

FERC GAS TARIFF  
Second Revised Volume No. 1  
of  
BLACK MARLIN PIPELINE LLC  
filed with the  
Federal Energy Regulatory Commission

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## **PART 1 OVERVIEW**

This part contains:

- Table of Contents
- Preliminary Statement
- System Map

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## PRELIMINARY STATEMENT

Black Marlin Pipeline LLC (hereinafter called "Black Marlin") owns and operates an offshore system, "Offshore System", which includes a sixteen-inch diameter gas pipeline located offshore Texas and extending from a point offshore in High Island Area Block 136 to Black Marlin's onshore terminal facility located at Texas City, Texas. A sixteen-inch diameter extension of this pipeline extends from High Island Block A-6 to a point of interconnection with the above-described pipeline in High Island Block 137.

Black Marlin is engaged primarily in the transportation of natural gas for other companies through its facilities, and is subject to the jurisdiction of the Federal Energy Regulatory Commission.

This FERC Gas Tariff is filed in compliance with Part 154, Subchapter E, Chapter I, Title 1, of the Code of Federal Regulations, constituting a portion of the regulations of the Federal Energy Regulatory Commission.

## SYSTEM MAP

To view Transporter's system map, please click on the following URL (universal resource locator):

[http://blackmarlin.williams.com/bm/Blackmarlin\\_Map.pdf](http://blackmarlin.williams.com/bm/Blackmarlin_Map.pdf)

**PART 2**  
**RATES AND AGREEMENTS**

This Part contains:

- Statement of Rates
- Non-Conforming Agreements

STATEMENT OF RATES

Currently Effective Rates  
 For Transportation of Natural Gas  
 Under Rate Schedules Contained in This  
 FERC Gas Tariff,

(Rates - ¢ per MMBtu)

<u>Rate Schedule</u>	<u>Section</u>	<u>Description</u>	<u>Currently Effective Rate</u>
FTS	3	Reservation Fee	
		Maximum	90.00
		Minimum	0.00
		Commodity Rate	
		Maximum	90.00
		Minimum	0.00
		Authorized Over-run Rate	
		Maximum	
		Minimum	
ITS	3	Commodity Rate	
		Maximum	90.00
		Minimum	0.00
T-1	3	Reservation Fee	90.00
		Commodity Rate	0.00
		Authorized Over-Run Rate	90.00
ACA	3	Annual Charge Adjustment Unit Rate	<sup>1</sup>

<sup>1</sup> Transporter incorporates by reference, for its ACA Unit Rate, the currently effective annual charges unit charge calculated by the Commission and published on the Commission's website ([www.ferc.gov](http://www.ferc.gov)). The ACA Unit Rate is in addition to any amounts otherwise payable to Transporter under its Rate Schedules.

List of  
Non-Conforming Agreements

Hydro Gulf of Mexico, L.L.C. Rate Schedule ITS Agreement,  
dated as of November 1, 2006, as amended.



**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

GENERAL TERMS AND CONDITIONS  
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22	Operational Flow Orders
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1. DEFINITIONS:
  - 1.1 The word "day" shall mean a period of twenty-four (24) consecutive hours, beginning and ending at 9:00 o'clock a.m. Central Clock Time.
  - 1.2 The word "month" shall mean a period extending from the beginning at 9:00 o'clock a.m. Central Clock Time of the first day in a calendar month to the beginning of the first day in the next succeeding calendar month.
  - 1.3 The term "billing month" shall mean the month of service hereunder which immediately precedes the month in which Transporter is obligated to render a bill for such service.
  - 1.4 The term "contract year" shall mean a period of twelve (12) consecutive months from the first day of the month following the date gas is first delivered.
  - 1.5 The term "gas" shall mean natural gas, or any mixture of hydrocarbons or of hydrocarbons and noncombustible gases, in a gaseous state, consisting predominantly of methane, which meets the quality specifications set forth herein, but shall specifically exclude natural gas liquids existing in a free liquid state.
  - 1.6 The term "cubic foot of gas" shall mean that quantity of gas which occupies one (1) cubic foot when such gas is at a temperature of sixty (60) degrees Fahrenheit and at a pressure of 14.73 pounds per square inch absolute (14.73 psia) and corrected for deviation from ideal gas behavior.
  - 1.7 The term "Mcf" shall mean one thousand (1,000) cubic feet of gas and shall be measured as set forth in Section 4 hereof.
  - 1.8 "NAESB" shall mean North American Energy Standards Board.
  - 1.9 The term "working day" shall mean "Business Day" as such term is defined in the NAESB Standards and shall include the days Monday through Friday, exclusive of federal banking holidays, unless notified otherwise.
  - 1.10 "Central Clock" Time shall mean the Central Time, as adjusted for Daylight Savings Time and Standard Time. Unless otherwise stated, as used herein "Central Time" shall mean Central Clock time.
  - 1.11 "Contact Person" shall mean the person(s) specified by Shipper that is available by telephone or paging device to receive communication from Transporter at any an all times and upon whose written and oral communications Transporter may rely. Every shipper must have a contact person and shipper must provide Transporter with sufficient information to conclusively contact and communicate with such contact person.

- 1.13 The term "Btu" shall mean British thermal unit, and is defined as the amount of heat required to raise the temperature of one pound of water one (1) degree Fahrenheit from fifty-nine (59) degrees Fahrenheit to sixty (60) degrees Fahrenheit at a standard pressure of fourteen and seventy-three hundredths pounds per square inch absolute (14.70 psia). For reporting purposes, Btu conversion factors should be reported to not less than 3 decimal places.
- 1.14 The term "gross heating value" shall mean the quantity of heat in Btu's liberated by the complete combustion at constant pressure, of a cubic foot of gas at a temperature of sixty (60) degrees Fahrenheit on a water free basis and at an absolute pressure of absolute (14.73 psia) with air at the same temperature and pressure as the gas, when the products of the combustion are cooled to sixty (60) degrees Fahrenheit and when the water formed by combustion is condensed to the liquid state.
- 1.15 The term "psia" shall mean pounds per square inch absolute.
- 1.16 The term "psig" shall mean pounds per square inch gauge.
- 1.17 The term "thermally equivalent" means an equal number of Btu's.
- 1.18 The term "MMBtu" is equivalent to the term "dekatherm" Dekatherms shall be the standard unit for nominating, scheduling, invoicing, and balancing. The number of dekatherms received or delivered shall be determined by multiplying the number of cubic feet of gas received or delivered, by the total heating value of such gas, in British thermal units per cubic foot. Pressure base conversion factors should be reported to not less than 6 decimal places. For calculation purposes, not less than 6 decimal places should be used for both conversion factors. Divide the product by a million (1,000,000).

2. QUALITY OF GAS:

2.1 Quality Standards: Unless the Transporter agrees to waive any specifications on a not unduly discriminatory basis, all Gas received by Transporter from Shipper shall conform to the following specifications:

- (a) the gas shall be free from objectionable odors, solid matter, dust, gums and gum-forming constituents, or any other substance which might interfere with the merchantability of the gas, or cause injury to or interference with proper operation of the line, meters, regulators, or other appliances through which it flows;
- (b) shall have been dehydrated by Shipper for removal of water present therein in a vapor state to contain not more than seven (7) pounds of water vapor per one thousand (1,000) Mcf, as determined by use of the dew point moisture monitor apparatus mutually agreed upon; provided, however, Transporter may periodically waive this specification if in Transporter's sole, but reasonable opinion, the receipt of gas containing more than seven (7) pounds of water vapor per one thousand (1,000) Mcf will not impair the operation of the pipeline;
- (c) shall contain not more than one quarter (1/4) grain of hydrogen sulfide per one hundred (100) cubic feet of gas as determined by a quantitative test mutually agreeable to the parties hereto after the presence of hydrogen sulfide has been indicated by qualitative test;
- (d) shall contain not more than ten (10) grains of total sulphur per one hundred (100) cubic feet of gas;
- (e) shall contain not more than a combined total of three percent (3%) by volume of carbon dioxide and/or nitrogen;
- (f) shall contain no more than two tenths of one percent (.2%) by volume of oxygen;
- (g) shall have a temperature of not more than one hundred twenty (120) degrees Fahrenheit; and
- (h) shall a Btu content of not less than nine hundred fifty (950) per cubic foot.

Notwithstanding any other provision herein, Shipper may deliver at Transporter's Receipt Points gas that does not meet the quality specifications contained in 2.1(a) through (h) above, inclusive, so long as Transporter is satisfied that the blended gas stream at all Delivery Points meets the quality specifications, and so long as the safety and reliability of Transporter's system is not impaired, in Transporter's sole opinion, exercised in good faith; provided, however, if the blended gas stream at all Delivery Points does not meet the quality specifications or the safety and reliability of

Transporter's system is impaired, in Transporter's sole opinion, exercised in good faith, Transporter will notify Shipper of such deficiency and if Shipper fails to remedy such deficiency promptly, the gas at the Receipt Point(s) most out of compliance with the quality specification shall be shut-in until the blended gas stream at the Delivery Point(s) meets the quality specification; and, if more than one Receipt Point is equally out of compliance, the shut-in shall be pro-rata as to those Receipt Points; provided further, that nothing herein shall restrict Transporter's right to refuse to accept further receipt of gas tendered for delivery to Transporter by Shipper which fails at any time to conform to the quality specifications in 2.1(a) through (h) above if the safety and reliability of Transporter's system is impaired, in Transporter's sole opinion exercised in good faith.

## 2.2 Quality Tests:

- (a) The quality specifications of the gas delivered hereunder shall be determined by tests which Transporter shall cause to be made at each receipt and delivery point.
- (b) The heating value of the gas delivered shall be calculated from a chromatographic analysis of a representative gas sample collected daily during the month, or any other method mutually agreed upon. Such chromatographs shall be owned, operated, and maintained by Transporter at Representative locations on Transporter's system, or as agreed upon.
- (c) Tests shall be made to determine the total sulphur, hydrogen sulfide, carbon dioxide, nitrogen and oxygen content of the gas, by approved standard methods in general use in the gas industry, and to determine the hydrocarbon dewpoint and water vapor content of such gas by methods satisfactory to the parties. Tests shall be made frequently enough to assure that the gas is conforming continuously to the quality requirements. Transporter shall have the right to require Shipper to have remedied any deficiency of the gas in quality and, in the event such deficiency is not remedied, the right, in addition to all other remedies available to it by law, to refuse to accept such deficient gas from Shipper until such deficiency is remedied.

