

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

JEFFERSON ISLAND STORAGE & HUB, L.L.C.

**STATEMENT OF OPERATING TERMS AND CONDITIONS
FOR SERVICES RENDERED PURSUANT TO
SECTION 311 OF THE NATURAL GAS POLICY ACT OF 1978 AND THE
RULES AND REGULATIONS ADOPTED THEREUNDER**

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This statement by Jefferson Island Storage & Hub, L.L.C. (“Jefferson Island”), an intrastate pipeline with the meaning of Section 2(16) of the Natural Gas Policy Act of 1978 (“NGPA”) is filed pursuant to Section 284.123(e) of the regulations of the Federal Energy Regulatory Commission (“FERC”), and describes the general provisions under which Jefferson Island will provide firm storage and interruptible hub services to eligible customers qualified to receive such services pursuant to NGPA § 311(a)(2), as implemented by Part 284, Subpart C of the FERC’s regulations. 18 C.F.R. Part 284. This statement shall hereinafter be referred to as the “Statement of Operating Terms and Conditions.”

GENERAL TERMS AND CONDITIONS

ARTICLE 1. DEFINITIONS

The following terms used in these General Terms and Conditions shall have the meanings hereinafter set forth:

- 1.1. **Available Capacity** means the quantitative amount of service Jefferson Island is capable of providing at any time, as determined by Jefferson Island in its sole discretion.
- 1.2. **Btu** means British Thermal Unit and “MMBtu” means one million (1,000,000) Btus.
- 1.3. **Business Day** means any Day, except Saturdays, Sundays, and bank holidays.
- 1.4. **Calendar Year** means a period of three hundred sixty-five (365) consecutive days commencing and ending at 9:00 A.M. Central Prevailing Time (“CT”), provided that any year which contains that date of February 29 shall consist of three hundred sixty-six (366) days.
- 1.5. **Customer** means the party that has executed a Service Agreement with Jefferson Island and holds all lawful rights and title to the natural gas that is being stored.
- 1.6. **Day** means a period of twenty-four (24) consecutive hours, beginning at 9:00 A.M. CT, on any calendar day and ending at 9:00 A.M. CT, on the following calendar day.

- 1.7. **Delivery Point(s)** means the point or points at which Gas is delivered by Jefferson Island to Customer.
- 1.8. **Firm Basis** with respect to any service means that the use or partial use of the facilities and/or capacity required to perform the service is reserved for a Customer and, subject to the curtailment provisions of Article 9 is not subject to any other claim by another person.
- 1.9. **Firm Storage Services** means any injection, storage, withdrawal and associated transportation services provided by Jefferson Island on a Firm Basis at the Facilities.
- 1.10. **Force Majeure** shall have the meaning ascribed in Article 21.
- 1.11. **Fuel** means the quantity of Gas that Jefferson Island shall receive as payment for fuel and loss, if any, associated with the operation of the Facility.
- 1.12. **Gas** means merchantable natural gas that meets or exceeds the specifications set forth in this Service Agreement.
- 1.13. **Gross Heating Value** means the total calorific value expressed in Btus per cubic foot obtained by the complete combustion at constant pressure of the amount of Gas which occupies a volume of one (1) cubic foot at a temperature of sixty degrees (60°) Fahrenheit when saturated with water vapor and with air of the same temperature and pressure as the Gas when the products of combustion are cooled to the initial temperature of the Gas and air when the water formed by combustion is condensed to the liquid state.
- 1.14. **Hub Services** means one or a combination of more than one of the following services rendered by Jefferson Island: Interruptible Parking, Interruptible Wheeling and Interruptible Loan, Interruptible Imbalance Trading and Interruptible Balancing.
- 1.15. **Interruptible Basis or Interruptible** means that the service is subject to interruption at any time by Jefferson Island in order to accommodate the use of the Facilities, or any part thereof, by (i) any Customer contracting for service on a Firm Basis, (ii) Jefferson Island for any reason in its sole discretion, or (iii) any interruptible Customer with a higher priority.
- 1.16. **Interruptible Service** means any service set forth in Article 7.3.4. of this Statement of Operating Terms and Conditions that Jefferson Island performs on an Interruptible Basis.
- 1.17. **Interruptible Transaction** means a Transaction Request as described in Article 7.3.1.6 that is accepted and confirmed by Jefferson Island as provided in a Service Agreement for one or more Interruptible Services.
- 1.18. **Maximum Daily Injection Quantity (“MDIQ”)** means the maximum quantity of gas which Jefferson Island is obligated to receive into its Facility for the account of Customer during one Day as specified in an executed Service Agreement providing for Firm Storage Service between Customer and Jefferson Island. Total MDIQ shall include Working Gas plus Fuel.

1.19. **Maximum Daily Withdrawal Quantity (“MDWQ”)** means the maximum quantity of gas which Jefferson Island is obligated to deliver for the account of Customer during one Day as specified in an executed Service Agreement providing for Firm Storage Service between Customer and Jefferson Island.

1.20. **Maximum Storage Quantity (“MSQ”)** means the maximum quantity of gas which Jefferson Island is obligated to store at any one time for the account of Customer as specified in an executed Service Agreement providing for Firm Storage Service between Customer and Jefferson Island.

1.21. **Mcf** means one thousand (1,000) cubic feet of Gas as determined on the measurement basis set forth in these General Terms and Conditions.

1.22. **Month** means a period beginning at 9:00 A.M. CT on the first Day of a calendar Month and ending at the same hour on the first Day of the succeeding calendar Month.

1.23. **Operational Balancing Agreement(s) (“OBA”)** means an agreement(s) between Jefferson Island and an upstream or downstream operator at a Receipt or Delivery Point(s) whereby the variance of actual measured gas and confirmed gas at a particular Receipt or Delivery Point(s) is resolved between Jefferson Island and the upstream or downstream operator under the terms of the OBA.

1.24. **Operator** means any legal entity that owns natural gas production, or owns and/or operates gas production, processing or upstream or downstream pipeline facilities, which are directly connected to Jefferson Island’s Facilities, and who is responsible for the confirmation and scheduling of receipt or delivery quantities, and the allocation of gas through such interconnecting facility.

1.25. **Potential Customer** shall mean any person that desires to execute a Service Agreement with Jefferson Island.

1.26. **Predetermined Allocation Methodology (“PDA”)** means the method established between Jefferson Island and an upstream or downstream Operator to be applied for purposes of allocating quantities of gas measured at any Receipt or Delivery Point(s).

1.27. **Primary Delivery Point(s)** means the point or points at which Gas is delivered by Jefferson Island to Customer for the account of Customer under an executed Service Agreement providing for Firm Storage Service.

1.28. **Primary Receipt Point(s)** means the point or points at which Gas is received into the Facilities by Jefferson Island for the account of Customer under an executed Service Agreement providing for Firm Storage Service.

1.29. **Psia** means pounds per square inch absolute.

1.30. **Psig** means pounds per square inch gauge.

1.31. **Receipt Point(s)** means the point or points at which Gas is received into the Facilities by Jefferson Island from the Customer.

1.32. **Secondary Delivery Point(s)** means the alternate point or points at which Gas may be delivered by Jefferson Island to Customer for the account of Customer under an executed Firm Storage Agreement.

1.33. **Secondary Receipt Point(s)** means the alternate point or points at which Gas may be received by Jefferson Island for the account of Customer under an executed Firm Storage Agreement.

1.34. **Service Agreement** means an executed agreement between Jefferson Island and Customer providing for service by Jefferson Island on a Firm Basis or Interruptible Basis.

1.35. **Storage Facilities or Facilities** mean the Jefferson Island Storage & Hub L.L.C. facilities, together with injection wells, withdrawal wells, pipelines and other facilities relative thereto, located near Erath, Vermilion Parish, Louisiana.

1.36. **Storage Inventory** means the quantity of working gas in MMBtus, that a Customer has in place in Jefferson Island's Storage Facilities for Customer's account, provided that the Storage Inventory shall never exceed Customer's Maximum Storage Quantity.

1.37. **Total Storage Reservation Fee** means the fee paid by Customer to Jefferson Island for the purpose of reserving capacity in the Storage Facilities.

1.38. **Transporter** means the Customer's transporter designated to deliver gas to the Receipt Points or Customer's transporter designated to receive gas at the Delivery Points.

1.39. **Working Gas** means the Gas which is injected into the Storage Facilities by Jefferson Island for its own account, for the account of Customer pursuant to the terms and conditions of this Agreement, or for the account of others.

ARTICLE 2. AVAILABILITY

2.1. Jefferson Island owns and operates the Storage Facilities. Its primary business is to serve its storage markets within the State of Louisiana. Jefferson Island will provide Firm Storage and Interruptible Services on behalf of shippers that are qualified to receive such service under NGPA § 311(a)(2), without undue discrimination or preference within the meaning of 18 C.F.R. § 284.7(b)(1), subject to:

2.1.1. The conditions set forth in this Statement of Operating Terms and Conditions;

2.1.2. such other reasonable conditions as may be established from time to time by Jefferson Island pursuant to 18 C.F.R. § 284.123(e);

2.1.3. applicable legal and regulatory requirements; and

2.1.4. the execution of a Service Agreement and the terms and conditions contained in such Service Agreement.

