper (“Dedicated Reserves”)], for transportation by (a) Shipper or (b) any party that purchases from Shipper at the wellhead any production reserves from the blocks listed above on Stingray for the [select one of the following -- economic life of the Dedicated Reserves, or time period commencing \_\_\_\_\_, \_\_\_\_\_ through \_\_\_\_\_, \_\_\_\_\_, and from year-to-year thereafter, unless terminated by either Party upon thirty (30) days’ prior written notice to the other Party]. Such Dedicated Reserves are set forth in Attachment A hereto.

2. The purpose of this Memorandum is to place third parties on notice that Shipper’s interest in the Dedicated Reserves is committed and dedicated to Stingray for transportation service. Should any person or firm desire additional information regarding the Reserve Dedication Agreement, such person or firm should contact:

\_\_\_\_\_ Stingray Pipeline Company, L.L.C.  
\_\_\_\_\_ 1300 Street  
\_\_\_\_\_ Houston, Texas 77002  
Attn: \_\_\_\_\_ Attn: \_\_\_\_\_

3. Upon termination of the Reserve Dedication Agreement, Shipper and Stingray shall file of record a release and termination of this Memorandum.

4. This Memorandum shall be binding upon and shall inure to the benefit of the Parties hereto, and to their respective successors and permitted assigns.

WITNESSES:

STINGRAY PIPELINE COMPANY, L.L.C.

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

WITNESSES:

\_\_\_\_\_ [SHIPPER]

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

STATE OF \_\_\_\_\_  
[COUNTY OR PARISH] OF \_\_\_\_\_

On this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, before me personally appeared \_\_\_\_\_, to me personally known, who, being by me duly sworn, did say that [he] or [she] is the \_\_\_\_\_ of \_\_\_\_\_ [Shipper], and said person acknowledged to me, Notary, in the presence of the undersigned competent witnesses, that the foregoing instrument was signed on behalf of said \_\_\_\_\_ by authority of its \_\_\_\_\_, and said appearer acknowledged said instrument to be the free act and deed of said \_\_\_\_\_.

IN WITNESSES WHEREOF, said appearer has executed these presents together with me, Notary, and the undersigned competent witnesses, in the [County or Parish] and State aforesaid, on the date first above written.

WITNESSES:

NOTARY PUBLIC

STATE OF TEXAS  
COUNTY OF HARRIS

On this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, before me personally appeared \_\_\_\_\_, to me personally known, who, being by me duly sworn, did say that [he] or [she] is the \_\_\_\_\_ of Stingray Pipeline Company, L.L.C., and said person acknowledged to me, Notary, in the presence of the undersigned competent witnesses, that the foregoing instrument was signed on behalf of said company by authority of its Board of Directors, and said appearer acknowledged said instrument to be the free act and deed of said company.

IN WITNESSES WHEREOF, said appearer has executed these presents together with me, Notary, and the undersigned competent witnesses, in the County and State aforesaid, on the date first above written.

WITNESSES:

NOTARY PUBLIC

ATTACHMENT A  
to  
MEMORANDUM OF AGREEMENT AND  
COVENANT RUNNING WITH THE DEDICATED RESERVES,  
DATED \_\_\_\_\_,  
BETWEEN  
STINGRAY PIPELINE COMPANY, L.L.C. AND  
\_\_\_\_\_ [SHIPPER]

SHIPPER'S DEDICATED RESERVES

| Dedicated Field | Dedicated Lease | Dedicated Blocks |
|-----------------|-----------------|------------------|
|                 |                 |                  |
|                 |                 |                  |
|                 |                 |                  |
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|                 |                 |                  |
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Contract No. \_\_\_\_\_ - RDA

RESERVE DEDICATION AGREEMENT  
[for use under Rate Schedule FTS-2]

This Reserve Dedication Agreement (“Agreement”) is made and entered into effective the \_\_\_\_ Day of \_\_\_\_\_, \_\_\_\_\_, by and between Stingray Pipeline Company, L.L.C. (“Stingray”) and \_\_\_\_\_ (“Shipper”). Stingray and Shipper shall individually be referred to herein as a “Party”, and collectively as the “Parties”. Capitalized terms not defined herein shall have the meaning ascribed thereto in Stingray’s FERC Gas Tariff, as it exists from time to time (“Tariff”).