### 3. MEASURING EQUIPMENT

- 3.1 Installation: At each Point of Receipt or Delivery all measuring equipment, devices and materials shall be furnished and installed, owned, maintained and operated as mutually agreed by the parties; provided, however, that Transporter may require, at its option, that Shipper bear the expense of furnishing and installing such equipment devices and materials in any instance in which such Shipper requests a new or additional Point of Delivery or Receipt for such Shipper's convenience. Shipper may install and operate check measuring equipment at its expense provided such installation and operation does not interfere with the use of Transporter's equipment.
- 3.2 Accessibility: Shipper shall provide or cause to be provided to Transporter, free of charge, sufficient space on the platforms designated as Points of Receipt on Appendix A for the Executed Service Agreement for Transporter to install and access by helicopter or boat its measurement facilities.
- 3.3 Testing Meter Equipment: The accuracy of Transporter's measuring equipment shall be verified by test, at no more than forty-five (45) day intervals and at other times upon request of the Shipper. No less than 72 hours notice of the time and nature of the test shall be given by Transporter to permit convenient arrangement for the presence of Shipper's representative. If, after notice, the Shipper fails to have a representative present, the results of the test shall nevertheless be considered accurate until the next test. If any of the measuring equipment is found to be registering inaccurately in any percentage, it shall be adjusted at once to read as accurately as possible. All tests of such measuring equipment shall be made at the expense of Transporter, except that the Shipper shall bear the expense of additional tests made at its request if the inaccuracy is found to be two percent (2%) or less.
- 3.4 Correction and Adjustment: If at any time any of the measuring equipment is registering inaccurately by an amount less than two percent (2%), previous readings shall be considered correct. If the inaccuracy exceeds two percent (2%) at a reading corresponding to the average hourly rate of flow, the previous readings of such equipment shall be corrected to zero error for any inaccurate period definitely known or agreed upon, or if not so known or agreed upon, for a period of one-half (1/2) of the elapsed time since the last test not to exceed a correction period of thirty (30) days. If the measuring equipment is out of service, the volume of gas delivered during such period shall be determined:
- (a) By using the data recorded by any check measuring equipment accurately registering; or
  - (b) If such check measuring equipment is not registering accurately, but the percentage of error is ascertainable by a calibration test, by using the data recorded, corrected to zero error; or
  - (c) If neither of the methods provided in (a) and (b) above can be used, by estimating the quantity delivered by reference to deliveries under similar conditions during a period when the equipment was registering accurately.

#### 4. MEASUREMENT BASE

- 4.1 Metering: The gas shall be metered by one or more of the following: orifice, displacement or turbine type meters, at the discretion of Transporter. When orifice meters are used, they shall be installed and maintained, and volumes shall be measured in accordance with the methods prescribed in "Orifice Metering of Natural Gas", ANSI/API 2530, including the Appendix thereto, as published December 1985, or any subsequent revision thereof acceptable to both parties. If turbine meters are used, they shall be installed and operated in accordance with American Gas Association Transmission Measurement Committee Report No. 7. When displacement meters are used, the number of Mcf delivered hereunder shall be computed by including factors for pressure, temperature and deviation from Boyle's Law.
- 4.2 Deviation from Ideal Gas Laws: Correction shall be made for deviation of the gas from Boyle's Law at the pressure and temperature at which the gas is metered. To determine the factors for such correction, a quantitative analysis of the gas shall be agreed upon by both parties or by computations made in accordance with NX-19 of the American Gas Association and any modifications and amendments thereof applied in a practical manner.
- 4.3 Specific Gravity: The specific gravity of the gas delivered shall be calculated from a chromatographic analysis of a representative gas sample collected daily during the month, or any other method mutually agreed upon. Such chromatographs shall be owned, operated, and maintained by transporter at representative locations on Transporter's system, or as agreed upon.
- 4.4 Flowing Temperature: The flowing temperature of the gas being metered shall be determined by means of a recording thermometer of a type acceptable to both parties, installed and maintained in accordance with the specifications set forth in said ANSI/API 2530. The arithmetical average of readings each day for time that gas is flowing shall be deemed the gas temperature and used in computing the volumes of gas metered during such day.
- 4.5 Measurement: The Unit of Measurement for gas delivered or redelivered hereunder shall be one thousand (1,000) cubic feet, (one [1] Mcf) of gas at a base temperature of sixty degrees (60) Fahrenheit and at a base pressure of fourteen and seventy-three hundredths (14.73) pounds per square inch absolute.
- 4.6 New Measurement Techniques: If at any time during the term hereof, a new method or technique is developed with respect to gas measurement, such new method or technique may be substituted for the gas measurement set forth in this Section upon mutual agreement thereto by the Parties.

5. INSPECTION OF EQUIPMENT AND RECORDS

5.1 Inspection of Equipment and Data: Each party shall have the right to inspect equipment installed or furnished by the other, and the charts and other measurement or test data of the other, at all times during business hours; but the reading, calibration and adjustment of such equipment and changing of charts shall be done only by the party installing or furnishing same. Unless the parties otherwise agree, each party shall preserve all original test data, charts and other similar records in such party's possession, for a period of at least three (3) years.

5.2 Information for Billing: When information necessary for billing by Transporter is in the control of Shipper, Shipper shall furnish the actual information to Transporter on or before the fifth (5th) working day of the month following the billing month.

Monthly Measurement. Transporter shall include any corrections received on or before five (5) working days after the month in preparation of monthly measurement statements. Measurement data available upstream of aggregated points should be sent to the allocating party and used to allocate the aggregated volume back to the upstream points. The monthly measurement set will serve as the basis upon which allocations are performed. For treatment of measurement prior period adjustments, treat the adjustment by taking it back to the production month. A meter adjustment becomes a prior period adjustment after the fifth business day following the business month. Transporter shall process prior period adjustments within six (6) months of the monthly measurement for the respective month, subject to an additional three (3) month period for an affected party, including Transporter, to challenge any prior period adjustment. Such processing limitations shall not apply in the case of deliberate omission or misrepresentation to limit Shipper's or Transporter's other statutory or contractual rights. To the extent an interconnecting party is contractually or statutorily permitted to process adjustments beyond the six (6) month period above, Transporter shall be permitted to process such corresponding adjustments to Shippers.

5.3 Verification of Computations: Each party shall have the right to examine at reasonable time the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, charge or computation made pursuant to these General Terms and Conditions and to the Rate Schedules to which they apply.



## 6. BILLING AND PAYMENTS

- 6.1 **Billing:** On or before the tenth (10th) day of each month, Transporter shall render to each Shipper a bill for the actual service rendered during the immediately preceding month ("billing month") if actual data is available. All statements should be standardized to the same level of detail. The specific minimum level of detail on invoice, remittance and statement of an account should be guided by the development of data elements. If actual data is not available, billing will be on an estimated basis and such estimate will be corrected to actual tools on the billing immediately following receipt by Transporter of such actual data. Bills will utilize the descriptions and charge codes set forth in the NAESB Standards. Transportation bills shall specify all rate components, and shall separately state the net billing rate and any discount, if applicable, and any prior period adjustments. Prior period adjustments are reported by production date, but they do not have to be invoiced separately by production month - nor is each production month a separate paper invoice page. Required invoice backup data should accompany or precede this invoice. Regarding inadequate detail, supporting documentation should be provided upon request, with timing of supporting documentation to follow the timing of the flowing gas transactions.
- 6.2 **Payment:** Within ten (10) calendar days after the date of receipt of billing invoice, or the next business day in the event the tenth (10th) day is a weekend or bank holiday, Shipper shall provide any supporting documentation, including invoice number(s), and shall pay Transporter by check, or by wire transfer of federal funds, the amount of the bill rendered by Transporter for the billing month in accordance with Section 6.1. For purposes of this Section, the date of receipt of billing invoice is deemed to be three (3) days after the postmark date. Any payment shall be considered to have been made on the date such payment is transferred by Shipper to the address designated by Transporter. If presentation of a bill by Transporter is delayed after the due date, then the time for payment shall be extended correspondingly unless Shipper is responsible for such delay. If Shipper has notified Transporter in writing of an error in invoice during the period for which a genuine dispute exists as to the alleged error, Shipper shall pay the portion of the invoiced amount which is not in dispute and shall provide documentation identifying the basis for the dispute.
- 6.3 **Interest on Unpaid Amounts:** Should Shipper fail to pay the amount of any bill rendered by Transporter when such amount is due, interest shall accrue thereon at a rate of interest equal to the then effective rate computed in the manner set forth in the Commission's Regulations.
- 6.4 **Remedies for Failure to Pay:** If such failure to pay continues for thirty (30) days after payment is due, Transporter, in addition to any other remedy it may have, may suspend gas transportation service with ten (10) days notice until such amount, including interest, is paid unless Shipper in good faith disputes the amount owing and pays or provides guarantee of payment of all amounts not subject to such good faith dispute.
- 6.5 **Statement of Account.** Transporter shall provide Shipper with a detailed Statement of Account in accordance with the NAESB Standards, which statement shall indicate any outstanding amounts by invoice.
- 6.6 **Adjustment of Billing Error:** In the event an error is discovered in any bill rendered by Transporter, the amount of such error shall be adjusted within thirty (30) days after discovery, provided that claim therefore shall have been made within six (6) months from the date such bill was rendered subject to an additional three (3) month period for an affected party to

challenge the error. Such processing limitations shall not apply in the case of deliberate omission or misrepresentation or mutual mistake of fact. Nothing herein shall be construed to limit Shipper's or Transporter's other statutory or contractual rights. To the extent an interconnecting party is contractually or statutorily permitted to process adjustments beyond the six (6) month period above, Transporter shall be permitted to process such corresponding adjustments to Shippers.

7. NOTICE OF CHANGES IN OPERATING CONDITIONS

Transporter and Shipper shall notify each other from time to time as necessary of expected changes in the rates of delivery or receipt of gas, or in the pressures or other operating conditions, and the reason for such expected changes, to the end that the other party may be prepared to meet them when they occur.

8. FORCE MAJEURE

- 8.1 If either party shall fail to perform any obligation imposed upon it by these General Terms and Conditions or by an executed Service Agreement, and such failure shall be caused, or materially contributed to, by: any acts of God; strikes; lockouts; or other industrial disturbances; act of public enemies; sabotage; wars; blockades; insurrections; riots; epidemics; landslides; lightening; earthquakes; floods; storms; fires; washouts; arrests and restraints of rulers and peoples; civil disturbances; explosions; breakage of or accident to machinery or lines of pipe, materials or equipment; the failure of any of Shipper's gas suppliers to delivery gas, or failure of Shipper to receive gas, in accordance with its obligations if such failure is occasioned by an event or occurrence of the character described in this Section as constituting force majeure; any legislative, administrative or judicial action which has been resisted in good faith by all reasonable legal means; any act of omission whether of the kind herein enumerated or otherwise not within the control of the party invoking this Section and which by the exercise of due diligence such party could not have prevented, or shall be occasioned by the necessity for making repairs to or reconditioning machinery, equipment, or pipelines, not resulting from the fault or negligence of such party; such failure shall be deemed not to be a breach of the obligation of such party, but such party shall use reasonable diligence to put itself in a position to carry out its obligations. Nothing contained herein shall be construed to require either party to settle a strike or lockout by acceding against its judgment to the demands of the opposing parties.
- 8.2 No such cause affecting the performance of either party shall continue to relieve such party from its obligation after the expiration of a reasonable period of time within which by the use of due diligence such party could have remedied the situation preventing its performance, nor shall any such cause relieve either party from any obligation unless such party shall give notice thereof in writing to the other party with reasonable promptness; and like notice shall be given upon termination of such cause.

