

PART 3
RATE SCHEDULES

RATE SCHEDULE FTS
Firm Transportation Service

1. AVAILABILITY

This rate schedule is available to any person (hereinafter called "Shipper") for the firm transportation of natural gas by Black Marlin (hereinafter called "Transporter") through Transporter's pipeline facilities where:

- (a) Capacity exists to provide such service;
- (b)
 - (i) Shipper has submitted a valid request for transportation pursuant to Section 4 of this rate schedule; and
 - (ii) Transporter and Shipper have an executed Service Agreement for service under this rate schedule; and
- (c) Shipper has title to gas received by Transporter for transportation under this rate schedule.

2. APPLICABILITY AND CHARACTER OF SERVICE

This Rate Schedule shall apply to all gas transported by Transporter for Shipper under this rate schedule.

Firm service rendered by Transporter for Shipper under this rate schedule shall consist of the receipt of gas by Transporter from or for the account of Shipper at Shipper's Primary Receipt Point(s) and the transportation and delivery of such gas to or for the account of Shipper at the Primary Delivery Points, as such Point(s) of Receipt and Delivery are contained in the executed Service Agreement.

Transportation service rendered by Transporter to Shipper under this rate schedule, up to the Maximum Daily Transportation Quantity (MDTQ), shall have priority over interruptible transportation service rendered by Transporter and shall be subject to curtailment or interruption only as provided in Sections 8 (Force Majeure) and 9 (Scheduling and Curtailment) of the General Terms and Conditions. Gas receive for transportation hereunder will be commingled with other gas in Transporter's system, and the specific gas made available by Shipper or for Shipper's account for transportation may not be the same gas delivered to Shipper or for its account.

Service and applicable rates for service shall commence under this rate schedule on the earlier of:

- i) the date Shipper first tenders gas to Transporter for transportation under an executed Service Agreement; or

- ii) five (5) days after the execution of such Service Agreement by Shipper,

but in no event prior to Transporter's receipt and acceptance of any necessary regulatory authorization to provide firm transportation service to Shipper in accordance with the terms of this rate schedule and such executed Service Agreements.

2A. RECEIPT POINTS

A. Primary Receipt Point(s)

The term Primary Receipt Point(s) shall mean those Point(s) of Receipt listed in Shipper's FTS Service Agreement which are assigned a Maximum Daily Receipt Quantity (MDRQ). Subject to the availability of firm capacity, a Shipper may request changes in Primary Receipt Point(s) under an executed Service Agreement at any time by submitting a request pursuant to Section 4 of this Rate Schedule.

B. Alternate Receipt Point(s)

The term Alternate Receipt Point(s) shall mean all other Point(s) of Receipt on Transporter's system other than those listed in Shipper's FTS Service Agreement. Alternate Receipt Points may include nominations in excess of the MDRQ at a Primary Receipt Point.

Shipper may nominate gas at these Alternate Receipt Point(s) subject to the provisions of Section 9 of the General Terms and Conditions, and provided on any given day the sum of the volumes nominated for receipt at all Primary and Alternate Receipt Points does not exceed the MDTQ. All volumes nominated and transported up to the MDTQ under the FTS Service Agreement, including those received at an Alternate Receipt Points, shall be billed at the rates for service under this Rate Schedule.

2B. DELIVERY POINTS

A. Primary Delivery Point(s)

The term Primary Delivery Point(s) shall mean those delivery points listed in Shipper's FTS Service Agreement which are assigned a Maximum Daily Delivery Quantity (MDDQ). Subject to the availability of firm capacity, a Shipper may request changes in Primary Delivery Points under an executed Service Agreement at any time by submitting a request pursuant to Section 4 of this rate schedule.

B. Alternate Delivery Point(s)

The term Alternate Delivery Point(s) shall mean all other Point(s) of Delivery other than those listed in Shipper's FTS Service Agreement. Alternate Delivery Points may include nominations in excess of the MDDQ at a Primary Delivery Point. Shipper may nominate gas for delivery at Alternate Delivery Point(s) subject to the provisions of Section 9 of the General Terms and Conditions, and provided on any given day the sum of volumes nominated for delivery at all Primary and Alternate Delivery Points does not exceed the MDTQ under the FTS Service Agreement.

All volumes nominated and transported up to the MDTQ under the FTS Service Agreement, including those delivered at an Alternate Delivery Point, shall be billed at the rates for service under this rate schedule.

3. RATES

The applicable rates for service under this rate schedule are set forth on the currently effective Statement of Rates in this tariff and are hereby incorporated herein.

For all natural gas service rendered hereunder, Shipper shall pay Transporter each month the sum of the charges listed below if applicable:

Reservation Charge - The Reservation Fee multiplied by Maximum Daily Transportation Quantity multiplied by the number of days in such month. The Reservation Fee shall be subject to adjustment as provided by Section 5 of this Rate Schedule.

Commodity Charge - The Commodity Rate multiplied by the quantity of gas in MMBtu received by Transporter for Shipper in such month.