ARTICLE 1  
DEDICATION OF RESERVES

- 1.1 In exchange for transportation service performed by Stingray for Shipper under that certain FTS-2 Service Agreement, Contract No. \_\_\_\_\_, dated \_\_\_\_\_, \_\_\_\_\_ (“FTS-2 Agreement”), Shipper hereby exclusively dedicates [select one of the following – all Gas produced from or attributable to \_\_\_\_\_ [identify offshore block(s)], now or hereafter, owned or controlled by Shipper (“Dedicated Reserves”), or all Gas produced from or attributable to \_\_\_\_\_ [identify specific well(s)], located in \_\_\_\_\_ [identify offshore block(s)], now or hereafter, owned or controlled by Shipper (“Dedicated Reserves”), or all Gas produced from or attributable to all well(s) connected to or that will be connected to \_\_\_\_\_ platform(s) [identify specific platform(s)] located in \_\_\_\_\_ [identify offshore block(s)], now or hereafter, owned or controlled by Shipper (“Dedicated Reserves”) or all Gas produced from or attributed to [areas mutually agreed to by Stingray and Shipper], now or hereafter, owned or controlled by Shipper (“Dedicated Reserves”)], for transportation by (a) Shipper or (b) any party that purchases from Shipper at the wellhead any production reserves from the blocks listed above (“Shipper’s Designee”) on Stingray under Rate Schedule FTS-2 for the economic life of the Dedicated Reserves.
- 1.2 In the event Shipper transfers or assigns any or all of its right, title and/or interest in the Dedicated Reserves, Shipper agrees that any such transfer or assignment will be made subject to the terms of this dedication, it being the intent of the Parties that the Dedicated Reserves remain dedicated for transportation on Stingray for the economic life of the reserves. Stingray shall be entitled to treat any transfer or assignment of any or all of Shipper’s right, title and/or interest in the Dedicated Reserves as null and void unless such assignment or other transfer shall include express provisions stating that such assignment or other transfer is made in compliance with and subject to the terms of this dedication as to the interests transferred or assigned, such that all of Shipper’s (including its successors’) rights, titles and/or interests in and to the Dedicated Reserves remain dedicated for transportation on Stingray for the economic life of the reserves.
- 1.3 The transportation of Dedicated Reserves by Shipper or by Shipper’s Designee on another pipeline (other than when Stingray has invoked Force Majeure on its pipeline system or pursuant to Section 1.5 below) is a breach and violation of the dedication hereunder. In such event, any

discounted transportation rate granted by Stingray to Shipper or Shipper's Designee for the transportation of Dedicated Reserves may be revoked on a prospective basis.

- 1.4 In the event of interruption by Stingray due to a Force Majeure situation, Shipper or Shipper's Designee has the right immediately to deliver the affected Dedicated Reserves to an alternate pipeline for transportation service during that time without penalty; provided, however, that Shipper or Shipper's Designee, shall be required to resume deliveries of the Dedicated Reserves to Stingray for transportation service no later than:
- (a) the first Day of the Month after receipt by Shipper or Shipper's Designee of Stingray's notice to Shipper or Shipper's Designee to resume deliveries of the Dedicated Reserves to Stingray, provided that such notice is provided to Shipper or Shipper's Designee no later than the 20th Day of a Month, or
  - (b) the first Day of the second Month after receipt by Shipper of Stingray's notice to Shipper or Shipper's Designee to resume deliveries of the Dedicated Reserves to Stingray, in the event that such notice is made after the 20th Day of a Month.
- 1.5 In the event of a temporary interruption by Stingray due to an event on Stingray's system (other than an event in the ordinary course of business, normal operation fluctuations allowed for within Stingray's Tariff, or a Force Majeure situation) and not an event on the facilities of a third-party, Shipper or Shipper's Designee has the right immediately to deliver the affected Dedicated Reserves to an alternate pipeline for transportation service during that time without penalty; provided, however, that Shipper or Shipper's Designee shall be required to resume deliveries of the Dedicated Reserves to Stingray for transportation service as soon as reasonably possible or operationally practicable but no more than two (2) Business Days following a posting by Stingray on its Interactive Internet Website that the interruption by Stingray has ceased.
- 1.6 If Stingray, for any reason, fails to provide transportation service for the Dedicated Reserves under the FTS-2 Agreement for more than ninety (90) consecutive Days in any twelve (12) Month period, Shipper or Shipper's Designee may request, in writing, from Stingray a prospective permanent release of the Dedicated Reserves for which Stingray has been unable to provide transportation service under the FTS-2 Agreement ("Impacted Quantities"). Within sixty (60) Days following receipt of a request from Shipper or Shipper's Designee for a permanent release of Impacted Quantities, Stingray shall either:
- (a) prepare a project schedule and review with Shipper or Shipper's Designee the steps or actions that Stingray is taking or proposes to take to enable Stingray to receive and transport the Impacted Quantities from Shipper or Shipper's Designee within a Construction Period (defined below), or
  - (b) grant Shipper's or Shipper's Designee's request for a permanent release of the Impacted Quantities.