ARTICLE 3. REQUEST FOR SERVICE

3.1. Requests for Service. Any Potential Customer wishing to obtain Firm Storage Service or Interruptible Service from Jefferson Island shall submit in writing to Jefferson Island a request for service, which shall include the information specified in Article 3.2. Such request may be delivered in person or submitted by United States mail, overnight courier service, e-mail or facsimile transmission (fax). Jefferson Island shall evaluate and respond to Potential Customer's request within five (5) Business Days of its receipt. If Jefferson Island and Potential Customer mutually agree to the rates that Potential Customer will pay for service, Jefferson Island shall, subject to execution of a Service Agreement, endeavor to provide service within the time specified in the written request. A Potential Customer's request for service shall be considered complete only if the information specified in Article 3.2 and Article 3.3 is provided in writing.

3.2. Information Requirements. Each request shall include the following information:

3.2.1. The Potential Customer's name, address, representative and telephone number.

3.2.2. A statement of whether Potential Customer is a local natural gas distribution company (LDC), an intrastate pipeline company, an interstate pipeline company, marketer/broker, producer, end user or other type of entity (which other entity must be described).

3.2.3. Volume and type of service requested, whether Firm Storage Service or Interruptible Service, and, if the latter, the particular Interruptible Service requested.

3.2.4. If Firm Storage Service is requested, each of the following:

3.2.4.1. Maximum Storage Quantity (stated in MMBtus);

3.2.4.2. Maximum Daily Withdrawal Quantity (stated in MMBtus/Day) and at which Point(s) of Delivery; and

3.2.4.3. Maximum Daily Injection Quantity (stated in MMBtu/Day) and at which Point(s) of Receipt.

3.2.5. Term of service, including the date service is requested to commence and the date service is requested to terminate.

3.2.6. Evidence of creditworthiness. Acceptance of a request for Firm Storage Service or Interruptible Service request is contingent upon a satisfactory credit appraisal by Jefferson Island. At the request of Jefferson Island, Potential Customer shall provide the following information for Jefferson Island's review:

3.2.6.1. Potential Customer shall provide (a) current financial statements, annual reports, 10-K reports or other filings with regulatory agencies, (b) a list of all corporate affiliates, parent companies and subsidiaries, and (c) any reports from credit reporting agencies which are available. If audited financial statements are not available, then Buyer also should provide an attestation by its chief financial officer that the information shown in the unaudited statements submitted is true, correct and a fair representation of Buyer's financial condition. Jefferson Island shall apply consistent evaluation practices to determine the acceptability of the Potential Customer's overall financial condition.

3.2.6.2. A bank reference and at least two trade references must be provided by a Potential Customer. The results of reference checks and any credit reports must show that Potential Customer's obligations are being paid on a prompt basis.

3.2.6.3. A Potential Customer must not be operating under any chapter of the bankruptcy laws and must not be subject to liquidation or debt reduction procedures under the state laws, such as an assignment for the benefit of creditors, or any informal creditors' committee agreement. An exception can be made for a Potential Customer who is a debtor in possession operating under Chapter XI of the Federal Bankruptcy Act but only with adequate assurances that billings will be paid promptly as cost of administration under the federal court's jurisdiction.

3.2.6.4. A Potential Customer must not be subject to the uncertainty of pending liquidation or regulatory proceedings in state or federal courts which could cause a substantial deterioration in its financial condition, which could cause a condition of insolvency, or which could impair the ability of the Potential Customer to continue to exist as an ongoing business entity.

3.2.6.5. If a Potential Customer has an ongoing business relationship with Jefferson Island, no delinquent balances shall be consistently outstanding for Services provided previously by Jefferson Island. Potential Customer shall have paid its account for past periods according to established contract terms, not having made deductions or withheld payment not authorized by contract.

3.2.6.6. No significant collection lawsuits or judgments shall be outstanding which would seriously reflect upon the Potential Customer's ability to remain solvent.

3.2.6.7. Customer shall furnish Jefferson Island at least annually, and at such other time as is requested by Jefferson Island, updated credit information as specified in this Article for the purpose of enabling Jefferson Island to perform an updated credit appraisal.

3.2.6.8. Jefferson Island shall not be required to perform and shall have the ability to suspend service for any Potential Customer or Customer who is or has become insolvent, fails to demonstrate initial and ongoing creditworthiness or fails to provide timely information to Seller as requested in this Article; provided however, Customer may receive or continue to receive Service if such Customer elects provides one of the following to Jefferson Island: (i) a standby irrevocable letter of credit drawn upon a bank and in a form and amount that is acceptable to Jefferson Island, (ii) a security interest in collateral provided by the Potential

Customer or Customer found to be satisfactory to Jefferson Island, or (iii) a guarantee in form and substance acceptable to Jefferson Island and by a person or entity which does satisfy the credit appraisal, of performance of all obligations owed to Jefferson Island.

3.3. Subsequent Information

3.3.1. If during the term of service under a Service Agreement, any of the events or actions described in Sections 3.4.6.3, 3.4.6.4, and 3.4.6.6 above, shall be initiated or imposed during the term of service under a Service Agreement, Customer shall provide notification to Jefferson Island within two (2) business Days of any such initiated or imposed event or action. Customer shall also promptly provide such additional Customer credit information as may be reasonably required by Jefferson Island, at any time during the term of service under a Service Agreement, to determine Customer's creditworthiness.

3.3.2. After receipt of a request for service, Jefferson Island may require that a Potential Customer furnish additional information as a prerequisite to Jefferson Island offering to execute a Service Agreement with the Potential Customer. Such information may include proof of the Potential Customer's lawful right and title to cause the Gas to be delivered to Jefferson Island for storage or other services and of the Potential Customer's contractual or physical ability to cause such Gas to be delivered to and received from Jefferson Island.

3.3.3. Request Validity. If Jefferson Island has tendered a Service Agreement for execution to a Potential Customer and Potential Customer fails to execute the Service Agreement as tendered within five (5) Days from the date the Service Agreement has been tendered by Jefferson Island, Jefferson Island may consider Potential Customer's service request void. For Firm Basis service, Jefferson Island will not be required to tender a Service Agreement to a Potential Customer for execution that relates to requests for service for which Jefferson Island does not have sufficient available capacity or injection or withdrawal capabilities.

3.3.4. Customer is required to provide to Jefferson Island (1) the state of the consumption of Gas that is to be withdrawn from storage or that will be the subject of other services by Jefferson Island and (2) such other information if required in order for Jefferson Island to comply with any FERC reporting or other requirements.

3.3.5. Complaints. In the event that a Customer or Potential Customer has a complaint relative to Firm Storage Service or Interruptible Service, the Customer or Potential Customer shall provide a description of the complaint, verbally or in writing, including the identification of the service request (if applicable), and communicate it to:

Jefferson Island Storage & Hub LLC
1200 Smith Street, Suite 900
Houston, Texas 77002
Attn: Customer Service Department

Jefferson Island will verbally respond initially within five (5) Business Days, from the day of receipt of a complaint. Jefferson Island shall respond in writing within thirty (30) Days of

receipt of the complaint advising Customer or Potential Customer of the disposition of the complaint.

3.4. Information.

3.4.1. Any person may request information by contacting Jefferson Island at the following:

Jefferson Island Storage & Hub LLC
1200 Smith Street, Suite 900
Houston, Texas 77002
Attn: Customer Service Department

3.4.2. Each Customer will be provided with a list of phone numbers for Jefferson Island dispatch and control personnel who are on-call 24-hours a Day.

3.4.3. Each Customer will provide to Jefferson Island a list of phone numbers of Customer's personnel who will be available, including those on a 24-hours a Day basis.

ARTICLE 4. RECEIPT AND DELIVERY OF GAS

4.1. Subject to Jefferson Island's own operating requirements, the availability of capacity in its Storage Facilities not required for its own use from time to time, and the availability of capacity sufficient to provide the service on a Firm or Interruptible Basis, as applicable, certain designated quantities of Gas will be received for Customer's account at mutually agreeable Receipt Point(s) and certain designated quantities will be delivered to Customer or its designee at mutually agreeable Delivery Point(s), including delivery into storage. It is specifically understood that it is Customer's sole obligation to furnish the Gas received by Jefferson Island under a Service Agreement and, unless otherwise agreed pursuant to a particular service that Jefferson Island has agreed to perform as set out in Customer's Service Agreement, Jefferson Island shall have no obligation whatsoever to deliver at the Delivery Point(s) or otherwise make quantities of Gas available to Customer on any Day or hour thereof in excess of the quantity received by Jefferson Island under such Service Agreement at a Receipt Point(s).