Authorized Over-Run Charge - The Authorized Over-Run Rate multiplied by the quantity of Authorized Over-Run gas as defined in Section 7 of this rate schedule, received by Transporter to Shipper or for its account during the billing month in question.

Annual charge Adjustment - The Annual Charge Adjustment unit rate multiplied by the quantity of gas in MMBtu received to or for the account of Shipper by Transporter during the billing month in question.

Incidental Charges - Shipper shall reimburse Transporter for incidental charges incurred by Transporter in providing this service. Such charges may include only: (i) reporting or filing fees, (ii) costs of construction or

acquisition of new facilities necessary to render service to the extent agreed to by Transporter and Shipper, and (iii) other such charges as may be authorized by the Commission. Transporter shall not recover any charges recovered under this paragraph in a Natural Gas Act Section 4 rate proceeding.

Transporter shall charge the maximum Reservation Fee and Commodity Rate set forth on the Statement of Rates unless Transporter, from time to time and at any time at its sole discretion on a non-discriminatory basis, charges any individual Shipper for transportation service under this rate schedule a rate which is lower than such maximum Reservation Fee or Commodity rate; provided, however, that such rates charged may not be less than the minimum Reservation Fee or Commodity rate set forth on the currently effective Statement of Rates in Transporter's FERC Gas Tariff.

Transporter shall file with the Commission any and all reports as required by the Commission's Regulations setting forth the applicable charge, the individual Shipper(s) affected, the volume transported and any other information which may be required.

4. REQUESTS FOR TRANSPORTATION SERVICE

4.1 The specific information required from a Shipper for a valid request for transportation service must be sent to Transporter via fax (713-215-3050) or email (bmp_commercial@williams.com). Requests for transportation must be accompanied by the following:

- (a) Shipper's legal name.
- (b) Shipper's principal place of business.
- (c) Shipper's contact person.
- (d) Shipper's business address for notices and billings.
- (e) Shipper's status (natural gas distribution company, end-user, intrastate pipeline company, interstate pipeline company, producer, etc.).
- (f) Requested commencement date of service.
- (g) Requested term of service.
- (h) Requested Maximum Daily Transportation Quantity (MDTQ) stated in MMBtu per day.

- (i) Total volumes stated in MMBtu to be transported over the requested term of service.
- (j) Requested primary receipt point(s) by legal description and maximum daily quantity requested at each primary receipt point.
- (k) Requested primary delivery point(s) by legal description and maximum daily quantity requested at each primary delivery point.
- (l) List of names, titles and telephone numbers of all of Shipper's employees or agents authorized to perform day-to-day dispatching.
- (m) A letter from Shipper certifying that Shipper has, or will have at the time gas is tendered to Transporter, title to the gas to be transported on Transporter's system, and certifying that Shipper has secured, or will have secured, prior to the commencement of service, all necessary arrangements for upstream and downstream transportation, if applicable.

For Shipper's convenience, standardized service request forms shall be available from Transporter at the above-referenced address.

Requests for service which do not include all of the above-referenced information shall be deemed null and void.

4.2 A. In addition, prior to or at the time of execution of a Service Agreement, Shipper must provide the following information:

- (a) Identity of the parties to the Service Agreement.
- (b) Shippers utilizing transportation service for end-users must certify that it has agreements in place with such end-users for sale of the gas.

4.3 B. In addition, prior to or at the time of commencement of service, Shipper must provide the identity of all of the upstream and downstream transporters, if any, included in the transaction. Shipper shall return to Transporter the fully executed FTS Service Agreement within thirty (30) days after receipt thereof. In the event Transporter does not receive the fully executed Service Agreement within thirty (30) days, Shipper's request for transportation under this Rate Schedule shall be null and void.

4.4 Requests for extension of the Primary term of a Service Agreement are subject to the provisions of Section 15 of the General Terms and Conditions.

At Shipper's request, Transporter shall permit Shipper to name a designee to perform Shipper's obligations with regard to nominations, scheduling and/or payment under this rate schedule, provided that Shipper, such designee and Transporter shall agree in writing that designee shall perform the specified obligation(s) of Shipper and, with

respect to any payment obligation, such designee shall meet the creditworthiness provisions of this Rate Schedule. Shipper shall not name more than one designee to perform each such specified obligation under any Service Agreement hereunder.

At Transporter's request, Shipper shall permit Transporter to name a designee to perform Transporter's obligations with regard to nominations, scheduling, billing, and/or receiving payment under this Rate Schedule, provided that Shipper, Transporter, and such designee shall agree in writing that designee shall perform the specified obligation(s) of Transporter. Transporter shall not name more than one designee to perform each such specified obligation under any Service Agreement hereunder.

5. BILLING ADJUSTMENT FOR FAILURE TO TRANSPORT

If, on any day during the month, Transporter fails to accept the quantity of gas tendered by Shipper for transportation under this Rate Schedule on such day up to the MDTQ, and the gas so tendered complies with and meets the provisions of this tariff with respect thereto, the monthly Reservation Charge otherwise computed shall be decreased by an amount computed as the product of (a) and (b) below:

- (a) The quantity in MMBtu of gas tendered, but not accepted, up to but not exceeding the MDTQ;
- (b) The Reservation Fee.