Stingray shall have the following time periods, beginning from the date of receipt of Shipper's or Shipper's Designee's request for a permanent release of Impacted Quantities, to take action (including, but not limited to, the installation of facilities) to enable Stingray to receive and transport the Impacted Quantities: six (6) Months if minor construction is required, or fifteen (15) Months if additional pipeline, platform and/or compression facilities are required ("Construction Period"); provided, however, Stingray shall have the right to extend a Construction Period for an additional three (3) Months if Stingray has made a significant economic commitment with respect to the actions it is taking to enable Stingray to receive and transport the Impacted Quantities, and if it is reasonable to believe that such actions will enable Stingray to receive the Impacted Quantities within the additional three (3) Month extension of the original Construction Period.

- 1.7 The Parties hereby agree to execute a Memorandum of Agreement in the form of Exhibit A, which may be filed, together with all applicable leases and assignments of interests for the Dedicated Reserves, with the Minerals Management Service of the United States Department of the Interior or any successor agency and in the parish and county records of the appropriate jurisdictions to the extent such documents have not been filed previously.

ARTICLE 2  
TERM

- 2.1 This Agreement shall be effective \_\_\_\_\_, \_\_\_\_\_, and shall remain in force and effect for the economic life of the Dedicated Reserves.
- 2.2 Subject to the provisions of Section 4.3(b) hereinbelow, and notwithstanding the provisions of Section 2.1 above, in the event Shipper or Shipper's Designee sells or assigns its right, title, and interest in the Dedicated Reserves, upon the satisfaction of all conditions set forth in Section 4.3(b) below, this Agreement shall terminate and be of no further force and effect as between Shipper and Stingray.

ARTICLE 3  
NOTICES

Except as otherwise provided in the General Terms and Conditions applicable to this Agreement, any notice or communication contemplated or required by this Agreement shall be in writing, and shall be sent to the appropriate Party at the applicable address set forth below, as may be revised from time to time, in accordance herewith. Written notices required herein may be sent by facsimile or mutually acceptable electronic means, a nationally recognized overnight courier service, first class mail or hand delivered.

- (a) All notices to be sent to Stingray shall be addressed to:

Stingray Pipeline Company, L.L.C.  
1300 Main Street  
Houston, Texas 77002  
Attention: Treasurer

Phone: (713) 457-8307  
Facsimile: (713) 457-8311

(b) All notices to be sent to Shipper shall be addressed to:

Name:  
Address:  
Attention:  
Phone:  
Facsimile:

#### ARTICLE 4 MISCELLANEOUS

- 4.1 General Terms and Conditions. This Agreement is subject to the provisions of the General Terms and Conditions of Stingray's Tariff, as such may be modified, supplemented, superseded or replaced generally or as to the service hereunder. Stingray reserves the right from time to time to unilaterally file and to make effective any such changes in the provisions of the General Terms and Conditions, subject to the applicable provisions of the Natural Gas Act and the Commission's Regulations thereunder. The General Terms and Conditions of Stingray's Tariff are by this reference incorporated in their entirety into this Agreement and made an integral part hereof.
- 4.2 Nonwaiver of Rights. No delay or failure to exercise any right or remedy accruing to either Stingray or Shipper or Shipper's Designee upon breach or default by the other will impair any right or remedy or be construed to be a waiver of any such breach or default, nor will a waiver of any single breach be deemed a waiver of any other breach or default.
- 4.3 Succession and Assignment
- (a) Any entity which shall succeed by purchase, merger, consolidation, sale or assignment to title to the properties, substantially as an entirety, of Stingray or Shipper, as the case may be, shall be entitled to the rights, including rights to related pipeline capacity under Rate Schedule FTS-2, and shall be subject to the obligations of its predecessor in title under this Agreement.
- (b) No sale or assignment of Shipper's right, title, and interest in the Dedicated Reserves shall be effective as to Stingray without the prior written consent of Stingray, which consent shall be subject to the following conditions:
- (i) the party acquiring the Dedicated Reserves from Shipper ("Assignee") acquiring sufficient transportation capacity on Stingray to transport the Dedicated Reserves pursuant to an assignment of Shipper's capacity under Section 21 of Rate Schedule FTS-2 and Section 8 of Shipper's FTS-2 Agreement;

- (ii) if required by Stingray, Assignee providing Stingray confirmation of Assignee's acceptance of a discounted transportation rate from Stingray for the Dedicated Reserves to be transported on Stingray consistent with the discounted transportation rate that Shipper received from Stingray for the transportation of the Dedicated Reserves;
- (iii) if required by Stingray, Assignee providing a corporate guarantee or other security, consistent with the creditworthiness provisions of Stingray's Tariff that is acceptable to Stingray in its sole discretion; and
- (iv) Stingray and Assignee executing a new Reserve Dedication Agreement with Stingray upon substantially similar terms and conditions as that contained in this Agreement between Stingray and Shipper.

(c) No permitted assignment of this Agreement shall relieve Shipper of its obligations under this Agreement.

- 4.4 No Third Party Beneficiaries. This Agreement shall not create any rights in any third parties, and no provision of this Agreement shall be construed as creating any obligations for the benefit of, or rights in favor of, any person or entity other than Stingray or Shipper.
- 4.5 Conformance to Law. It is understood that performance hereunder shall be subject to all valid laws, orders, rules and regulations of duly constituted governmental authorities having jurisdiction or control of the matters related hereto.
- 4.6 GOVERNING LAW. THE CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT OF THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF TEXAS, EXCLUDING ANY CONFLICT OF LAW RULE WHICH WOULD REFER ANY MATTER TO THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF TEXAS.
- 4.7 Entire Agreement. This Agreement contains the entire agreement between Stingray and Shipper with respect to the subject matter herein as of the effective date hereof, and supersedes any and all prior understandings and agreements between the parties, whether oral or written, concerning the subject matter herein, and any and all such prior understandings and agreements are hereby deemed to be void and of no effect. No amendments to or modifications of this Agreement shall be effective unless agreed upon in a written instrument executed by Stingray and Shipper which expressly refers to this Agreement.
- 4.8 Authority. Each of Stingray and Shipper represents and warrants to the other that it has all requisite power and authority to carry on its business as presently conducted, to enter into this Agreement and to perform its respective obligations under this Agreement.

Stingray and Shipper have caused their duly authorized representatives to execute this Agreement effective as of the date first set forth above.

STINGRAY PIPELINE COMPANY, L.L.C.

(SHIPPER)

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

EXHIBIT A  
MEMORANDUM OF AGREEMENT AND  
COVENANT RUNNING WITH THE DEDICATED RESERVES

This Memorandum of Agreement and Covenant Running With The Dedicated Reserves ("Memorandum") is effective as of the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, and is entered into by and between Stingray Pipeline Company, L.L.C. ("Stingray") and \_\_\_\_\_ ("Shipper"). Stingray and Shipper shall individually be referred to herein as a "Party", and collectively as the "Parties".