## 9. NOMINATIONS, CONFIRMATION, SCHEDULING AND CURTAILMENT

### 9.1 Nomination:

#### A. General

Quantities nominated and scheduled shall be reflected in MMBtu. Unless otherwise agreed to by Transporter, Shipper shall nominate in writing to Transporter's Gas Management and Control Department the following information:

- (1) The contract number under which service is being nominated;
- (2) The quantity in dekatherms per day of gas to be tendered at each receipt point;
- (3) The quantity in dekatherms per day of gas to be tendered at each receipt point;
- (4) The term of the nomination. All nominations should be considered original nominations and should be replaced to be changed.
- (5) A receipt and delivery rank for each upstream and downstream party can be submitted by Shipper. This will be used when making reductions during the scheduling process.

The total receipt nominations must equal the total delivery nominations, with the exception of quantities nominated to correct an imbalance.

A package ID is a way to differentiate between discrete business transactions. When used, Package ID should be supported for nominating, scheduling, allocating, and invoicing (sales and purchase), and not required for transportation invoicing. Use of the Package ID is at the discretion of the service requester, and if sent, should be accepted and processed by the service provider.

If Shipper fails to comply with provisions (1) through (4) of this Section 9.1.A, Transporter shall not schedule the commencement of service or change to a prior nomination. Transporter supports a seven-days-a-week, twenty-four-hours-a-day nominations process. It is recognized that the success of seven-days-a-week, twenty-four-hours-a-day nominations process is dependent on the availability of affected parties scheduling personnel on a similar basis. Party contacts need not be at their ordinary work sites, but should be available by beeper.

Overrun quantities must be scheduled as a separate transaction.

#### B. Nomination Timeline

Transporter and Shipper shall support the following NAESB standard nomination cycles (all times are stated in Central Clock Time or CCT).

- (1) Nominations for the next Gas Day
  - (a) The Timely Nomination Cycle  
On the day prior to gas flow:
    - 1:00 p.m. Nominations leave control of the Service Requester (SR);

- 1:15 p.m. Nominations are received by the Transportation Service Provider (TSP) (including from Title Transfer Tracking Service Providers (TTTSPs));
- 1:30 p.m. TSP sends the Quick Response to the SR;
- 4:30 p.m. TSP receives completed confirmations from Confirming Parties;
- 5:00 p.m. SR and Point Operator receive scheduled quantities from the TSP.

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

(b) The Evening Nomination Cycle:

On the day prior to gas flow:

- 6:00 p.m. Nominations leave control of the SR;
- 6:15 p.m. Nominations are received by the TSP (including from TTTSPs);
- 6:30 p.m. TSP sends the Quick Response to the SR;
- 8:30 p.m. TSP receives completed confirmations from Confirming Parties;
- 9:00 p.m. TSP provides scheduled quantities to the affected SR and Point Operator, including bumped parties (notice to bumped parties).

Scheduled quantities resulting from Evening Nominations are effective at the start of the next Gas Day and remain in effect for the applicable Day only.

(2) Intraday Nominations

(a) The Intraday 1 Nomination Cycle:

On the current Gas Day

- 10:00 a.m. Nominations leave control of the SR;
- 10:15 a.m. Nominations are received by the TSP (including from TTTSPs);
- 10:30 a.m. TSP sends the Quick Response to the SR;
- 12:30 p.m. TSP receives completed confirmations from Confirming Parties;
- 1:00 p.m. TSP provides scheduled quantities to the affected SR and Point Operator, including bumped parties (notice to bumped parties).

Scheduled quantities resulting from Intraday 1 Nominations are effective at 2:00 p.m. on the current Gas Day.

(b) The Intraday 2 Nomination Cycle:

On the current Gas Day

- 2:30 p.m. Nominations leave control of the SR;
- 2:45 p.m. Nominations are received by the TSP (including from TTTSPs);
- 3:00 p.m. TSP sends the Quick Response to the SR;
- 5:00 p.m. TSP receives completed confirmations from Confirming Parties;
- 5:30 p.m. TSP provides scheduled quantities to the affected SR and Point Operator, including bumped parties (notice to bumped parties).

Scheduled quantities resulting from Intraday 2 Nominations are effective at 6:00 p.m. on the current Gas Day.

(c) The Intraday 3 Nomination Cycle:

On the current Gas Day

- 7:00 p.m. Nominations leave control of the SR;
- 7:15 p.m. Nominations are received by the TSP (including from TTTSPs);
- 7:30 p.m. TSP sends the Quick Response to the SR;
- 9:30 p.m. TSP receives completed confirmations from Confirming Parties;
- 10:00 p.m. TSP provides scheduled quantities to the affected SR and Point Operator.

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

For purposes of Section 9.1.B, the word "provides" shall mean, for transmittals pursuant to NAESB WGQ Standards 1.4.x, receipt at the designated site, and for purposes of other forms of transmittal, it shall mean send or post.

There is no limitation as to the number of intraday nominations which a Shipper may submit at any one standard nomination cycle or in total across all standard nomination cycles. Intraday nominations will be effective for a single gas day, and will not remain in effect for prospective gas days. There is no need to renominate if intraday nomination modifies existing nomination. Intraday nominations must have a beginning and ending time. To the extent, a Shipper submits an intraday nomination which specifies an effective term of longer than one day, Transporter shall make the nomination effective for the first day of the effective period on an intraday basis for the applicable nomination cycle. The nomination then will be processed as a Timely Nomination for the remaining effective term of the nomination. Intraday nominations can be used to request increases or decreases in total flow, changes to receipt points, or changes to delivery points of scheduled gas. Intraday nominations may be used to nominate new supply or market.

In the event capacity remains available after gas has been scheduled or as a result of an operational or weather situation, then Transporter may accept nominations or schedule service after the time deadlines set forth above. Any written nominations received after the above stated deadlines will be scheduled after nominations received before the nomination deadline.

Upon request by Transporter, Shipper shall from time to time submit estimates of daily, monthly and annual quantities of gas to be transported, including peak day requirements.

(3) Bumping

Nominations submitted by a firm Shipper during the Evening, Intraday 1 or 2 Nomination Cycles shall be given scheduling priority over nominated and scheduled volumes for interruptible Shippers. Bumping is not permitted during the Intraday 3 Nomination Cycle.

When an interruptible Shipper's scheduled volumes are to be reduced as a result of a nomination submitted by a firm Shipper during the Evening, Intraday 1 or 2 Nomination Cycles, Transporter shall provide such interruptible Shipper advance notice that its scheduled volumes are to be reduced. Such notification shall be as set forth in Section 9.3 herein.

- 9.2 Confirmation: All nominations must be confirmed by Shipper in writing via telecopy on the date of the nomination and must contain a contact person for upstream and downstream confirmation. Nominations shall not become effective until Transporter has confirmed the nominated receipts and deliveries with the upstream and downstream parties. If such confirmation cannot be obtained, transportation service will be delayed until such confirmation is obtained.

With respect to the Timely Nomination Cycle at a receipt or delivery point, in the absence of agreement to the contrary, the lesser of the confirmation quantities should be the confirmed quantity. If there is no response to a Request For Confirmation or an unsolicited Confirmation Response, the lesser of the confirmation quantity or the previously scheduled quantity should be the new confirmed quantity.

With respect to the processing of requests for increases during the Evening or Intraday Nomination Cycles, in the absence of agreement to the contrary, the lesser of the confirmation quantities should be the new confirmed quantity. If there is no response to a Request For Confirmation or an unsolicited Confirmation Response, the previously scheduled quantity should be the new confirmed quantity.

With respect to the processing of requests for decreases during the Evening or Intraday Nomination Cycles, in the absence of agreement to the contrary, the lesser of the confirmation quantities should be the new confirmed quantity, but in any event no less than the elapsed-prorated-scheduled quantity. If there is no response to a Request For Confirmation or an unsolicited Confirmation Response, the greater of the confirmation quantity or the elapsed-prorated-scheduled quantity should be the new confirmed quantity.



With respect to the preceding three paragraphs, if there is no response to a request for confirmation or an unsolicited confirmation response, the Transportation Service Provider should provide the Service Requester with the following information to explain why the nomination failed, as applicable:

- (1) the Service Requester's Transportation Service Provider did not conduct the confirmation;
- (2) the Service Requester is told by its Transportation Service Provider that the upstream confirming party did not conduct the confirmation;
- (3) the Service Requester is told by its Transportation Service Provider that the upstream Service Requester did not have the gas or submit the nomination;
- (4) the Service Requester is told by its Transportation Service Provider that the downstream confirming party did not conduct the confirmation;
- (5) the Service Requester is told by its Transportation Service Provider that the downstream Service Requester did not have the market or submit the nomination.

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

9.3 Scheduling: Transporter shall schedule transportation quantities based on Shippers' nominations, in accordance with the following priorities:

1. Firm transportation from Primary Receipt Points to Primary Delivery Points within the MDTQ specified in Shippers' FTS Service Agreement, including capacity acquired through the capacity release mechanism set forth in Section 10 herein.
2. Alternate Firm transportation within the MDTQ specified in Shipper's FTS Service Agreement utilizing either an Alternate Receipt or Alternate Delivery Point.
3. Interruptible transportation within the MDTQ specified in Shippers' ITS Service Agreement if sufficient capacity exists or becomes available to accommodate all nominated volumes. In the event nominations exceed available capacity, Transporter will schedule volumes based on the rate being paid. If two or more Shippers are paying the same rate, then a pro rata allocation will be made.
4. Transportation quantities requested by Shippers in excess of the MDTQ in Shipper's FTS or ITS Service Agreement.

Shippers not paying the maximum transportation rates set forth on the Statement of Rates will be scheduled with a lower priority, beginning with the Shippers paying the highest discounted rate within each scheduling category described in (3) and (4) above, unless and until Shipper notifies Transporter in writing that Shipper is willing to pay such Maximum Rate for any quantity scheduled.

Transporter shall notify affected Shippers, point operators and bumped parties, on or before the times established in the Nomination Cycles set forth in Section 9.1.B(1) and (2), of the quantities of gas scheduled, including intraday nominations and other changes, for receipt from and delivery to or for the account of Shipper. At the end of each gas day, Transporter shall provide the final scheduled quantities for the just completed gas day. With respect to the implementation of this process via the 1.4.x scheduled quantity related standards, Transporter shall send an end of gas day Scheduled Quantity document. Receivers of the end of gas day Scheduled Quantity document can waive Transporter's sending of the end of gas day Scheduled Quantity document. In addition, Transporter shall provide direct notice of any bumped quantities using Internet E-mail or direct notification to interruptible Shipper's Internet URL address. Shipper is responsible for providing current addresses to Transporter. Failure of Shipper to maintain current addresses on file with Transporter will relieve Transporter of this obligation.

- 9.4 Curtailment: When Transporter needs temporarily to curtail or interrupt service to Shipper hereunder in any portion of the said pipeline system for the purpose of making necessary alterations or repairs thereon, conditions of Force Majeure, or for any other reason, Transporter shall give Shipper as much notice as possible. Transporter shall endeavor to arrange such curtailments or interruptions so as to inconvenience Shipper as little as possible and to continue same only for such time as is necessary.

