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F.E.R.C. NGA GAS TARIFF

Fourth Revised Volume No. 1

of

HIGH ISLAND OFFSHORE SYSTEM, L. L. C.

Filed With The

FEDERAL ENERGY REGULATORY COMMISSION

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**PART I**  
**OVERVIEW**

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## PRELIMINARY STATEMENT

### 1. In General

High Island Offshore System ("HIOS") is a natural gas company engaged in the business of transporting natural gas and operating in the federal domain, offshore Louisiana and offshore Texas.

HIOS shares no operating personnel or facilities with any of its affiliated marketing or brokering companies.

### 2. Transportation Agreement

2.1 The Transportation Agreement contained in HIOS' F.E.R.C. Gas Tariff, Fourth Revised Volume No. 1, and designated for use under transportation Rate Schedule FT-1, sets forth the terms and conditions of firm service under that rate schedule. The Transportation Agreement under Rate Schedule FT-1 shall be used in all instances where HIOS enters into a new agreement to perform firm, FT-1 transportation service.

2.2 The Transportation Agreement contained in HIOS' F.E.R.C. Gas Tariff, Fourth Revised Volume No. 1, and designated for use under transportation Rate Schedule FT-2, sets forth the terms and conditions of firm service under that rate schedule. The Transportation Agreement under Rate Schedule FT-2 shall be used in all instances where HIOS enters into a new agreement to perform firm, FT-2 transportation service.

2.3 The Transportation Agreement contained in HIOS' F.E.R.C. Gas Tariff, Fourth Revised Volume No. 1, and designated for use under transportation Rate Schedule IT, sets forth the terms and conditions of interruptible service under that rate schedule. The Transportation Agreement under Rate Schedule IT shall be used in all instances where HIOS enters into a new agreement to perform interruptible transportation service.

### 3. Main Line Capacity\*

The procedure to be followed by a new shipper, in order to receive firm or interruptible transportation service on HIOS' main line, is set forth in Section 2 of the General Terms and Conditions for Rate Schedules FT-1, FT-2, and IT.

### 4. Lateral Line Capacity



- 4.1 The maximum obligation of HIOS to receive gas at any Point of Receipt is set forth in the Transportation Agreements referenced in Paragraph 2 above.
- 4.2 To the extent that firm capacity is available on any lateral in excess of the total obligation of HIOS to receive volumes on such lateral, it is the policy of HIOS to allocate such available firm capacity to shippers, both existing and new, on a "first come, first served" and non-discriminatory basis.\*\*
- 4.3 To the extent that "interruptible capacity" is available on any lateral of the system, on any day, after all nominations for "interruptible overrun capacity" have been satisfied, HIOS will allocate such capacity to any shipper, having Points of Receipt on the lateral, on a "first come, first served basis" as set forth in Section 7.9 of the General Terms and Conditions.\*\*\*

5. Posting of Available Firm Capacity

To the extent that firm capacity is available on the mainline or on the lateral lines that is in excess of the total contracted obligation for that line, HIOS will post by line such available capacity on its Interactive Internet Website.

- 
- \* HIOS' main line is that segment of its system which lies between High Island Block A-264 and West Cameron Block 167.
  - \*\* With respect to a new shipper, that shipper must first receive an allocation of firm capacity on the main line before its request for firm lateral capacity will be considered. As to an existing firm shipper, it is assumed that such a shipper already has available to it the necessary firm main line capacity. Short haul entitlements require main line capacity only.
  - \*\*\* With respect to a new shipper, that shipper must first receive an allocation of interruptible capacity on the main line before its request for interruptible lateral capacity will be considered. As to an existing interruptible shipper, it is assumed that such a shipper already has available to it the necessary interruptible main line capacity.

## **SYSTEM MAP**

The currently effective System Map can be viewed and downloaded at:

<http://www.genesisenergy.com/assets/Pipelines/HIOS-Customer-GEL.pdf>

LISTING OF EXISTING SUBSEA  
INTERCONNECTION TAPS FOR  
GAS RECEIPTS AND DELIVERIES

RECEIPT POINTS  
-----

SHORT HAUL RECEIPT POINTS

Existing subsea taps north of High Island Block 264

High Island A-218  
High Island A-247  
West Cameron 314  
West Cameron 342  
West Cameron 376  
West Cameron 167  
High Island A-264 1/

LONG HAUL RECEIPT POINTS

Existing subsea taps south of High Island Block 264

WEST LATERAL -----	CENTRAL LATERAL -----	EAST LATERAL -----
High Island A-270	High Island A-281	High Island A-271
A-283	A-300	A-280
A-468	A-303	A-298
A-470	A-320	A-316
A-492	A-340	A-323
A-498	A-546	A-343M
A-526	A-573 M	A-345
A-539	Aliminos Canyon 25	A-333
A-555		A-332
A-582 M		A-330 M

DELIVERY POINTS  
-----

INTERCONNECTIONS

- (1) West Cameron Block 167 - ANR Pipeline Company
- (2) West Cameron Block 167 - U-TOS
- (3) West Cameron Block 167 - Tennessee Gas Pipeline Company
- (4) High Island Block 330 - Stingray

1/ The existing flanged connection between the compressor discharge line and the inlet to the 42" Mainline on the HIA-264 "A" platform

**PART II**  
**RATES AND AGREEMENTS**

## PART II

### RATES AND AGREEMENTS

#### SCHEDULE OF RATES AND CHARGES

	Maximum Rate -----	Minimum Rate -----
Long Haul Rates 2/		
Rate Schedule FT-1		
1) Reservation Rate	\$ 18.7063	\$ .0000
2) Commodity Rate	\$ .0000	\$ .0000
3) Overrun/Volumetric Rate 1/	\$ .6150	\$ .0000
Rate Schedule FT-2		
1) Reservation Rate	\$ 18.7063	\$ .0000
2) Commodity Rate	\$ .0000	\$ .0000
3) Overrun/Volumetric Rate 1/	\$ .6150	\$ .0000
Rate Schedule IT		
1) Commodity Rate	\$.6150	\$ .0000
Short Haul Rates		
Rate Schedule FT-1		
1) Reservation Rate	\$ 6.9958	\$ .0000
2) Commodity Rate	\$ .0000	\$ .0000
3) Overrun/Volumetric Rate 1/	\$ .2300	\$ .0000
Rate Schedule FT-2		
1) Reservation Rate	\$6.9958	\$ .0000
2) Commodity Rate	\$ .0000	\$ .0000
3) Overrun/Volumetric Rate 1/	\$ .2300	\$ .0000
Rate Schedule IT		
1) Commodity Rate	\$.2300	\$ .0000
East Breaks Zone 3/		
Rate Schedule FT-1		
1) Reservation Rate	\$ 25.2458	\$ .0000
2) Commodity Rate	\$ .0000	\$ .0000
3) Overrun/Volumetric Rate 1/	\$ .8300	\$ .0000

Rate Schedule FT-2

1) Reservation Rate	\$25.2458	\$ .0000
2) Commodity Rate	\$ .0000	\$ .0000
3) Overrun/Volumetric Rate 1/	\$ .8300	\$ .0000

Rate Schedule IT

1) Commodity Rate	\$.8300	\$ .0000
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Storm Damage Surcharge 4/ \$ .0316

- 1/ This rate applicable for releases of firm capacity on a volumetric basis.
- 2/ Any Shipper that contracts for its receipts and deliveries at HIOS gathering facilities located at or south of High Island Block 264 shall receive a per Dth credit to its Long Haul rate equal to the applicable Short Haul rate.
- 3/ Any Shipper that contracts for its receipts on HIOS's East Breaks gathering system, which extends from the Alaminos Canyon Area Block 25 to the High Island Area Block A-573, shall pay an East Breaks gathering rate of \$0.7536 per Dth, in addition to the Long Haul rates stated above.
- 4/ This is a commodity surcharge that is applicable to each Dth of gas transported under any Transportation Service Agreement as set forth in Section 18.1 of the General Terms and Conditions.

SCHEDULE OF COMPANY USE %

1.	Compressor Fuel	0.00%
2.	Unaccounted For Gas	0.00%
3.	Company Use True up	0.00%
4.	Total Company Use	0.00%



RATE SCHEDULE FT-1  
FIRM TRANSPORTATION SERVICE

1. AVAILABILITY

This rate schedule is available to any Shipper in the High Island Offshore System L.L.C. (HIOS or Transporter) for the transportation of gas on a firm basis where: (1) Transporter has determined that it has sufficient available capacity to perform service requested by Shipper; (2) the Shipper has demonstrated, to HIOS' reasonable satisfaction, that it is creditworthy in accordance with Section 5 of the General Terms and Conditions; (3) the Shipper has executed a Transportation Agreement with HIOS for firm service; (4) the Shipper has become a party to the "Gas Allocation Agreement"; and (5) the Shipper has executed an NGL Bank Agreement with HIOS and with the Administrator in the form contained in HIOS' Tariff. For any period when there is no corresponding NGL Bank Agreement in effect ("non-compliance period") HIOS is entitled to suspend service on any Transportation Agreement executed with HIOS for service under this rate schedule for the duration of the non-compliance period.

2. APPLICABILITY AND CHARACTER OF SERVICE

- 2.1 This rate schedule shall apply to all natural gas transported under a Transportation Agreement executed with HIOS for firm service under this rate schedule.
- 2.2 Service hereunder shall have a comparable priority with service under FT-2; and
- 2.3 Pursuant to this rate schedule, HIOS will provide firm transportation for Shipper up to the Maximum Daily Quantity (MDQ) specified in the Transportation Agreement (Agreement). Shipper may tender gas to HIOS at the Points of Receipt specified in said Agreement, and HIOS shall receive such gas at said Points of Receipt and redeliver an Equivalent Volume for the account of Shipper at the Points of Delivery specified in said Agreement.

3. GENERAL TERMS AND CONDITIONS

The General Terms and Conditions of this Tariff are applicable to this rate schedule.

4. RATES AND CHARGES

- 4.1 Transportation Charge. Shipper agrees to pay HIOS an amount each month equal to the sum of a reservation charge and a commodity charge determined as follows:
- (a) The reservation charge shall be the product of Shipper's MBQ and Transporter's effective Long Haul or Short Haul reservation rate per Dth, as applicable, for FT-1 service, as set forth on Sheet No. 10 of this Tariff. For purposes of this calculation, the MBQ shall be equal to the peak day deliveries by Transporter for Shipper during the applicable Month, but in no event shall the MBQ be less than 90% of the MDQ, or more than 100% of the MDQ specified in the Transportation Agreement.
  - (b) The commodity charge shall be the sum of the product of the monthly volumes of gas expressed in Dth received by HIOS from Shipper, or for the account of Shipper, at the Points of Receipt set forth in Exhibits A and B of the Transportation Agreement, and HIOS' effective Long Haul or Short Haul commodity rate per Dth, as applicable, as set forth on Sheet No. 10 of this Tariff.
- 4.2 Partial Month's Service. If at the commencement or termination of the Transportation Agreement, service is provided for only a portion of a month, then the monthly reservation charge for such month shall be reduced proportionately based on the ratio of the number of days that transportation service was not in effect to the total number of days in each month.
- 4.3 Minimum Monthly Bill. Monthly reservation charge.
- 4.4 Authorized Overrun. In addition to the charges specified above, Shipper agrees, subject to Section 8 of the General Terms and Conditions, to pay HIOS an amount equal to the overrun charge determined as follows:
- The overrun charge shall be the sum of the products of the volumes of gas expressed in Dth received by HIOS from Shipper, or for the account of Shipper, at each Point of Receipt set forth in Exhibit A or B of the Transportation Agreement during any day, which are in excess of the Maximum Daily Volume (MDV) for such Point of Receipt, and HIOS' effective Long Haul or Short Haul overrun rate per Dth, as applicable, as set forth on Sheet No. 10 of this Tariff.
- 4.5 Unauthorized Overrun. HIOS shall notify Shipper verbally of any unauthorized overrun service that is occurring for Shipper, and shall

immediately confirm such notification by facsimile or similar means. If unauthorized service occurs on a non-Critical Day, Shipper shall pay HIOS a penalty of \$2.00 per Dth or the current Spot Market Price for the Offshore Texas region as reported in Natural Gas Week, whichever is higher, for any such unauthorized daily overrun not terminated within 24 hours of HIOS' verbal notification. If unauthorized service occurs on a Critical Day, Shipper shall pay HIOS a penalty of \$10.00 per Dth or the current Spot Market Price for the Offshore Texas region as reported in Natural Gas Week, whichever is higher, for any such unauthorized daily overrun not terminated within 24 hours of HIOS' verbal notification. Such penalty payments shall be paid to HIOS in addition to the charges otherwise payable by Shipper under this or the appropriate Rate Schedule. HIOS shall credit to non-offending Shippers all unauthorized overrun penalty revenues received under this section in accordance with Section 27 of the General Terms and Conditions of this Tariff. HIOS may waive, in whole or in part, any overrun penalty provided for herein if, in HIOS' sole discretion, such penalty was incurred due to circumstances beyond Shipper's control.

- 4.6 Transportation of Associated Liquids. If Associated Liquids are transported hereunder for Shipper and HIOS is required by any regulatory agency, from time to time, to allocate a portion of its cost of service to such transportation service or to charge, or impute, a fee for such service, then Shipper shall reimburse HIOS for such allocated costs and such fee.
- 4.7 Commission and Other Regulatory Fees. Shipper shall reimburse HIOS for all filing, reporting and application fees required by the Commission or any other regulatory body which are related to service provided under this Rate Schedule.
- 4.8 Rate Changes. Subject to any rights or limitations imposed by additional Transportation Agreement provisions agreed to by Shipper and Transporter, Transporter may from time to time and at any time selectively adjust any or all of the rates charged to any individual Shipper for which a Maximum Rate and Minimum Rate are stated on Sheet No. 10 of this Tariff; provided, however, that such adjusted rate(s) shall not exceed the applicable Maximum Rate(s), nor shall they be less than the Minimum Rate(s), set forth on such sheets. Transporter shall have the right to charge the Maximum Rate at any time as a condition for new service or for continuation of service under an existing agreement. Transporter shall make all information filings required by the Commission's regulations with respect to any charges at less than the Maximum Rate. Whenever Transporter adjusts the rate to be charged to a Shipper pursuant to this Section 4.8, notice thereof shall

be given to Shipper not less than seventy-two (72) hours prior to the effective date of such adjustment.

5. WARRANTY

Shipper warrants for itself, its successors and assigns, that it will have at the time of delivery of Gas and Associated Liquids for transportation hereunder good title or the good right to deliver such Gas and Associated Liquids to HIOS and accept redelivery at Point or Points of Delivery. HIOS warrants for itself, its successors and assigns, that it will, at the time of delivery to others of the Gas and Associated Liquids transported hereunder, have good right to deliver such Gas and Associated Liquids to others. Shipper warrants for itself, and its successors and assigns, that the Gas it warrants hereunder, shall be free and clear of all liens, encumbrances, and claims whatsoever, that it will indemnify HIOS and save HIOS harmless from and against all suits, actions, debts, accounts, damages, costs, losses, and expenses, including HIOS' actual attorney's fees, and cost of defense arising from or out of any adverse claims of any and all persons to said Gas and/or to royalties, taxes, license fees, or charges thereon which are applicable to such delivery of Gas and that it will indemnify HIOS and save it harmless from all taxes or assessments which may be levied and assessed upon such delivery and which are by law payable by, and the obligation of, the party making such delivery.