1. The Parties have entered into a Reserve Dedication Agreement, dated \_\_\_\_\_, providing for, among other things, the dedication by Shipper of [select one of the following -- all natural gas produced from or attributable to \_\_\_\_\_ [identify offshore block(s)], now or hereafter, owned or controlled by Shipper ("Dedicated Reserves"), or all natural gas produced from or attributable to \_\_\_\_\_ [identify specific well(s)], located in \_\_\_\_\_ [identify offshore block(s)], now or hereafter, owned or controlled by Shipper ("Dedicated Reserves"), or all natural gas produced from or attributable to all well(s) connected to or that will be connected to \_\_\_\_\_ platform(s) [identify specific platform(s)], located in \_\_\_\_\_ [identify offshore block(s)], now or hereafter, owned or controlled by Shipper ("Dedicated Reserves") or all Gas produced from or attributed to [areas mutually agreed to by Stingray and Shipper], now or hereafter, owned or controlled by Shipper ("Dedicated Reserves")], for transportation by (a) Shipper or (b) any party that purchases from Shipper at the wellhead any production reserves from the blocks listed above on Stingray for the [select one of the following -- economic life of the Dedicated Reserves, or time period commencing \_\_\_\_\_, \_\_\_\_\_ through \_\_\_\_\_, \_\_\_\_\_, and from year-to-year thereafter, unless terminated by either Party upon thirty (30) days' prior written notice to the other Party]. Such Dedicated Reserves are set forth in Attachment A hereto.

2. The purpose of this Memorandum is to place third parties on notice that Shipper's interest in the Dedicated Reserves is committed and dedicated to Stingray for transportation service. Should any person or firm desire additional information regarding the Reserve Dedication Agreement, such person or firm should contact:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attn: \_\_\_\_\_

Stingray Pipeline Company, L.L.C.  
1300 Main Street  
Houston, Texas 77002  
Attn: \_\_\_\_\_

3. Upon termination of the Reserve Dedication Agreement, Shipper and Stingray shall file of record a release and termination of this Memorandum.

4. This Memorandum shall be binding upon and shall inure to the benefit of the Parties hereto, and to their respective successors and permitted assigns.

WITNESSES:

STINGRAY PIPELINE COMPANY, L.L.C.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

WITNESSES:

\_\_\_\_\_ [SHIPPER]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

STATE OF \_\_\_\_\_  
[COUNTY OR PARISH] OF \_\_\_\_\_

On this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, before me personally appeared \_\_\_\_\_, to me personally known, who, being by me duly sworn, did say that [he] or [she] is the \_\_\_\_\_ of \_\_\_\_\_ [Shipper], and said person acknowledged to me, Notary, in the presence of the undersigned competent witnesses, that the foregoing instrument was signed on behalf of said \_\_\_\_\_ by authority of its \_\_\_\_\_, and said appearer acknowledged said instrument to be the free act and deed of said \_\_\_\_\_.

IN WITNESSES WHEREOF, said appearer has executed these presents together with me, Notary, and the undersigned competent witnesses, in the [County or Parish] and State aforesaid, on the date first above written.

WITNESSES:

NOTARY PUBLIC

STATE OF TEXAS  
COUNTY OF HARRIS

On this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, before me personally appeared \_\_\_\_\_, to me personally known, who, being by me duly sworn, did say that [he] or [she] is the \_\_\_\_\_ of Stingray Pipeline Company, L.L.C., and said person acknowledged to me, Notary, in the presence of the undersigned competent witnesses, that the foregoing instrument was signed on behalf of said company by authority of its Board of Directors, and said appearer acknowledged said instrument to be the free act and deed of said company.

IN WITNESSES WHEREOF, said appearer has executed these presents together with me, Notary, and the undersigned competent witnesses, in the County and State aforesaid, on the date first above written.