Service shall be curtailed as follows:

1. Interruptible transportation quantities (including quantities in excess of MDTQ under an FTS Service Agreement) based on the rate being paid, and on a pro rata basis for Shippers paying the same rate.
2. Firm transportation quantities within the Shippers' MDTQ under a FTS Service Agreement whether a primary or alternate point on a pro rata basis on the basis of each Shipper's daily nominations to the total daily nominations of all Shippers receiving firm transportation service.

Shippers receiving interruptible service not paying the Maximum Rate under category 1 will be curtailed first, beginning with the Shipper paying the lowest discounted rate; provided however, that any Shipper who notifies Transporter in writing that Shipper is willing to pay the maximum rate will be curtailed last within each category above in accordance with the other provisions contained in such paragraph, if applicable.

## 10. REALLOCATION OF CAPACITY

### 10.1 Capacity Release Mechanism

Shippers receiving firm service pursuant to Transporter's FTS Rate Schedule will have the ability to relinquish all or part of their firm capacity on a temporary or permanent basis. Additionally, an Acquiring Shipper may re-release acquired capacity subject to the terms and conditions attached to the acquired capacity in all previous releases. Transporter shall post all capacity release offers and bids, including capacity released on a prearranged basis, upon receipt, unless releasing Shipper requests otherwise. Bids for released capacity may not exceed the maximum rate for the applicable rate schedules, except when the release is for a term of one year or less, and/or a release to an asset manager or a marketer participating in a state-approved retail access program; and provided further, that the release must take effect on or before one year from the date the pipeline is notified of the release. If a releasing shipper requests a posting time, Transporter will support such request, so long as it complies with the capacity release timeline. The Capacity Release timeline is applicable to all parties involved in the Capacity Release process; however, it is only applicable if 1) all information provided by the parties to the transaction is valid and the acquiring shipper has been determined to be creditworthy before the capacity release bid is tendered and 2) there are no special terms or conditions of the release. Temporary and permanent relinquishments shall be accomplished in the following manner.

Non-Biddable, prearranged relinquishments are relinquishments exempt from the bidding procedures as provided for in this Section 10 of the General Terms & Conditions and include: 1) relinquishments for 31 days or less (subject to the Rollover Limitations of Section 10.1D. of these General Terms & Conditions); 2) long-term (more than one year) relinquishments at the maximum rate; 3) a relinquishment to an asset manager as defined by Section 284.8 (h)(3) of the Commission's regulations; and 4) a relinquishment to a marketer participating in a state-approved retail access program as defined in Section 284.8(h)(4) of the Commission's regulations. All other relinquishments shall be biddable. For Non-Biddable relinquishments, the Acquiring Shipper must notify Transporter of a Non-Biddable relinquishment at least one hour prior to the nomination deadline for each of the five nomination cycles. Posting of the Non-Biddable relinquishment shall be in accordance with the following timeline:

Timely Nomination Cycle: Posting on Non-Biddable relinquishment due by 12:00 Noon;

Evening Nomination Cycle: Posting of Non-Biddable relinquishment due by 5:00 P.M.;

Intraday 1 Nomination Cycle: Posting of Non-Biddable relinquishment due by 9:00 A.M.;

Intraday 2 Nomination Cycle: Posting of Non-Biddable relinquishment due by 1:30 P.M.

Intraday 3 Nomination Cycle: Posting of Non-Biddable relinquishment due by 6:00 P.M.

Transporter shall tender a contract within one hour of the posting of the Non-Biddable relinquishment. Acquiring Shipper may nominate at the next available nomination cycle for the effective date of the contract.

#### 10.1A.1 Capacity Release Timeline For Biddable, Short Term Releases (one year or less)

- Offers must be tendered by 9:00 A.M. on a Business Day.
- Open season ends at 10:00 A.M. on the same or subsequent Business Day.
- Evaluation period begins at 10:00 A.M. during which any contingencies are eliminated, determination of best Bid is made, and ties are broken.
- If no match is required, the evaluation period ends and the Award is posted by 11:00 A.M.
- Where match is required, the match is communicated by 11:00 A.M., the match response occurs by 11:30 A.M., and the Award is posted by 12:00 Noon.
- The contract is issued within one hour of the Award posting (with a new contract number, when applicable).
- Nomination is possible beginning at the next available nomination cycle for the effective date of the contract.

10.1.A.2 Capacity Release Timeline For Biddable, Longer Term Releases (more than one year)

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

10.1A.3 Shippers desiring to release firm capacity ("Releasing Shipper") shall submit the following information to Transporter, which shall be placed on the Transporter's Internet web site if valid.

- i. Quantity in dekatherms per day (MDTQ) to be released;
- ii. The contract number(s) of the Releasing Shipper's Service Agreement(s) and the path of released capacity (path between Primary Receipt Point(s) and Primary Delivery Point(s));
- iii. Term of release (number of months or permanent);
- iv. Identity of any replacement Shipper ("Replacement Shipper");
- v. Conditions of release;
  - (a) whether bids for less than the full volume offered are acceptable;
  - (b) whether bids for less than the full term are acceptable;

- (c) whether bids may be submitted that are contingent on the award of upstream or downstream capacity on another pipeline system and the deadline for removing such contingency;
  - (d) any changes in the bidding deadlines so long as any changes comport with the capacity release timelines;
  - (e) one of the following methods to evaluate bids 1) highest rate 2) net revenue and 3) present value;
  - (f) a nondiscriminatory tie breaker in determining best bid if different than in Section 10.1.C.;
  - (g) whether there is a minimum price (including reservation surcharges) below which the Shipper will not release capacity;
  - (h) whether bids should be expressed in dollars and cents or a percent of the maximum tariff rate (including surcharges)
    - (i) whether the Releasing Shipper will accept volumetric bids and
    - (ii) volumetric commitments;
  - (j) whether the proposed release is to an asset manager as a part of an asset management arrangement as defined in Section 284.4(h)(3) of the Commission's regulations or to a marketer participating in a state-mandated retail access program as defined in Section 284.8(h)(4) of the Commission's regulations and, if the proposed release is part of an asset management arrangement, the volumetric level of the asset manager's delivery or purchase obligation and the time period during which that obligation is in effect;
  - (k) other special conditions; if any.
- vi. Conditions of recall in accordance with NAESB Standards (including reput method and rights); Releasing Shippers may, to the extent permitted as a condition of the capacity release, recall released capacity (scheduled or unscheduled) at the Timely Nomination Cycle and the Evening Nomination Cycle, and recall unscheduled released capacity at the Intraday 1, Intraday 2 and Intraday 3 Nomination Cycles by providing notice to Transporter's Gas Management department via the Contacts information shown on Transporter's Internet web site. Releasing Shipper must provide notice to the Transporter and the first Acquiring Shipper by the following times (Central Clock Time) for each cycle:
- 8:00 a.m. for the Timely Nomination Cycle;
  - 3:00 p.m. for the Early Evening Recall notification
  - 5:00 p.m. for the Evening Nomination Cycle;
  - 7:00 a.m. for the Intraday 1 Nomination Cycle,
  - 12:00 p.m. for the Intraday 2 Nomination Cycle; and,
  - 4:00 p.m. for the Intraday 3 Nomination cycle.

Notification to Acquiring Shipper will be provided by Transporter within one hour of receipt of recall notification.

The following shall be posted by Transporter with each offer: (i) the maximum reservation charge, (and reservation surcharges) applicable to the capacity being released, (ii) the maximum reservation charge (and reservation surcharges) converted to a 100% load factor volumetric rate if offer allows bids on a volumetric rate basis, (iii) the date and time the offer was posted on Transporter's Internet web site. A Releasing Shipper will not be able to specify an extension of the original bid period or the prearranged deal match period without posting a new release. Transporter shall remove any such postings at the end of the calendar month.

Once capacity is posted on the Transporter's Internet web site, it may be withdrawn from the bidding process any time due to an unanticipated change in the Releasing Shipper's need for capacity, through written notice to Transporter so long as no bids have been submitted which meet the minimum conditions of release. Offers should be binding until written or electronic notice of withdrawal is received by the capacity release service provider. The Releasing Shipper must notify Transporter of such change and such notice will be posted on Transporter's Internet web site.

- 10.1 B. Shippers desiring to acquire the released capacity shall submit the following information to Transporter. The information in (iii)-(vi) shall be placed on the Transporter's Internet web site if valid. Bids to acquire released capacity are binding until withdrawn at any time by written notice to Transporter prior to the conclusion of the bidding period. Provided that having withdrawn a bid, the Shipper may not resubmit a bid for the same contract at a lower rate. Transporter shall post the bidder's name if bidder agrees to such posting.
- i. Company Information. Unless already provided, an acquiring Shipper must submit the information specified in Section 4.1(a)-(e) of the FTS Rate Schedule;
  - ii. Creditworthiness. Unless previously determined to be creditworthy by Transporter, Shipper shall provide the information necessary to establish creditworthiness to acquire the relinquished capacity;
  - iii. Quantity (MDTQ) of released capacity to be acquired;
  - iv. The contract number and path of capacity to be acquired (if different from path relinquished);
  - v. The reservation charge bid, or the volumetric rate bid if allowed by Releasing Shipper;
  - vi. Term Shipper is willing to acquire capacity,
  - vii. If contingent bids are allowed by Releasing Shipper, the criteria of the contingency; and
  - viii. Whether the bid is a Prearranged Bidder.

**Prearranged Bidder's Right to Match.** A prearranged bid shall constitute the minimum bid for all other bidders. If Transporter does not receive a better bid by the date on which bids are due, the prearranged bid shall be the winning bid. If Transporter does receive a better bid by the date on which bids are due, the Prearranged Bidder shall have the right to match the terms of the better bid and shall be deemed to have made the best bid.

A potential Acquiring Shipper may post an offer to acquire capacity under the terms of this Section.

- 10.1 C. Allocation of Released Capacity through bidding procedures. Transporter shall make a preliminary determination of whether Transporter is physically able to accommodate the requests of individual Replacement Shippers based on the specific capacity released. Between requests, which Transporter deems that it is physically able to accommodate, Transporter shall allocate released capacity in the following manner:
- a) Transporter will evaluate and rank all bids and will award bids, best bid first, until all offered capacity is awarded.
  - b) In the event more than one Replacement Shipper offers the highest rate and meets the terms and conditions of the release, unless Releasing Shipper specifies another non-discriminatory method, Transporter shall allocate capacity to such Shippers on a pro rata basis.
- 10.1 D. Rollover Limitations: Prearranged relinquishments for 31 days or less are not subject to open season bidding except as provided below. Prearranged relinquishments for 31 days or less under this provision may not be permitted to rollover, or otherwise be extended beyond the initial term of the release. The Acquiring Shipper, its designee or affiliate may not acquire capacity under this provision from the releasing Shipper for twenty-eight (28) days following the expiration of the release under this provision without such acquisition being subject to posting and bidding requirements. This Rollover Limitation is not applicable to a release to an asset manager or a marketer participating in a state-mandated retail access program.