ARTICLE 5. RECEIPT AND DELIVERY PRESSURE

Jefferson Island shall deliver gas to Customer at pressures sufficient to enter Transporter's facilities at the Delivery Point(s) against the operating pressures maintained by such Transporter. Jefferson Island shall not be required to deliver gas at pressures in excess of those required by Transporter in excess of such Transporter's maximum allowable operating pressure (MAOP), not to exceed 1,000 psig. Customer shall deliver or cause to be delivered to Jefferson Island all gas for wheeling, parking or injection at the Receipt Point(s) at pressures not less than 800 psig and not in excess of the MAOP of Jefferson Island's facilities at the Receipt Point(s). Jefferson Island shall be responsible for maintaining facilities at such Receipt Point(s) to permit Customer to deliver gas to Jefferson Island at such allowed pressures.

ARTICLE 6. SERVICE CHARGES

6.1. Rates charged for services shall be negotiated between Customer and Jefferson Island, but shall not exceed the applicable maximum rates approved by the FERC, including reimbursement for fuel for the type of service rendered by Jefferson Island, if such a maximum rate is in effect. Nothing herein contained shall be construed to deny any Customer any rights which it may have under the FERC rules and regulations, including the right to participate fully in rate proceedings by intervention or otherwise to contest changes in rates in whole or part.

6.2. In addition to the rates above, Customer shall pay in advance all applicable state and federal filing, reporting, and application fees incurred by Jefferson Island for providing such services. Jefferson Island may at any time provide Firm Storage Service or Interruptible Services at a rate discounted below the maximum rate or rates (including market-based rates), approved by the FERC for Jefferson Island's services under Subpart C of Part 284 of the FERC's regulations. Nothing herein shall obligate or require, or be construed to obligate or require, Jefferson Island to offer or continue such discounted rate. All discounts shall be granted on a not unduly discriminatory basis.

6.3. Customer shall pay or reimburse Jefferson Island, as the case may be, any and all *ad valorem*, production, severance, gross receipts, sales, occupation, production, severance, gathering, compression, sales, gross receipts or other taxes (excluding income taxes) levied, assessed or fixed by any authority against Jefferson Island in connection with or attributable to Customer's gas or in respect of services provided by Jefferson Island pursuant to this Statement of Operating Terms and Conditions. Should any new tax or any increase in the rate of the aforesaid taxes be imposed on Jefferson Island or on a transaction under which Jefferson Island provides firm storage or interruptible transportation or hub services to Customer during the term of Customer's Service Agreement, then Customer agrees to reimburse Jefferson Island one hundred percent (100%) of such new taxes or increase in the rate of the aforesaid taxes actually paid by Jefferson Island.

ARTICLE 7. SERVICES

7.1. Customer shall be permitted to combine Firm Storage Service with one or more Interruptible Services available under this Statement of Operating Terms and Conditions or to combine two or more Interruptible Services available under this Statement of Operating Terms and Conditions; provided, however, such combined services shall be subject to Article 9, Priority, Interruption of Service and Operational Flow Orders, and provided further that the priority for each service shall be determined by the respective priority of that service as set forth in Article 9.

7.2. Firm Storage Service

7.2.1. Character, Availability and Conditions of Firm Storage Service

7.2.1.1. Subject to the terms of this Statement of Operating Terms and Conditions and Customer's Service Agreement, Jefferson Island shall provide storage service on a Firm Basis at the Storage Facilities for Customer, which service shall include the reservation of

capacity in the Storage Facilities, on a Firm Basis, for Customer sufficient to enable Customer to inject gas into, withdraw gas from, and store gas in the Storage Facilities, in quantities up to the maximum quantities set forth in Customer's Service Agreement.

7.2.1.2. Firm service shall be provided when, and to the extent that, Jefferson Island determines that capacity is available.

7.2.1.3. Firm Storage Services shall consist of the receipt of gas at the Receipt Point(s) up to Customer's Maximum Daily Injection Quantity ("MDIQ"), the storage of gas not to exceed Customer's Maximum Storage Quantity ("MSQ"), and the tender for redelivery by Jefferson Island to Customer at the Delivery Point(s) up to Customer's Maximum Daily Withdrawal Quantity ("MDWQ").

7.2.1.4. Notwithstanding anything in this Statement of Operating Terms and Conditions or the Service Agreement, to the contrary, Jefferson Island shall not, in any event whatsoever, be obligated to receive or deliver for Customer's account, quantities of Working Gas in excess of (i) Customer's MDIQ or MDWQ, respectively, or (ii) Customer's MSQ.

7.2.1.5. Jefferson Island will schedule Gas at Primary Receipt Point(s) on a Firm Basis. Primary Receipt Point(s) will be specified in Customer's Service Agreement. Each Customer's MDIQ under the Service Agreement must be allocated among the Primary Receipt Point(s) such that the MDIQ equals the sum of the individual maximum daily quantities for Primary Receipt Point(s). Secondary Receipt Point(s) may be agreed to between Customer and Jefferson Island and shall be specified in the Service Agreement.

7.2.1.6. Jefferson Island will schedule Gas at Primary Delivery Point(s) on a Firm Basis. Primary Delivery Point(s) will be specified in Customer's Service Agreement. Each Customer's MDWQ under the Service Agreement must be allocated among the Primary Delivery Point(s) such that the MDWQ equals the sum of the individual maximum daily quantities for Primary Delivery Point(s). Secondary Delivery Point(s) may be agreed to between Customer and Jefferson Island and shall be specified in the Service Agreement.

7.2.1.7. Jefferson Island will schedule Gas at Secondary Receipt Point(s) on a Firm Basis, subject to the availability of capacity and subordinate to the receipt of Gas from Primary Receipt Points for all Firm services, but superior to the receipt of Gas for Interruptible Services.

7.2.1.8. Jefferson Island will schedule Gas from Secondary Delivery Point(s) on a Firm Basis, subject to the availability of capacity and subordinate to the delivery of Gas from Primary Delivery Points for all Firm services, but superior to the delivery of Gas for Interruptible Services.

7.2.1.9. Customer will be responsible for making all necessary transportation arrangements into and away from the Storage Facilities, including without limitation, nomination and scheduling of Gas with pipeline transporters in quantities necessary for the performance of the Firm Storage Service provided under this Statement of Operating Terms and Conditions and

Customer's Service Agreement. All receipts and deliveries of Gas shall be at a uniform hourly and daily rate of flow over the course of the Day, unless otherwise agreed.

7.2.2. Firm Storage Services Charges

7.2.2.1. A Firm Storage Service Customer shall pay Jefferson Island the following charges:

A charge for injection which is the product of the Injection Rate set forth in Customer's Service Agreement times the quantities of Working Gas, measured in MMBtus, received at the Point(s) of Receipt and injected into the Storage Facilities for the account of Customer during such Month.

A charge for withdrawal and delivery which is the product of the Deliverability Rate set forth in Customer's Service Agreement times the quantities of Working Gas, measured in MMBtus, withdrawn from the Storage Facilities and redelivered for the account of Customer at the Point(s) of Delivery during such Month.

A monthly capacity reservation charge which is the product of the Space Reservation Rate, as set forth in Customer's Service Agreement, times Customer's Maximum Storage Quantity, expressed in MMBtus.

A monthly deliverability reservation charge which is the product of the Deliverability Reservation Rate, as set forth in Customer's Service Agreement times Customer's Maximum Daily Withdrawal Quantity, expressed in MMBtus.

7.2.2.2. A Firm Storage Service Customer shall also pay Jefferson Island monthly the following additional charges:

A charge for fuel and loss consisting of a quantity of Gas in-kind, measured in MMBtus, equal to the Fuel Percentage, as set forth in Customer's Service Agreement times the gross quantities of Gas tendered at the Point(s) of Receipt for injection into the Storage Facilities for the account of Customer during such Month. This quantity of Gas and title thereto shall transfer to Jefferson Island at the downstream flange of Jefferson Island's inlet meter at the Storage Facilities. The net quantity of Working Gas to be injected for Customer's account shall be determined by multiplying the result of 1 minus the Fuel Percentage, times the gross quantity of Gas delivered by Customer at the downstream flange of inlet meter at the Storage Facilities.

All penalties and other charges described in this Statement of Operating Terms and Conditions, to the extent applicable to any Firm Storage Service.

7.2.2.3. Each and every injection and/or delivery for Customer's account shall constitute a separate Storage Service rendered for Customer's account and Customer's account will be charged accordingly.