6. MAXIMUM DAILY TRANSPORTATION QUANTITY

Maximum Daily Transportation Quantity (MDTQ) shall be the maximum quantity of natural gas in MMBtu which Transporter shall be obligated to receive from Shipper (or for Shipper's account) at Shipper's Point of Receipt on any day for transportation under this Rate Schedule.

MDTQ shall be specified in the executed Service Agreement.

7. AUTHORIZED OVER-RUN GAS

Shipper shall have the right to tender on any day for transportation volumes in excess of its MDTQ, and Transporter shall have the right, but shall not be obligated, to transport such excess quantity on such day. In the event during any month, the quantity of gas tendered for transportation and transported by Transporter for Shipper exceeds a total quantity equal to the product of the number of days in the month multiplied by MDTQ, such gas shall be defined as Authorized Over-run Gas. Shipper shall pay for such monthly excess quantity, an additional amount, equal to such excess quantity, in MMBtu, multiplied by the Authorized Over-run Rate.

8. OTHER ARRANGEMENTS BY SHIPPER

It is the responsibility of Shipper to make any necessary arrangements with other parties for further transportation of gas beyond Transporter's Point of Delivery. Shipper shall be obligated in any such arrangements to provide for requisite dispatching and operating coordination with Transporter.

9. DETERMINATION OF RECEIPTS, THERMAL BALANCING AND REDELIVERY QUANTITY

9.1 Determination of Receipts

For purposes of this section "overage" shall be defined as Scheduled Receipts in excess of actual quantities received, and "underage" shall be defined as Scheduled Receipts below actual quantities received. In the event actual quantities received by Transporter do not equal the Scheduled Receipts for such point, any overage or underage shall be allocated as follows:

- (1) To the extent Transporter has entered into an Operational Balancing Agreement ("OBA") as set forth below which covers the point of receipt, any overages or underages at such point of receipt shall not be allocated to Shippers, but shall be resolved in accordance with the OBA;
- (2) To the extent there is not an OBA for the subject receipt point, Transporter and the interconnecting party will agree as to which party is responsible for the predetermined allocation (PDA), and if the party has agreed to submit the PDA, Transporter shall allocate underages or overages in accordance with the PDA;
- (3) To the extent there is no OBA or PDA, Transporter shall allocate any overage or underage pro-rata based on scheduled and confirmed quantities at the receipt point.
- (4) The responsibility for calculation and reporting of allocated quantities should rest with the party responsible for accepting NAESB allocation types. The party receiving nominations should provide allocation statements.

A. Operational Balancing Agreement (OBA)

- (1) An OBA is a contract between two parties which specifies the procedures to manage operating variances at an interconnect. Transporter is willing to negotiate and execute Operational Balancing Agreements (OBAs) with appropriate parties that operate natural gas facilities which interconnect with Transporter's system. Such OBAs will provide that any variance between actual quantities and scheduled and confirmed quantities for any day shall be resolved in-kind promptly or cashed-out pursuant to the terms of the OBAs.
- (2) To the extent actual receipts vary from scheduled receipts at a point of receipt for which Transporter has entered into an OBA, Shippers utilizing such point of receipt shall be responsible for any charges incurred by Transporter under the OBA.

B. Predetermined Allocation Statements (PDA)

As a minimum, allocations should be provided by both contract and location. The upstream or downstream party providing the point confirmation should submit the pre-determined allocation to the allocating party after or during confirmation and before the start of the gas day. The types of allocation methodologies is a list from which two parties may agree. If the two parties can not agree upon an allocation methodology, pro rata based upon confirmed nominations should be used as the default method. The party responsible for custody transfer (the party performing the measurement function) should provide the allocation. The PDA methods shall include ranked, pro rata, percentage, swing, and operator provided value, as such terms are used in the NAESB Standards. The same standard allocation methodologies should be available for use at all points, except those covered by an OBA. A new allocation detail may be needed when a nomination changes.

Transporter shall be entitled to rely exclusively on an effective PDA in allocating gas received at a point and the interconnect party holds Transporter harmless against actions taken and allocations made in reliance upon such PDA. No retroactive changes to a PDA may be made unless Transporter and all affected parties agree in writing. The allocating party should send back "confirmation" of receipt of the pre-determined allocation within 15 minutes.

9.2 THERMAL BALANCING AND REDELIVERY QUANTITY

Transporter shall undertake to redeliver to Shipper at its Point of Delivery a quantity of gas containing the gross heating value of gas received from Shipper by Transporter at the Point of Receipt, plus or minus any attributable line losses or unaccounted-for gas.

The specific quantity in MMBtu of gas to be redelivered by Transporter to Shipper or for Shipper's account (herein referred to as Shipper's "Redelivery Quantity") shall be determined each month as the product of (a) and (b) below:

- (a) The volume of gas in MMBtu received by Transporter from Shipper at the Point of Receipt for transportation during the month.
- (b) A fraction, the numerator of which is the measured volume in MMBtu of all gas delivered by Transporter from its pipeline during the month, and the denominator of which is the measured volume in MMBtu of all gas received by Transporter during the month.