In the event the temporary release is not at the maximum rate for the rate schedule under which the capacity is released and not subject to the 31 days or less provision, then the subject eligible capacity shall be subject to an open season bidding and the right to match.

10.1 E.1. Releasing Shipper's and Acquiring Shipper's Obligations.

**Acquiring Shipper:** To bid on capacity offered under temporary or permanent releases, the bidder must have preapproved credit under Section 17. Any bid submitted and not withdrawn by the end of the bid period will legally bind the bidder to the terms of the bid if Transporter chooses such bid as the "best bid" under Section 10.1.C. Once a bid on an offer of temporary or permanent release of capacity is accepted, the Acquiring Shipper shall execute a separate Service Agreement with Transporter under the terms and conditions of Transporter's FERC Gas Tariff.

**Releasing Shipper:** The Releasing Shipper shall remain fully liable on its existing Service Agreement with Transporter for the payment of all reservation charges for the contract quantities.

- 10.1.E.2. **Billing and Payment.** The Releasing Shipper's bill for a month in which it released capacity on a temporary basis shall be credited by the amount Transporter bills Acquiring Shipper for the released capacity; provided however, that if Acquiring Shipper fails to pay Transporter the amount credited to Releasing Shipper's bill, Transporter reserves the right to reverse the credit on Releasing Shipper's bill in a later month. The Releasing Shipper is not responsible for any commodity charges or penalties incurred by Acquiring Shipper; provided however, that Releasing Shipper is responsible for any reservation charges associated with capacity rights obtained by volumetric bids. If any of the rates billed to and paid by the Acquiring Shipper under its Service Agreement exceeds the rate the Commission determines to be just and reasonable and Transporter is ordered to make refunds, the Acquiring Shipper shall be eligible to receive such refunds to the extent of any payments it made are in excess of the rates the Commission subsequently determined to be just and reasonable. Any rate paid by an Acquiring Shipper in any capacity release transaction which is not subject to the maximum rate cap is deemed to be a final rate and is not subject to refund.
- 10.1 F. **Marketing Fee.** Transporter may receive compensation for actively marketing and successfully placing released capacity. The level of such compensation shall be negotiated between Transporter and Releasing Shipper and proceeds received from the placement of capacity and will be deducted from the reservation fee credit due releasing Shipper.
- 10.1 G. **OFFERS TO PURCHASE RELEASED CAPACITY** - Transporter agrees to post on its web site, offers to purchase released capacity. The party offering to purchase released capacity must be prequalified for creditworthiness under the provisions of this Tariff, and, complete and submit an "Offer to Purchase Released Capacity" form as indicated by the instructions therein. The form is available for viewing and/or download in the "Downloads" category on Transporter's web site.

Each offer will be posted on Transporter's web site for the number of days in the month the posting commences.

All other provisions regarding an Acquiring Shipper and the release of firm capacity in this section apply.



11. WARRANTY OF TITLE

Shipper warrants that it will at the time of delivery have title to all gas delivered by it to Transporter for transportation by Transporter free and clear of all liens and encumbrances and adverse claim of every kind. Transporter warrants that at the time of delivery of such gas to Shipper such gas will be free and clear of all liens and encumbrances. Transporter and Shipper will each indemnify the other and save it harmless from all suits, actions, debts, accounts, damages, costs, losses, and expenses arising out of the adverse claim of any person or persons to said gas for any taxes, licenses, fees, royalties or charges which are applicable prior to the time of delivery of such gas to such other party. Shipper will indemnify Transporter and save it harmless from all taxes and assessments, levied and assessed upon the sale and delivery of such gas to Shipper and upon such gas prior to and upon delivery of such gas to Shipper and upon such gas prior to and upon delivery of such gas to Transporter for transportation. Transporter will indemnify Shipper and save it harmless from all taxes and assessments levied and assessed upon the transportation of such gas. Title to all gas transported and delivered by Transporter shall remain in the person holding title at the time of receipt by Transporter

## 12. POSSESSION OF GAS AND RESPONSIBILITY

As between Transporter and Shipper, Shipper shall be deemed to be in control and possession of, and responsible for, all gas delivered to Transporter at the Point(s) of Receipt, after which Transporter shall be deemed to be in control and possession of, and responsible for, such gas until it is delivered at the Point(s) of Delivery. While in control and possession, the party in control and possession shall be responsible for and shall indemnify and hold harmless the other party from and against any damage or injury caused thereby. The foregoing provisions of this Section shall not relieve either party from responsibility for acts of negligence of such party, its agents or employees. Gas received for transportation by Transporter may be commingled with other gas in Transporter's system, and the specific gas made available by Shipper for transportation may not be the same gas delivered to Shipper.

13. LIABILITY OF PARTIES

Transporter and Shipper each assume responsibility and liability for the installation, maintenance and operation of its respective properties and shall indemnify and save harmless the other party from all liability and expense on account of any and all losses, damages, claims or actions, including injury to or death of persons, arising from any act or accident resulting from the installation, presence, maintenance and operation of the property and equipment of the indemnifying party.

14. MISCELLANEOUS PROVISIONS

- 14.1 Waiver of Default: No waiver by either party of any default by the other in the performance of any provisions of an executed Service Agreement shall operate as a waiver of any continuing or future default, whether of a like or different character.
- 14.2 Successors and Assigns: Any party which shall succeed by purchase, merger or consolidation to the properties, substantially as an entirety, of any party shall be subject to the obligations of its predecessor in title under a Service Agreement. No other assignment of a Service Agreement or any of the rights or obligations thereunder shall be made; provided, however, that nothing contained herein shall prevent either party from pledging, mortgaging or assigning its rights as security for its indebtedness and either party may assign to the pledgee or mortgagee (or to a trustee for the holder of such indebtedness) any money due or to become due under any Service Agreement.
- 14.3 Effect of Headings: The headings used through these General Terms and Conditions and in executed Service Agreements are inserted for reference purposes only and are not to be considered or taken into account in construing the terms and provisions of any paragraph nor to be deemed in any way to qualify, modify or explain the effects of any such terms or provisions.
- 14.4 Pipeline's Policy on Additional Facilities: Transporter will not be required to build or contribute to the cost of building any additional facilities. Transporter shall not be required to file an application for a certificate of public convenience and necessity under Section 7(c) of the Natural Gas Act with respect to any such additional facilities. Transporter reserves the right to seek authority to construct such additional facilities, if Transporter so elects.
- 14.5 Estimated Flows: At Transporter's request, Shipper shall from time to time submit estimates of daily, monthly and annual quantities of gas to be transported, including peak day requirements.
- 14.6 Associated Liquid Hydrocarbons: Transporter agrees to accept the associated liquid hydrocarbons provided with the gas delivered hereunder, and Shipper agrees to transfer ownership and title to such liquid hydrocarbons to Transporter at the Point(s) of Receipt specified in Appendix A of the executed Service Agreement. Alternately, Transporter and Shipper may negotiate mutually agreeable terms and conditions for the transportation of such liquids in the event Shipper desires to retain title to such liquids but in no event shall the rate for such transportation be less than the rate or unit cost allocated to Transporter by the FERC.

15. SERVICE AGREEMENT

15.1 Form: Shipper shall enter into a contract with Transporter under Transporter's appropriate standard form of Service Agreement.

15.2 Term: The Primary term of the Service Agreement shall be agreed upon between Shipper and Transporter at the time of the execution thereof.

15.3 Right of First Refusal:

For contracts at the maximum tariff rates and having a term of twelve consecutive months or longer, upon expiration of the Primary term (and after expiration of any rollover period), the Shipper will be entitled to continue service by matching the rate (not to exceed the effective maximum rate) and term offered by another party. This right of first refusal will be used as follows:

1. Transporter shall post capacity available for bids on its Internet web site at least twelve (12) months prior to the expiration of the Service Agreement. Potential Shippers shall have six (6) months to provide bona fide offers for the capacity.
2. After the six-month bidding period, Transporter will provide Shipper with any bid deemed acceptable to Transporter. Transporter shall not be obligated to accept bids at less than the established maximum rate or bids from uncreditworthy Shippers. If no acceptable bids are received, Transporter and Shipper will negotiate a new term of service at the established maximum rate. Failure to exercise right of first refusal or to reach a new agreement will result in automatic abandonment of the Service Agreement.
3. If Shipper elects to match the rate and term of the bid, Shipper's Service Agreement will be amended accordingly. Shipper shall notify Transporter of such election within thirty (30) days of Transporter's presentation of an acceptable bid.

16. PRESSURE

Shipper, unless otherwise agreed upon, shall deliver or cause to be delivered gas to Transporter at the Point of Receipt at the existing operating pressure of Transporter's pipeline which shall vary from time to time but which shall not exceed eleven hundred (1100) psig. Transporter, unless otherwise agreed upon, shall delivery gas to Shipper or Shipper's designee, at the Point of Delivery at the existing operating pressure of Transporter's pipeline which shall vary from time to time but shall not be less than four hundred fifty (450) psig.

## 17. CREDITWORTHINESS

Transporter shall not be required to perform or, subject to the receipt of any necessary regulatory authorization, to continue service on behalf of any Shipper who is or has become insolvent, or who, at Transporter's request, fails within a reasonable time to demonstrate creditworthiness; provided, however, Transporter shall continue service to such Shipper if Shipper prepays for such service or furnishes good and sufficient security (as determined by Transporter in the exercise of reasonable discretion) in an amount equal to the cost of performing the service requested by Shipper for a three (3) month period. For the purpose of this section, the insolvency of a Shipper shall be evidenced by the filing by Shipper or any parent entity thereof (collectively referred to as "Shipper") of a voluntary petition in bankruptcy or the entry of a decree or order by a court having jurisdiction of the premises adjudging Shipper bankrupt or insolvent, or approving, as properly filed, a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Shipper under the Federal Bankruptcy Act or any other applicable federal or state law, or appointing a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Shipper or of any substantial part of its property, or the ordering of the winding-decree continuing unstayed and in effect for a period of sixty (60) consecutive days.

18. ANNUAL CHARGE ADJUSTMENT (ACA) CLAUSE

18.1 Purpose;

The purpose of this Section is to establish an ACA Clause that complies with Section 154.402 of the Commission's Regulations and Order No. 776 issued March 21, 2013, which allows Transporter to adjust its rates to recover from its customers the annual charge assessed Transporter by the Commission under Part 382 of the Commission's Regulations.

This Section establishes an ACA Unit Rate to be applicable to all of Transporter's sales and transportation Rate Schedules contained in this FERC Gas Tariff:

Transporter shall not recover the annual charges assessed by the Commission and recorded in FERC Account No. 928 in a NGA Section 4 rate case for any time period during which this ACA Clause is in effect.

- 18.2 Basis of the ACA Unit Rate: Transporter incorporates by reference, for its ACA Unit Rate, the currently effective annual charges unit charge calculated by the Commission and published on the Commission's website at [www.ferc.gov](http://www.ferc.gov). The ACA Unit Rate shall be applied as a commodity (usage) rate.