7.2.3. Injection And Delivery Procedures

7.2.3.1. Jefferson Island shall receive from Customer at the Customer's Point(s) of Receipt properly nominated Working Gas for injection plus Fuel up to Customer's MDIQ; provided, however, that Jefferson Island shall not be obligated to receive and inject into the Storage Facilities on any Day any quantities of Gas greater than the difference between Customer's Maximum Storage Quantity and the balance of Working Gas Customer has in Storage at that time; and provided, further, that Customer's MDIQ may be less from time to time depending upon the amount of Gas and operational pressures existing from time to time in the Storage Facilities and at the Point(s) of Receipt. Jefferson Island's obligation to receive Gas for injection into the Storage Facilities shall be subject to all provisions of Customer's Service Agreement and this Statement of Operating Terms and Conditions.

7.2.3.2. Jefferson Island shall deliver to Customer properly nominated Working Gas from the Storage Facilities at the Point(s) of Delivery up to the MDWQ, provided, Jefferson Island is not obligated at any time to deliver any quantity of Gas to Customer in excess of the balance of Working Gas that Customer has in Storage at that time. Jefferson Island's obligation to deliver quantities of Working Gas up to the MDWQ shall be subject to all provisions of Customer's Service Agreement and this Statement of Operating Terms and Conditions.

7.2.3.3. If upon expiration of Customer's Service Agreement, quantities of Customer's Working Gas remain in the Storage Facilities for any reason other than Jefferson Island's failure to make properly nominated quantities available for delivery, then Jefferson Island shall have the option, in its sole discretion, to either (i) extend the term of Customer's Service Agreement for thirty (30) Days within which time Customer shall, under conditions of delivery determined by Jefferson Island, properly nominate and accept deliveries at the Delivery Point(s) from the Storage Facilities of all of its remaining Working Gas at a charge equal to \$2.00 times the Working Gas balance remaining in the Storage Facilities or other mutually agreeable rates, or (ii) purchase each MMBtu of Customer's Working Gas balance remaining in the Storage Facilities at a price per MMBtu equal to 85% of the Gas Daily published price for the Henry Hub location on the day Jefferson Island exercises its option.

7.2.3.4. Notwithstanding anything in Customer's Service Agreement or this Statement of Operating Terms and Conditions to the contrary, and in the event Jefferson Island elects to extend the term of Customer's Service Agreement for thirty (30) Days as permitted in Article 7.2.3.3. above, if after such thirty (30) Day extension period, Customer still has Working Gas remaining in the Storage Facilities, title to all said Working Gas remaining in the Storage Facilities shall automatically be transferred to Jefferson Island at the expiration of such extension period as compensation for Customer's failure to properly nominate and accept delivery of such Working Gas and Customer will have no further rights with regard thereto. To the extent that the foregoing title transfer provision may be deemed to constitute liquidated damages, the parties agree that Jefferson Island's damages from Customer's failure to nominate and accept delivery of gas, which may include but not be limited to lost opportunity costs, are difficult or impossible to determine and that such title transfer constitutes a reasonable approximation of such damages.

7.2.4. Point(s) Of Receipt And Delivery

7.2.4.1. The Point(s) of Receipt for all gas to be tendered by Customer to Jefferson Island for injection into the Storage Facilities shall be as specified in Customer's Service

Agreement, and the Maximum Daily Injection Quantity which Jefferson Island is obligated to receive from Customer at each individual Point of Receipt shall not exceed the maximum stated therein.

7.2.4.2. The Point(s) of Delivery for all gas to be tendered by Jefferson Island to Customer for delivery pursuant to the terms hereof shall be as specified in Customer's Service Agreement, and the Maximum Daily Withdrawal Quantity which Jefferson Island is obligated to deliver to Customer at each such Point of Delivery shall not exceed the maximum stated therein.

7.3. Interruptible Services

7.3.1. Availability and Other Conditions Applicable to Interruptible Service

7.3.1.1. Subject to the terms of this Statement of Operating Terms and Conditions and Customer's Service Agreement, Jefferson Island shall provide, on an Interruptible Basis at the Storage Facilities for Customer, the services set forth below, as may be requested by Customer and confirmed by Jefferson Island. Jefferson Island shall perform these Services on a not unduly discriminatory basis.

7.3.1.2. Interruptible Services shall be provided when, and to the extent that, Jefferson Island determines that capacity is available for such Interruptible Services.

7.3.1.3. Jefferson Island retains all rights at any and all times during the term of an executed Service Agreement for Interruptible Services to decrease or temporarily suspend receipt and/or delivery of Gas if such capacity is required to render service of a higher priority, as set forth in Article 9. If Jefferson Island exercises such rights, Customer shall hold Jefferson Island harmless from any loss, claim, damage or expense that such Customer or other party may incur by reason of such decrease or suspension.

7.3.1.4. Customer shall be responsible for making all necessary transportation arrangements into and away from the Facilities, including, without limitation, nomination and scheduling of Gas with pipeline transporters in quantities necessary for the performance of Interruptible Transactions. All receipts and deliveries shall be at a uniform hourly and daily rate of flow over the course of a Day, unless otherwise mutually agreed to between Customer and Jefferson Island and allowed by the connecting pipeline transporters.

7.3.1.5. Interruptible Services may not be available to the extent that Jefferson Island would be required to construct, modify, expand, or acquire any facilities to enable Jefferson Island to perform the requested service.

7.3.1.6. Transaction Requests. Subject to Article 3, Customer may request Jefferson Island to provide one or more Interruptible Services by telephone, fax, mail or electronic bulletin board, if available, and such request shall become a Transaction Request; provided, that Jefferson Island is not obligated to accept any Transaction Request. Any such refusal by Jefferson Island will be on a non-discriminatory basis. If Jefferson Island accepts the Transaction Request, Jefferson Island shall provide written confirmation to Customer in the form of the Transaction Confirmation. Jefferson Island's acceptance of a Transaction Request shall

create a binding agreement (“Interruptible Transaction”) between Customer and Jefferson Island to perform the requested Interruptible Service(s) under the terms of this Statement of Operating Terms and Conditions and the Service Agreement unless Customer notifies Jefferson Island of a dispute with all or a portion of the Transaction Confirmation within twenty-four (24) hours after receipt of the Transaction Confirmation.

7.3.2. Interruptible Services Charges

7.3.2.1. Rates for Interruptible Services. The rates for Interruptible Services performed under this Statement of Operating Terms and Conditions and Customer’s Service Agreement shall be as set forth in the individually-negotiated Interruptible Transaction.

7.3.2.2. Fuel. Subject to applicable maximum charges, the charge for Fuel for Interruptible Services shall be as set forth in the individually-negotiated Interruptible Transaction.

7.3.2.3. Penalties and Other Charges. In addition to the rates for Interruptible Services as set forth in Article 7.3.2.1 and 7.3.2.2. above, the penalties and other charges described in this Statement of Operating Terms and Conditions shall apply according to their terms to any Interruptible Transaction.

7.3.3. Receipt Point(s) And Redelivery. The Receipt Point(s) and Delivery Point(s) for each Interruptible Transaction shall be as specified in Customer’s Service Agreement unless modified by the individually-negotiated Interruptible Transaction.

7.3.4. Available Interruptible Services

7.3.4.1. Parking Service

Interruptible Parking Service (“IPS”) rendered by Jefferson Island to Customer under this Statement of Operating Terms and Conditions shall consist of the receipt, injection, storage, withdrawal and delivery of Customer’s gas, on an interruptible basis, by Jefferson Island. Customer agrees to withdraw the parked gas from Jefferson Island’s Facilities at a time to be agreed upon and consistent with other terms and conditions as set forth in the Interruptible Transaction with Customer.

Rates and Charges. Pursuant to Article 7.3.2., the rates and charges paid by Customer for IPS shall be as agreed upon between Jefferson Island and Customer consistent with Article 6 of this Statement of Operating Terms and Conditions.

7.3.4.2. Wheeling Service

Interruptible Wheeling Service (“IWS”) rendered by Jefferson Island to Customer under this Statement of Operating Terms and Conditions shall consist of the transportation of gas, on an Interruptible Basis, by Jefferson Island for Customer on Jefferson Island’s system between agreed upon Point(s) of Receipt and Point(s) of Delivery.

Rates and Charges. Pursuant to Article 7.3.2., the rates and charges paid by Customer for IWS shall be as agreed upon between Jefferson Island and Customer consistent with Article 6 of this Statement of Operating Terms and Conditions not to exceed a maximum rate of \$0.08 per MMBtu wheeled by Jefferson Island during the invoice period plus Fuel in an amount equal to 2 percent of the quantity tendered by Customer to Jefferson Island for IWS.

7.3.4.3. Loan Service

Interruptible Loan Service (“ILS”) rendered by Jefferson Island to Customer under this Statement of Operating Terms and Conditions shall consist of the advancement to Customer of gas on an interruptible basis by Jefferson Island. Customer agrees to replace the borrowed quantities of gas to Jefferson Island at a time to be agreed upon and consistent with other terms and conditions as set forth in the Interruptible Transaction with Customer.

Rates and Charges. Pursuant to Article 7.3.2., the rates and charges paid by Customer for ILS shall be as agreed upon between Jefferson Island and Customer consistent with Article 6 of this Statement of Operating Terms and Conditions.