WITNESSES:

NOTARY PUBLIC

ATTACHMENT A  
to  
MEMORANDUM OF AGREEMENT AND  
COVENANT RUNNING WITH THE DEDICATED RESERVES,  
DATED \_\_\_\_\_,  
BETWEEN  
STINGRAY PIPELINE COMPANY, L.L.C. AND  
\_\_\_\_\_ [SHIPPER]

SHIPPER'S DEDICATED RESERVES

| Dedicated Field | Dedicated Lease | Dedicated Blocks |
|-----------------|-----------------|------------------|
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Contract No. \_\_\_\_\_

FORM OF RELEASED TRANSPORTATION SERVICE CONTRACT

(Applicable to firm transportation rights released pursuant to Section 16 of the General Terms and Conditions of this Tariff)

THIS CONTRACT is made and entered into this \_\_\_\_ Day of \_\_\_\_\_, \_\_\_\_ by and between Stingray Pipeline Company, L.L.C., a \_\_ Limited Liability Company, hereinafter called "Transporter" or "Stingray" and \_\_\_\_\_, hereinafter variously called "Bidder" or "Replacement Shipper." Transporter and Bidder/Replacement Shipper are sometimes referred to herein individually as a "Party" or collectively as the "Parties".

WHEREAS, Transporter owns and operates an interstate Gas transmission system and provides transportation service on such system;

WHEREAS, Transporter's Tariff on file with the Federal Energy Regulatory Commission permits shippers holding capacity rights under an Eligible Firm Transportation Agreement, as defined in Section 16.2 of Stingray's FERC Gas Tariff, to release some or all of their transportation rights under the terms and conditions prescribed in the Tariff;

WHEREAS, Bidder desires to submit bids for transportation rights released by one or more firm shippers and Transporter's Tariff requires Bidder to enter into this Released Transportation Service Contract as a pre-condition to the submission of any such Bids; and

WHEREAS, Transporter is willing to enter into this Contract with Bidder and provide transportation service to Bidder as a Replacement Shipper to the extent it obtains released transportation rights;

NOW, THEREFORE, in consideration of the mutual covenants and agreements as herein set forth, the parties hereto agree as follows:

ARTICLE I  
RELEASED TRANSPORTATION RIGHTS

In the event transportation rights are released to Bidder, Transporter shall prepare and submit to Bidder an Exhibit "R-1" setting forth the maximum daily quantity of the released transportation service, applicable Receipt and Delivery Points, the rates to be paid for service using released rights, and any special terms and conditions applicable to such released transportation rights, including conditions of curtailment or recall. In the event Transporter agrees from time to time to collect a rate lower than the maximum rate set forth in the Tariff for the released transportation rights, such a discounted rate shall be set forth in Exhibit A attached hereto. If Replacement Shipper subsequently obtains additional released transportation rights pursuant to the terms and conditions of Transporter's Tariff, an additional exhibit (designated sequentially as Exhibit "R-2", Exhibit "R-3", etc.) shall be added to this Contract for

each such award of transportation rights. Each such Exhibit shall be added to this Contract and, upon such addition, shall be incorporated in and be considered a part of this Contract.

ARTICLE II  
GOVERNING TERMS AND CONDITIONS

- 2.1 This Contract shall be subject to, shall be governed by, and shall incorporate the applicable provisions of Transporter's Tariff, including, without limitation, Section 16 of the General Terms and Conditions thereof, the Rate Schedules FTS and FTS-2 and the special terms and conditions stated in each Exhibit hereto with respect to the released transportation rights described in such Exhibit. Subject to the terms, conditions and limitations of this Contract and Transporter's Tariff, Replacement Shipper shall be deemed a Shipper for purposes of Rate Schedules FTS or FTS-2, as applicable, and the applicable provisions of Transporter's Tariff and shall be subject to all obligations thereof.
- 2.2 Transporter expressly reserves all rights granted to it by Rate Schedules FTS and FTS-2, as applicable, and the applicable provisions of its Tariff on file at the FERC and reserves the right to place into effect unilaterally such changes as Transporter deems necessary or desirable from time to time in the rates, charges, terms, and conditions applicable to service under the Tariff and Rate Schedules FTS and FTS-2.

ARTICLE III  
TERM

This Contract shall become effective on the date first written above and shall remain in force and effect until terminated by either Party upon thirty (30) Days prior written notice to the other Party; provided however, no such termination may take effect during the term of any release of transportation rights to Replacement Shipper hereunder.