FORM OF TRANSPORTATION AGREEMENT  
(For Use Under Transporter's Rate Schedule FT-1)

THIS, AGREEMENT, made and entered into as of \_\_\_\_\_, by  
and between HIGH ISLAND OFFSHORE SYSTEM, L.L.C. (Transporter), a limited  
liability company created under the laws of the State of Delaware, and,  
\_\_\_\_\_, (Shipper), a \_\_\_\_\_  
corporation,

WITNESSETH:

WHEREAS, Shipper desires to have gas transported on a firm basis in the High  
Island Offshore System, L.L.C. from offshore Texas and Louisiana on its behalf; and

WHEREAS, Transporter has sufficient capacity available to provide firm  
transportation of gas on behalf of Shipper.

NOW, THEREFORE, in consideration of the premises and the mutual  
covenants herein contained, the parties do covenant and agree as follows:

ARTICLE I

- 1.1 **Obligation to Transportation.** Commencing with the date of initial deliveries hereunder, Transporter shall receive at the Points of Receipt hereunder for the account of Shipper all Gas, together with Associated Liquids, which Shipper may cause to be delivered to it up to Shipper's Maximum Daily Quantity (MDQ), as set forth in Exhibits A and B hereof, and shall be obligated to deliver for the account of Shipper on a firm basis at the Point or Points of Delivery hereunder Equivalent Volumes in the manner and subject to the conditions hereinafter set forth.
- 1.2 **Term.** This Agreement shall become effective on \_\_\_\_\_, \_\_\_\_\_. After this Agreement becomes effective it shall continue in full force and effect for a period of \_\_\_\_\_ from the effective date of such Agreement and from year to year thereafter until this Agreement is terminated as provided in Article I, Section 1.3 or until the dissolution of Transporter.
- 1.3 **Termination.** Either party may elect to terminate this Agreement as of the end of said \_\_\_\_\_ period or as of the end of any succeeding extended annual period by giving written notice to the other party of such election not less than 90 days prior to the termination date designated in such notice.

## ARTICLE II

- 2.1 Point(s) of Receipt. The Point(s) of Receipt shall be those identified on Exhibits A and B hereto.

## ARTICLE III

- 3.1 Point(s) of Delivery. The Point(s) of Delivery shall be those identified on Exhibits A and B hereto.

## ARTICLE IV

- 4.1 Rate Schedule and Charges. Each month, Shipper shall pay Transporter for the service hereunder, an amount determined in accordance with Transporter's Rate Schedule FT-1 and the applicable provisions of the General Terms and Conditions of Transporter's F.E.R.C. Gas Tariff, Fourth Revised Volume No. 1, as filed with the F.E.R.C. Such Rate Schedule and General Terms and Conditions are incorporated herein by reference and are made a part hereof. For all gas delivered to the Point(s) of Receipt in Exhibits A and B hereto and redelivered to Point(s) of Delivery in Exhibits A and B hereto, Shipper shall pay the currently effective rates and charges under Rate Schedule FT-1, as the same may be amended or superseded in accordance with applicable provisions of the Natural Gas Act and the rules and regulations of the F.E.R.C. The rates and charges shall be billed and paid for in accordance with the General Terms and Conditions applicable to Rate Schedule FT-1.
- 4.2 Rate Adjustments. It is agreed that either Transporter or Shipper may seek authorization from time to time from the F.E.R.C. for such rate adjustments as may be found necessary to assure Transporter just and reasonable rates.

## ARTICLE V

- 5.1 Receipt Pressure. The minimum pressure at which Shipper may be requested to deliver gas to Transporter at the Point(s) of Receipt is set forth in Exhibits A and B hereto.
- 5.2 Delivery Pressure. The minimum pressure at which Transporter is required to cause gas to be delivered at the Point(s) of Delivery is set forth in Exhibits A and B hereto.

## ARTICLE VI

- 6.1 Notices. Except as herein otherwise provided, any notice, request, demand, statement, bill, or payment provided for in this Agreement, or any notice which either party may desire to give to the other, shall be in writing and shall be considered as duly delivered when mailed by registered or certified mail return receipt requested to the Post Office Address of the parties hereto as follows:

### TRANSPORTER:

High Island Offshore System  
811 Louisiana, Suite 1200  
Houston, Texas 77002  
Attn: Gas Scheduling

### SHIPPER:

or such other address as either of the parties hereunder shall designate by formal written notice. Routine communications including monthly statements and payments, shall be considered as duly delivered when properly addressed and mailed by either registered, certified or first class mail, postage prepaid.

## ARTICLE VII

- 7.1 Waivers. No waiver by either Shipper or Transporter of any one or more defaults in the performance of any provision hereunder shall operate or be construed as a waiver of any future default or defaults, whether of a like or a different character.

## ARTICLE VIII

- 8.1 Regulations. This Agreement, and all terms and provisions contained herein, and the respective obligations of the parties hereunder are subject to valid laws, orders, rules, and regulations of duly constituted authorities having jurisdiction.

## ARTICLE IX

- 9.1 Assignments. Any company which shall succeed by purchase, merger, or consolidation to the properties, substantially as an entirety, of Shipper, or of Transporter, as the case may be, shall be entitled to the rights and shall be subject to the obligations of its predecessor in title under this Agreement; and either of the parties may assign or pledge this Agreement under the provisions

of any mortgage, deed of trust, indenture, or similar instrument which it has executed or may execute hereafter covering substantially all of its properties; otherwise neither of the parties shall assign this Agreement or any of its rights hereunder unless it first shall have obtained the consent thereto in writing of the other party, provided further, however, that neither of the parties shall be released from its obligations hereunder without the consent of the other.

#### ARTICLE X

- 10.1 **Limitation on Liability of Member.** The parties hereto hereby agree that any claim against the Transporter which may arise hereunder shall be made only against the Transporter and all rights to proceed against the Members therein, individually, or against their assets as a result of such claim or any obligation arising therefrom, is hereby waived.
- 10.2 **Indemnification of Operator.** Shipper shall indemnify and save harmless any Operator of the System, designated by Transporter to operate the System for Transporter as an independent contractor, and such Operator's officers, agents and employees from any claim, demand or expense for loss, damage or injury arising out of or in any way connected with the quality, use or condition of the Gas and Associated Liquids after the delivery from the System.
- 10.3 **Applicable Law.** This Agreement shall be governed by and interpreted in accordance with laws of the State of Delaware.
- 10.4 **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute but one and the same instrument.
- 10.5 **Headings.** The headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.



ARTICLE XI

11.1 Further Agreement.

(Write None or specify the agreement.)

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be  
duly executed in several counterparts by its duly authorized officer as of \_\_\_\_\_,  
\_\_\_\_\_.

High Island Offshore System, L.L.C.  
(A Limited Liability Company)

By \_\_\_\_\_

SHIPPER

By \_\_\_\_\_

FORM OF TRANSPORTATION AGREEMENT  
 (For Use Under Transporter's Rate Schedule FT-1)

EXHIBIT A

Maximum Daily Quantity: \_\_\_\_\_ Dth

Points of Receipt 1/  
 -----

Location	Maximum Daily Long Haul Volume in Dth 2/	Minimum Pressure
-----		-----

Points of Delivery  
 -----

Location	Maximum Daily Long Haul Volume in Dth	Minimum Pressure
-----		-----

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1/ See subsections 6.2 and 6.3 of Section 6 of the General Terms and Conditions for the definitions of Primary Points of Receipt and Secondary Points of Receipt, respectively.

2/ The sum of the Maximum Daily Volumes must equal the Maximum Daily Quantity.

FORM OF TRANSPORTATION AGREEMENT  
 (For Use Under Transporter's Rate Schedule FT-1)

EXHIBIT B

Maximum Daily Quantity: \_\_\_\_\_ Dth

Points of Receipt 1/  
 -----

Location	Maximum Daily Short Haul Volume in Dth 2/	Minimum Pressure
-----	-----	-----

Points of Delivery  
 -----

Location	Maximum Daily Short Haul Dth	Pressure
-----	-----	-----

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1/ See subsections 6.2 and 6.3 of Section 6 of the General Terms and Conditions for the definitions of Primary Points of Receipt and Secondary Points of Receipt, respectively.

2/ The sum of the Maximum Daily Volumes must equal the Maximum Daily Quantity.

RATE SCHEDULE FT-2  
FIRM TRANSPORTATION SERVICE

1. AVAILABILITY

- 1.1 This Rate Schedule is available to any Shipper in the High Island Offshore System (HIOS or Transporter) that requests transportation of gas on a firm basis under this Rate Schedule from HIOS when:
- i. HIOS' pipeline facilities have sufficient available capacity and are able to provide said transportation;
  - ii. Shipper submits a valid request consistent with the requirements of this Rate Schedule and Section 2 of the General Terms and Conditions applicable hereto including providing assurances of Shipper's solvency and ability to perform;
  - iii. Shipper and HIOS have executed a Transportation Agreement for service under this Rate Schedule FT-2 ("FT-2 Agreement");
  - iv. Shipper has executed a Reserve Commitment Agreement with HIOS in the form contained in HIOS'S Tariff;
  - v. Shipper has become a party to the "Gas Allocation Agreement"; and
  - vi. Shipper has executed an NGL Bank Agreement with HIOS and with the Administrator in the form contained in HIOS' Tariff. For any period when there is no corresponding NGL Bank Agreement in effect ("non-compliance period") HIOS is entitled to suspend service on any Transportation Agreement executed with HIOS for service under this rate schedule for the duration of the non-compliance period.

Only gas dedicated pursuant to a Reserve Commitment Agreement is eligible for firm transportation services only under this Rate Schedule FT-2. Shipper shall execute no more than one (1) Transportation Agreement per a Reserve Commitment Agreement.

- 1.2 HIOS shall not be obligated to construct, modify, or acquire facilities to perform transportation services under this Rate Schedule; provided, however, that HIOS may agree on a nondiscriminatory basis to construct, modify, or acquire facilities to enable it to perform such service.

- 1.3 HIOS shall have no obligation to accept any gas for transportation under this Rate Schedule FT-2 unless Shipper (i) agrees to dedicate for delivery into and transportation through HIOS' pipeline facilities all gas produced by or for the account of Shipper, or an affiliate of Shipper which Shipper controls (as defined in Section 1.2 of the Reserve Commitment Agreement), pursuant to the terms of a Reserve Commitment Agreement, from Outer Continental Shelf (OCS) Lease(s) specifically identified and committed to HIOS by the Shipper and having estimated proven recoverable reserves of at least 40 Bcf attributable to Shipper's interests and its affiliates or aggregated with other Shipper(s) interests in such leases which are committed to HIOS pursuant to a Reserve Commitment Agreement (such Lease(s) being referred to herein as "Committed Lease(s)"); and (ii) demonstrates with sufficient information to HIOS' reasonable satisfaction the estimated proven recoverable reserves attributable to Shipper's interest or aggregate committed interests in the Committed Lease(s). Any Shipper with Committed Lease(s) connected into HIOS' system on February 16, 1999, may be eligible for this Rate Schedule if the proven recoverable reserves associated with such Committed Lease(s) are less than 40 Bcf; however, if a Shipper with such Committed Lease(s) also has other Committed Lease(s) that were not connected into HIOS' system on February 16, 1999, then such other Committed Lease(s) must meet the 40 Bcf criteria set forth above.
- 1.4 HIOS shall have no obligation to accept any gas for transportation under this Rate Schedule FT-2 other than the gas produced from working interests of Shipper or its affiliates in the Committed Lease(s) and that is dedicated to HIOS' system under a Reserve Commitment Agreement.

## 2. APPLICABILITY AND CHARACTER OF SERVICE

- 2.1 This Rate Schedule shall apply to firm transportation service rendered by HIOS for Shipper pursuant to Part 284 of the Federal Energy Regulatory Commission's (Commission) Regulations and pursuant to the Service Agreement for transportation service under this Rate Schedule.
- 2.2 Service hereunder shall have a comparable priority with service under Rate Schedule FT-1; and
- 2.3 Pursuant to this rate schedule, HIOS will provide transportation service up to the Maximum Daily Quantity (MDQ) specified in the Transportation Agreement. Shipper may tender Gas to HIOS at the Points of Receipt specified in said Agreement, and HIOS shall receive

such Gas at said Points of Receipt and redeliver an Equivalent Volume for the account of Shipper at the Points of Delivery in said Agreement.

3. GENERAL TERMS AND CONDITIONS

The General Terms and Conditions of this Tariff are applicable to this Rate Schedule.

4. RATES AND CHARGES

4.1 Transportation Charge. Shipper agrees to pay HIOS an amount each month equal to the sum of a reservation charge and a commodity charge which, subject to the provisions of Section 4.2, shall be determined as follows:

- (a) The reservation charge shall be the product of 100% of Shipper's MBQ and Transporter's effective reservation rate per Dth, as applicable, for FT-2 service, as set forth on Sheet No. 10 of this Tariff. For purposes of this calculation, the MBQ shall be equal to the average daily quantity transported during the applicable billing month.
- (b) The commodity charge shall be the sum of the product of the monthly volumes of gas expressed in Dth received by HIOS from Shipper, or for the account of Shipper, at the Points of Receipt set forth in Exhibits A and B of the Transportation Agreement, and HIOS' effective Long Haul or Short Haul commodity rate per Dth, as applicable, as set forth on Sheet NO. 10 of this Tariff.

4.2 Failure to Satisfy Minimum Throughput Obligation.

During each billing month, HIOS will analyze the average throughput level for the production month being billed and the immediately preceding two production months (the "3-Month Period") by dividing the aggregate quantity of gas received for Shipper's account at the Point(s) of Receipt by the number of days in the 3-Month Period. If the result is less than 80% of the average of the MDQ's specified in the FT-2 Agreement for the 3-Month Period, Shipper shall be subject to Reservation and Commodity Charges for the second production month following the 3-Month Period (the "Impacted Month"). In such event, HIOS shall notify Shipper on the invoice submitted for the most recent production month of the 3-Month Period that the average daily throughput has dropped below 80% of the MDQ for the

3-Month Period and advise Shipper of the pending Reservation and Commodity Charges so that Shipper may have an opportunity to release its firm capacity on a temporary basis pursuant to Section 17 of the General Terms and Conditions during the Impacted Month. The billing for the Impacted Month will be the sum of (i) the Long Haul or Short Haul Reservation Charge, as applicable, as set forth on the currently effective Sheet 10 multiplied by 100% of the specified MDQ for the Impacted Month; and (ii) the applicable Commodity Charges set forth on the currently effective Sheet 10 multiplied by the sum of the quantities of gas (in Dth) received for Shipper's account at the Point(s) of Receipt each day of the Impacted Month.

Notwithstanding the above, calculation of the average daily throughput for any 3-Month Period will be adjusted to reflect any reduction in throughput as a result of HIOS being unable to confirm Shipper's nominations due to an incident of Force Majeure claimed by HIOS under Article 13 of the General Terms and Conditions or any limitations hereunder; and provided, further, with respect to committed reserves connected after February 16, 1999, services under this Rate Schedule will be billed for the first six consecutive calendar months, beginning with and including the month in which deliveries are initiated, at the Volumetric Charge, regardless of Shipper's ability to meet the 80% average daily throughput level.