7.3.4.4. Imbalance Trading Service

Interruptible Imbalance Trading Service (“IBTS”) rendered by Jefferson Island to Customer under this Statement of Operating Terms and Conditions shall consist of the trading by Jefferson Island for Customer of imbalance quantities created under the services set forth in this Statement of Operating Terms and Conditions at agreed upon Point(s) of Receipt and Delivery on Jefferson Island’s system upon nomination by Customer. Jefferson Island shall also permit, on an interruptible basis, a Customer with imbalance quantities, upon prior notification to Jefferson Island, to trade such imbalance quantities with another Customer, up to the quantities set forth in Customer’s Service Agreement.

Rates and Charges. Pursuant to Article 7.3.2., the rates and charges paid by Customer for IBTS under this Statement of Operating Terms and Conditions shall be as agreed upon between Jefferson Island and Customer consistent with Article 6 of this Statement of Operating Terms and Conditions.

7.3.4.5. Balancing Service

Interruptible Balancing Service (“IBS”) rendered by Jefferson Island to Customer under this Statement of Operating Terms and Conditions shall consist of the injection and storage, or withdrawal and delivery, on an Interruptible Basis, of quantities of gas in order to manage imbalances created by Customer under the services set forth in this Statement of Operating Terms and Conditions. Customer agrees to replace to Jefferson Island or withdraw from Jefferson Island, as appropriate, gas withdrawn or stored under IBS at a time to be agreed upon and consistent with other terms and conditions as set forth in the Interruptible Transaction with Customer.

Rates and Charges. Pursuant to Article 7.3.2., the rates and charges paid by Customer for IBS under this Statement of Operating Terms and Conditions shall be as agreed upon between Jefferson Island and Customer consistent with Article 6 of the Statement of Operating Terms and Conditions.

7.3.5. Title Transfers of Gas in Storage

7.3.5.1. A Customer whose Service Agreement provides for Firm Storage Service, Interruptible Parking Service or Interruptible Loan Service may sell gas the Customer has in the Customer's Storage Inventory to any other Customer whose Service Agreement provides for those services if:

Customer selling gas in Storage Inventory provides notification to Jefferson Island's dispatcher prior to the nomination deadline and Jefferson Island with written verification of the transfer within three Business Days; and

The purchase does not cause either Customer to exceed its Maximum Storage Quantity under Firm Storage Service or any other agreed-upon limit applicable to any service Customer is entitled to receive from Jefferson Island under this Statement of Operating Terms and Conditions or cause either Customer's balance to go below zero.

7.3.5.2. Jefferson Island will recognize the transfer for purposes of computing available Storage Inventory on a prospective basis within 24 hours after receiving the notification. In the event the required written verification is not received, the transfer will no longer be recognized and the Storage Inventory for each Customer will be restated to reflect the reversal of the transfer.

7.3.5.3. For each title transfer of gas in storage performed by Customer under this Article 7.3.5., Customer shall pay the gas title transfer rate set forth in Customer's Service Agreement.

7.3.6. Title Transfers of Wheeled Gas

7.3.6.1. Transfers of title between Customers and/or Service Agreements under which gas is being wheeled on Jefferson Island's system pursuant to Interruptible Wheeling Service may be permitted by Jefferson Island at Point(s) of Receipt and Point(s) of Delivery located on Jefferson Island's system on an Interruptible Basis.

7.3.6.2. Requests for such transfers shall be made in accordance with the nomination procedure set forth in Article 8, Nomination Procedures, of this Statement of Operating Terms and Conditions. Jefferson Island shall not unreasonably withhold approval of such transfers.

7.3.6.3. For each title transfer nominated by Customer under this Article 7.3.6., Customer shall pay the gas title transfer rate set forth in Customer's Service Agreement.

ARTICLE 8. NOMINATION PROCEDURES

8.1. For each Day on which Customer desires Firm Storage Service, one or more Interruptible Services or Title Transfer Service, Customer shall submit to Jefferson Island, in writing or via electronic means if such are implemented by Jefferson Island, a nomination (“Nomination”) for such service in accordance with the following provisions. The Nomination shall include but is not limited to the following information: volume, flow period, upstream transportation contract number(s) (for injections), downstream transportation contract number(s) (for withdrawals), Customer name and contract number, the Customer’s authorized employee name and telephone number, the type of service desired, the state of the consumption of Gas.

8.2. Customer shall make available and tender any gas to be injected hereunder and receive and accept delivery, upon tender by Jefferson Island, of any gas requested to be withdrawn from storage. Customer’s Gas Storage Inventory Account shall be increased or decreased upon injection or withdrawal of Gas from storage, as applicable. Customer shall not (unless otherwise agreed by Jefferson Island) tender for injection, nor shall Jefferson Island be obligated to receive Gas for injection or to withdraw and deliver Gas from storage, on an hourly basis at rates of flow in excess of 1/24 of Customer’s MDIQ or MDWQ, respectively.

8.3. For any service to commence on any Day, Customer shall submit Nominations to Jefferson Island no later than 11:30 A.M. CT on the Business Day preceding the Day the desired service is to commence. Jefferson Island may require revised Nominations or prospective Nomination changes by Customer if the actual daily flows differ from the confirmed Nomination, or any imbalance has occurred due to some operational reason.

8.4. Customer shall notify Jefferson Island at least four (4) hours in advance of any requested change in the daily or hourly rate of flow for injections or withdrawals of Gas pursuant to the schedule listed below. This schedule is subject to Transporter(s)’ allowance of scheduling at the times listed.

<u>NOMINATION DEADLINE (CST)</u>	<u>EFFECTIVE TIME OF FLOW (CSD)</u>
9:00 a.m.	1:00 p.m.
1:00 p.m.	5:00 p.m.
5:00 p.m.	9:00 p.m.
9:00 p.m.	1:00 a.m.
1:00 a.m.	5:00 a.m.
5:00 a.m.	9:00 a.m.

8.5. Jefferson Island may waive any part of the four (4) hour notice upon request if, in Jefferson Islands sole judgment, operating conditions permit such waiver and Transporter(s) permit such action. Customer shall notify Jefferson Island immediately of any circumstance which causes or will cause the deliveries to or receipts from Jefferson Island to be different from those requested.

8.6. A Nomination shall not become effective until such Nomination is confirmed by Jefferson Island and the transporting pipeline. Jefferson Island will confirm Nominations as

soon as reasonably possible after receipt of such and advise Customer of scheduled service and effective time of such service.

8.7. Should Customer elect to nominate quantities of Gas to be received by Jefferson Island from one or more upstream pipelines at one or more Receipt Points for delivery by Jefferson Island to one or more downstream pipelines at one or more Delivery Points for the account of Customer, Customer shall provide the priority, method, and extent to which each nominated receipt quantity from a particular upstream pipeline at a particular Receipt Point shall be reduced in the event that any downstream Operator verifies and confirms deliveries which are less than the Customer's nominated deliveries or in the event that, due to Jefferson Island's allocation of available capacity, all Gas nominated at Receipt Point(s) cannot be scheduled. Likewise, if Customer elects to nominate quantities of Gas to be delivered by Jefferson Island to one or more downstream pipelines at one or more Delivery Points for the account of Customer, Customer shall provide the priority, method, and extent to which each nominated delivery quantity to a particular downstream pipeline at a particular Delivery Point shall be reduced in the event that any upstream Operator verifies and confirms receipts which are less than the Customer's nominated receipts or in the event that, due to Jefferson Island's allocation of available capacity, all nominated activity cannot be scheduled.

8.8. Customer's prioritization of nominated quantities shall not be inconsistent with the terms of these General Terms and Conditions and such prioritization shall be honored to the extent that Jefferson Island reasonably determines such prioritization is operationally feasible.

8.9. No Gas shall flow under any Nomination until Jefferson Island has confirmed the Nomination, awarded capacity, and scheduled the applicable quantities.

8.10. Jefferson Island shall not be obligated to receive any Gas at any Receipt Point(s) or to deliver any Gas at any Delivery Point(s) if such receipt or delivery shall, in Jefferson Island's reasonable discretion, be detrimental to the operations of the Facilities.

8.11. Jefferson Island reserves the right to change these procedures as it deems necessary at any time. Jefferson Island shall provide Customer reasonable notice of such changes.

ARTICLE 9. PRIORITY AND INTERRUPTION OF SERVICE

9.1. Scheduling and Priority of Service. Promptly upon the close of the Nomination period for each Day, Jefferson Island will evaluate all timely daily Nominations based upon the prevailing operating conditions, scheduled or unscheduled maintenance or repairs, and any other similar conditions. Jefferson Island will then schedule services to the extent capacity is available. Capacity will be allocated, if necessary, pursuant to this Article 9.1, in the following order.