Scheduling on a daily basis shall reflect the general procedures identified above. The timing for reporting daily operational allocations after the gas has flowed is within one business day after the end of the gas day. If the best available data for reporting daily operational allocations is the scheduled quantity, that quantity should be used for the daily operational allocation. Precise balancing shall be on a monthly basis. Any imbalances during a particular month shall be kept to the minimum permitted by operating conditions and cashed-out consistent with Section 21.2 of the General Terms and Conditions of Transporter's FERC Gas Tariff. Imbalance statements should be generated at the same time or prior to the generation of the transportation invoice. The imbalance statement should be rendered prior to or with the invoice, and the transportation invoice should be prepared on or before the 9th business day after the end of the production month. Rendered is defined as postmarked, time-stamped, and delivered to the designated site.

Delivery point allocations should be performed at the lowest level of detail provided by nominations. The determination of deliveries applicable to Shipper shall be made in accordance with the thermal balancing provisions above unless a PDA in accordance with the PDA provision below or an operating arrangement satisfactory to Shipper, Transporter and any third party transporting to or from Transporter's system is submitted. The responsibility for calculation and reporting of allocated quantities should rest with the party responsible for accepting NAESB allocation types. The party receiving nominations should provide allocation statements. The upstream or downstream party providing the point confirmation should submit the pre-determined allocation to the allocating party after or during confirmation and before the start of the gas day. To the extent there is no OBA or PDA, Transporter shall allocate deliveries pro rata based on confirmed quantities. As a minimum, allocations should be provided by both contract and location. The types of allocation methodologies is a list from which two parties may agree. If the two parties can not agree upon an allocation methodology, pro rata based upon confirmed nominations should be used as the default method. The party responsible for custody transfer (the party performing the measurement function) should provide the allocation. The PDA methods shall include ranked, pro rata, percentage, swing, and operator provided value, as such terms are used in the NAESB Standards. The same standard allocation

methodologies should be available for use at all points. A new allocation detail may be needed when a nomination changes. Transporter shall be entitled to rely exclusively on an effective PDA in allocating gas delivered to a point. No retroactive changes to a PDA may be made unless Transporter and all affected parties agree in writing. The allocating party should send back "confirmation" of receipt of the pre-determined allocation within 15 minutes. A Party may change the PDA during a calendar month provided (i) such change will have prospective effect only, (ii) all Shippers on Transporter's system with scheduled deliveries at such point have been notified of the change and the effective date of the change, and (iii) the interconnecting party identifies and holds Transporter and Shippers utilizing such points harmless against actions taken and allocations made in reliance upon such change in PDA.

11. MEASUREMENT BASE

Refer to Section 4 of the General Terms and Conditions.

12. NOMINATION OF RECEIPTS AND DELIVERIES

Receipts and deliveries of natural gas shall be nominated, confirmed, scheduled and curtailed by Transporter in accordance with Section 9 of the General Terms and Conditions of this Tariff.

13. RIGHTS UNDER SECTION 4 OF THE NATURAL GAS ACT

Transporter shall have the unilateral right to file with the appropriate regulatory authority and make changes in (a) the rates and charges applicable to its Rate Schedule FTS, (b) Rate Schedule FTS pursuant to which this service is rendered; provided, however, that the firm character of service shall not be subject to change hereunder, or (c) any provisions of the General Terms and Conditions applicable to Rate Schedule FTS. Transporter agrees that Shipper may protest or contest the aforementioned filings, or seek authorization from duly constituted regulatory authorities for such adjustment of Transporter's existing FERC Gas Tariff as may be found necessary in order to assure that the provisions in (a), (b) or (c) above are just and reasonable.

14. GENERAL TERMS AND CONDITIONS

The General Terms and Conditions of Transporter's FERC Gas Tariff are applicable to this Rate Schedule and are hereby made a part hereof.

RATE SCHEDULE ITS
Interruptible Transportation Service

1. AVAILABILITY

This rate schedule is available to any person (hereinafter called "Shipper") for the interruptible transportation of natural gas by Black Marlin (hereinafter called "Transporter") through Transporter's pipeline facilities where:

- (a) (i) Shipper has submitted a valid request for transportation pursuant to Section 4 of this rate schedule; and
- (ii) Transporter and Shipper have an executed Service Agreement for service under this rate schedule; and
- (b) Shipper has title to gas received by Transporter for transportation under this rate schedule.

2. APPLICABILITY AND CHARACTER OF SERVICE

This rate schedule shall apply to all gas transported by Transporter for Shipper under this rate schedule.

Service rendered by Transporter for Shipper under this rate schedule shall consist of the receipt of gas by Transporter from or for the account of Shipper at Shipper's Point(s) of Receipt and the transportation and delivery of such gas to or for the account of Shipper at the Point(s) of Delivery, as such Point(s) of Receipt and Delivery are contained in the executed Service Agreement.

Transportation service rendered by Transporter to Shipper under this rate schedule shall be subject to curtailment or interruption in order for Transporter to meet its firm service obligations and as provided in Sections 8 (Force Majeure) and 9 (Scheduling and Curtailment) of the General Terms and Conditions.