Shipper shall not receive any volumetric credit in the computation of the Shipper's three (3) month average daily throughput for gas transported by a Replacement Shipper relative to Shipper's FT-2 capacity, unless the gas being transported by the Replacement Shipper is produced from Shipper's Committed Lease(s).

- 4.3 Additional Charges. In addition to the charges specified above, Shipper shall pay to HIOS the following charges and such other charges applicable to service hereunder as may be set forth from time to time in the General Terms and Conditions:
- i. Commission and Other Regulatory Fees. Shipper shall reimburse HIOS for all filing, reporting and application fees required by the Commission or any other regulatory body which are related to service provided under this Rate Schedule.
  - ii. If Associated Liquids are transported hereunder for Shipper and HIOS is required by any regulatory agency, from time to time, to allocate a portion of its cost of service to such transportation service or to charge, or impute, a fee for such service, then

Shipper shall reimburse HIOS for such allocated costs or such fee.

- 4.4 **Maximum and Discount Rates.** The rates which are stated on the currently effective Sheet No. 10 set forth the maximum rates applicable to each service provided under this Rate Schedule, and the range represented by the maximum and minimum rates stated for each such service. Shipper shall pay the maximum rates for service under this Rate Schedule unless HIOS, in its reasonable judgment, agrees to discount its rate to Shipper under this Rate Schedule. Any discount agreed to by HIOS and the effective period thereof shall be stated on an executed Exhibit C to the FT-2 Agreement and shall be made on a not unduly discriminatory basis. The rates for service under this Rate Schedule shall not be discounted below the applicable minimum rates specified on the currently effective Sheet No. 10. HIOS shall not be obligated to discount its services in order to provide service to Shipper hereunder.
- 4.5 **Partial Month's Service.** If at the commencement or termination of the Transportation Agreement, service is provided for only a portion of a month, then the Reservation Charge for such month shall be reduced proportionately based on the ratio of the number of days that transportation service was not in effect to the total number of days in such month.
- 4.6 **Authorized Overrun.** In addition to the charges specified above, Shipper agrees, subject to Section 8 of the General Terms and Conditions, to pay HIOS an amount equal to the overrun charge determined as follows:
- The overrun charge shall be the sum of (1) the products of the volumes of gas expressed in Dth received by HIOS from Shipper, at each Point of Receipt set forth in Exhibits A and B of the Transportation Agreement during any day, which are in excess of the Maximum Daily Volume (MDV) for such Point of Receipt, and HIOS' effective Long Haul or Short Haul overrun rate per Dth, as applicable, as set forth on Sheet No. 10 of this Tariff, and (2) the products of the volumes expressed in Dth received by HIOS from Shipper.
- 4.7 **Unauthorized Overrun.** HIOS shall notify Shipper orally of any unauthorized overrun service that is occurring for Shipper, and shall immediately confirm such notification by facsimile or similar means. If unauthorized service occurs on a non-Critical Day, Shipper shall pay HIOS a penalty of \$2.00 per Dth, or the current Spot Market Price for the Offshore Texas region as reported in Natural Gas Week, whichever



is higher, for any such unauthorized daily overrun not terminated within 24 hours of HIOS' oral notification. If unauthorized service occurs on a Critical Day, Shipper shall pay HIOS a penalty of \$10.00 per Dth, or the current Spot Market Price for the Offshore Texas region as reported in Natural Gas Week, whichever is higher, for any such unauthorized daily overrun not terminated within 24 hours of HIOS' oral notification. Such penalty payments shall be paid to HIOS in addition to the charges otherwise payable by Shipper under this or the appropriate Rate Schedule. HIOS shall credit to non-offending Shippers all unauthorized overrun penalty revenues received under this section in accordance with Section 27 of the General Terms and Conditions of this Tariff. HIOS may waive, in whole or in part, any overrun penalty provided for herein, if, in HIOS' sole discretion, such penalty was incurred due to circumstances beyond Shipper's control.

- 4.8 Required Reports. HIOS 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 provisions for discounts and any other information which may be required.
- 4.9 Rate Changes. Subject to any rights or limitations imposed by additional Transportation Agreement provisions agreed to by Shipper and Transporter, Transporter may from time to time and at any time selectively adjust any or all of the rates charged to any individual Shipper for which a Maximum Rate and Minimum Rate are stated on Sheet No. 10 of this Tariff; provided, however, that such adjusted rate(s) shall not exceed the applicable Maximum Rate(s), nor shall they be less than the Minimum rate(s), set forth on such sheets. Transporter shall have the right to charge the Maximum Rate at any time as a condition of service under an existing Agreement. Transporter shall make all information filings required by the Commission's regulations with respect to any charges at less than the Maximum Rate. Whenever Transporter adjusts the rate to be charged to a Shipper pursuant to this Section 4.8, notice thereof shall be given to Shipper not less than seventy-two (72) hours prior to the effective date of such adjustment.

## 5. REQUESTS FOR FT-2 TRANSPORTATION SERVICE

- 5.1 Any party desiring transportation service under Rate Schedule FT-2 must provide to HIOS the information required by Section 2 of the General Terms and Conditions and the following information in order to qualify for transportation service:

- i. **Production Profile.** The MDQ to be transported shall be supported by a life of reserves production forecast for the Committed Lease(s) prepared by Shipper or the operator(s) of the Committed Lease(s), which reflects production build-up and expected production throughout the life of the lease. Shipper may request a separately stated MDQ under its FT-2 Agreement for specified delivery periods of not less than 3 consecutive months, hereinafter the "Delivery Periods"; provided, however, such separately stated MDQs must be supported by a life of reserves production forecast for the Committed Lease(s) provided hereunder; and provided further, that the MDQ shall not be less than 1,000 Mcf per day or the dekatherm equivalent thereof during any specified Delivery Period. In addition, the proposed commencement and termination dates of service shall be consistent with and supported by the production forecast submitted pursuant to this section.
- ii. **Technical Data.** Subject to the execution of a mutually acceptable confidentiality agreement, Shipper's production profile shall be accompanied by either (A) technical data necessary to support the production profile and demonstrate that Shipper's requested MDQs and the term of service are supported by the production profile, or (B) a report issued by an engineering firm mutually agreeable to HIOS and Shipper, supporting Shipper's production profile, requested MDQs and term of service. If Shipper elects to establish its production profile and MDQs with a report from an engineering firm in accordance with (B) above, then Shipper shall furnish to such engineering firm all information Shipper is required to submit to HIOS under this Rate Schedule FT-2 and such other technical data as may be appropriate to enable the engineering firm to provide to HIOS an opinion that on the basis of such data Shipper's production profile, requested MDQs and term of service appear reasonable. The cost of such engineering report shall be borne by Shipper.
- iii. **Committed Lease(s).** Information provided shall include identification of the OCS Lease(s) that define the Committed Lease(s), Shipper's interest therein, supporting documentation of estimated proven recoverable reserves from the Committed Lease(s) and production development plans, including facilities design capacity.
- iv. **Certification of Title.** Shipper must provide documentation or certification showing with respect to the Committed Lease(s):

(i) that it has good title to the gas, that it has the requisite control of an Affiliate's gas or that it has an effective contractual right to acquire title for the life of the reserves; and  
(ii) that it has entered into all necessary arrangements to assure that the upstream and/or downstream transportation will be in place prior to the commencement of service. HIOS shall not be obligated to provide service at any requested Point of Receipt or Delivery without sufficient information to support the certification made in (ii) above.

- v. Prepayment. Requests for firm transportation hereunder must be accompanied by a prepayment in the amount of the lesser of the first three months' reservation charge or \$200,000, provided however that HIOS may, in its sole discretion, waive such prepayment on a non-discriminatory basis. The prepayment of the reservation charge shall be credited to Shipper's first months of service, or it shall be refunded following either a determination that HIOS is unable to provide service or the FT-2 Agreement tendered to Shipper is not executed within 30 days.

## 6. MAXIMUM DAILY QUANTITY ADJUSTMENTS

- 6.1 Prior to the initiation of service under Shipper's FT-2 Agreement, HIOS may request an update of the production profile submitted in accordance with Section 5 above. Thereafter, at least six (6) months prior to the beginning of each full calendar year during which Shipper's FT-2 Agreement is in effect, Shipper shall update its production profile, if so requested by HIOS, to support its MDQs and, when available, provide an actual production history for its Committed Lease(s) and an update of its technical data, which may be used by HIOS in evaluating the reasonableness of Shipper's proposed MDQs for each Delivery Period. HIOS may, in its sole discretion, waive the requirement to update production profiles during the first two full calendar years during which Shipper's FT-2 Agreement is in effect. Shipper shall reduce its MDQs as may be appropriate based on the updated production profile throughout the life of the lease. MDQs may be increased based on the updated production profile only to the extent firm capacity on the system is available and not previously committed to another Shipper as determined by HIOS hereunder. If firm capacity is not available, Shipper may request that such MDQ increase supported by its production profile update be placed in HIOS' firm service queue, and HIOS will place it in the firm service queue as a pending request as of the date of Shipper's update. HIOS shall have the right to require Shipper to reduce its MDQs based on an updated production profile, and HIOS and Shipper shall amend

Exhibits A and B to the FT-2 Agreement to conform the MDQs with the updated production profile, subject to the availability of capacity. Any changes in MDQs under this Section shall be effective January 1 of each year, provided that Shipper has provided HIOS with a timely update of the production profile as provided herein. When considering a system expansion or evaluating a Shipper's request to increase its MDQ or a Shipper's request for a permanent release of quantities of production from Committed Lease(s) under the Reserve Commitment Agreement, HIOS may request that Shipper update its production information to support its MDQs.

- 6.2 No more than one time in any calendar year, if in HIOS'S reasonable judgment the submitted estimated production profile (including updates) and MDQs provided in Section 5.1 or Section 6.1 are not reasonable, then, subject to a mutually acceptable confidentiality agreement, HIOS and Shipper shall meet and review the associated technical data that is the basis for the estimated production profile submitted by Shipper. HIOS and Shipper shall make a good faith attempt to concur on an estimated production profile which shall be utilized pursuant to this Section. If the parties cannot reach agreement on an estimated production profile and MDQs, then the technical data shall be supplied to a mutually agreeable engineering firm to develop an estimated production profile which shall be utilized pursuant to this Section. Such engineering firm shall not have been previously retained by Shipper or and other Shipper(s) holding an interest in the Committed Lease(s) for any analysis of the Committed Lease(s) prior to the Shipper or other Shipper(s) entering into their respective FT-2 Agreement. All such engineering firm costs shall be equally borne by Shipper and HIOS. Upon completion of such engineering firm report, HIOS and Shipper shall amend Exhibits A and B to the FT-2 Agreement to reflect the MDQs supported by such production profile to the extent capacity on the system is available.
- 6.3 Shipper shall have the right for any reason, at any time and from time to time, to permanently change in whole or in part, the MDQs under its FT-2 Agreement, for any Delivery Period(s) set forth on Exhibit A hereto, on six (6) months prior written notice to HIOS; provided, however, that the MDQ shall not be less than 1,000 Mcf per day or the dekatherm equivalent thereof during any specified Delivery Period and, further, any increase in MDQ under the FT-2 Agreement shall be subject to availability of firm capacity on the system as determined by HIOS hereunder. Notwithstanding anything herein to the contrary, if at any time a federal lessor elects pursuant to its lease with Shipper to take in kind its royalty share of gas produced from the Exhibit A leases, Shipper's MDQ shall be adjusted upon thirty (30) Days written notice

by Shipper, to a level that reflects Shipper's working interest share of gas, net of such royalty gas taken by the federal lessor. If the federal lessor elects to take royalties-in-kind for a period of time, and then the federal lessor elects to stop taking royalties-in-kind, or in the event a federal lessor provides notice to Shipper of its intent to take royalties-in-kind, but does not actually take royalties-in-kind, then Shipper's MDQ shall be increased upon thirty (30) Days written notice by Shipper, to a level that reflects Shipper's full working interest share of such gas, subject to available capacity. HIOS reserves the right to require Shipper to provide HIOS with evidence of the federal lessor's election to take Shipper's gas as royalties-in-kind, including but not limited to receipts, invoices, or notices.

- 6.4 After the second contract quarter of the first contract year of any Service Agreement executed after October 1, 2006, if, over any Delivery Period during which HIOS' pipeline is not fully subscribed on a firm basis, Shipper's average daily throughput on HIOS exceeds one-hundred twenty percent (120%) of Shipper's applicable MDQ for such Delivery Period (an "Excess Delivery Period"), then HIOS shall have the right to require Shipper to increase its MDQ for the remainder of the contract year, and in such event Shipper shall elect for the remainder of the contract year either: (a) a quantity increased by the percentage increase in actual shipments under its FT-2 Service Agreement over the sum of Shipper's applicable MDQs for each day of the Excess Delivery Period identified by Transporter, or (b) a quantity equal to the difference between the quantity actually shipped by Shipper under its FT-2 Service Agreement during the Excess Delivery Period identified by Transporter and the sum of Shipper's applicable MDQ for each day of such Delivery Period. Shipper shall be required to make such election upon receipt of HIOS' notice. Notice of Shipper's election shall be provided to HIOS by the next Day following receipt of HIOS' notice and the increase shall become effective on the first Day of the Delivery Period next following HIOS' notice to Shipper. The increase shall remain in effect for the remainder of the contract year, at which time the MDQ previously in effect shall apply, subject to Transporter providing a subsequent notice hereunder requiring an increase in MDQ for another contract year. In the event that Shipper fails to make a timely election following receipt of HIOS' notice, Shipper shall be deemed to have elected to increase its MDQ in accordance with the methodology set forth in (a) above.
- 6.5 In the event: (i) firm capacity is required to accommodate new shippers who have requested firm capacity and such capacity is unavailable, or (ii) HIOS plans a facility expansion to increase mainline capacity, then HIOS shall have the right to request an updated production profile from

any shipper, subject to the provisions of Section 6.2, and to adjust, if applicable, the MDQ of such shipper as set forth in this Article VI.

7. WARRANTY

Shipper warrants for itself, its successors and assigns, that it will have at the time of delivery of Gas and Associated Liquids for transportation hereunder good title or the good right to deliver such Gas and Associated Liquids to HIOS at the Point(s) of Receipt and accept redelivery at the Point(s) of Delivery. HIOS warrants for itself, its successors and assigns, that it will, at the time of delivery to others of the Gas and Associated Liquids transported hereunder, have good right to deliver such Gas and Associated Liquids to others. Shipper warrants for itself, and its successors and assigns, that the Gas it warrants hereunder, shall be free and clear of all liens, encumbrances, and claims whatsoever, that it will indemnify HIOS and save HIOS harmless from and against all suits, actions, debts, accounts, damages, costs, losses, and expenses, including HIOS' actual attorney's fees, and cost of defense arising from or out of any adverse claims of any and all persons to said Gas and/or to royalties, taxes, license fees, or charges thereon which are applicable to such delivery of Gas and that it will indemnify HIOS and save it harmless from all taxes or assessments which may be levied and assessed upon such delivery and which are by law payable by, and the obligation of, the party making such delivery.