9.1.1. Jefferson Island's Gas received or delivered for operational purposes will be scheduled before any service. For purposes of this Article 9.1.1., operational purposes shall mean for purposes of maintaining the operational integrity of the physical system and the preservation of physical assets and their performance (including the capability and performance of the storage field), 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 the gas delivered.

9.1.2. Jefferson Island will schedule capacity at Firm Primary Receipt and Firm Primary Delivery Point(s) up to the maximum quantities set forth in the corresponding Service Agreement. If sufficient capacity is not available at a particular Primary Receipt or Primary Delivery Point, the point shall be scheduled pro rata.

9.1.3. Next, Jefferson Island will schedule capacity to Firm Secondary Receipt and Firm Secondary Delivery Point(s) up to the confirmed Nominations not to exceed the maximum quantities set forth in the corresponding Service Agreement. If sufficient capacity is not available at a particular Receipt or Delivery Point, the point shall be scheduled pro rata.

9.1.4. After Jefferson Island schedules Firm Service, if capacity remains, it may be scheduled to Interruptible Services. Interruptible Services shall be subject to and subordinate to Firm services provided by Jefferson Island. Jefferson Island will schedule Interruptible Services at Receipt and Delivery Point(s) based on economic value and operating conditions, such that customers who provide the highest value to Jefferson Island for the service in question will be scheduled before those who provide a lower value. In the event more than one Interruptible Service Customer requests service of an equivalent economic value, then Jefferson Island will schedule such Nominations pro rata for the applicable Receipt or Delivery Point quantities.

9.2. Interruption.

9.2.1.1. If on any Day, due to any cause whatsoever, Jefferson Island's capability to receive or deliver volumes is impaired so that it, in its sole discretion, determines that it is unable to receive or deliver all the volumes which are scheduled, then interruption of Firm Storage Service shall be made in the order of priority set forth in Article 9.1, where Customers having the lowest priority will be interrupted first.

9.2.1.2. Jefferson Island shall provide Customer as much advance notice of any interruption as is practicable under the circumstances. Such notice shall state the reduced volumes of Gas that Jefferson Island estimates it will be able to inject or withdraw for Customer and the estimated duration of the interruption.

9.2.2. Interruption Liability. Jefferson Island shall not be liable for any loss or damage to any person or property caused, in whole or in part, by any interruption of service, except to the extent such interruption is caused solely by Jefferson Island's gross negligence or willful misconduct.

ARTICLE 10. ACTUAL ALLOCATION OF MEASURED VOLUMES

10.1. At the end of each Month, Jefferson Island shall allocate the daily quantity of Gas measured at each Receipt Point and each Delivery Point for the accounts of Customers under each Service Agreement. To the extent possible, all quantities of Gas measured at each Receipt Point and each Delivery Point shall be allocated on the basis of Customers' confirmed Nominations. In the event the quantities of Gas measured at any Receipt Point or any Delivery

Point do not equal the confirmed Nominations for such point, the quantities of Gas measured at the Receipt Point or the Delivery Point shall be allocated in the following order: (a) under the provisions of an OBA if agreeable to Operator and Jefferson Island, (b) on the basis of a PDA, or (c) pro rata.

10.2. Jefferson Island will negotiate and execute an OBA with any Operator for the purpose of minimizing operational imbalances or other matters with respect to the receipt of Gas into or the delivery of Gas from the Facilities; provided, however, that Jefferson Island and the Operator can mutually agree on all terms.

10.3. Jefferson Island is willing to negotiate and establish a PDA with any Operator for the purpose of allocating quantities of Gas measured at any Receipt Point or any Delivery Point in the event the quantities of Gas measured do not equal the confirmed Nominations for such point. Unless otherwise agreed to between Jefferson Island and Operator, all PDAs established between Jefferson Island and Operator must be agreed to in writing on or before the first Day of the Month in which the PDA is to be effective, and will continue through the end of the Month.

10.4. Jefferson Island shall be entitled to rely exclusively on an effective PDA in allocating the Gas measured at the point. No retroactive changes to a PDA may be made unless Jefferson Island and all affected parties agree in writing.

10.5. An Operator may change the PDA during a calendar Month provided (a) such change will have prospective effect only, (b) all Customers on the Facilities with confirmed Nominations at the applicable Receipt Point or Delivery Point have been notified of the change and the effective date of the change, and (c) Operator holds Jefferson Island harmless against actions taken and allocations made in reliance upon such change in the PDA.

10.6. Nothing in this Statement of Operating Terms and Conditions or in any executed OBA shall limit Jefferson Island's right to take action as may be required to adjust receipts and deliveries under any Service Agreement to alleviate operating conditions which threaten the operational integrity of the Facilities.

ARTICLE 11. IMBALANCES

In the event that Jefferson Island or Customer delivers or causes to be delivered to a Transporter at the Receipt or Delivery Point(s) a quantity of gas not equal to the quantity of gas received or taken by Customer or Jefferson Island, a "Transportation Imbalance" may occur. Provided that Jefferson Island has taken or delivered the quantity of gas nominated by Customer and scheduled by Transporter, Customer shall be liable for all imbalances under its transportation agreement with such Transporter. Upon notification by Customer or Transporter that a Transportation Imbalance exists because Jefferson Island failed to deliver or receive the quantity of gas nominated by Customer and scheduled by Transporter, Jefferson Island will endeavor to correct the Transportation Imbalance subject to any restrictions imposed by Transporter but Jefferson Island shall be solely responsible and liable for any charges, penalties, costs and expenses incurred or payable by either party as a result of the Transportation Imbalance. Customer agrees to use its best efforts to prevent or diminish any occurrences of imbalances.

ARTICLE 12. MEASUREMENT AND FACILITIES

12.1. Gas received and delivered hereunder shall be measured, treated, injected and redelivered utilizing meters, measuring and telemetry, dehydration, and compression equipment installed, operated and maintained, or caused to be installed, operated and maintained, by Jefferson Island or its designee. Jefferson Island shall have no obligation to construct or install facilities in order to perform any services requested hereunder.

12.2. Jefferson Island shall operate and maintain, in accordance with American Petroleum Institute Manual of Petroleum Measurement Standards, Chapter 14, Section 3, API 2530, dated September 1985 (API 2530), and such modifications thereof as may be made in future reports approved and published by the American Petroleum Institute acceptable to the parties, the necessary regulators and orifice meter or meters equipped with volume, pressure and temperature measuring equipment of standard type, and other necessary equipment required for the purpose of accurately measuring the quantity and quality of Gas hereunder.

12.3. The unit of volume for all purposes hereunder, except as otherwise specifically provided, shall be the amount of Gas contained in one (1) cubic foot of space when the Gas is at a temperature of sixty degrees (60°) Fahrenheit and at an absolute pressure of fifteen and twenty-five thousandths (15.025) pounds per square inch. Correction for deviation from Boyle's Law governing pressure and volumes of Gas shall be made as hereinafter specifically provided. It is agreed that, for the purpose of measurement and computations, the atmospheric pressure shall be or assumed to be fourteen and seven-tenths (14.7) pounds per square inch regardless of the actual atmospheric pressure at which the Gas is delivered and measured.

12.4. The computations of the volume of Gas measured shall be made in accordance with the following subparagraphs:

12.4.1. All orifice meter computations required herein shall be made in accordance with formulae and tables contained in API 2530;

12.4.2. The flowing temperature of the Gas shall be determined by means of a thermometer so installed that it may properly record the temperature of the Gas flowing through the metering equipment. Such thermometers shall be tested monthly or at more frequent intervals as may be necessary;

12.4.3. Specific gravity of the Gas shall be determined by means of a gravity instrument (gravitometer or chromatograph) or composite sampler. Alternately, upon agreement of the parties, the specific gravity may be determined from a recording gravity instrument (gravitometer or chromatograph) on the same Gas stream at a different location, if such is available, or by other mutually acceptable means;

12.4.4. The deviation of the Gas from Boyle's Law at the pressure, temperature, and specific gravity under which the Gas is delivered hereunder shall be determined as set forth in API 2530;

12.4.5. Pressure for the orifice meter installation shall be taken from “Flange Taps” in accordance with the procedure specified in API 2530.

12.5. The Gross Heating Value of the Gas may, at the option of Jefferson Island, be determined by a calorimeter, chromatograph, or other Btu measurement device installed, operated and maintained at Jefferson Island’s expense to properly record the Gross Heating Value of the Gas delivered hereunder.