19. REQUESTS FOR TRANSPORTATION SERVICE; COMPLAINT PROCEDURES

19.1 Requests for Transportation Service: The specific information and format required from a Shipper for a valid request for transportation service must indicate in capital letters at the top "TRANSPORTATION REQUEST FORM BLACK MARLIN", and must be delivered to Transporter to the attention of Commercial Manager, via fax (713-215-3050) or email (Commercial Operations contact information is listed in the "Contacts" section of Black Marlin's Internet web site). Information required for valid request is included in the individual Rate Schedules for FTS and ITS.

19.2 Procedures Regarding Complaints:

(a) All complaints to be addressed under this procedure must be in writing and mailed to:

BLACK MARLIN  
ATTN: Commercial Manager  
2800 Post Oak Blvd.  
Houston, TX 77056

The complaint must be specific to a particular event(s), e.g., allocation of capacity, pending requests, etc. If the complaint is vague and does not address a specific event(s), it will be returned to the complainant and complainant will be asked to provide further details.

(b) The recipient of the complaint will contact the appropriate person(s) for review/resolution. Transporter will initially respond to complainant within 48 hours of the complaint. Transporter will respond in writing to the complainant within 30 days. The response shall indicate the validity of the complaint and what corrective actions, if any, should be taken.

20. Electronic Communication of Information
- 20.1 General - Transporter will maintain all information required pursuant to Section 250.16 of the FERC's regulations and NAESB Standard 4.3.6, plus additional information Transporter deems beneficial to its Shippers. Matters between Shipper and Transporter will be conveyed through electronic communications by media such as fax or electronic mail.
- 20.2 Internet Web Site. Transporter will provide timely information on its Internet web site pertaining to Transportation. Transporter will impose no fee associated with the use of its Internet web site.
- 20.3 Information to be Posted. Via the Internet web site, Transporter will provide the following information:
  - (a) total design capacity and capacity that is available at specific receipt and delivery points;
  - (b) available capacity for primary firm transportation;
  - (c) offers to release capacity;
  - (d) the winning bids to purchase released capacity;
  - (e) the potential available capacity and the terms and conditions required for bids under the right of first refusal procedures when an existing transportation service agreement is near expiration;
  - (f) the capacity allocation log for marketing affiliates;
  - (g) discount rate offers to marketing affiliates;
  - (h) the names and addresses of Transporter's marketing affiliates;
  - (i) complete list of the names of operating personnel and facilities shared by Transporter and its marketing affiliates and comprehensive organization charts;
  - (j) information about the timing and status of maintenance activities;
  - (k) notice of interruption or curtailment of scheduled quantities and other information about the status of any situations that may threaten the operation or integrity of the Transporter's system;
  - (l) the rate of discounting to be used for determining discounted cash flows;
  - (m) Transporter's tariff;
  - (n) Transporter's index of customers; and
  - (o) any other information or notices required to be posted by the FERC or necessary for Transporter and Shipper to arrange for transportation.

- 20.4 Disclaimer. Transporter will not be liable for any damages caused by the incompleteness or inaccuracy of any information posted to Transporter's Internet web site except to the extent such inaccuracy or incompleteness is shown to be the result of gross negligence or willful misconduct of Transporter. Transporter will not be liable for errors in any subsequent re-posting by a third-party vendor.
- 20.5 Record Retention. Transactional data will be retained by Transporter for at least three (3) years for audit purposes.

21. Imbalances

21.1 Netting and Trading of Imbalances

Following the issuance of actual imbalance data for a month, a Shipper or its agent may net the Shipper's imbalance across the Shipper's own service agreements with Transporter or trade imbalances with other Shippers, subject to the conditions of this Section 21. A Shipper that desires to trade imbalances with other Shippers may have a notice posted on Transporter's Internet website by requesting such posting by 9:00 a.m. on the working day following the working day on which the actual imbalance data is issued. Shippers must notify Transporter of any trades Shipper has made with other Shippers as well as netting across its own service agreements by 5:00 p.m. on the working day on which the request to Transporter was made. Transporter will recognize a trade of imbalances only if each party to the trade timely notifies Transporter of the trade, the identity of the Shipper(s) with whom the trade was made, the relevant service agreement numbers for each Shipper involved in the trade and the imbalance quantities traded and if Transporter is able to confirm that the information results in a match and the trade is permitted hereunder. Netting and trading will be limited to imbalances occurring between the same receipt and delivery points. Except to the extent a Shipper has entered into an Operational Balancing Agreement (OBA) with Transporter, any imbalances that have not been netted or traded by the time specified for notifying Transporter of such netting and trading will be cashed-out by Transporter within two working days thereafter as provided in Section 21.2 below.

21.2 Cash-Out Procedures

- a. An imbalance statement will be rendered prior to or with the invoice. Rendered is defined as postmarked, time-stamped, and delivered to the designated site. Imbalances under each of Shipper's service agreements will be separately cashed-out according to the following schedule:

Underage Overage Imbalance Level	Overage - Transporter Pays Shipper	Underage - Shipper Pays Transporter
0% to 5%	100% x Index Price	100% x Index Price
5% to 10%	90% x Index Price	110% x Index Price
10% to 15%	80% x Index Price	120% x Index Price
15% to 20%	70% x Index Price	130% x Index Price
Greater than 20%	60% x Index Price	140% x Index Price

If deliveries for a Shipper's account exceed receipts less any line losses and unaccounted-for gas for Shipper's account under a service agreement (an "Underage"), the Underage Index Price will apply. If receipts less line losses and unaccounted-for gas for a Shipper's account exceed deliveries for a Shipper's account under a service agreement (an "Overage"), the Overage Index Price will apply. Cash-outs will occur at the delivery points on a service agreement.

- b. The monthly imbalance under each service agreement will be the difference between total receipts less line loss and unaccounted-for gas and total deliveries. The Underage or Overage Imbalance Level will be determined by dividing the imbalance

quantity by the total quantity of gas received for Shipper's account during the relevant month under each service agreement. Transporter shall cash-out Shipper's entire quantity of Underage or Overage quantity at a price equal to the product of (i) the index percentage corresponding to the Underage or Overage Imbalance Level set forth above, (ii) the Overage or Underage Index Price, and (iii) the Overage or Underage quantity, all as appropriate.

- c. The reference spot prices for each working week will be the *Natural Gas Intelligence*, Houston Ship Channel, average price, less 5 cents (\$0.05)/MMBtu.
- d. The Underage Index Price is the highest "average" price posted in the table "Spot Gas Prices" published by Natural Gas Intelligence for sales during the Month the imbalance occurred for Houston Ship Channel.
- e. The Overage Index Price is the lowest "average" price posted in the table "Spot Gas Prices" published by Natural Gas Intelligence for sales during the Month the imbalance occurred for Houston Ship Channel.
- f. If Natural Gas Intelligence ceases publication of the spot prices prescribed in Sections 21.2.d and 21.2.e above, Transporter will file a substitute index with the Commission within thirty (30) days after the prescribed spot prices become unavailable, and the substitute spot prices will be used for all cash-outs effective as of the date the prescribed spot prices became unavailable for establishing a cash-out price.

### 21.3 Managing Imbalances

Transporter shall endeavor to provide operational data to Shipper on Transporter's internet website within five (5) working days after the day of gas flow in an effort to assist Shipper in managing any imbalances that may occur between gas receipts and deliveries and between nominations and actuals. In determining the cash-out charges applicable under Section 21.2.b above, Transporter will utilize actual flow quantities or, if actual flow quantities are not available at the time of billing, the reasonable estimates, whichever results in a lower Underage or Overage Imbalance Level, for the purpose of selecting the appropriate imbalance index percentage.

### 21.4 Prior-Period Adjustments

Any imbalances for a month that are booked after the transportation for that month has been billed as a result of receiving actual or corrected flow information will be cashed-out at one hundred per cent (100%) of the Underage or Overage Index Price in effect during the month the imbalance occurred, as appropriate.

### 21.5 Purchase and Sale of Gas

Transporter is not providing a supply service under any rate schedule of this FERC Gas Tariff. Without limitation of the foregoing, Transporter may buy and sell gas to the extent necessary to maintain system pressure, to implement the cash-out procedures under this Section 21, and to perform other functions in connection with providing transportation

service. Nothing herein will be deemed to impose on Transporter any obligation to provide a sale and purchase service to any of its Shippers.

#### 21.6 Cash-Out Revenues

Transporter will refund or carry forward, for each calendar year, any difference between the revenues received by Transporter and the costs incurred by Transporter as a result of cashing-out Shipper imbalances. To the extent the difference between costs and revenues during any calendar year is less than Four Hundred Thousand Dollars (\$400,000), Transporter shall carry forward the difference to the next calendar year. To the extent the difference is greater than For Hundred Thousand Dollar (\$400,000), Transporter shall refund or invoice each Shipper in proportion to such Shipper's use of Transporter's system during such calendar year within one hundred twenty (120) days after the end of the calendar year. Any such difference, whether a positive or negative, shall include interest at the rate set forth in Section 154.501 of the Commission's regulations.

## 22. OPERATIONAL FLOW ORDERS

22.1 Applicability - An Operational Flow Order (OFO) is an order issued to alleviate conditions, inter alia, which threaten or could threaten the safe operations or system integrity of Transporter's system or to maintain operations required to provide efficient and reliable firm service. Whenever Transporter experiences these conditions, any pertinent order will be referred to as an Operational Flow Order. Transporter will determine, in its reasonable judgment, the circumstances that will result in the issuance of an OFO.

The need to issue an OFO will depend on quantities of gas confirmed and scheduled, the point(s) where actual receipts or deliveries deviate from confirmed and scheduled quantities, whether an OBA governs the allocation at the point(s), and the relationship of these individual factors to general system operations on any given day.

OFO's will identify the situation to be addressed and will identify specific actions to be taken by Shipper, stated in terms of an hourly gas flow level, and the probable duration of an OFO. Transporter may issue OFO's at any time by telephone, facsimile, or electronic mail communication to Shipper's representative. In non-emergency situations, the OFO will be effective within twenty-four (24) hours of notification by Transporter, unless exigent circumstances dictate otherwise. Shipper must make a contact person available on a twenty-four (24) hour basis to receive OFO notices and elect the method of communication of OFO's by Transporter (by facsimile or electronic mail communication), and provide all necessary information to Transporter. Transporter will use reasonable efforts to give actual notice to that person, as time permits.

22.2 Compliance with Operational Flow Orders - OFO's issued to alleviate conditions that threaten the operational integrity of Transporter's system will require compliance within four(4) hours of issuance, or such other time specified in the OFO. Any Shipper receiving an OFO must undertake such of the following actions as are necessary to comply with such order:

- (a) commence or increase tenders of gas into Transporter's system by a specified quantity at specified receipt points or shift tenders of gas, in whole or in part, to different specified receipt points;
- (b) cease or reduce tenders of gas into Transporter's system by a specified quantity at specified receipt points;
- (c) commence or increase takes of gas from Transporter's system by a specified quantity at specified delivery points or shift takes of gas, in whole or in part, from different delivery points;
- (d) cease or reduce takes of gas from Transporter's system by a specified quantity at specified delivery points.