FORM OF TRANSPORTATION AGREEMENT  
(For Use Under Transporter's Rate Schedule FT-2)

THIS, AGREEMENT, made and entered into as of between HIGH ISLAND OFFSHORE SYSTEM, L.L.C. (Transporter), a limited liability company under the laws of the State of Delaware, and, \_\_\_\_\_, (Shipper), a \_\_\_\_\_ Corporation,

WITNESSETH:

WHEREAS, Shipper desires to have gas transported on a firm basis in the High Island Offshore System, L.L.C. from offshore Texas and Louisiana on its behalf; and

WHEREAS, Shipper has executed a Reserve Commitment Agreement with Transporter to dedicate gas produced from Committed Leases to Transporter's pipeline system; and

WHEREAS, Transporter has sufficient capacity available to provide firm transportation of gas on behalf of Shipper.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties do covenant and agree as follows:

ARTICLE I

- 1.1 **Obligation to Transportation.** Commencing with the date of Initial deliveries hereunder, Transporter shall receive at the Points of Receipt hereunder for the account of Shipper all Gas, together with Associated Liquids, which Shipper may cause to be delivered to it up to Shipper's Maximum Daily Quantity (MDQ), as set forth in Exhibits A and B hereof, and shall be obligated to deliver for the account of Shipper on a firm basis at the Point(s) of Delivery hereunder Equivalent Volumes in the manner and subject to the conditions hereinafter set forth.
- 1.2 **Term.** This Agreement shall become effective on \_\_\_\_\_, \_\_\_\_ and remain in full force and effect until the earlier of (i) the effective date of the surrender pursuant to the notice given by, or on behalf of Shipper, to the federal governmental body having authority, of the surrender of the last of the Committed Lease(s) listed in the Reserve Commitment Agreement, or (ii) until the Committed Lease(s) are released from dedication pursuant to the provisions of the Reserve Commitment Agreement.

## ARTICLE II

- 2.1 Point(s) of Receipt. The Point(s) of Receipt shall be those identified on Exhibits A and B hereto.

## ARTICLE III

- 3.1 Point(s) of Delivery. The Point(s) of Delivery shall be those identified on Exhibits A and B hereto.

## ARTICLE IV

- 4.1 Rate Schedule and Charges. Each month, Shipper shall pay Transporter for the service hereunder, an amount determined in accordance with Transporter's Rate Schedule FT-2 and the applicable provisions of the General Terms and Conditions of Transporter's F.E.R.C. Gas Tariff, Fourth Revised Volume No. 1, as filed with the F.E.R.C. Such Rate Schedule and General Terms and Conditions are incorporated herein by reference and are made a part hereof. For all gas delivered to the Point(s) of Receipt in Exhibits A and B hereto and redelivered to Point(s) of Delivery in Exhibits A and B hereto, Shipper shall pay the currently effective rates and charges under Rate Schedule FT-2 as the same may be amended or superseded in accordance with applicable provisions of the Natural Gas Act and the rules and regulations of the F.E.R.C. The rates and charges shall be billed and paid for in accordance with the General Terms and Conditions applicable to Rate Schedule FT-2.
- 4.2 Rate Adjustments. It is agreed that Transporter may seek authorization from time to time from the F.E.R.C. for such rate adjustments as may be found necessary to assure Transporter just and reasonable rates.

## ARTICLE V

- 5.1 Shipper shall deliver gas to HIOS at the Point(s) of Receipt at operating pressures that exist from time to time in HIOS' system, not to exceed the MAOP at such Point(s) of Receipt, but shall not be required to deliver the gas at a pressure greater than that set forth in Exhibits A and B. If Shipper desires to deliver gas at the Point(s) of Receipt at a higher operating pressure, then HIOS shall have the right but not the obligation, to receive the gas at such higher operating pressure.
- 5.2 HIOS shall cause Shipper's gas to be delivered at the Point(s) of Delivery at such pressures as may exist at such Point(s) of Delivery from time to time, but shall not be required to deliver the gas at a pressure greater than that set forth in Exhibits A and B hereto.



## ARTICLE VI

- 6.1 Notices. Except as herein otherwise provided, any notice, request, demand, statement, bill, or payment provided for in this Agreement, or any notice which either party may desire to give to the other, shall be in writing and shall be considered as duly delivered when mailed by registered or certified mail return receipt requested to the Post Office Address of the parties hereto as follows:

TRANSPORTER:  
High Island Offshore System, L.L.C.  
811 Louisiana, Suite 1200  
Houston, Texas 77002

Attn: Gas Scheduling

SHIPPER:

or such other address as either of the parties hereunder shall designate by formal written notice. Routine communications including monthly statements and payments, shall be considered as duly delivered when properly addressed and mailed by either registered, certified or first class mail, postage prepaid.

## ARTICLE VII

- 7.1 Waivers. No waiver by either Shipper or Transporter of any one or more defaults in the performance of any provision hereunder shall operate or be construed as a waiver of any future default or defaults, whether of a like or a different character.

## ARTICLE VII

- 8.1 Regulations. This Agreement, and all terms and provisions contained herein, and the respective obligations of the parties hereunder are subject to valid laws, orders, rules, and regulations of duly constituted authorities having jurisdiction.

## ARTICLE IX

- 9.1 Assignments. Any company which shall succeed by purchase, merger, or consolidation to the properties, substantially as an entirety, of Shipper, or of

Transporter, as the case may be, shall be entitled to the rights and shall be subject to the obligations of its predecessor in title under this Agreement; and either of the parties may assign or pledge this Agreement under the provisions of any mortgage, deed of trust, indenture, or similar instrument which it has executed or may execute hereafter covering substantially all of its properties; otherwise neither of the parties shall assign this Agreement or any of its rights hereunder unless it first shall have obtained the consent thereto in writing of the other party, provided further, however, that neither of the parties shall be released from its obligations hereunder without the consent of the other.

#### ARTICLE X

- 10.1 **Limitation on Liability of Member.** The parties hereto agree that any claim against the Transporter which may arise hereunder shall be made only against the Transporter and all rights to proceed against the Members therein, individually, or against their assets as a result of such claim or any obligation arising therefrom, is hereby waived.
- 10.2 **Indemnification of Operator.** Except where Operator's own negligence or willful misconduct is the cause, Shipper shall indemnify and save harmless any Operator of the System, designated by Transporter to operate the System for Transporter as an independent contractor, and such Operator's officers, agents and employees from any claim, demand or expense for loss, damage or injury arising out of or in any way connected with the quality, use or condition of the Gas and Associated Liquids after the delivery from the System.
- 10.3 **Applicable Law.** This Agreement shall be governed by and interpreted in accordance with laws of the State of Delaware.
- 10.4 **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute but one and the same instrument.
- 10.5 **Headings.** The headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

ARTICLE XI

11.1 Further Agreement.

(Write None or specify the agreement.)

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be  
duly executed in several counterparts by its duly authorized officer as of

\_\_\_\_\_, \_\_\_\_.

High Island Offshore System, L.L.C.  
(A Limited Liability Company)

By

\_\_\_\_\_

SHIPPER

By

\_\_\_\_\_

FORM OF TRANSPORTATION AGREEMENT  
 (For Use Under Transporter's Rate Schedule FT-2)  
 (Continued)

EXHIBIT A

Maximum Daily Quantity: \_\_\_\_\_ Dth

Points of Receipt 1/  
 -----

Location	Maximum Daily Long Haul Volume in Dth 2/	Minimum Pressure
-----	-----	-----

Points of Delivery  
 -----

Location	Maximum Daily Long Haul Volume in Dth	Minimum Pressure
-----	-----	-----

1/ See subsections 6.2 and 6.3 of Section 6 of the General Terms and Conditions for the definitions of Primary Points of Receipt and Secondary Points of Receipt, respectively.

2/ The sum of the Maximum Daily Volumes must equal the Maximum Daily Quantity.

FORM OF TRANSPORTATION AGREEMENT  
 (For Use Under Transporter's Rate Schedule FT-2)  
 (Continued)

EXHIBIT B

Maximum Daily Quantity: \_\_\_\_\_ Dth

Points of Receipt 1/  
 -----

Location	Maximum Daily Short Haul Volume in Dth 2/	Minimum Pressure
-----	-----	-----

Points of Delivery  
 -----

Location	Maximum Daily Short Haul Volume in Dth	Minimum Pressure
-----	-----	-----

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1/ See subsections 6.2 and 6.3 of Section 6 of the General Terms and Conditions for the definitions of Primary Points of Receipt and Secondary Points of Receipt, respectively.

2/ The sum of the Maximum Daily Volumes must equal the Maximum Daily Quantity.

RATE SCHEDULE IT  
INTERRUPTIBLE TRANSPORTATION SERVICE

1. AVAILABILITY

This rate schedule is available to any Shipper in the High Island Offshore System, L.L.C. (HIOS or Transporter) for the transportation of gas on an interruptible basis, subject to available capacity in accordance with Section 7.8 of the General Terms and Conditions, where: (1) the Shipper has demonstrated, to HIOS' reasonable satisfaction, that it is creditworthy in accordance with Section 5 of the General Terms and Conditions; (2) the Shipper has executed a Transportation Agreement with HIOS for interruptible service; (3) the Shipper has become a party to the "Gas Allocation Agreement"; and (4) the Shipper has executed an NGL Bank Agreement with HIOS and with the Administrator in the form contained in HIOS' Tariff. For any period when there is no corresponding NGL Bank Agreement in effect ("non-compliance period") HIOS is entitled to suspend service on any Transportation Agreement executed with HIOS for service under this rate schedule for the duration of the non-compliance period.

2. APPLICABILITY AND CHARACTER OF SERVICE

2.1 This rate schedule shall apply to all natural gas transported under a Transportation Agreement executed with HIOS for interruptible service under this rate schedule.

2.2 Pursuant to this rate schedule, HIOS will transport gas for Shipper up to the Maximum Daily Quantity (MDQ) specified in the Transportation Agreement (Agreement). Shipper may tender gas to HIOS at the Points of Receipt specified in the Agreement, and HIOS shall receive such gas at said Points of Receipt and redeliver an Equivalent Volume for the account of Shipper at the Points of Delivery specified in said agreement. If at any time, the capacity in HIOS is insufficient to transport all of Shipper's nominations as well as nominations of all other Shippers on HIOS, HIOS will allocate capacity among all shippers in accordance with the Preliminary Statement of this Tariff and Section 7.8 of the General Terms and Conditions.

3. GENERAL TERMS AND CONDITIONS

The General Terms and Conditions of this Tariff are applicable to this rate schedule.

#### 4. RATES AND CHARGES

- 4.1 Transportation Charge. Shipper agrees to pay HIOS an amount each month equal to the transportation charge determined as follows:

The transportation charge shall be the sum of the product of the monthly volumes of gas expressed in Dth received by HIOS from Shipper, or for the account of Shipper, at the Points of Receipt set forth in Exhibits A and B of the Transportation Agreement, and HIOS' effective Long Haul or Short Haul interruptible transportation rate per Dth, as applicable, as set forth on Sheet No. 10 of this Tariff.

- 4.2 Minimum Monthly Bill. None

- 4.3 Authorized Overrun. In addition to the charges specified above, Shipper agrees, subject to Section 8 of the General Terms and Conditions, to pay HIOS an amount equal to the overrun charge determined as follows:

The overrun charge shall be the sum of the products of the volumes of gas expressed in Dth received by HIOS from Shipper, or for the account of Shipper, at each Point of Receipt set forth in Exhibits A and B of the Transportation Agreement during any day, which are in excess of the Maximum Daily Volume (MDV) for such Point of Receipt, and HIOS' effective Long Haul or Short Haul overrun rate per Dth, as applicable, as set forth on Sheet No. 10 of this Tariff.

- 4.4 Unauthorized Overrun. HIOS shall notify Shipper verbally of any unauthorized overrun service that is occurring for Shipper, and shall immediately confirm such notification by facsimile or similar means. If such unauthorized service occurs on a Critical Day, Shipper shall pay HIOS a penalty of \$2.00 per Dth or the current Spot Market Price for the offshore Texas region as reported in "Natural Gas Week", whichever is higher, for any unauthorized daily overrun not terminated within 24 hours of HIOS' notification. Such penalty payments shall be paid to HIOS in addition to the charges otherwise payable by Shipper under this or the appropriate Rate Schedule. HIOS shall credit to non-offending Shippers all unauthorized overrun penalty revenues received under this section in accordance with Section 27 of the General Terms and Conditions of this Tariff. HIOS may waive, in whole or in part, any overrun penalty provided for herein if in HIOS' sole discretion, such penalty was incurred due to circumstances beyond Shipper's control.

- 4.5 Transportation of Associated Liquids. If Associated Liquids are transported hereunder for Shipper and HIOS is required by any regulatory agency, from time to time, to allocate a portion of its cost of service to such transportation service or to charge, or impute, a fee for such service, then Shipper shall reimburse HIOS for such allocated costs and such fee.
- 4.6 Commission and Other Regulatory Fees. Shipper shall reimburse HIOS for all filing, reporting and application fees required by the Commission or any other regulatory body which are related to service provided under this Rate Schedule.
- 4.7 Rate Changes. Subject to any rights or limitations imposed by additional Transportation Agreement provisions agreed to by Shipper and Transporter, Transporter may from time to time and at any time selectively adjust any or all of the rates charged to any individual Shipper for which a Maximum Rate and Minimum Rate are stated on Sheet No. 10 of this Tariff; provided, however, that such adjusted rate(s) shall not exceed the applicable Maximum Rate(s), nor shall they be less than Minimum Rate(s), set forth on such sheets. Transporter shall have the right to charge the Maximum Rate at any time as a condition for new service or for continuation of service under an existing Agreement. Transporter shall make all information filings required by the Commission' regulations with respect to any charges at less than the Maximum Rate. Whenever Transporter adjusts the rate to be charged to a Shipper pursuant to this Section 4.7, notice thereof shall be given to Shipper not less than seventy-two (72) hours prior to the effective date of such adjustment.

5. WARRANTY

Shipper warrants for itself, its successors and assigns, that it will have at the time of delivery of Gas and Associated Liquids for transportation hereunder good title to deliver such Gas and Associated Liquids to HIOS and accept redelivery at Point or Points of Delivery. HIOS warrants for itself, its successors and assigns, that it will, at the time of delivery to others of the Gas and Associated Liquids transported hereunder, have good right to deliver such Gas and Associated Liquids to others. Shipper warrants for itself, its successors and assigns, that the Gas it warrants hereunder shall be free and clear of all liens, encumbrances, and claims whatsoever, that it will indemnify HIOS and save HIOS harmless from and against all suits, actions, debts, accounts, damages, costs, losses, and expenses, including HIOS' actual attorney's fees, and cost of defense arising from or out of any adverse claims of any and all persons to said Gas and/or to royalties, taxes, license fees, or charges thereon which are applicable to such delivery of Gas and that it will



indemnify HIOS and save it harmless from all taxes or assessments which may be levied and assessed upon such delivery and which are by law payable by, and the obligation of, the party making such delivery.

FORM OF TRANSPORTATION AGREEMENT  
(For Use Under Transporter's Rate Schedule IT)

THIS, AGREEMENT, made and entered into as of \_\_\_\_\_, by  
and between HIGH ISLAND OFFSHORE SYSTEM, L.L.C. (Transporter), a general  
partnership created under the laws of the State of Delaware, and,  
\_\_\_\_\_ (Shipper), a  
\_\_\_\_\_ corporation,

WITNESSETH:

WHEREAS, Shipper desires to have gas transported on an interruptible basis in  
the High Island Offshore System, L.L.C. from offshore Texas and Louisiana on its  
behalf; and

WHEREAS, Transporter may have interruptible capacity available to provide  
transportation of gas on behalf of Shipper.