Gas received for transportation hereunder will be commingled with other gas in Transporter's system, and the specific gas made available by Shipper or for Shipper's account for transportation may not be the same gas delivered to Shipper or for its account.

3. RATES

The applicable rates for service under this rate schedule are set forth on the currently effective Statement of Rates in this tariff and are hereby incorporated herein.

For all natural gas service rendered hereunder, Shipper shall pay Transporter each month the sum of the charges listed below if applicable:

Commodity Charge - The Commodity Rate multiplied by the quantity of gas in MMBtu received by Transporter for Shipper in such month.

Annual Charge Adjustment - The Annual Charge Adjustment unit rate multiplied by the quantity of gas in MMBtu received to or for the account of Shipper by Transporter during the billing month in question.

Incidental Charges - Shipper shall reimburse Transporter for incidental charges incurred by Transporter in providing this service. Such charges may include only: (i) reporting or filing fees, (ii) costs of construction or acquisition of new facilities necessary to render service, to the extent agreed to by Transporter and Shipper, and (iii) other such charges as may be authorized by the Commission. Transporter shall not recover any charges recovered under this paragraph in a Natural Gas Act Section 4 rate proceeding.

Transporter shall charge the maximum Commodity Rate set forth on the Statement of Rates unless Transporter, from time to time and at any time at its sole discretion on a non-discriminatory basis, charges any individual Shipper for transportation service under this Rate Schedule a rate which is lower than such maximum Commodity rate; provided, however, that such Commodity Rate charged may not be less than the minimum Commodity rate set forth on the currently effective Statement of Rates in Transporter's FERC Gas Tariff.

Transporter shall file with the Commission any and all reports as required by the Commission's Regulations setting forth the applicable charge, the individual Shipper(s) affected, the volume transported and any other information which may be required.

4. REQUESTS FOR TRANSPORTATION SERVICE

4.1 The specific information required from a Shipper for a valid request for transportation service must be sent to Transporter via fax (713-215-3050) or email (bmp_commercial.com). Requests for transportation must be accompanied by the following:

- (a) Shipper's legal name.
- (b) Shipper's principal place of business.
- (c) Shipper's contact person.
- (d) Shipper's business address for notices and billings.
- (e) Shipper's status (natural gas distribution company, end-user, intrastate pipeline company, interstate pipeline company, producer, etc.).
- (f) Requested commencement date of service.
- (g) Requested term of service.

- (h) Requested Maximum Daily Transportation Quantity (MDTQ) stated in MMBtu per day.
- (i) Total volumes stated in MMBtu to be transported over the requested term of service.
- (j) Requested receipt point(s) by legal description and maximum daily quantity requested at each receipt point.
- (k) Requested delivery point(s) by legal description and maximum daily quantity requested at each delivery point.
- (l) List of names, titles and telephone numbers of all of Shipper's employees or agents authorized to perform day-to-day dispatching.
- (m) A letter from Shipper certifying that Shipper has, or will have at the time gas is tendered to Transporter, title to the gas to be transported on Transporter's system, and certifying that Shipper has secured, or will have secured, prior to the commencement of service, all necessary arrangements for upstream and downstream transportation, if applicable.

For Shipper's convenience, standardized service request forms shall be available from Transporter at the above-referenced address.

Requests for service which do not include all of the above-referenced information shall be deemed null and void.

4.2A. In addition, prior to or at the time of execution of a Service Agreement, Shipper must provide the following information:

- (a) Identity of all parties to the service agreement.
- (b) Shippers utilizing transportation service for end-users must certify that it has agreements in place with such end-users for sale of the gas.

4.2B. In addition, prior to or at the time of commencement of service, Shipper must provide the identity of all of the upstream and downstream transporters, if any, involved in the transaction.

Shipper shall return to Transporter the fully executed ITS Service Agreement within thirty (30) days after receipt thereof. In the event Transporter does not receive the fully executed Service Agreement within thirty (30) days, Shipper's request for transportation under this Rate Schedule shall be null and void.

4.3 At Shipper's request, Transporter shall permit Shipper to name a designee to perform Shipper's obligations with regard to nominations, scheduling and/or payment under this Rate Schedule, provided that Shipper, such designee and Transporter shall agree in writing that designee shall perform the specified obligation(s) of Shipper and, with respect to any

payment obligation, such designee shall meet the creditworthiness provisions of this rate schedule.

Shipper shall not name more than one designee to perform each such specified obligation under any Service Agreement hereunder.

At Transporter's request, Shipper shall permit Transporter to name a designee to perform Transporter's obligations with regard to nominations, scheduling, billing, and/or receiving payment under this Rate Schedule, provided that Shipper, Transporter, and such designee shall agree in writing that designee shall perform the specified obligation(s) of Transporter. Transporter shall not name more than one designee to perform each such specified obligation under any Service Agreement hereunder.

5. MAXIMUM DAILY TRANSPORTATION QUANTITY

Maximum Daily Transportation Quantity (MDTQ) shall be the maximum quantity of natural gas in MMBtu which Transporter shall, subject to the provisions of Transporter's Tariff, receive from Shipper (or for Shipper's account) at Shipper's Point of Receipt on any day for transportation under this Rate Schedule.