22.3 Imminent Operational Flow Orders - If Transporter determines that operational circumstances exist such that the issuance of an OFO is imminent, but that corrective actions could mitigate such circumstances, Transporter will notify affected Shippers of a potential OFO. Transporter will postpone the issuance of an OFO, if feasible, and allow affected Shippers the opportunity to take corrective actions, provided the affected Shippers advise Transporter of their proposed corrective actions and Transporter agrees to such actions. Failure to

implement corrective measures by such Shippers may ultimately result in the issuance of an OFO.

- 22.4 Termination of an Operational Flow Order - Upon termination of an OFO, Transporter will provide to Shippers, by facsimile or electronic mail communication, relevant information specific to the individual situation regarding the issuance and lifting of that particular OFO as soon as it is available.



## 23. NAESB STANDARDS

Compliance with 18 CFR, Section 284.12

Transporter has adopted the Business Practices and Electronic Communications Standards, NAESB WGQ Version 3.0, and the standards revised by Minor Corrections MC15003, MC15004, MC15005, MC15009 and MC15012 all marked with an asterisk [\*], which are required by the Commission in 18 CFR Section 284.12(a), as indicated below. Standards without accompanying identification or notations are incorporated by reference. Standards that are not incorporated by reference are identified along with the tariff record in which they are located. Standards for which waivers or extensions of time have been granted are also identified.

### STANDARDS NOT INCORPORATED BY REFERENCE AND THEIR LOCATION IN TARIFF:

<u>NAESB Standard</u>	<u>Tariff Record</u>
1.3.2(i-vi)	GT&C; Nominations, Confirmation, Scheduling and Curtailment, 2.0.0
5.3.2	GT&C; Reallocation of Capacity, 3.0.0
5.3.44	GT&C; Reallocation of Capacity, 3.0.0

### STANDARDS INCORPORATED BY REFERENCE:

#### Additional Standards:

##### General:

Standards:  
 0.3.1      0.3.2      0.3.16      0.3.17

##### Creditworthiness:

Standards:  
 0.3.3      0.3.4      0.3.5      0.3.6      0.3.7      0.3.8      0.3.9      0.3.10

##### Gas/Electric Operational Communications:

Definitions:  
 0.2.1      0.2.2      0.2.3      0.2.4      0.2.5

Standards:  
 0.3.11      0.3.12      0.3.13      0.3.14      0.3.15

##### Operating Capacity and Unsubscribed

Standards:  
 0.3.18      0.3.20      0.3.21      0.3.22      0.3.24      0.3.25      0.3.27      0.3.29

Storage Information:

Datasets: None

Nominations Related Standards:

Definitions:

1.2.1	1.2.2	1.2.3	1.2.4	1.2.5	1.2.6	1.2.8	1.2.9
1.2.10	1.2.11	1.2.12	1.2.13	1.2.14	1.2.15	1.2.16	1.2.17
1.2.18	1.2.19						

Standards:

1.3.1		1.3.3	1.3.4	1.3.5	1.3.6	1.3.7	1.3.8
1.3.9	1.3.11	1.3.13	1.3.14	1.3.15	1.3.16	1.3.19	1.3.20
1.3.21	1.3.22	1.3.23	1.3.24	1.3.25	1.3.26	1.3.27	1.3.28
1.3.29	1.3.30	1.3.31	1.3.32	1.3.33	1.3.34	1.3.35	1.3.36
1.3.37	1.3.38	1.3.39	1.3.40	1.3.41	1.3.42	1.3.43	1.3.44
1.3.45	1.3.46	1.3.51	1.3.75	1.3.80			

Datasets: None

Flowing Gas Related Standards:

Definitions:

2.2.1	2.2.2	2.2.3	2.2.4	2.2.5
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Standards:

2.3.1	2.3.2	2.3.3	2.3.4	2.3.5	2.3.6	2.3.7	2.3.8
2.3.9	2.3.10	2.3.11	2.3.12	2.3.13	2.3.14	2.3.15	2.3.16
2.3.17	2.3.18	2.3.19	2.3.20	2.3.21	2.3.22	2.3.23	2.3.25
2.3.26	2.3.27	2.3.28	2.3.29	2.3.30	2.3.31	2.3.40	2.3.41
2.3.42	2.3.43	2.3.44	2.3.45	2.3.46	2.3.47	2.3.48	2.3.50
2.3.54	2.3.55	2.3.56	2.3.57	2.3.58	2.3.59	2.3.60	2.3.61
2.3.62	2.3.63	2.3.64					

Datasets: None

Invoicing Related Standards:

Definitions:

3.2.1

Standards:

3.3.3	3.3.4	3.3.5	3.3.6	3.3.7	3.3.8	3.3.9	3.3.10
3.3.11	3.3.12	3.3.13	3.3.14	3.3.15	3.3.16	3.3.17	3.3.18
3.3.19	3.3.21	3.3.22	3.3.23	3.3.24	3.3.25	3.3.26	

Datasets: None

Quadrant Electronic Delivery Mechanism Related Standards:

Definitions:

4.2.1	4.2.2	4.2.3	4.2.4	4.2.5	4.2.6	4.2.7	4.2.8
4.2.9	4.2.10	4.2.11	4.2.12	4.2.13	4.2.14	4.2.15	4.2.16
4.2.17	4.2.18	4.2.19	4.2.20				

Standards:

4.3.1	4.3.2	4.3.3	4.3.16	4.3.17	4.3.18	4.3.20	4.3.22
4.3.23	4.3.24	4.3.25	4.3.26	4.3.27	4.3.28		4.3.30
4.3.31	4.3.32	4.3.33	4.3.34	4.3.35	4.3.36	4.3.38	
4.3.40	4.3.41	4.3.89	4.3.90	4.3.91	4.3.92	4.3.93	4.3.94
4.3.95	4.3.96	4.3.97	4.3.98	4.3.99	4.3.100	4.3.101	4.3.102
4.3.103	4.3.104						

Capacity Release Related Standards:

Definitions:

5.2.1	5.2.2	5.2.3	5.2.4	5.2.5			
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Standards:

5.3.1	5.3.3	5.3.4	5.3.5	5.3.7	5.3.8	5.3.9	5.3.10
5.3.11	5.3.12	5.3.13	5.3.14	5.3.15	5.3.16	5.3.18	5.3.19
5.3.20	5.3.21	5.3.22	5.3.23	5.3.24	5.3.25	5.3.26	
5.3.28	5.3.29	5.3.31	5.3.32	5.3.33	5.3.34	5.3.35	5.3.36
5.3.37	5.3.38	5.3.39	5.3.40	5.3.41		5.3.45	5.3.46
5.3.47	5.3.48	5.3.49	5.3.50	5.3.51	5.3.52	5.3.53	5.3.54
5.3.55	5.3.56	5.3.57	5.3.58	5.3.59	5.3.60	5.3.62	5.3.62a
5.3.63	5.3.64	5.3.65	5.3.66	5.3.67	5.3.68	5.3.69	5.3.70
5.3.71	5.3.73						

Datasets: None

Internet Electronic Transport Standards:

Definitions:

10.2.1	10.2.2	10.2.3	10.2.4	10.2.5	10.2.6	10.2.7	10.2.8
10.2.9	10.2.10	10.2.11	10.2.12	10.2.13	10.2.14	10.2.15	10.2.16
10.2.17	10.2.18	10.2.19	10.2.20	10.2.21	10.2.22	10.2.23	10.2.24
10.2.25	10.2.26	10.2.27	10.2.28	10.2.29	10.2.30	10.2.31	10.2.32
10.2.33	10.2.34	10.2.35	10.2.36	10.2.37	10.2.38		

Standards:

10.3.1	10.3.3	10.3.4	10.3.5	10.3.6	10.3.7	10.3.8	10.3.9
10.3.10	10.3.11	10.3.12	10.3.14	10.3.15	10.3.16	10.3.17	10.3.18
10.3.19	10.3.20	10.3.21	10.3.22	10.3.23	10.3.24	10.3.25	10.3.26
10.3.27							

STANDARDS FOR WHICH WAIVER OR EXTENSION OF TIME TO COMPLY HAVE BEEN GRANTED

<u>NAESB Standard</u>	<u>Waiver or Extension of Time</u>
<i>Operating Capacity and Unsubscribed</i> 0.3.23 0.3.26 0.3.28	Extension of Time
<i>Datasets</i> 0.4.1 0.4.2 0.4.3 0.4.4 1.4.1 1.4.2 1.4.3 1.4.4 1.4.5 1.4.6 1.4.7 2.4.1 2.4.2 2.4.3 2.4.4 2.4.5 2.4.6 2.4.7 2.4.8 2.4.9 2.4.10 2.4.11 2.4.17 2.4.18 3.4.1 3.4.2 3.4.3 3.4.4 5.4.14 5.4.15 5.4.16 5.4.17 5.4.20 5.4.21 5.4.22 5.4.23 5.4.24 5.4.25 5.4.26 5.4.27	Extension of Time (EDI and EBB)
<i>Title Transfer Tracking</i> 1.3.17 1.3.18 1.3.64 1.3.65 1.3.66 1.3.67 1.3.68 1.3.69 1.3.70 1.3.71 1.3.72 1.3.73 1.3.74 1.3.76 1.3.77	Extension of Time
<i>EDI (Nominations)</i> 1.3.48 1.3.53 1.3.55 1.3.56 1.3.58 1.3.62 1.3.79 1.3.81	Extension of Time
<i>EDI (Flowing Gas)</i> 2.3.32 2.3.51 2.3.52 2.3.53 2.3.65 2.3.66	Extension of Time
<i>EDI (Quadrant EDM)</i> 4.3.42 4.3.43 4.3.44 4.3.45 4.3.46 4.3.47 4.3.48 4.3.49 4.3.50 4.3.52 4.3.53 4.3.54 4.3.55 4.3.57 4.3.58 4.3.60 4.3.61 4.3.62 4.3.66 4.3.67 4.3.68 4.3.69 4.3.72 4.3.75 4.3.78 4.3.79 4.3.80 4.3.81 4.3.82 4.3.83 4.3.84 4.3.85 4.3.86 4.3.87 4.3.105	Extension of Time

*Capacity Release*  
5.3.42 5.3.72

Extension of Time

Section 24  
Negotiated Rates

Transporter and Shipper may mutually agree to a Negotiated Rate under any Part 284 rate schedule which rate may be less than, equal to, or greater than the Seller's maximum and/or minimum rate, may be based upon a rate designed other than what underlies Transporter's currently effective maximum and minimum rates, may include a minimum volume or revenue, and may include provisions for surcharges, credits or refunds or return of refunds or credits.

24.1 CAPACITY RELEASE – The Capacity Release Mechanism provisions contained within this FERC Gas Tariff shall not apply to a Shipper receiving firm transportation service with a Negotiated Rate that does not include a reservation rate.

24.2 RECORD KEEPING – Transporter will maintain separate records of Negotiated Rate transactions for each billing period. These records shall include the quantities transported, the billing determinants, the rates charged and the revenue received associated with such transactions. Transporter will separately identify such transactions in Statement G, I and J (or their equivalent) filed in any general rate proceeding.