NOW, THEREFORE, in consideration of the premises and the mutual  
covenants herein contained, the parties do covenant and agree as follows:

ARTICLE I

- 1.1 Obligation to Transportation. Commencing with the date of initial deliveries hereunder, Transporter shall receive at the Points of Receipt hereunder for the account of Shipper all Gas, together with Associated Liquids, which Shipper may cause to be delivered to it up to Shipper's Maximum Daily Quantity (MDQ) as set forth in Exhibits A and B hereof, and shall be obligated to deliver for the account of Shipper on an interruptible basis at the Point or Points of Delivery hereunder Equivalent Volumes in the manner and subject to the conditions hereinafter set forth.
- 1.2 Term. This Agreement shall become effective on \_\_\_\_\_, \_\_\_\_\_. After this Agreement becomes effective it shall continue in full force and effect for a period of \_\_\_\_\_ from the effective date of such Agreement and from year to year thereafter until this Agreement is terminated as provided in Article I, Section 1.3 or until the dissolution of Transporter.
- 1.3 Termination. Either party may elect to terminate this Agreement as of the end of said \_\_\_\_\_ period or as of the end of any succeeding extended annual

period by giving written notice to the other party of such election not less than 90 days prior to the termination date designated in such notice.

## ARTICLE II

- 2.1 Point(s) of Receipt. The Point(s) of Receipt shall be those identified on Exhibits A and B hereto.

## ARTICLE III

- 3.1 Point(s) of Delivery. The Point(s) of Delivery shall be those identified on Exhibits A and B hereto.

## ARTICLE IV

- 4.1 Rate Schedule and Charges. Each month, Shipper shall pay Transporter for the service hereunder, an amount determined in accordance with Transporter's Rate Schedule IT and the applicable provisions of the General Terms and Conditions of Transporter's F.E.R.C. Gas Tariff, Fourth Revised Volume No. 1, as filed with the F.E.R.C. Such rate schedule and General Terms and Conditions are incorporated herein by reference and are made a part hereof. For all gas delivered to the Point(s) of Receipt in Exhibits A and B hereto and redelivered to Point(s) of Delivery in Exhibits A and B hereto, Shipper shall pay the effective rates and charges under Rate Schedule IT, as the same may be amended or superseded in accordance with applicable provisions of the Natural Gas Act and the rules and regulations of the F.E.R.C. The rates and charges shall be billed and paid for in accordance with the General Terms and Conditions applicable to Rate Schedule IT.
- 4.2 Rate Adjustments. It is agreed that either Transporter or Shipper may seek authorization from time to time from the F.E.R.C. for such rate adjustments as may be found necessary to assure Transporter just and reasonable rates.
- 5.1 Receipt Pressure. The minimum pressure at which Shipper may be requested to deliver gas to Transporter at the Point(s) of receipt is set forth in Exhibits A and B hereto.
- 5.2 Delivery Pressure. The minimum pressure at which Transporter is required to cause gas to be delivered at the Point(s) of Delivery is set forth in Exhibits A and B hereto.

## ARTICLE VI

- 6.1 Notices. Except as herein otherwise provided, any notice, request, demand, statement, bill, or payment provided for in this Agreement, or any notice which either party may desire to give to the other, shall be in writing and shall be considered as duly delivered when mailed by registered or certified mail return receipt requested to the Post Office Address of the parties hereto as follows:

### TRANSPORTER:

High Island Offshore System  
811 Louisiana, Suite 1200  
Houston, Texas 77002

Attn: Gas Scheduling

### SHIPPER:

or such other address as either of the parties hereunder shall designate by formal written notice. Routine communications including monthly statements and payments, shall be considered as duly delivered when properly addressed and mailed by either registered, certified or first class mail, postage prepaid.

## ARTICLE VII

- 7.1 Waivers. No waiver by either Shipper or Transporter of any one or more defaults in the performance of any provision hereunder shall operate or be construed as a waiver of any future default or defaults, whether of a like or a different character.

## ARTICLE VIII

- 8.1 Regulations. This Agreement, and all terms and provisions contained herein, and the respective obligations of the parties hereunder are subject to valid laws, orders, rules, and regulations of duly constituted authorities having jurisdiction.

## ARTICLE IX

- 9.1 Assignments. Any company which shall succeed by purchase, merger, or consolidation to the properties, substantially as an entirety, of Shipper, or of Transporter, as the case may be, shall be entitled to the rights and shall be subject to the obligations of its predecessor in title under this Agreement; and either of the parties may assign or pledge this Agreement under the provisions of any mortgage, deed of trust, indenture, or similar instrument which it has executed or may execute hereafter covering substantially all of its properties; otherwise neither of the parties shall assign this Agreement or any of its rights hereunder unless it first shall have obtained the consent thereto in writing of the other party, provided further, however, that neither of the parties shall be released from its obligations hereunder without the consent of the other.

## ARTICLE X

- 10.1 Limitation on Liability of Member. The parties hereto hereby agree that any claim against the Transporter which may arise hereunder shall be made only against the Transporter and all rights to proceed against the Members therein, individually, or against their assets as a result of such claim or any obligation arising therefrom, is hereby waived.
- 10.2 Indemnification of Operator. Shipper shall indemnify and save harmless any Operator of the System, designated by Transporter to operate the System for Transporter as an independent contractor, and such Operator's officers, agents and employees from any claim, demand or expense for loss, damage or injury arising out of or in any way connected with the quality, use or condition of the Gas and Associated Liquids after the delivery from the System.
- 10.3 Applicable Law. This Agreement shall be governed by and interpreted in accordance with laws of the State of Delaware.
- 10.4 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute but one and the same instrument.
- 10.5 Headings. The headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

ARTICLE XI

11.1 Further Agreement.

(Write None or specify the agreement.)

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be  
duly executed in several counterparts by its duly authorized officer as of

\_\_\_\_\_, \_\_\_\_.

High Island Offshore System, L.L.C.  
(A Limited Liability Company)

By \_\_\_\_\_

SHIPPER

By \_\_\_\_\_

FORM OF TRANSPORTATION AGREEMENT  
 (For Use Under Transporter's Rate Schedule IT)  
 (Continued)

EXHIBIT A

Maximum Daily Quantity: \_\_\_\_\_ Dth

Points of Receipt 1/  
 -----

Location	Maximum Daily Long Haul Dth 2/	Pressure
-----	-----	-----

Points of Delivery  
 -----

Location	Maximum Daily Long Haul Volume in Dth	Minimum Pressure
-----	-----	-----

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1/ See subsections 6.2 and 6.3 of Section 6 of the General Terms and Conditions for the definitions of Primary Points of Receipt and Secondary Points of Receipt, respectively.

2/ The sum of the Maximum Daily Volumes must equal the Maximum Daily Quantity.

FORM OF TRANSPORTATION AGREEMENT  
 (For Use Under Transporter's Rate Schedule IT)  
 (Continued)

EXHIBIT B

Maximum Daily Quantity: \_\_\_\_\_ Dth

Points of Receipt 1/  
 -----

Location	Maximum Daily Short Haul Volume in Dth 2/	Minimum Pressure
-----	-----	-----

Points of Delivery  
 -----

Location	Maximum Daily Short Haul Volume in Dth	Minimum Pressure
-----	-----	-----

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1/ See subsections 6.2 and 6.3 of Section 6 of the General Terms and Conditions for the definitions of Primary Points of Receipt and Secondary Points of Receipt, respectively.

2/ The sum of the Maximum Daily Volumes must equal the Maximum Daily Quantity.



**PART III**  
**GENERAL TERMS AND CONDITIONS**

1. DEFINITIONS

- 1.1 The term "Administrator" shall mean SPL Incorporated or its successor-in-interest to the NGL Bank Agreement.
- 1.1A The term "Associated Liquids" shall mean condensate (without free water) produced in conjunction with the production of Gas to be transported in the System and liquefiable hydrocarbons contained in such Gas but not including oil.
- 1.2 The term "Btu" shall mean one (1) British thermal unit, the amount of heat required to raise the temperature of one (1) pound of water one (1) degree Fahrenheit at sixty (60) degrees Fahrenheit. (Btu is measured on a dry basis at 14.73 psia).
- 1.3 The term "Maximum Daily Quantity" shall mean the aggregate of the Maximum Daily Volumes of Gas, expressed in Dth per day, which HIOS, subject to Rate Schedules FT-1, FT-2, and IT and the terms and provisions of the Transportation Agreement executed by HIOS and the Shipper, has agreed to accept for transportation for the account of Shipper from the Points of Receipt as set forth in Exhibits A and B of the Transportation Agreement.
- 1.4 The term "Central Time" shall mean Central Clock Time, which includes the recognition of Daylight Savings Time.
- 1.5 The term "Day" or "Gas Day" shall mean a period of 24 consecutive hours, ending at 9:00 a.m. Central Time.
- 1.6 The term "Equivalent Volumes" shall mean the sum of the volumes of Gas as expressed in Dth received by HIOS for the account of Shipper at the Points of Receipt identified in Exhibits A and B of the Transportation Agreement during any given period of time, reduced by the Company Use Percentage described in Section 28.
- 1.7 The term "F.E.R.C." or "Commission" shall mean the Federal Energy Regulatory Commission or any Commission, agency or other federal governmental body succeeding substantially to the powers of such Commission.
- 1.8 The term "Gas" shall mean natural gas, including casinghead gas produced with crude oil, gas from gas wells and gas from condensate wells.

- 1.9 The term "Gas Allocation Agreement" shall mean the Agreement dated May 15, 1978 between HIOS and the Shippers which provides the method for the measuring, for the sharing of Unaccounted for Gas, and for the allocation of Equivalent Volumes received at the delivery points set forth in the Agreement. Should there be any inconsistency between the provisions of the Gas Allocation Agreement and the provisions of this tariff, then the provisions of this tariff shall control.
- 1.10 The term "Heat Content" shall mean the number of Btu's produced by the complete combustion at constant pressure of the amount of anhydrous Gas which would occupy a volume of one cubic foot at a temperature of sixty (60) degrees Fahrenheit and a absolute pressure at 14.73 Psia.
- 1.11 The term "Mcf" shall mean one thousand (1,000) cubic feet of Gas; the term MMcf shall mean one million (1,000,000) cubic feet of Gas. (Mcf is measured on a dry basis at 14.73 psia and 60 degrees Fahrenheit).
- 1.12 The term "Dth" or "Dekatherm" shall mean 1,000,000 Btu.
- 1.13 The term "Month" shall mean the period beginning at 9:00 a.m. Central Time on the first day of a calendar month and ending at the same hour on the first day of the next succeeding calendar month.
- 1.14 The term "Pro Rata Share" shall mean the ratio that the volume of Gas delivered to HIOS by or for the account of Shipper bears to the total volume of Gas delivered to HIOS by all shippers for transportation in the System during any given period of time.
- 1.15 The term "Short Haul Volumes" shall mean all volumes from offshore blocks delivered to HIOS transmission facilities located north of High Island Block 264 and at or south of West Cameron Block 167.
- 1.16 The term "Long Haul Volumes" shall mean all volumes from offshore blocks delivered to HIOS gathering facilities located at or south of High Island Block 264.
- 1.17 The term "Currently Effective Contract Demand" shall mean the aggregate of the maximum daily volumes of Gas, expressed in Dth per day, which HIOS is obligated to accept for transportation for the account of each firm shipper under HIOS' F.E.R.C. Gas Tariff, Fourth Revised Volume No. 1.

- 1.18 The term "System" shall mean the pipeline and related facilities at the time owned by HIOS.
- 1.19 The term "Unaccounted for Gas" shall mean the difference between the sum of all input volumes of Gas to the System and the sum of all output volumes of Gas from the System, which difference shall include but shall not be limited to Gas vented (other than gas vented pursuant to Section 7.13) and Gas used and accounted for in pipeline operations, and Gas lost as a result of an event of force majeure, the ownership of which cannot be reasonably identified, adjusted to such degree as is practicable for variations in Gas volumes due to the transportation of Associated Liquids during any given period of time.
- 1.20 The term "Maximum Daily Volumes" shall mean a maximum daily volume (MDV) of Gas and Associated Liquids, expressed in Dth, stipulated by Shipper and HIOS from time to time for delivery at each Point of Receipt or Point of Delivery, the aggregate of all such stipulated MDVs at Points of Receipt or Points of Delivery, respectively, not to exceed the MDQ.
- 1.21 The term "Operator" shall mean the entity selected by HIOS and which has entered into a service agreement with HIOS to operate the HIOS system.
- 1.22 The term "Business Day" shall mean Monday through Friday, excluding Federal Banking holidays.
- 1.23 The term "Authorized Overrun" shall mean nominations of a Shipper, in excess of contract MDV's, that HIOS is obligated to schedule and transport, to the extent of available capacity, under Section 7.8 of the General Terms and Conditions.
- 1.24 The term "Unauthorized Overrun" shall mean a delivery of gas to any HIOS receipt point, by a HIOS shipper, without a nomination for service at that receipt point, as authorized by HIOS in whole or in part under the scheduling provisions of Section 7.8 of the General Terms and Conditions.
- 1.25 The term "Spot Market Price" shall mean the cost of gas as reported in the Natural Gas Week, Gas Price Report, Texas Gulf Coast, Offshore.
- 1.26 The term "nomination period" shall mean that period of time that the Shipper includes in a nomination for gas service. All nominations must include begin and end dates which shall not exceed the term of the Shipper's contract, and shall not be less than one day.

- 1.27 The term "Nominating Agent" shall mean the party, other than the Shipper, who has been designated in writing by the Shipper to act as Shipper's agent in providing nominations and nomination changes to the Transporter, and to be responsible for all other nomination related activities. Transporter will assume that the designated Nominating Agent will remain the same from month to month, until otherwise changed or revoked in writing by the Shipper.
- 1.28 The term "Designated Allocator" shall mean the production operator at the individual HIOS measurement point, or an alternate party designated by the production operator, who will be responsible for providing HIOS with the required predetermined allocations at such HIOS measurement point.
- 1.29 The term "Predetermined Allocation (PDA)" shall mean the method determined by the Designated Allocator and provided to HIOS in accordance with Sections 7.6 and 7.7 of the General Terms and Conditions to be used by HIOS in allocating the actual gas volumes delivered for the Shippers' accounts from the individual HIOS measurement points to the respective HIOS Receipt Points.
- 1.30 The term "scheduled volume" or "scheduled nomination" shall mean a volume that has been nominated by Shipper and confirmed by HIOS in accordance with Sections 7.2, 7.3 and 7.4 of the General Terms and Conditions, hereof.
- 1.31 The term "Critical Day" shall mean a day during which, in HIOS' judgment (1) conditions exist that could threaten the safe operation or integrity of the HIOS system or (2) steps must be taken to maintain the operations required to provide efficient and reliable firm service of the system.
- 1.32 The term "Primary Path" shall mean the shortest distance along contiguous HIOS-owned facilities deemed to transport Gas from the Primary Points of Receipt to the Primary Points of Delivery.
- 1.33 The term "Compressor Fuel" shall mean the quantity of gas required by HIOS for compressor operations.
- 1.34 The term "Company Use" shall mean the sum of Compressor Fuel plus Unaccounted For Gas.