ARTICLE IV  
NOTICES

Notices given under this Contract shall be given in accordance with Section 25 of the General Terms and Conditions of Transporter's Tariff. If notice is given in writing it should be mailed or, if sent by facsimile, as follows:

If to Transporter:

Stingray Pipeline Company, L.L.C.  
1300 Main Street  
Houston, Texas 77002  
Attention: Treasurer  
Phone: (713) 457-8307  
Facsimile: (713) 457-8311

If to Replacement Shipper:

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ARTICLE V  
SUCCESSORS AND ASSIGNS

Any company which shall succeed by purchase, merger or consolidation to the properties, substantially as an entirety, of Replacement Shipper or Stingray shall be entitled to the rights and shall be subject to the obligations of its predecessor in title under this Contract; provided, however, that Stingray reserves the right to evaluate and approve the creditworthiness of the new entity in accordance with Section 14 of the General Terms and Conditions of Stingray's FERC Gas Tariff. No assignment or transfer by Replacement Shipper of any of its rights hereunder shall be made unless there first shall have been obtained the written consent thereto of Stingray. Parties may pledge or assign their respective right, title and interest in and to and under this Contract to a trustee or trustees, individual or corporate, as security for bonds or other obligations or securities without the necessity of such trustee or trustees becoming in any respect obligated to perform the obligations of the assignor under this Agreement and, if any such trustee be a corporation, without its being required to qualify to do business in any State in which performance of this Contract may occur. No permitted assignment shall relieve the Replacement Shipper from any of its obligations under this Contract.

ARTICLE VI  
GOVERNMENTAL BODIES

Notwithstanding any other provision hereof, this Contract shall be subject to all laws, statutes, ordinances, regulations, rules and court decisions of governmental entities now or hereafter having jurisdiction.

ARTICLE VII  
REPLACEMENT SHIPPER'S INDEMNIFICATION

Replacement Shipper recognizes that its rights to transportation service hereunder are solely those rights released by Releasing Shippers. The Replacement Shipper agrees that it will indemnify Transporter against any claim or suit of any kind by any Releasing Shipper, its successor or assigns arising from any action taken by Transporter in reliance upon the scheduling instructions, communications or nominations ("Communications"), from Replacement Shipper or its agents. Replacement Shipper further agrees that it will hold Transporter harmless for any action taken by Transporter in reliance upon the Communications of the Releasing Shipper or its agents. Replacement Shipper further recognizes and agrees that Transporter shall have no obligation to honor any Communications from Replacement Shipper or its agents that in Transporter's sole opinion conflicts with Communications received by Transporter from the Releasing Shipper or its agents or with the terms of Transporter's Tariff.

Additionally, Replacement Shipper further grants to Transporter its permission and approval to notify the Releasing Shipper (even when such Releasing Shipper is an Energy Affiliate of the Transporter) of certain credit-related information under Section 14 of these General Terms and Conditions.

ARTICLE VIII  
MISCELLANEOUS PROVISIONS

- 8.1 No waiver by any Party of any one or more defaults by the other in the performance of any provisions of this Contract shall operate or be construed as a waiver of any future default or defaults, whether of a like or of a different character.
- 8.2 No liability for any act or omission of Transporter shall be incurred by, or asserted against, any owners, subsidiaries or affiliates thereof. Any recourse for any liability of Transporter shall be against Transporter only.
- 8.3 The headings of the Articles of this Contract are inserted for convenience of reference only and shall not affect the meaning or construction thereof.
- 8.4 As to all matters of construction and interpretation, this Contract shall be interpreted by the laws of the State of \_\_\_\_\_, without regard to its conflict of laws or provisions.
- 8.5 This Contract, including all provisions expressly incorporated by reference, constitutes the entire agreement between the Parties pertaining to the subject matter hereof and supersedes all prior agreements, representations and understandings, written or oral, pertaining thereto. Except as otherwise provided herein, any modifications, amendments or changes to this Contract shall be binding upon the Parties only if agreed upon by both parties hereto in a written instrument or by an electronic form which expressly refers to this Contract.

IN WITNESS WHEREOF, the parties have executed this Contract as of the Day and Year first set forth above.

STINGRAY PIPELINE COMPANY, L.L.C.