ARTICLE 13. QUALITY

13.1. All Gas received or delivered hereunder shall be merchantable natural Gas and meet the following specifications:

13.1.1. Have a total Gross Heating Value of not less than nine hundred seventy (970) Btus per cubic feet nor more than eleven hundred fifty (1150) Btus per cubic foot;

13.1.2. Be commercially free from dust, hydrocarbon liquids, water and any other substance that might become separated from the Gas in the Facilities or in any pipeline immediately upstream or downstream of the Facilities, and both parties will furnish, install, maintain and operate such drips, separators, heaters, and other mechanical devices as may be necessary to affect compliance with such requirements;

13.1.3. Not contain more than twenty (20) grains of total sulfur, nor more than one quarter (.25) grain of hydrogen sulfide per one hundred (100) cubic feet;

13.1.4. Not contain more than two-tenths of one percent (.2%) by volume of oxygen, and both parties shall make every reasonable effort to keep the Gas free of oxygen;

13.1.5. Not contain more than four percent (4%) by volume of a combined total of carbon dioxide and nitrogen components; provided, however, that the total carbon dioxide content shall not exceed three percent (3%) by volume;

13.1.6. Have a temperature of not less than forty (40°) degrees Fahrenheit nor more than one hundred twenty degrees (120°) Fahrenheit;

13.1.7. Have been dehydrated for removal of entrained water present therein in a vapor state, and in no event contain more than seven (7) pounds of entrained water per million cubic feet, at a pressure base of fourteen and seven-tenths (14.7) pounds per square inch and a temperature of sixty degrees (60°) Fahrenheit.

13.2. Should Gas received or delivered hereunder fail to meet any of the specifications in these General Terms and Conditions, either party, at its sole discretion, may refuse to accept receipt or delivery thereof until the other party can receive or deliver Gas meeting the specifications in these General Terms and Conditions.

ARTICLE 14. TITLE TO GAS, POSSESSION, CONTROL, WARRANTIES

14.1. Title to and ownership of Customer's Gas shall at all times be and remain with Customer. Customer represents and warrants to Jefferson Island that Customer has full and unqualified title to all Gas delivered to Jefferson Island hereunder, that Customer has the authority to deliver such Gas to Jefferson Island, that such Gas is free from any and all liens, charges, adverse claims and encumbrances and that Customer shall fully indemnify, defend, protect, and save Jefferson Island harmless from and against any and all suits, actions (including any interpleader or declaratory action necessitated by any such adverse claim), claims, demands, damages, costs (including court costs and reasonable attorneys' fees), losses and expenses arising from or out of any adverse claims to or against such Gas or any interest therein or in the value thereof.

14.2. Jefferson Island warrants that the thermally equivalent quantities of Gas delivered hereunder to Customer shall be free from all liens and adverse claims arising by, through, or under Jefferson Island, and it will fully indemnify, defend, protect, and save Customer harmless from and against any and all suits, actions (including any interpleader or declaratory actions necessitated by an adverse claim), losses and expenses arising directly from same.

14.3. Customer shall be deemed to be in control and in possession of the Gas prior to such Gas being received by Jefferson Island and shall be responsible for any damages, losses or injuries caused thereby until the same shall have been received by Jefferson Island at the Receipt Point(s). Jefferson Island shall be in control and in possession of the Gas subsequent to such Gas being received by Jefferson Island and shall be responsible for any damages, losses or injuries caused thereby until the same shall have been redelivered to Customer or its designee at the Delivery Point(s), except for injuries and damages that have been occasioned proximately by the negligence of Customer or its designee.

14.4. The risk of loss for all Gas injected into, stored, in, and withdrawn from the Facilities shall be and remain with the party having control and possession of the Gas as provided herein.

ARTICLE 15. BILLING AND PAYMENT

15.1. On or before the 10th Day of each Month, Jefferson Island shall render to Customer a statement for the preceding Month properly identifying the specific services rendered by Jefferson Island on behalf of Customer, the amount due therefore, and the amount of Customer's Gas held in or loaned from the Facilities as of the close of such Month, if applicable. If actual quantities are not known at the time of billing, then billing shall be based upon confirmed nominations, subject to adjustments when actual quantities are available.

15.2. Customer shall pay Jefferson Island the full amount reflected on the statement rendered within fifteen (15) Days after the invoice statement date. If the 15th Day falls upon a weekend or legal holiday, then such payment shall be made on the last regular Business Day prior to the 15th Day. Customer shall make such payment by wire transfer, pursuant to the instructions set forth in this Statement of Operating Terms and Conditions. In the event that Customer fails to pay such amounts when due, interest shall accrue on all unpaid amounts from the date due until paid at a rate of interest equal to the lesser of: (i) the then effective prime rate

of interest for large United States Money Center commercial banks, published under “Money Rates” by the Wall Street Journal plus two percent (2%) per annum; or (ii) the maximum applicable lawful interest rate.

15.3. If Customer, in good faith, disputes the amount of any such statement or any part thereof, Customer shall pay to Jefferson Island such amount as it concedes to be correct. In addition, Jefferson Island shall have the right, at its sole discretion, to require Customer to provide sufficient security in a form satisfactory to Jefferson Island to guarantee the unpaid balance and one hundred eighty (180) Days of interest on the unpaid balance, calculated as described in Article 15.2. Jefferson Island agrees not to terminate the Customer’s Service Agreement or suspend deliveries and/or receipts of Gas because of nonpayment unless the Customer ends or does not extend or increase the security as reasonably requested by Jefferson Island. Upon resolution of the disputed amount, any moneys due and payable to Jefferson Island shall be paid within ten (10) days and shall include interest as described in Article 15.2 above.

15.4. Each party shall have the right, at its own expense, upon reasonable notice and at reasonable times, to receive verification of the accuracy of any statement, payment, demand, charge, payment, or computation made under this Statement of Operating Terms and Conditions and/or Service Agreement. Provided, however, that any such audit and any claim based upon errors in any statement, etc. must be made within two (2) years after the date of such statement.

15.5. If Customer fails to pay any amount invoiced hereunder (other than amounts disputed in good faith, as provided in Article 15.3), then Jefferson Island shall have the right to terminate or suspend service to Customer in accordance with the General Terms and Conditions. Such termination shall not prejudice Jefferson Island’s right to recover from Customer such past due amounts, together with interest as provided above, nor Jefferson Island’s right to recover and Customer’s obligation to provide any Gas due Jefferson Island from Customer.

ARTICLE 16. CORRESPONDENCE

16.1. Except as otherwise provided herein, any notice, request, invoice or statement provided in this Statement of Operating Terms and Conditions or the Service Agreement between Customer and Jefferson Island shall be in writing, and may be transmitted via ordinary mail or fax as specified below. Notice sent by fax shall be deemed to have been received upon the sending party’s receipt of its fax confirmation thereof. Notice by overnight mail or courier shall be deemed to have been received upon actual receipt.

PAYMENTS TO JEFFERSON ISLAND:

Wire Transfer

Jefferson Island Storage & Hub, L.L.C.
Account number 2079900425947;
Wachovia, N.A. for AGL Services Corp;
ABA: # 061000227

NOTICES/NOMINATIONS TO JEFFERSON ISLAND:

Jefferson Island Storage & Hub, L.L.C.
Attn: Scheduling
1200 Smith St., Suite 900
Houston, Texas 77002
Fax: 832-397-3713

BILLING AND ACCOUNTING ISSUES TO JEFFERSON ISLAND:

Jefferson Island Storage & Hub, L.L.C.
Attn: Billing and Accounting
1200 Smith St., Suite 900
Houston, Texas 77002
Fax: 832-397-3713

ARTICLE 17. ASSIGNMENT

17.1. All covenants, stipulations, terms, conditions, obligations, and provisions of this Statement of Operating Terms and Conditions and the Service Agreement shall extend to and be binding upon and inure to the benefit of the respective successors, assigns and legal representatives of the parties hereto. No assignment of the Service Agreement or any of the rights or obligations under the Statement of Operating Terms and Conditions and/or the Service Agreement shall be made by either party without the other's prior written consent, which consent shall not be unreasonably withheld. Nothing hereunder shall prevent either party from pledging or mortgaging its right as security for indebtedness.

ARTICLE 18. DEFAULT

18.1. Except as otherwise expressly provided herein or in the Service Agreement, if either party fails to perform any of the covenants or obligations imposed on it under the Service Agreement (except when such failure is excused by the terms of the Statement of Operating Terms and Conditions and/or the Service Agreement) then the other party may at its option (without waiving any other remedy available) proceed as follows: The party alleging the other to be in default shall give written notice to the party alleged to be in default, stating the specific cause for terminating the Service Agreement and the intention of the party giving notice to terminate the same. The other party shall have thirty (30) Days after receipt of such notice to remedy the cause(s) stated in the notice. If the party receiving the notice does remedy said cause(s) and, consistent with the provisions of this Statement of Operating Terms and Conditions and/or the Service Agreement, fully indemnify the party not in default for the damages resulting from such breach, then the notice shall be withdrawn and the Service Agreement shall continue in full force and effect. If the party receiving the notice does not so remedy the cause(s) and indemnify the party not in default within said thirty (30) Day period, then the Service Agreement shall terminate effective as of the end of said period.