- 1.35 The term "Company Use Variance" or "CUV" shall mean the variance between the Company Use collected from all Shippers and the actual Company Use during the same period.
- 1.36 The term "Monthly Billing Quantity", or "MBQ", shall be the contractual quantity to be multiplied by the service rate under each firm service Rate Schedule, using the methodology as provided in the applicable Rate Schedule, for purposes of calculating the monthly Bill due to Shipper under such Rate Schedule.

## 2. REQUESTS FOR TRANSPORTATION SERVICE

2.1 Requests. To seek to qualify for Transportation Service pursuant to Rate Schedules FT-1, FT-2, or IT, a potential Shipper shall submit a request for such Service in writing to the Transporter on a Request Form supplied by Transporter. Transporter will time and date stamp each Request Form on the date Transporter receives the completed Request Form. Transporter shall evaluate and respond to such requests as soon as is reasonably possible, after receipt of such request. Such a Request shall be considered acceptable only if the information specified in subsections 2.2(a) through (j) below is provided in writing, but Transporter may waive all or a portion of such information in individual instances, when the information is already in possession of Transporter. Each request for service under Rate Schedule FT-1, and FT-2, by or on behalf of each proposed Shipper, user or reseller of gas shall be accompanied by refundable earnest money in the form of a certified or cashier's check payable to HIOS in the amount of the lesser of ten thousand dollars (\$10,000) or the maximum reservation charge which would be due for the first three months for such requested service, which amount shall be applied, until fully used, against the first amounts due by Shipper to Transporter as a reservation charge; provided, however, that if an Agreement with Shipper is not executed, such amount shall be refunded to Shipper.

Requests for service shall be sent to:

High Island Offshore System, L.L.C.  
Attn: Gas Scheduling  
811 Louisiana, Suite 1200  
Houston, Texas 77002

### 2.2 Form of Requests for Transportation

#### 2.2(a) Valid Request

Each request, to be considered as an acceptable and valid request, must furnish the portion of the information set forth below that is designated "Required Information" on the Request Form, and the remainder of the information on such form shall be furnished at the same time or soon thereafter. The Request Form "High Island Offshore System, L.L.C.'s Transportation Service Request Form" is set forth on Sheet Nos. 176-179 and may be changed from time to time and reissued by Transporter.

2.2(b) Requester's Identification (required if Requester is different than Shipper)

- i. Name, address, representative and telephone number of party requesting service.
- ii. The affiliation, if any, of the party requesting service with HIOS or with any of the Members in HIOS.

2.2(c) Shipper's Identification

(Note: the "Shipper" is the party which proposes to execute the Transportation Agreement).

- i. Name, address, representative and telephone number(s) of Shipper(s).
- ii. The nature of the Shipper(s) (i.e., an interstate pipeline, intrastate pipeline, local distribution company, end-user, producer, or marketer).
- iii. The state in which Shipper is organized or incorporated.
- iv. The affiliation, if any, of the Shipper(s) with HIOS or with any of the Members in HIOS.

2.2(d) Type of service(s) requested

Specify whether desired service is under Rate Schedule FT-1, FT-2, or Rate Schedule IT.

2.2(e) Quantity (stated in Dths)

- i. Maximum Daily Quantity (MDQ) to be transported.
- ii. Maximum Daily Volume (MDV), expressed in Dth, to be transported by Point of Receipt. The sum of the MDV's must equal the MDQ.
- iii. For Transportation Service under Rate Schedules FT-1, FT-2, and IT, the Maximum Daily Quantity at each Point of Delivery. (It is recognized that limitations of quantities



received at individual Point(s) of Receipt may need to be imposed by Transporter, in light of capacity limitations of

Point(s) of Receipt and/or pipeline facilities connected thereto.)

- iv. Amount of Associated Liquids, if any, at each Point of Receipt (state in barrels per 1,000 Dth).
- v. Total quantity of Gas requested to be transported over the life of the transportation agreement, defined as the MDQ times the number of days of the requested initial term.

2.2(f) Point(s) of Receipt

Location of Point(s) of Receipt, at each Point of Receipt described.

2.2(g) Point(s) of Delivery

Location of Point(s) of Delivery and the name of the party which will receive the Gas from Transporter at each Point of Delivery described.

2.2(h) Certified Statement

A certified statement that the Shipper has, or will have, by the time of execution of an Agreement with Transporter, title to the Gas or right to deliver the Gas which is to be Transported and owns facilities or has contractual rights which will cause such Gas to be delivered to and received from Transporter.

2.2(i) Term of Service

- i. Date service is requested to commence.
- ii. Date service is requested to terminate.

2.2(j) Source/Use of Gas

- i. Whether the supplier of the Gas to be transported is affiliated with HIOS or with any of the Members in HIOS and, if so, the extent of such affiliation (if known).

- ii. The producing area by block and by point of measurement which is the source of the Gas requested to be transported.
- iii. The state where the ultimate end user of Gas will use such Gas.

#### 2.2(k) Credit Evaluation

- i. Shipper's Bank References.
- ii. Shipper should submit year end audited financial statements of Shipper together with the latest quarterly report.
- iii. Shipper's Affiliates, including parent, subsidiaries of parent and of such subsidiaries, and subsidiaries of Shipper.
- iv. In the event proceedings have been commenced by or against such Shipper for any relief under any bankruptcy or insolvency law, or any law relating to the relief of debtors, readjustment composition or extension; or in the event a decree or order of a court having jurisdiction in the premises for the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of such Shipper, or of a substantial part of its property, or for the winding up or liquidation of its affairs, shall have been entered, or any substantial part of the property of such shipper shall be sequestered or attached and shall not be returned to the possession of such Shipper or released from such attachment within thirty (30) days thereafter; or in the event such Shipper shall make a general assignment for the benefit of creditors or shall admit in writing its inability to pay its debts generally as they become due, Shipper shall be required to fully disclose any and all actions regarding the above described proceedings against Shipper or related parties defined in (iii) above, in its request for service.

#### 2.2(l) Sale by Affiliated Marketer

If the Shipper(s) is affiliated with HIOS or any of the Members in HIOS, and will be marketing the Gas to be transported, a statement whether and by how much the cost of the Gas to the Shipper(s) exceeds the price to be received for the sale of the Gas by the Shipper(s), after deducting

associated costs, including those incurred for transportation (i.e., whether and by how much the Gas will be sold at a loss).

### 2.3 Subsequent Information

If any of the events or actions described in 2.2(k)(iv) above, shall be initiated or imposed during the term of service hereunder, Shipper shall provide notification thereof to Transporter within two (2) business days of any such initiated or imposed event or action. Shipper shall also provide, forthwith, such additional Shipper credit information as may be reasonably required by Transporter, at any time during the term of service hereunder, to determine Shipper's creditworthiness. Also refer to Section 5 of these General Terms and Conditions.

2.4 Request Validity. Shipper's Request for Transportation Service shall be considered null and void if Transporter has tendered an Agreement for execution to Shipper and Shipper fails to execute the Agreement within thirty (30) days thereafter. In determining whether it is feasible to execute an Agreement, in light of available capacity, relative to service under Rate Schedules FT-1, and FT-2, after provision for existing requirements on its system, operating constraints and pending requests for service, Transporter will not tender an agreement which relates to requests for firm service for which it does not have sufficient available capacity, relative to service under Rate Schedules FT-1, and FT-2, or service which Shipper does not desire to or cannot begin within fifteen (15) days after the execution of the agreement, or such other period as the parties may agree to in writing.

2.5 Shipper's Performance. If a Shipper that has executed an Agreement for interruptible transportation service fails, on the later of the date service is to commence or 30 days after the Shipper executes the Agreement or the completion of construction of any necessary facilities or the issuance of any necessary governmental authorization, to nominate, pursuant to Section 7.2 of these General Terms and Conditions, a quantity of Gas for transportation, or fails, having nominated a quantity of Gas and Transporter having scheduled the quantity for transportation, pursuant to Section 7.8 of these General Terms and Conditions, to tender such Gas for transportation on the date it is scheduled, the Transporter may terminate Shipper's Agreement and the Shipper's request for service shall be deemed null and void; provided, however, that the Shipper's Agreement shall not

be terminated nor shall the Shipper's request for service be deemed null and void if the Shipper's failure to nominate or tender is caused by an event of force majeure on Transporter's system, as defined in Section 13 of these General Terms and Conditions.

- 2.6 Complaints. In the event that a Shipper or potential Shipper has a complaint relative to service under this Tariff, the Shipper shall provide a written description of the complaint, including the identification of the transportation request, and send it to:

High Island Offshore System, L.L.C.  
Attn: Gas Scheduling  
811 Louisiana, Suite 1200  
Houston, Texas 77002

Transporter will respond to any such complaint verbally within 48 hours after receipt of the complaint. In the initial response, Transporter will acknowledge receipt of the complaint and request any additional information that is needed to process the complaint. Within thirty days from the day of receipt of a written complaint, Transporter will respond to the complaint in writing advising Shipper of the disposition of the complaint.

- 2.7 Information: Any person may request information on the pricing or other terms of transportation service and/or capacity availability by contacting the following official:

High Island Offshore System, L.L.C.  
Attn: Gas Scheduling  
811 Louisiana, Suite 1200  
Houston, Texas 77002  
(713) 860-2541

Such information may also be available to parties having authorized access to Transporter's Interactive Internet Website, as further described in Section 20.

### 3. MEASUREMENT

- 3.1 Unit of Measurement and Metering Base. The volumetric measurement base shall be one cubic foot of Gas at a pressure base of 14.73 pounds per square inch absolute, and a temperature base of 60 degrees Fahrenheit (on a dry basis).
- 3.2 The unit of gas received and delivered by Transporter shall be 1 Dth. The number of Dth shall be determined by multiplying the number of standard cubic feet of gas measured on the measurement basis described in this section, by the total Heating Value of such gas in Btu per standard cubic foot as defined in Section 4.2 below, and by dividing the product by 1 million (1,000,000). For reporting purposes, Btu conversion factors should be reported to not less than 3 decimal places and 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.
- 3.3 Atmospheric Pressure. The average absolute atmospheric (barometric) pressure shall be assumed to be 14.73 pounds per square inch, irrespective of actual elevation or location of the points of measurement above sea level or variations in actual barometric pressure from time to time.
- 3.4 Temperature. The temperature of the Gas shall be determined at each point of measurement by means of a properly installed recording thermometer or temperature transmitter of standard manufacture acceptable to both parties.
- 3.5 Specific Gravity. The specific gravity of the Gas shall be determined at each point of measurement by continuous sampler or other methods mutually agreeable to both parties.
- 3.6 Supercompressibility. The supercompressibility of the Gas (deviation from the laws for ideal gases) shall be determined by one of the following methods:
- 3.6(a) By use of Burnett type apparatus. Such determination shall be made within 60 days of commencement of service under Rate Schedules FT-1, FT-2, and IT and annually thereafter.
- 3.6(b) Or, if agreeable to Shipper, by use of the tables or formulas published in the applicable American Gas Association Report referred to in Section 3.6. Determinations of the molecular percentage of nitrogen and carbon dioxide in the Gas will be

made within 30 days of commencement of deliveries under Rate Schedules FT-1, FT-2, and IT and at least quarterly thereafter. The molecular percentage of nitrogen and carbon dioxide thus determined will be used to determine the supercompressibility factors during the ensuing period with corrections for specific gravity, temperature and pressure.

- 3.7 Measuring Equipment. Unless otherwise agreed upon, Shipper will cause to be provided, maintained, and operated necessary offshore platforms and measuring and regulating stations equipped with flow meters, continuous gas sampler and other necessary measuring equipment by which its volumes of gas delivered to HIOS hereunder shall be determined. Unless otherwise agreed upon, HIOS shall cause to be installed, operated and maintained at its expense a measuring and regulating station or stations equipped with flow meters, gas analyzer and other necessary measuring equipment for the measurement of gas redelivered to or for the account of Shipper; such measuring and regulating stations shall be so installed at the northern terminus of the System or one shall be installed at each of two mutually agreeable points onshore in the vicinity of Johnson's Bayou and Lower Mud Lake, Louisiana to provide measurement on a compatible basis. All flow, measuring, testing, and related equipment shall be of standard manufacture and type approved by HIOS, and the size, type, and specifications of such equipment shall also be approved by HIOS before same is fabricated and installed. In the event Shipper fails to comply with HIOS' measurement standards for installation and for operation and maintenance of such facilities, as described in Sections 3.7, 3.8 and 6.6, HIOS reserves its right to suspend service for noncompliance at any time during the term of the agreement, to preserve the control, operation and accurate gas measurement on its system. Either of the parties may install check measuring equipment, provided that such equipment shall be so installed as not to interfere with the operation of the other. Shipper and HIOS, in the presence of each other, shall have access to all measuring equipment at all reasonable times, but the reading, calibrating and adjusting thereof shall be done by the Operator, unless otherwise agreed upon. Shipper and HIOS shall have the right to be present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with all measuring equipment. The records from such measuring equipment shall remain the property of their owner, but upon request, either party will cause to be submitted to the other records, together with calculations therefrom, for inspection, subject to return within 30 days after receipt thereof. Reasonable care shall be exercised in the installation, maintenance, and operation of measuring equipment

so as to avoid any inaccuracy in the determination of the volume of Gas received and delivered.

3.7(a) Turbine Meters. Turbine meters, shall be installed, and Gas volumes computed, in accordance with Transmission Measurement Committee Report No. 7 of the American Gas Association, latest edition. Calibration of turbine meters shall be at or near normal operating pressure, against standards adopted by HIOS. The measured volumes of gas shall be adjusted to reflect the deviation of Gas Volumes from the ideal gas law.

The average pressure, temperature, specific gravity, and carbon dioxide and nitrogen content for the period under consideration shall be determined so as to calculate a factor for volumetric adjustment known as the supercompressibility factor, and its application to volume calculations to effect volumetric adjustment, shall be in accordance with in Transmission Measurement Committee Reports No. 7, Turbine Metering, or such subsequent industry standard that may be developed and adopted by HIOS.

3.7(b) Orifice Meters. Orifice meters, if used, shall be installed and gas volumes computed, in accordance with the American Gas Association Report No. 3, latest edition.

3.7(c) Electronic Flow Computers. It is recognized that electronic flow computers will be utilized for the direct computation of Gas flows without the use of charts.

3.7(d) Densitometers. If a densitometer is used, the density of the Gas shall be determined to the nearest .001 of a pound. Calibration shall be done as directed by HIOS.

3.7(e) New Measurement Techniques. If at any time during the term hereof, a new method or technique is developed with respect to Gas measurement or the determination of the factors used in such Gas measurement, such new method or technique may be substituted upon mutual agreement thereto by the parties.

3.8 Location of Check Measuring Equipment. Shipper will cause to be provided, free of expense to HIOS, the necessary space on offshore platforms for the installation of check measuring or electronic equipment and such other equipment, as may be necessary, for the proper control and operation of the System. Shipper will also grant to

HIOS, or cause to be granted, the right of access to said platforms. HIOS will indemnify Shipper and hold it harmless from any claims, suits, or other actions of any kind resulting from any negligent or unauthorized use or access granted relative to the said platforms.