NAME OF REPLACEMENT SHIPPER

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

EXHIBIT A

DATED \_\_\_\_\_  
BETWEEN  
STINGRAY PIPELINE COMPANY, L.L.C.  
AND  
\_\_\_\_\_

Contract No. \_\_\_\_\_

Discount Information

Dated: \_\_\_\_\_

Discounted Transportation Rate: \_\_\_\_\_

Discounted Rate Effective: From: \_\_\_\_\_ To: \_\_\_\_\_

\_\_\_ Life of the Reserves  
\_\_\_ Evergreen: \_\_\_ Year-to-Year  
\_\_\_ Month-to-Month

Condition for Discounted Transportation Rate (check applicable condition(s)):

\_\_\_ Discounted Transportation Rate applicable to specified quantities under Shipper's Service Contract(s):

[\_\_\_\_\_ Dth]

or

[All quantities produced from oil and Gas leases identified below, located in the Gulf of Mexico, offshore Louisiana, that are currently dedicated to Stingray pursuant to \_\_\_\_\_, Contract No. \_\_\_\_\_, by and between

\_\_\_\_\_

\_\_\_\_\_ [Field or Block]

\_\_\_ Discounted Transportation Rate applicable to specified quantities above or below a certain level or all quantities if quantities exceed a certain level:

Discounted Transportation Rate applicable to \_\_\_\_\_ Dth above/below \_\_\_\_\_ Dth

or

Discounted Transportation Rate applicable to all quantities above \_\_\_\_\_ Dth

\_\_\_\_\_ Discounted Transportation Rate applicable in a specified relationship to quantities actually transported:

Adjustment in Transportation Rate: \_\_\_\_\_ (based on \_\_\_\_\_ Dth actually transported)

\_\_\_\_\_ Discounted Transportation Rate applicable to specified quantities during specified periods of time or during specified periods of the Year:

\_\_\_\_\_ Dth for the following time period(s):

\_\_\_\_\_ Discounted Transportation Rate applicable to specified quantities at specific Point(s) of Receipt or Point(s) of Delivery or other geographical locations:

Point(s) of Receipt: \_\_\_\_\_

Point(s) of Delivery: \_\_\_\_\_

Other geographical locations: \_\_\_\_\_

\_\_\_\_\_ [Discounted Transportation Rate applicable to production reserves committed or dedicated by Shipper:]

or

\_\_\_\_\_ [Discounted Transportation Rate applicable to production reserves committed or dedicated to Stingray pursuant to \_\_\_\_\_, Contract No. \_\_\_\_\_, by and between \_\_\_\_\_:]

Production Reserves: \_\_\_\_\_ Field

\_\_\_\_\_ Discounted Transportation Rate based on published index prices for specific Point(s) of Receipt and/or Point(s) of Delivery or other agreed-upon published pricing reference points (based upon the differential between published prices or arrived at by formula):

Index Price(s): \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_ Differential between Index Prices

or

\_\_\_\_\_ Formula: \_\_\_\_\_

In no event shall the discounted rate established as set forth above exceed the otherwise applicable maximum lawful rate.

Signed for Identification

Transporter: \_\_\_\_\_

Shipper: \_\_\_\_\_

Supersedes Exhibit A, Dated: \_\_\_\_\_

EXHIBIT R-\_\_  
TO  
RELEASED TRANSPORTATION CONTRACT  
DATED \_\_\_\_\_  
BETWEEN  
STINGRAY PIPELINE COMPANY, L.L.C.  
AND

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CONTRACT NO.: \_\_\_\_\_

RELEASING NUMBER: \_\_\_\_\_

Releasing Shipper: \_\_\_\_\_

Releasing Contract: \_\_\_\_\_

Releasing MDQ: \_\_\_\_\_

Term of Release: \_\_\_\_\_

Applicable Rate: \_\_\_\_\_

Recall Conditions: \_\_\_\_\_

Refund Information: \_\_\_\_\_

Other Conditions: \_\_\_\_\_

Approved by: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

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**Stingray Pipeline Company, L.L.C.  
Fifth Revised Volume No. 1  
Tariff**

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