MDTQ shall be specified in the executed Service Agreement.

6. OTHER ARRANGEMENTS BY SHIPPER

It is the responsibility of Shipper to make any necessary arrangements with other parties for further transportation of gas beyond Transporter's Point of Delivery. Shipper shall be obligated in any such arrangements to provide for requisite dispatching and operating coordination with Transporter.

7. DETERMINATION OF RECEIPTS, THERMAL BALANCING AND REDELIVERY QUANTITY

7.1 Determination of Receipts:

For purposes of this section "overage" shall be defined as Scheduled Receipts in excess of actual quantities received, and "underage" shall be defined as Scheduled Receipts below actual quantities received. In the event actual quantities received by Transporter do not equal the scheduled receipts for such point, any overage or underage shall be allocated as follows:

- (1) To the extent Transporter has entered into an Operational Balancing Agreement as set forth below which covers the point of receipt, any overages or underages at such point of receipt shall not be allocated to Shippers, but shall be resolved in accordance with the OBA:
- (2) to the extent there is not a OBA for the subject receipt point, Transporter and the interconnecting Party will agree as to which party is responsible for the predetermined allocation (PDA) and if the party has agreed to submit the

PDA, Transporter shall allocate underages or overages in accordance with the PDA;

- (3) To the extent there is no OBA or PDA, Transporter shall allocate any overage or underage pro-rata based on scheduled and confirmed quantities at the receipt point.
- (4) The responsibility for calculation and reporting of allocated quantities should rest with the party responsible for accepting NAESB allocation types. The party receiving nominations should provide allocation statements.

A. Operational Balancing Agreement (OBA)

- (1) An OBA is a contract between two parties which specifies the procedures to manage operating variances at an interconnect. Transporter is willing to negotiate and execute Operational Balancing Agreements (OBAs) with appropriate parties that operate natural gas facilities which interconnect with Transporter's system. Such OBAs will provide that any variance between actual quantities and scheduled and confirmed quantities for any day shall be resolved in kind promptly or cashed-out pursuant to the terms of the OBAs.

B. Predetermined Allocation Statements (PDA)

The upstream or downstream party providing the point confirmation should submit the pre-determined allocation to the allocating party after or during confirmation and before the start of the gas day. As a minimum, allocations should be provided by both contract and location.

The types of allocation methodologies is a list from which two parties may agree. If the two parties can not agree upon an allocation methodology, pro rata based upon confirmed nominations should be used as the default method. The party responsible for custody transfer (the party performing the measurement function) should provide the allocation. The PDA methods shall include ranked, pro rata, percentage, swing, and operator provided value, as such terms are used in the NAESB Standards. The same standard allocation methodologies should be available for use at all points except those covered by an OBA. A new allocation detail may be needed when a nomination changes. Transporter shall be entitled to rely exclusively on an effective PDA in allocating as received at a point taken and allocations made in reliance upon such PDA. No retroactive changes to a PDA may be made unless Transporter harmless against actions taken and allocations made in reliance upon such PDA. No retroactive changes to a PDA may be made unless Transporter and all affected parties agree in writing. The allocating party should send back "confirmation" of receipt of the pre-determined allocation within 15 minutes.

7.2 THERMAL BALANCING AND REDELIVERY QUANTITY

Transporter shall undertake to redeliver to Shipper at its Point of Delivery a quantity of gas containing the gross heating value of gas received from Shipper by Transporter at the Point of Receipt, less any attributable line losses or unaccounted-for gas.

The specific quantity in MMBtu gas to be redelivered by Transporter to Shipper or for Shipper's account (herein referred to as Shipper's "Redelivery Quantity") shall be determined each month as the product of (a), and (b) below:

- (a) The volume of gas in MMBtu received by Transporter from Shipper at the Point of Receipt for transportation during the month.
- (b) A fraction, the numerator of which is the measured volume in MMBtu of all gas delivered by Transporter from its pipeline during the month, and the denominator of which is the measured volume in MMBtu of all gas received by Transporter during the month.

Scheduling on a daily basis shall reflect the general procedures identified above. The timing for reporting daily operational allocations after the gas has flowed is within one business day after the end of the gas day. If the best available data for reporting daily operational allocations is the scheduled quantity, that quantity should be used for the daily operational allocation. Precise balancing shall be on a monthly basis. Any imbalances during a particular month shall be kept to the minimum permitted by operating conditions and cashed-out consistent with Section 21.2 of the General Terms and Conditions of Transporter's FERC Gas Tariff.

Imbalance statements should be generated at the same time or prior to the generation of the transportation invoice. The imbalance statement should be rendered prior to or with the invoice, and the transportation invoice should be prepared on or before the 9th business day after the end of the production month. Rendered is defined as postmarked, time-stamped, and delivered to the designated site.