- 3.9 Calibration and Testing of Meters. The accuracy of all measuring equipment shall be verified by the owner thereof at reasonable intervals, and if requested, in the presence of representatives of the other party hereunder, but neither Shipper nor HIOS shall be required to verify the accuracy of such equipment more frequently than once in any 30-day period. If either party at any time desires a special test of any measuring equipment, it will promptly notify the other, and the parties shall then cooperate to secure a prompt verification of the accuracy of such equipment. Transportation and related expenses incurred by Shipper or HIOS involved in the testing of meters at offshore locations shall be borne by the party incurring such expenses.
- 3.10 Correction of Metering Errors. If, upon any test, any measuring equipment is found to be in error, such errors shall be taken into account in a practical manner in computing the deliveries. If the resultant aggregate error in the computed receipts or deliveries is not more than 2 percent, then previous receipts or deliveries shall be considered accurate. All equipment shall, in any case, be adjusted at the time of test to record correctly. If, however, the resultant aggregate error in computed receipts or deliveries exceeds 2 percent at a recording corresponding to the average hourly rate of gas flow for the period since the last preceding test, the previous recordings of such equipment shall be corrected to zero error for any period which is known definitely or agreed upon, but in no event shall such period be greater than 6 months. In case the period is not known definitely or agreed upon, such correction shall be for a period extending over one-half of the time elapsed since the date of the last test, not exceeding a correction period of 16 days.
- 3.11 Failure of Measuring Equipment. In the event any measuring equipment is out of service, or is found registering inaccurately and the error is not determinable by test, or by previous recordings, receipts or deliveries through such equipment shall be estimated:
- 3.11(a) By using the registration of any check meter or meters, if installed and accurately registering, or in the absence of (a);
- 3.11(b) By correcting the error if the percentage of error is ascertainable by calibration, special test, or mathematical calculation, or in the absence of both (a) and (b) then;



3.11(c) By estimating the quantity of receipt or delivery based on receipts or deliveries during preceding periods under similar conditions when the measuring equipment was registering accurately.

Provided, however, that estimates of receipts or deliveries determined in accordance with Section 3.11 herein, shall in no event cover a period of time greater than 6 months from the date such failure of measuring equipment under this section is known definitely or agreed upon.

- 3.12 Measurement Corrections. The cutoff for the closing of measurement is five (5) business days after the business month. If an error is discovered in the measured quantities, claim therefor shall be made within six (6) months of the production month in which the claimed error occurred. The time for dispute or resolution of the claim shall be three (3) months from the date the claim is made. If there is an agreement as to the amount of an error, any adjustment shall be made within thirty (30) days of the determination thereof. Such time limits shall not apply in the case of deliberate omission or misrepresentation, or mutual mistake of fact.
- 3.13 Preservation of Records. Shipper and HIOS shall preserve for a period of at least three years, or for such other period as may be permitted by public authority, all test data, charts, and other similar records, but not less than 24 months.

#### 4. GAS QUALITY

- 4.1 Treatment of Gas. Unless otherwise agreed, the Gas delivered at the Points of Receipt and the Points of Delivery hereunder shall be Gas which has not been processed for the removal of liquefiable hydrocarbons; provided, however, that HIOS may subject or permit the subjection of said Gas to compression, cooling, cleaning, or other processes to such an extent as maybe required in HIOS' sole opinion for its transmission from the Points of Receipt to the Points of Delivery.

Nothing contained herein shall be construed so as to prevent the use of conventional separation equipment, including low temperature wellhead separation units, prior to the delivery of gas to HIOS hereunder.

Nothing contained herein shall be construed as giving HIOS the right to extract liquefiable hydrocarbons except those hydrocarbons which are necessarily removed in any cleaning process required in the transmission of the Gas in its pipeline system.

- 4.2 Heating Value. The Heat Content of the Gas delivered at the points of receipt and the points of delivery set forth in the Transportation Agreement shall not be less than 967 Btu per cubic foot when determined on a dry basis. The Heat Content of the Gas received at each point of receipt, and the Heat Content of the Gas delivered at each point of delivery shall be determined, at least monthly using continuous sampling at the northern terminus of the System and at each other offshore point of measurement by use of a continuous sampler or other methods mutually agreed upon by Transporter and Shipper. For the purposes of scheduling receipts and deliveries, the Heat Content of the Gas so determined at each such point of measurement shall be deemed to remain constant for such point until the next determination.

- 4.3 Freedom from Objectionable Matter. The gas received and delivered:

4.3(a) Shall be commercially free from dust or other solid or liquid matter which might interfere with its merchantability or cause injury to or interference with proper operation of the lines, regulators, meters, and other equipment of HIOS;

4.3(b) Shall not contain more than one grain of hydrogen sulphide per 100 cubic feet of gas, as determined by methods prescribed in Standards of Gas Service, Circular of the National Bureau of Standards, No. 405, page 134 (1934 edition), and shall be

considered free from hydrogen sulphide if a strip of white filter paper, moistened with a solution containing five (5) percent by weight of lead acetate, is not distinctly darker than a second paper freshly moistened with the same solution, after the first paper has been exposed to the Gas for 1-1/2 minutes in an apparatus of approved form, through which the Gas is flowing at the rate of approximately five cubic feet per hour, the Gas from the jet not impinging directly upon the test paper; or the hydrogen sulphide content may be determined by an instrument of approved type and by approved methods when mutually agreeable to the parties.

- 4.3(c) Shall not contain more than 20 grains of total sulphur (including the sulphur in any hydrogen sulphide and mercaptans) per 100 cubic feet;
  - 4.3(d) Shall not at any time have an oxygen content in excess of one percent by volume, and the parties hereto shall make every reasonable effort to keep the Gas free of oxygen;
  - 4.3(e) Shall contain not more than seven (7) pounds of water vapor per million cubic feet of gas;
  - 4.3(f) Shall not contain more than three (3) percent by volume of carbon dioxide; provided, however, that Shipper will in any event inject corrosion inhibitor in accordance with standards established by HIOS;
  - 4.3(g) Shall be delivered at a temperature not in excess of 120 degrees Fahrenheit or less than 65 degrees Fahrenheit;
  - 4.3(h) Shall not contain more than three (3) percent by volume of nitrogen.
- 4.4 Failure to Meet Receipt Specifications. Should any Gas tendered for delivery to HIOS hereunder fail at any time to conform to any of the specifications of this Article,

HIOS shall notify Shipper of any such failure, and HIOS may at its options suspend all or a portion of the receipt of any such Gas, and HIOS shall be relieved of its obligations hereunder for the duration of such time as the Gas does not meet such specifications.

- 4.5 Failure to Meet Delivery Specifications. Should the Gas tendered for delivery by HIOS hereunder fail at any time to conform to any of the specifications of this Article, HIOS shall make a diligent effort to correct such failure by treatment not prohibited by these General Terms and Conditions and consistent with prudent operations and by means which are economically feasible in HIOS' opinion so as to deliver Gas conforming to the above specifications.
- 4.6 Commingling. It is recognized that Gas delivered by Shipper will be commingled with the Gas of others in the System. Accordingly, the Gas of Shipper shall be subject to such changes in Btu value as may result from such commingling. Equivalent Volumes, as referenced in the Transportation Agreement, and as defined in Article IV, Section 4.1, 4.2 and 4.3 of the Gas Allocation Agreement, will be redelivered for the account of Shipper.

## 5. CREDITWORTHINESS

- 5.1 HIOS shall not be required to perform or to continue to perform service under Rate Schedules FT-1, FT-2, and IT on behalf of any Shipper who is or has become insolvent, or who, at HIOS' request, fails within a reasonable period to demonstrate in HIOS' reasonable determination, the ability to pay all anticipated transportation charges when due for at least three (3) months from the time of demonstration; provided, however, such Shipper may receive service under Rate Schedules FT-1, FT-2, and IT if Shipper prepays for such service or furnishes good and sufficient security, as determined by HIOS in its reasonable discretion, in an amount equal to the cost of performing the service requested by Shipper for a three month period, such cost to be determined by multiplying the Shipper's MDQ by the number of days in such three month period multiplied by the applicable overrun rate per Dth, as set forth on Sheet No. 10 of this Tariff. Also refer to Section 2.2(k) and 10.2 of these General Terms and Conditions.
- 5.2 If HIOS requests additional information to be used for credit evaluation after the initiation of service, HIOS, contemporaneous with the request, should provide its reason(s) for requesting the additional information to the Shipper and designate to whom the response should be sent. HIOS and the Shipper may mutually agree to waive the requirements of this standard.
- 5.3 Upon receipt of either an initial or follow-up request from HIOS for information to be used for creditworthiness evaluation, the Shipper's authorized representative(s) should acknowledge receipt of HIOS's request. HIOS and the Shipper may mutually agree to waive the requirements of this standard.
- 5.4 The Shipper's authorized representative(s) should respond to HIOS's request for credit information, as allowed by HIOS's tariff, on or before the due date specified in the request. The Shipper should provide all the credit information requested by HIOS or provide the reason(s) why any of the requested information was not provided.
- 5.5 Upon receipt from the Shipper of all credit information provided pursuant to applicable NAESB WGQ standards, HIOS should notify the Shipper's authorized representative(s) that it has received such information. HIOS and the Shipper may mutually agree to waive the requirements of this standard.
- 5.6 The Shipper should designate up to two representatives who are authorized to receive notices regarding the Shipper's creditworthiness, including requests for additional information, pursuant to the applicable NAESB WGQ standards and should provide to HIOS the Internet e-mail addresses of such representatives prior to the initiation of service. Written requests and responses

should be provided via Internet E-mail, unless otherwise agreed to by the parties. The obligation of HIOS to provide creditworthiness notifications is waived until the above requirement has been met. The Shipper should manage internal distribution of any creditworthiness notices that are received.

HIOS should designate, on its Internet website or in written notices to the Shipper, the Internet e-mail addresses of up to two representatives who are authorized to receive notices regarding the Shippers' creditworthiness. The Shipper's obligation to provide confirmation of receipt is met by sending such confirmation to such representatives, and HIOS should manage internal distribution of any such confirmation.

- 5.7 At any time after the Shipper is determined to be non-creditworthy by HIOS, the Shipper may initiate a creditworthiness re-evaluation by HIOS. As part of the Shipper's re-evaluation request, the Shipper should either update or confirm in writing the prior information provided to HIOS related to the Shipper's creditworthiness. Such update should include any event(s) that the Shipper believes could lead to a material change in the Shipper's creditworthiness.
- 5.8 After HIOS's receipt of a Shipper's request for re-evaluation, including all required information pursuant to NAESB WGQ Standard 0.3.8 ("Shipper's Request"), within five (5) Business Days, HIOS should provide a written response to the Shipper's Request. Such written response should include either a determination of creditworthiness status, clearly stating the reason(s) for HIOS's decision, or an explanation supporting a future date by which a re-evaluation determination will be made. In no event should such re-evaluation determination exceed twenty (20) Business Days from the date of the receipt of the Shipper's Request unless specified in HIOS's tariff or if the parties mutually agree to some later date.
- 5.9 In complying with the creditworthiness related notifications pursuant to the applicable NAESB WGQ standards, the Shipper(s) and HIOS may mutually agree to other forms of communication in lieu of Internet E-mail notification.

## 6. RECEIPT AND DELIVERY

- 6.1 Points of Receipt. The Points of Receipt hereunder shall be the points of connection between the facilities of HIOS and the facilities of the Shippers or others, as listed on Sheet No. 9 of this Tariff, where Shippers shall deliver, or cause to be delivered, Gas to HIOS for transportation service. HIOS will make all Points of Receipt available to all Shippers, either as Primary Points of Receipt or Secondary Points of Receipt, as defined in subsections 6.2 and 6.3 of this Section 6.
- 6.2 Primary Points of Receipt. Primary Points of Receipt are those points set forth on Exhibits A and B of the Transportation Agreement for which an MDV is stated.
- 6.3 Secondary Points of Receipts. Secondary Points of Receipt are all Points of Receipt on the System available to Shipper other than the Primary Points of Receipt as specified in Shipper's FT-1 or FT-2 Service Agreement.
- 6.4 Changes in Primary Points of Receipt or MDV. An FT-1, or FT-2 Shipper shall from time to time notify HIOS in writing of its desire for an additional Primary Point of Receipt or for a change in the MDV at an existing Primary Point of Receipt; provided, however, that the requested changes or additions in the MDV at such Points of Receipt shall not result in the sum of the MDV at each Point of Receipt in Exhibits A and B to exceed the MDQ of the Transportation Agreement. Such request for change shall be subject to the capacity provisions described in Sections 3 and 4 of the Preliminary Statement and HIOS shall have fifteen (15) days from receipt of Shipper's written request to evaluate the change with respect to capacity availability. To the extent capacity is available at the desired Point of Receipt, such capacity shall be available within one (1) business day after the fifteen (15) day evaluation period. Exhibits A and B of the Transportation Agreement shall be amended and executed by the parties to reflect the authorized change.
- 6.5 Receipt Point Priority. The priority of use for Primary Points of Receipt and Secondary Points of Receipt is set forth in subsection 7.9 of Section 7, Scheduling Requirements.
- 6.6 New Physical Interconnections. Where a Shipper requesting changes for a new physical interconnection, rather than an existing interconnection, utilizes the last remaining subsea tap and sidevalve assembly at that HIOS location, an identical sidevalve assembly will be left at the Shipper's expense for future interconnection. The

establishment of such additional sidevalve assembly shall be at the expense of Shipper and Shipper shall reimburse HIOS for any installation expense incurred, but all facilities so installed for HIOS shall be under the exclusive ownership and control of HIOS. Metering and other facilities upstream of the subsea tap and sidevalve assembly shall be the responsibility of Shipper.

- 6.7 Points of Delivery. The Points of Delivery hereunder shall be points of connection between HIOS and ANR Pipeline at West Cameron Block 167, the U-T Offshore System at West Cameron Block 167, the Tennessee Gas Pipeline Company System at West Cameron Block 167, and Stingray Pipeline at High Island Block A-330. HIOS shall make these Points of Delivery available to any Shipper, to the extent Shipper has made prior transportation arrangements with the downstream pipeline interconnected with HIOS, and HIOS receives a confirmation from the downstream pipeline of its acceptance of Shipper's gas for delivery.
- 6.8 Primary Points of Delivery. Primary Points of Delivery are those points set forth on Exhibits A and B of the Transportation Agreement for which an MDV is stated.
- 6.9 Secondary Points of Delivery. Secondary Points of Delivery are all Points of Delivery on HIOS' System other than Primary Points of Delivery as defined in subsection 6.8 of this Section 6.