18.2. Any cancellation of the Service Agreement pursuant to the provisions of this Article shall be without prejudice to the right of either of the parties to collect any amounts or receive any Gas then due such party, and without waiver of any other remedy to which the party not in

default may be entitled for breach of this Statement of Operating Terms and Conditions and/or the Service Agreement.

ARTICLE 19. APPLICABLE LAW

19.1. Service Agreements shall be governed by, construed, enforced, and performed in accordance with the law of the State of Texas, without regard to principles of conflicts of law.

ARTICLE 20. CONDITIONS PRECEDENT

20.1. Jefferson Island shall not be obligated to commence any service under a Service Agreement, or continue any service after it has commenced, unless and until (a) all facilities, of whatever nature, as are required to permit the receipt, measurement, transportation, storage, and delivery of Gas thereunder have been installed by the party deemed responsible in that Service Agreement, and are in operating condition, (b) Jefferson Island has received all necessary regulatory authorizations to perform the service, and such authorizations are satisfactory to Jefferson Island, in its sole discretion, and (c) Customer has arranged for the delivery and receipt by any necessary third party transporter of volumes to be transported and/or stored thereunder by Jefferson Island.

ARTICLE 21. FORCE MAJEURE

21.1. If either party is prevented, wholly or in part, by Force Majeure to perform its obligations hereunder, other than the obligation to make payments then or thereafter due, it is agreed that performance of the respective obligations of the parties hereto, so far as they are affected by Force Majeure, shall be suspended from the inception of any such inability until it is corrected but for no longer period. The party claiming such inability shall give notice thereof to the other party as soon as practicable after the occurrence of the Force Majeure. If such notice is first given by telephone or radio communication, it shall be confirmed within 30 Days, in writing or by fax giving full particulars. The party claiming such inability shall promptly correct such inability to the extent it may be corrected through the exercise of reasonable diligence. The parties agree that changes in economic or market conditions that make performance more economically burdensome do not constitute Force Majeure events. The parties further agree, as to Firm service only, that the interruption by third party transporters of interruptible service performed by such third parties, shall not constitute Force Majeure.

21.2. The term "Force Majeure" as employed herein shall mean acts of God, governmental action, strikes, lockouts or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lighting, earthquakes, fires, hurricanes, tornadoes, storms, storm warnings, floods, washouts, freezes, arrests and restraints of governments and people, civil disturbances, explosions, breakage of, accidents to, or mechanical failure of machinery, equipment, lines of pipe or subsurface storage caverns regardless of how caused, failure of any Transporter(s) to receive or take any volumes of Gas tendered for receipt or delivery at the Point(s) of Receipt or Delivery hereunder, and any other causes, whether of the kind herein enumerated or otherwise, not within the control of the party claiming suspension (including, but not limited to, acts of negligence or willful misconduct of third parties, whether or not under the control employ or supervision of the party claiming suspension) and which by

the exercise of due diligence such party is unable to prevent or overcome. Such term shall likewise include: (a) in those instances where either party hereto is required to obtain servitudes, rights-of-way grants, permits or licenses to enable such party to fulfill its obligations hereunder, the inability of such party to acquire, or the delays on the part of such party in acquiring, at reasonable cost and after the exercise of reasonable diligence, such servitudes, rights-of-way grants, permits or licenses; and (b) in those instances where either party hereto is required to furnish materials and supplies for the purpose of constructing or maintaining facilities or is required to secure permits or permissions from any governmental agency to enable such party to fulfill its obligations hereunder, the inability of such party, at reasonable cost and after the exercise of reasonable diligence, to furnish such materials and supplies or to secure such permits and permissions.

21.3. The settlement of strikes or lockouts shall be entirely within the discretion of the party having the difficulty, and the requirement in Section 15.1 above that any force majeure event shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of any opposing party when such course is inadvisable in the discretion of the party having the difficulty.

21.4. Neither Customer nor Jefferson Island shall be liable to the other for any losses or damages, regardless of the nature thereof and howsoever occurring, whether such losses or damages be direct or indirect, immediate or remote, by reason of, caused by, arising out of, or in any way attributable to the suspension of performance of any obligation of either party when such suspension occurs because a party is rendered unable, wholly or in part, by Force Majeure to perform its obligations.

ARTICLE 22. TERM

22.1. The term of any services performed under this Statement of Operating Terms and Conditions shall be governed by the Service Agreement entered into between the Customer and Jefferson Island.

ARTICLE 23. INDEMNIFICATION

23.1. Subject to the other provisions hereof, Customer agrees to fully defend, protect, indemnify and hold harmless Jefferson Island from and against each and every claim, demand, or cause of action, and any liability, cost, expense (including court costs, and reasonable attorneys' fees), damage or loss of whatever character arising out of or in connection with (a) Customer's failure to deliver to Jefferson Island sufficient Gas to satisfy the commitment which Customer has undertaken to fulfill or (b) Customer's failure to arrange for receipt of Gas in accordance with the service by any necessary third-party transporter, except to the extent of any Jefferson Island negligence or willful misconduct.

23.2. Subject to the other provisions of this Statement of Operating Terms and Conditions, Jefferson Island agrees to fully defend, protect, indemnify and hold harmless Customer from and against each and every claim, demand, or cause of action, and any liability, cost, expense (including court costs, and reasonable attorneys' fees), damage or loss of whatever character arising out of or in connection with (a) Jefferson Island's failure to deliver to Customer sufficient

Gas to satisfy the commitment which Jefferson Island has undertaken to fulfill or (b) Jefferson Island's failure to arrange for receipt of Gas in accordance with the service by any necessary third-party transporter, except to the extent of any Customer negligence or willful misconduct.

ARTICLE 24. GOVERNMENT REGULATION

24.1. The Service Agreement is subject to all present and future valid applicable state, local and federal statutes, ordinances, rules, regulations, orders, judgments and other binding determinations. The parties hereto take cognizance of the fact that the Natural Resources and Energy Act of 1973, Chapter 7, Title 30, Louisiana Revised Statutes of 1950, as it may be amended from time to time, is in effect, and the administration of said Act or other applicable state, local or federal statutes, ordinances, rules, regulations, orders, judgments or other binding determinations may affect contractual obligations undertaken by the terms of the Customer's Service Agreement. Therefore, notwithstanding any provisions of the Customer's Service Agreement to the contrary, the parties hereto covenant that if the administration of said Act or other applicable state, local or federal statutes, ordinances, rules, regulations, orders, judgments or other binding determinations affect the obligations of either party, then the party complying with a rule, regulation, or order issued under the provisions of said Act or other applicable state, local or federal statutes, ordinances, rules, regulations, orders, judgments or other binding determinations shall be excused from the performance of said obligations while so complying (except for those obligations to make payments for services rendered pursuant to the Service Agreement) and shall not for reason thereof be liable or responsible in any manner to the other party for failure to comply with such contractual obligations.

24.2. If a governmental authority having jurisdiction over the terms and conditions of the services provided under the Service Agreement alters, amends, or revokes the authorization that governs the provision of such services in a manner that has a material adverse effect on either party's ability to comply with its obligations thereunder, as determined solely by the affected party, or has a material adverse effect on the economic benefits to the affected party of performance of such obligations, then the Service Agreement may be terminated by the affected party upon the giving of written notice to the other.

ARTICLE 25. MISCELLANEOUS

25.1. Customer agrees that Jefferson Island shall have the unilateral right to file with the appropriate state or federal regulatory agency and make changes effective in (a) any applicable maximum or minimum rates for services rendered by Jefferson Island, and (b) any provision of the General Terms and Conditions applicable to service provided hereunder. Jefferson Island shall provide written notice to Customer of any such changes. Notwithstanding the foregoing, subsequent to execution of a Service Agreement, Jefferson Island does not have the unilateral right without consent of the Customer to change any of the specific rate, quantity, type of service selection, or delivery/receipt point terms included in any individual Service Agreement. Jefferson Island agrees that Customer may contest any of the above-mentioned filings by Jefferson Island, and that Customer reserves whatever rights it may have with respect to such filings.

25.2. The descriptive headings of the provisions of this Statement of Operating Terms and Conditions are formulated and used for convenience only and shall not be deemed to affect the meaning or construction of any such provisions.

25.3. Waiver of any breach or failure to enforce any of the terms and conditions of this Statement of Operating Terms and Conditions at any time shall not in any way affect, limit or waive either party's right thereafter to enforce and compel compliance with every term and condition hereof.

25.4. Jefferson Island reserves the right to waive the provisions of this Statement of Operating Terms and Conditions; provided, that any such waivers shall be given on a nondiscriminatory basis to any Customer similarly situated.

25.5. This Statement of Operating Terms and Conditions and the Customer's Service Agreements are subject to the provisions of Part 284, Subpart C of the regulations of the FERC.

25.6. In the event that any term or provision in any Service Agreement is inconsistent with any term or provision in this Statement of Operating Terms and Conditions, this Statement of Operating Terms and Conditions shall control and the Service Agreement will be deemed modified accordingly.