Delivery point allocations should be performed at the lowest level of detail provided by nominations. The determination of deliveries applicable to Shipper shall be made in accordance with the thermal balancing provisions above unless a PDA in accordance with the PDA provision below or an operating arrangement satisfactory to Shipper, Transporter and any third party transporting to or from Transporter's system is submitted. The responsibility for calculation and reporting of allocated quantities should rest with the party responsible for accepting NAESB allocation types. The party receiving nominations should provide allocation statements.

The upstream or downstream party providing the point of confirmation should submit the pre-determined allocation to the allocating party after or during confirmation and before the start of the gas day. To the extent there is no OBA or PDA, Transporter shall allocate pro rata based on confirmed nominations. As a minimum, allocations should be provided by both contract and locations. The types of allocation methodologies is a list from which two parties may agree. If the two parties can not agree upon an allocation methodology, pro rata based upon confirmed nominations should be used as the default method. The party responsible for custody transfer (the party performing the measurement function) should provide the allocation. The same standard allocation methodologies should be available for use at all points. A new allocation detail may be needed when a nomination changes. The PDA methods shall include ranked, pro rata, percentage, swing, and operator provided value, as such terms are used in the NAESB Standards. Transporter shall be entitled to rely exclusively on an effective PDA in allocating gas delivered to a point. No retroactive changes to a PDA may be made unless Transporter and all affected parties agree in writing.

The allocating party should send back "confirmation" of receipt of the pre-determined allocation within 15 minutes.

A Party may change the PDA during a calendar month provided (i) such change will have prospective effect only, (ii) all Shippers on Transporter's system with scheduled deliveries at such point have been notified of the change and the effective date of the change, and (iii) the interconnecting Party identifies and holds Transporter and Shippers utilizing such points harmless against actions taken and allocations made in reliance upon such change in PDA.

8. MEASUREMENT BASE

Refer to Section 4 of the General Terms and Conditions.

9. NOMINATION OF RECEIPTS AND DELIVERIES

Receipts and deliveries of natural gas shall be nominated, confirmed, scheduled and curtailed by Transporter in accordance with Section 9 of the General Terms and Conditions of this tariff.

10. RIGHTS UNDER SECTION 4 OF THE NATURAL GAS ACT

Transporter shall have the unilateral right to file with the appropriate regulatory authority and make changes in (a) the rates and charges applicable to its Rate Schedule ITS, (b) Rate Schedule ITS pursuant to which this service is rendered; provided, however, that the interruptible character of service shall not be subject to change hereunder, or (c) any provisions of the General Terms and Conditions applicable to Rate Schedule ITS. Transporter agrees that Shipper may protest or contest the aforementioned filings, or seek authorization from duly constituted regulatory authorities for such adjustment of Transporter's existing FERC Gas Tariff as may be found necessary in order to assure that the provisions in (a), (b) or (c) above are just and reasonable.

11. GENERAL TERMS AND CONDITIONS

The General Terms and Conditions of Transporter's FERC Gas Tariff are applicable to this Rate Schedule and are hereby made a part hereof.

RATE SCHEDULE T-1 Transportation Service

1. AVAILABILITY

This rate schedule is available to any company (hereinafter called "Shipper") for the transportation of natural gas by Black Marlin (hereinafter called "Transporter") through Transporter's Gulf Coast pipeline facilities:

- (a) when Transporter and Shipper have an executed service agreement for service under this rate schedule; or
- (b) to Phillips Petroleum Company, and to Union Carbide Corporation (each of which is also referred to as "Shipper") during the period that transportation service is being rendered to such companies after termination of pre-existing contracts, and until service agreements are executed.

This rate schedule is not available to any company to whom service is being or is to be rendered pursuant to Section 311(a)(1) of the Natural Gas Policy Act of 1978.

2. APPLICABILITY AND CHARACTER OF SERVICE

This rate schedule shall apply to all gas transported by Transporter for Shipper under this rate schedule.

Service rendered by Transporter for Shipper under this rate schedule shall consist of:

- (a) the receipt by Transporter for the account of Shipper of Shipper's gas at Shipper's Point of Receipt;
- (b) the delivery of gas after transportation by Transporter for the account of Shipper either at Transporter's terminal facilities at Texas City, Texas, or at such other Point of Delivery as may be specified by the executed Service Agreement or by this rate schedule.

Transportation service rendered by Transporter to Shipper under this rate schedule, up to Shipper's Daily Contract Quantity, shall be considered to be firm.

3. RATE

The application rates for service under this Rate Schedule are set forth on the currently effective Statement of Rates in this tariff and are hereby incorporated herein.

For all natural gas service rendered hereunder, Shipper shall pay Transporter each month the sum of the maximum charges listed below if applicable:

Reservation Charge - The Maximum Reservation Fee multiplied by Daily Contract Quantity multiplied by the number of days in such month. The Maximum Reservation Fee shall be subject to adjustment as provided by Section 5 of this rate schedule.

Commodity Charge - The Maximum Commodity Rate for Rate Schedule T-1 multiplied by the quantity of gas in Mcf received by Transporter for Shipper in such month.

Authorized Over-Run Charge - The Authorized Over-Run Rate multiplied by the monthly volumes in excess of its Daily Contract Quantity as defined in Section 6 of this rate schedule, received by Transporter to Shipper or for its account during the billing month in questions.