24.3 FILING REQUIREMENT – Transporter will file no later than the business day service commences under a Negotiated Rate Service Agreement, or if the day on which service commences is not a business day, then no later than the next business day after service commences, a tariff revision reflecting the shipper's exact legal name, applicable rate schedule, Negotiated Rate or underlying formula, the term of the Negotiated Rate Service Agreement, quantities to be transported, primary points of receipt and delivery to which Negotiated Rate applies and other terms or consideration. Unless expressly noted, applicable Negotiated Rate Service Agreements will not deviate in any material respect from the form of Service Agreement.

24.4 EFFECT OF NEGOTIATED RATE – By agreeing to a Negotiated Rate, Shipper acknowledges that the otherwise generally applicable maximum recourse rate shall not apply or be available to the Shipper for service under the applicable service Agreement during the period for which the Negotiated Rate is effective, notwithstanding any adjustment to such generally applicable maximum recourse rate, which may become effective during the period for which the Negotiated Rate is effective. If, at any time during the period for which the Negotiated Rate is effective, Transporter is collecting its effective maximum recourse rate subject to refund under Section 4 of the Natural Gas Act, Transporter shall have no refund obligation to Shipper even if the final maximum recourse rate is reduced to a level below the Negotiated Rate.

24.5 – LIMITATIONS – This Section 24 does not authorize the negotiation of terms and conditions of service.

**PART 5**  
**FORMS**

This part contains:

- Form of Service Agreements

TRANSPORTATION SERVICE AGREEMENT  
Rate Schedule FTS

Transportation Request Number: \_\_\_\_\_  
(for internal use only)  
Transportation Service Agreement No.: \_\_\_\_\_  
Effective Date: \_\_\_\_\_

THIS TRANSPORTATION SERVICE AGREEMENT ("Agreement") by and between Black Marlin, hereinafter referred to as "Transporter", and \_\_\_\_\_, a \_\_\_\_\_, herein referred to as "Shipper" covering the transportation of natural gas on a firm basis by Transporter for Shipper (on behalf of an in furtherance of a transportation service performed by \_\_\_\_\_, a \_\_\_\_\_<sup>1</sup>) as more particularly described herein is entered into in accordance with the following terms and conditions:

1. This transportation shall be provided pursuant to Subpart \_\_\_\_ of Part 284 of the Federal Energy Regulatory Commission's ("Commission") regulations.
2. Maximum Daily Transportation Quantity (MDTQ):  
\_\_\_\_\_ MMBtu
3. Term: This Agreement shall become effective on the date written above and shall continue for a primary term of \_\_\_\_\_.
4. Rate: Unless Transporter agrees to charge Shipper a lower rate, Shipper shall pay Transporter each month for transportation service rendered hereunder at the maximum rates or charges in effect from time to time under Rate Schedule FTS, or any effective superseding rate schedule on file with the Commission.
5. Address for notices and invoices to Shipper:

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

6. This Agreement supersedes and cancels the following Transportation Service Agreement(s) between the parties hereto:

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

<sup>1</sup> Clause added only if applicable.





## APPENDIX A

### SECTION 1 - TRANSPORTATION QUANTITY

- 1.1 Subject to the terms, conditions and limitations hereof and of Transporter's Rate Schedule FTS, Transporter agrees to receive and transport, on a firm basis, to or for the account of Shipper, quantities of gas up to the MDTQ set forth on the face of this Agreement and to deliver thermally equivalent volumes as specified in Transporter's Rate Schedule FTS.
- 1.2 Transporter agrees to transport natural gas for Shipper in excess of the MDTQ on a interruptible basis provided that Transporter has determined that it has sufficient capacity to transport such excess volumes.

### SECTION 2 - RECEIPT AND DELIVERY

- 2.1 Shipper agrees to tender, or cause to be tendered, gas for transportation at the Point(s) of Receipt identified in Appendix "B" at pressures sufficient to effect delivery into Transporter's facilities not to exceed the maximum allowable operating pressure; provided, however, Transporter shall have no obligation to provide compression and/or alter its system operation to enable Shipper to effectuate said deliveries.
- 2.2 Transporter agrees to transport and deliver gas to Shipper, or for Shipper's account, at the Point(s) of Delivery identified in Appendix "B"; provided, however, Transporter shall have no obligation to provide compression and/or alter its system operation to effectuate said deliveries.
- 2.3 Both Transporter and Shipper recognize that due to variations in operating conditions, daily and monthly deliveries hereunder by Transporter may be greater or less than the corresponding receipts. Shipper and Transporter agree that any excess or deficiency in such receipts, and deliveries shall be adjusted or corrected in gas as soon as operating conditions reasonably permit.

### SECTION 3 - GENERAL

- 3.1 This Agreement in all respects shall be subject to the provisions of Rate Schedule FTS as well as the General Terms and Conditions, if applicable, contained in Transporter's currently effective FERC Gas Tariff, as may be revised from time to time.
- 3.2 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.

3.3 Transporter's Rate Schedule FTS is hereby incorporated by reference and made a part hereof.

#### SECTION 4 - NOTICES

4.1 Any notice, statement, or bill provided for in this Agreement shall be in writing and shall be considered as having been given if delivered personally or if mailed by United States mail, postage prepaid, to Shipper when sent to the address set forth on the face of this Agreement and to Transporter when sent to the following:

Notices Regarding Nominations, Scheduling, or Invoices:

Black Marlin  
One Williams Center  
Tulsa, OK 74172  
Attn: Gas Management

Other Notices: Black Marlin  
2800 Post Oak Blvd.  
Houston, TX 77056  
Attn: Contract Operations

Payments: Lockbox  
Black Marlin  
21683 Network Place  
Chicago, IL 60673-1216

Wire Instructions  
Black Marlin  
A/C #: 632558557  
ABA 071000013  
Bank One, Chicago

APPENDIX B

POINTS OF RECEIPT & DELIVERY  
to  
GAS TRANSPORTATION AGREEMENT  
between  
Black Marlin  
and

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Point(s) of Receipt:	Maximum Daily Receipt Quantity*
----------------------	------------------------------------

Point(s) of Delivery:	Maximum Daily Delivery Quantity*
-----------------------	-------------------------------------

KM Ship Channel Pipeline, LP  
Union Carbide  
Houston Pipeline Company, LP

\* Aggregate may not exceed MDTQ set forth on Paragraph 2 on the face of this Agreement.

TRANSPORTATION SERVICE AGREEMENT  
Rate Schedule ITS

Transportation Request Number: \_\_\_\_\_  
(for internal use only)  
Transportation Service Agreement No.: \_\_\_\_\_  
Effective Date: \_\_\_\_\_

THIS TRANSPORTATION SERVICE AGREEMENT ("Agreement") by and between Black Marlin, hereinafter referred to as "Transporter", and \_\_\_\_\_, a \_\_\_\_\_, herein referred to as "Shipper" covering the transportation of natural gas on an interruptible basis by Transporter for Shipper (on behalf of an in furtherance of a transportation service performed by \_\_\_\_\_, a \_\_\_\_\_<sup>1</sup>) as more particularly described herein is entered into in accordance with the following terms and conditions:

1. This transportation shall be provided pursuant to Subpart \_\_\_\_ of Part 284 of the Federal Energy Regulatory Commission's ("Commission") regulations.
2. Maximum Daily Transportation Quantity (MDTQ):  
\_\_\_\_\_ MMBtu
3. Term: This Agreement shall become effective on the date written above and shall continue for a primary term of \_\_\_\_\_ and month to month thereafter unless terminated at any time subsequent to the primary term by either party upon thirty (30) days prior written notice to the other party.
4. Rate: Unless Transporter agrees to charge Shipper a lower rate, Shipper shall pay Transporter each month for transportation service rendered hereunder at the maximum rates or charges in effect from time to time under Rate Schedule ITS, or any effective superseding rate schedule on file with the Commission.
5. Address for notices and invoices to Shipper:

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

6. This Agreement supersedes and cancels the following Transportation Service Agreement(s) between the parties hereto:

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

<sup>1</sup> Clause added only if applicable.



## APPENDIX A

### SECTION 1 - TRANSPORTATION QUANTITY

- 1.1 Subject to the terms, conditions and limitations hereof and of Transporter's Rate Schedule ITS, Transporter agrees to receive and transport, on an interruptible basis, to or for the account of Shipper, quantities of gas up to the MDTQ set forth on the face of this Agreement and to deliver thermally equivalent volumes as specified in Transporter's Rate Schedule ITS.
- 1.2 Transporter agrees to transport natural gas for Shipper in excess of the MDTQ on an interruptible basis provided that Transporter has determined that it has sufficient capacity to transport such excess volumes.

### SECTION 2 - RECEIPT AND DELIVERY

- 2.1 Shipper agrees to tender, or cause to be tendered, gas for transportation at the Point(s) of Receipt identified in Appendix "B" at pressures sufficient to effect delivery into Transporter's facilities not to exceed the maximum allowable operating pressure; provided, however, Transporter shall have no obligation to provide compression and/or alter its system operation to enable Shipper to effectuate said deliveries.
- 2.2 Transporter agrees to transport and deliver gas to Shipper, or for Shipper's account, at the Point(s) of Delivery identified in Appendix "B"; provided, however, Transporter shall have no obligation to provide compression and/or alter its system operation to effectuate said deliveries.
- 2.3 Both Transporter and Shipper recognize that due to variations in operating conditions, daily and monthly deliveries hereunder by Transporter may be greater or less than the corresponding receipts. Shipper and Transporter agree that any excess or deficiency in such receipts and deliveries shall be adjusted or corrected in gas as soon as operating conditions reasonably permit.

### SECTION 3 - GENERAL

- 3.1 This Agreement in all respects shall be subject to the provisions of Rate Schedule ITS as well as the General Terms and Conditions, if applicable, contained in Transporter's currently effective FERC Gas Tariff, as may be revised from time to time.
- 3.2 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.

- 3.3 Transporter's Rate Schedule ITS is hereby incorporated by reference and made a part hereof.

#### SECTION 4 - NOTICES

- 4.1 Any notice, statement, or bill provided for in this Agreement shall be in writing and shall be considered as having been given if delivered personally or if mailed by United States mail, postage prepaid, to Shipper when sent to the address set forth on the face of this Agreement and to Transporter when sent to the following:

Notices Regarding Nominations, Scheduling, or Invoices:

Black Marlin  
One Williams Center  
Tulsa, OK 74172  
Attn: Gas Management

Other Notices:

Black Marlin  
2800 Post Oak Blvd.  
Houston, TX 77056  
Attn: Contract Operations

Payments:

Lockbox  
Black Marlin  
21683 Network Place  
Chicago, IL 60673-1216

Wire Instructions  
Black Marlin  
A/C #: 632558557  
ABA 071000013  
Bank One, Chicago



APPENDIX B

POINTS OF RECEIPT & DELIVERY  
to  
GAS TRANSPORTATION AGREEMENT  
between  
Black Marlin  
and

---

Point(s) of Receipt:

Point(s) of Delivery:

KM Ship Channel Pipeline, LP  
Union Carbide  
Houston Pipeline Company, LP

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