Annual Charge Adjustment - The Annual Charge Adjustment unit rate multiplied by the quantity of gas in Mcf received to or for the account of Shipper by Transporter during the billing month in question.

Incidental Charges - Shipper shall reimburse Transporter for incidental charges incurred by Transporter in providing this service. Such charges may include only: (i) reporting or filing fees, (ii) costs of construction or acquisition of new facilities necessary to render service, to the extent agreed to by Transporter and Shipper, and (iii) other such charges as may be authorized by the Commission. Transporter shall not recover any charges recovered under this paragraph in a Natural Gas Act Section 4 rate proceeding.

4. MINIMUM BILL

None, other than the amount computed pursuant to Section 3 of this Rate Schedule.

5. BILLING ADJUSTMENT FOR FAILURE TO TRANSPORT

If, on any day during the month, Transporter fails to accept the quantity of gas tendered by Shipper for transportation under this rate schedule on such day up to Shipper's Daily Contract Quantity, and the gas so tendered complies with and meets the provisions of this tariff with respect thereto, the monthly charge otherwise computed shall be decreased by an amount computed as the product of (a) and (b) below:

- (a) the quantity in Mcf of gas tendered, but not accepted, up to, but not exceeding, Shipper's Daily Contract Quantity;
- (b) the Maximum Reservation Fee.

6. SHIPPER'S DAILY CONTRACT QUANTITY

Shipper's Daily Contract Quantity shall be the maximum quantity of natural gas in Mcf which Transporter shall be obligated to receive from Shipper (or for Shipper's account) at Shipper's Point of Receipt on any day for transportation under this rate schedule. Shipper's Daily Contract Quantity shall be specified in the executed Service Agreement, in this rate schedule. Section 11 in this rate schedule constitutes an Index of Daily Contract Quantities which are stated in the executed Service Agreement. However, the Daily Contract Quantities which are stated in the executed Service Agreements shall not exceed the Daily Contract Quantities which are stated in Section 11 as effective from time to time.

Shipper shall have the right to tender on any day for transportation volumes in excess of its Daily Contract Quantity, and Transporter shall have the right, but shall not be obligated, to transport such excess quantity on such day. In the event, during any month, the quantity of gas tendered for transportation and transported by Transporter for Shipper exceeds a total quantity equal to the product of the number of days in the month multiplied by Shipper's Daily Contract Quantity, then Shipper shall pay for such monthly excess quantity of an additional amount equal to such excess quantity in Mcf, multiplied by Authorized Over-Run Rate as stated in the Statement of Rates of this Tariff.

7. OTHER ARRANGEMENTS BY SHIPPER

It is the responsibility of Shipper to make any necessary arrangements with other parties for further transportation of gas beyond Transporter's Point of Delivery. Shipper shall be obligated in any such arrangements to provide for requisite dispatching and operating coordination with Transporter.

8. THERMAL BALANCING AND REDELIVERY QUANTITY

Transporter undertakes to redelivery to Shipper at its Point of Delivery a quantity of gas containing the gross heating value of gas received from Shipper by Transporter at the Point of Receipt, less any attributable line losses or unaccounted-for gas.

The specific quantity in Mcf of gas to be redelivered by Transporter to Shipper or for Shipper's account (herein referred to as Shipper's "Redelivery Quantity") shall be determined each month as the product of (a), (b), and (c) below:

- (a) The volume of gas in Mcf tendered by Shipper to Transporter at the Point of Receipt for transportation during the month.
- (b) A fraction, the numerator of which is the measured volume of all gas delivered by Transporter from its pipeline during the month, and the denominator of which is the measured volume of all gas delivered to Transporter during the month.
- (c) A fraction, whose numerator is the average monthly unit heat content of the gas tendered by Shipper to Transporter at the Point of Receipt for transportation during the month, and whose denominator is the average monthly unit heat content of the gas delivered by Transporter to Shipper or for Shipper's account at the Point(s) of Delivery during the month. The unit heat content shall be as defined in Section 1.9 of the General Terms and Conditions. Average monthly determinations of heat content shall be computed by weighting for volumes delivered during the month.

Scheduling on a daily basis shall reflect the general procedures identified above, utilizing estimates of the applicable fractions where necessary, but precise balancing shall be on a monthly basis. Any imbalances during a particular month shall be kept to the minimum permitted by operations and cashed-out consistent with Section 21.2 of the General Terms and Conditions of Transporter's FERC Gas Tariff.

9. MEASUREMENT BASE

Refer to Section 4 of the General Terms and Conditions.

10. GENERAL TERMS AND CONDITIONS

The General Terms and Conditions of Transporter's FERC Gas Tariff are applicable to this rate schedule and are hereby made a part hereof.

11. INDEX OF DAILY CONTRACT QUANTITIES
TO BE UTILIZED FOR BILLING UNDER
SECTION 3 OF RATE SCHEDULE T-1

Name of Shipper	Shipper's Daily Contract Quantity - Mcf
Phillips Petroleum Company	6,849