### **GT&C Section 7**

#### **7. SCHEDULING REQUIREMENTS**

- 7.1 Nominating Agent. Shipper may designate a Nominating Agent, to manage nominations relative to transportation service on Shipper's behalf. Shipper shall provide HIOS with written notification, communicated by mail or facsimile, specifying the name, address, telephone number, and facsimile number of the Nominating Agent. Nominating Agent who has been designated to nominate and schedule transportation service for more than one Shipper may provide aggregate nominations(s) for multiple Shippers. HIOS is authorized to rely on nominations and scheduling information provided by Shipper's Nominating Agent. By designating Nominating Agent, Shipper agrees to indemnify and hold HIOS harmless from all suits, actions, debts, accounts, damages, costs, losses, and expenses arising in any way from the actions of Shipper's Nominating Agent on behalf of Shipper, the failure of Shipper's Nominating Agent to act on behalf of Shipper, or the reliance of HIOS upon the information provided to HIOS by Shipper's Nominating Agent.
- 7.2 Nominations. All nominations shall include begin and end dates. Shippers may nominate several days, months, or years, provided that the nominations begin and end dates are within the term of the Shipper's contract and are not less than one day. All nominations, excluding intraday nominations, may be rolled over. All nominations, including intraday nominations, shall be based on a daily quantity. All nominations, including intraday nominations, that are not made through HIOS' Interactive Internet Website, shall be made using HIOS' Nomination Request Form set forth in Part IV, Sec. 1, which form may be changed by HIOS from time to time through an appropriate filing with the Commission. If the nomination, or intraday nomination, is made through HIOS' Interactive Internet Website, that nomination shall include all Commission-approved data elements specified by HIOS on its Interactive Internet Website. Nominations relative to imbalance correction quantities and any overrun quantities shall be identified by transaction type and nominated separately. To the extent Shipper desires to change its nomination for any day(s) within the nomination period, Shipper must submit a new nomination for such day(s). When a nomination for a date range is received, each day within that range is considered an original nomination. When a subsequent nomination is received for one or more days within that range, the previous nomination is superseded by the subsequent nomination only to the extent of the days specified. The days of the previous nomination outside the range of the subsequent nomination are unaffected. Nominations have a prospective effect only.

Unless otherwise agreed to, a Shipper's nomination shall be provided through Vision System or HIOS' Interactive Internet Website and must be submitted in accordance with the standard nomination timelines set forth below. For the purpose of Section 7.2 (2)-(5), "provide" shall mean, for transmittals pursuant to NAESB Standard 1.3.2(v), receipt at the designated site, and for purposes of other forms of transmittal, it shall mean send or post.

The standard nomination timelines are as follows:

(1) The Timely Nomination Cycle:

(All times are CCT on the Day prior to the Gas Day.)

1:00 p.m. Latest time that nominations may leave control of the nominating party;

1:15 p.m. Receipt of complete nominations by Transporter (including from Title Transfer Tracking Service Providers (TTTSPs));

1:30 p.m. Transporter sends quick response;

4:30 p.m. Receipt of completed confirmations by Transporter from upstream and downstream connected parties;

5:00 p.m. Receipt of scheduled quantities by Shipper and point operator.

Scheduled quantities resulting from the Timely Nomination Cycle shall be effective at 9:00 a.m. CCT on the next Gas Day.

(2) The Evening Nomination Cycle:

(All times are CCT on the Day prior to the Gas Day.)

6:00 p.m. Latest time that nominations may leave control of the nominating party;

6:15 p.m. Receipt of complete nominations by Transporter (including from TTTSPs);

6:30 p.m. Transporter sends quick response;

8:30 p.m. Receipt of completed confirmations by Transporter from upstream and downstream connected parties;

9:00 p.m. Transporter to provide scheduled quantities to affected Shippers and point operators, and to provide scheduled quantities to bumped parties.

Scheduled quantities resulting from the Evening Nomination Cycle shall be effective at 9:00 a.m. CCT on the next Gas Day.

(3) The Intra-day 1 Nomination Cycle:  
(All times are CCT on the Gas Day.)

10:00 a.m. Latest time that nominations may leave control of the nominating party;

10:15 a.m. Receipt of complete nominations by Transporter (including from TTTSPs);

10:30 a.m. Transporter sends quick response;

12:30 p.m. Receipt of completed confirmations by Transporter from upstream and downstream connected parties;

1:00 p.m. Transporter to provide scheduled quantities to affected Shippers and point operators, and to provide scheduled quantities to bumped parties.

Scheduled quantities resulting from the Intra-day 1 Nomination Cycle shall be effective at 2:00 p.m. CCT on the same Gas Day.

(4) The Intra-day 2 Nomination Cycle:  
(All times are CCT on the Gas Day.)

2:30 p.m. Latest time that nominations may leave control of the nominating party;

2:45 p.m. Receipt of complete nominations by Transporter (including from TTTSPs);

3:00 p.m. Transporter sends quick response;

5:00 p.m. Receipt of completed confirmations by Transporter from upstream and downstream connected parties;

5:30 p.m. Transporter to provide scheduled quantities to affected Shippers and point operators, including bumped parties (notice to bumped parties).

Scheduled quantities resulting from the Intra-day 2 Nomination Cycle shall be effective at 6:00 p.m. CCT on the same Gas Day.

(5) The Intra-day 3 Nomination Cycle:  
(All times are CCT on the Gas Day.)

7:00 p.m. Latest time that nominations may leave control of the nominating party;

7:15 p.m. Receipt of complete nominations by Transporter (including from TTTSPs);

7:30 p.m. Transporter sends quick response;

9:30 p.m. Receipt of completed confirmations by Transporter from upstream and downstream connected parties;

10:00 p.m. Transporter to provide scheduled quantities to affected Shippers and point operators.

Scheduled quantities resulting from the Intra-day 3 Nomination Cycle shall be effective at 10:00 p.m. CCT on the same Gas Day. Bumping is not allowed during the Intra-day 3 Nomination Cycle.

7.3 Intraday Nominations. Intraday nominations are those identified in Section 7.2 (3), (4), and (5). An intraday nomination shall be prospective and is subject to the deadlines in Section 7.2 (3), (4), and (5). Intraday nominations may be used to request increases or decreases in total flow, make changes to Point(s) of Receipt, and/or to Point(s) of Delivery. Intraday nominations may be used to nominate new supply or market. Intraday nominations shall specify Shipper's service requirements for the day only and shall include the effective date and time. Interconnected parties should agree on the hourly flows of the intraday nomination, if not otherwise addressed in HIOS' contract or tariff. Intraday nominations do not rollover and do not replace the remainder of a standing nomination.

HIOS shall provide a Quick Response that the nomination has been received and whether there are any errors that would prevent processing, and if so, specify the errors, within fifteen (15) minutes of receipt. Intraday nominations shall, subject to Section 7.4 hereof, be implemented by HIOS to the extent and only to the extent that HIOS is able to confirm the receipt and delivery of such gas at the Point(s) of Receipt and Point(s) of Delivery and the scheduling of such

intraday nomination will not require the rescheduling of HIOS' capacity among previously scheduled service agreements in order to provide capacity for said intraday nomination.

Notice: NAESB Standard 5.3.34 states: Transportation Service Providers should provide affected parties with notification of intraday bumps, operational flow orders and other critical notices through the affected party's choice of Electronic Notice Delivery mechanism(s). NAESB Standard 5.2.2 states: "Electronic Notice Delivery" is the term used to describe the delivery of notices via Internet E-mail and/or EDI/EDM. Pursuant to NAESB Standards 5.3.34 and 5.2.2, Transporter shall issue notice of intraday nomination changes to the affected Shipper via e-mail or EDI/EDM, at the Shipper's election, provided that Shipper has provided Transporter with an Internet E-mail address for such notices. In addition, Transporter shall notify the affected Shipper of issuance of intraday nomination changes via telephone. All intraday nomination changes notices shall be subsequently posted on Transporter's Interactive Internet Website.

- 7.4 Confirmation by Transporter. Nominations made in accordance with Sections 7.1 through 7.3 hereof shall not be scheduled until HIOS has confirmed the nominated receipts and deliveries with the upstream and downstream parties. HIOS will contact the upstream and downstream parties to confirm the nominated supply at the designated HIOS measurement point and delivery points. Upstream and downstream parties shall provide confirmation of timely nominations in accordance with Section 7.2 (2)-(5).

Unless otherwise agreed to, HIOS shall provide Shippers and point operators, via HIOS' Interactive Internet Website, the quantities that have been scheduled to flow for that Shipper and point operator in accordance with Section 7.2 (2)-(5). If HIOS finds a discrepancy in such nominated supply during confirmation of the nominated gas volumes, then HIOS shall so notify the Shipper(s) or Shipper's Nominating Agent, and upon such notice, HIOS has the right to change the Shipper's nomination to match with the receipts and deliveries confirmed by the upstream and downstream parties. HIOS will notify the Shipper(s) or Shipper's Nominating Agent of any changes to its nomination made by HIOS because of discrepancies with the receipts and deliveries confirmed by the upstream parties and/or the downstream parties during the confirmation process.

- 7.5 Designated Allocator. HIOS assumes that the production operator at the specific HIOS measurement point will be the Designated Allocator, unless appropriately notified of an alternate party. The production

operator shall be the only party allowed to appoint an alternate Designated Allocator and shall do so by providing HIOS with written notification, communicated by mail or facsimile, specifying the name, address, telephone number and facsimile number of the alternate party. The alternate party will remain as the Designated Allocator until revoked or changed, in writing, by the production operator. The Designated Allocator shall submit predetermined allocations (PDAs) to HIOS in accordance with this Section 7.

HIOS shall use the PDA's submitted by the Designated Allocator, and as acknowledged by HIOS, to allocate underages and overages in the gas volumes anticipated by HIOS based on confirmed nominations, at the designated Receipt Point for each point of HIOS measurement. In the event that the Designated Allocator has not submitted an acceptable PDA, underages and overages will be allocated pro rata, to the extent applicable, based on confirmed nominations.

HIOS may rely exclusively on the effective PDA's or on the pro rata allocation (based on scheduled nominations) in the absence of an effective PDA, in allocating the gas at each HIOS measurement point, and such allocations shall be binding on the Shipper. No retroactive changes to the PDA may be made unless HIOS, the Designated Allocator, and all Shippers covered by the PDA agree. Further, HIOS shall not be liable to any Shipper as a result of HIOS' reliance on any PDA methodology provided herein and Shipper shall indemnify HIOS from and against any and all losses, damages, expenses and claims as a result of HIOS' reliance on such PDA methodology.

- 7.6 Predetermined Allocations. The Designated Allocator shall furnish HIOS with a PDA, by completing the PDA Form set forth in Part IV, Sec. 2 of this Tariff after or during confirmation, but in any event, before the start of the gas day. Such PDA shall specify how any underage and/or overage from the scheduled nomination should be allocated. The PDA shall include all Shippers that have scheduled nominations with HIOS at the given metering Point. Examples of allocation methods that can be used include percentages, pro rata, ranking, swing with specified shippers, and Operator Provided Value. The same standard allocation methodologies should be available for use at all points.

The Designated Allocator may submit the PDA in writing via mail, facsimile, messenger or HIOS' Interactive Internet Website. HIOS shall acknowledge receipt and acceptance of the PDA by signing and telefaxing (or returning via some other mutually agreeable means) the PDA to the Designated Allocator, within fifteen (15) minutes.

- 7.7 Changes in Predetermined Allocations. The PDA accepted by HIOS will continue in effect through the end of the period covered by the PDA unless the Designated Allocator submits a revised PDA. Submittal of a revised PDA, and acceptance by HIOS, shall be substantially as described in Section 7.7 above. The Designated Allocator shall furnish HIOS with the revised PDA after or during confirmation of nominations and before the start of the gas day for which the proposed change is to take effect.
- 7.8 Scheduling of Transportation and Allocation of Capacity. For each day, HIOS will schedule receipts and deliveries of gas on the basis of: (1) transportation nominations and timely notices of changes made by Shippers or Shipper's Nominating Agent, which HIOS is hereby authorized to rely upon in its schedule; (2) transportation capacity available on HIOS' System and portions thereof in light of such nominations and requests; (3) proposed points of receipt and of delivery; and (4) overall operating conditions from time to time.
- 7.9 Receipt and Delivery Point Priority
- 7.9(a) HIOS shall schedule the receipts and deliveries of gas of each Shipper, on each day, in sequence, from highest to lowest priority, as follows: (1) first, among HIOS' firm Rate Schedules FT-1, and FT-2 transportation customers at Primary Points of Receipt and Primary Points of Delivery, up to each such customer's Maximum Daily Quantity, as applicable; (2) second, among HIOS' firm Rate Schedules FT-1, and FT-2 transportation customers at Secondary Points of Receipt and Secondary Points of Delivery only within the Primary Path, up to each such customer's Maximum Daily Quantity, as applicable; (3) third, among HIOS' firm Rate Schedules FT-1, and FT-2 transportation customers at any points outside of the Primary Path, up to each such customer's Maximum Daily Quantity, as applicable; (4) fourth, among HIOS' interruptible Rate Schedule IT transportation customers, up to each such customer's Currently Effective Maximum Daily Quantity, as applicable, and all overrun service. In the event that nominations received in sequencing category (1), (2) or (3) above exceed the capacity available, then the available capacity shall be allocated pro rata based on the nominations received in each such category. In the event that the nominations received in sequencing category (4) above exceed the capacity available to that individual sequencing category, then the available capacity shall be allocated within the sequencing category as

follows: first, on the basis of the price paid to HIOS for the service being nominated, with the nominated service paying the highest price receiving the highest priority; and if insufficient capacity still remains, then on the basis of the date of the service agreement underlying the nomination, with the nomination under the service agreement having the oldest date receiving the highest priority, provided that, in the event of a tie in service agreement dates, then pro rata among the tying service agreements based on the nominations received under each of the tying agreements.

- 7.9(b) Utilization of Secondary Points of Receipt or Secondary Points of Delivery by a Shipper under the FT-1 or FT-2 Rate Schedule shall not cause any diminution of such Shipper's entitlement to firm service at Shipper's Primary Points of Receipt or Primary Points of Delivery.
- 7.9(c) HIOS shall be obligated to act upon a request for use of a Secondary Point of Receipt or Secondary Points of Delivery, or change in use of a Secondary Point of Receipt or Secondary Points of Delivery, within one (1) business day of such request.
- 7.10 Receipt of Gas. Departures from the scheduled deliveries at the points of receipt shall be kept to the minimum permitted by operating conditions, and shall be balanced as soon as practicable.
- 7.11 Delivery of Gas. Based upon the daily volumes scheduled, such information as may be available concerning the volumes actually received, and after first making adjustments for any prior imbalance in receipts, HIOS shall daily make delivery, to the extent practicable, of Equivalent Volumes of Gas at the points of delivery.
- 7.12 Hourly Variation. Deliveries shall be made at uniform hourly rates to the extent practicable.
- 7.13 Limitation on Transporter's Obligation. HIOS is not obligated to receive for transportation natural gas condensate (without free water) in excess of 10 barrels per 1000 Dth of Gas delivered by Shipper to HIOS at any point of receipt. Should Shipper's deliveries of Gas to HIOS at any point of receipt exceed the MDV for such point of receipt, HIOS will, in good faith, attempt to accommodate the same but, in the event any such excess deliveries would jeopardize the safety of HIOS' operations and/or its ability to meet its contract commitments to others, such decisions to be solely within the judgment and discretion of HIOS, HIOS shall have the right to vent,



without any liability to Shipper, or any other person, all or such part of said excess delivery as HIOS, in its sole judgment and discretion, deems necessary.

7.14 Adjustments to Equivalent Volumes.

7.14(a) HIOS shall adjust the deliveries of Gas as required to balance any excess or deficiency variations in order for Shipper to receive Equivalent Volumes. Such balancing shall be consistent with the terms and conditions of the Operational Balancing Agreement in effect at the related Point of Delivery, as provided for in Section 7.15, or in the absence of such Agreement, under terms mutually agreeable to the parties, provided that any such terms are consistent with the terms of this Tariff.

7.14(b) In the event the quantities of gas received and to be delivered are not in balance at the end of the term of the Transportation Agreement, then such balance shall be achieved within sixty (60) days by extending receipts or deliveries as applicable at the appropriate points of receipt or points of delivery until such balance is achieved or by such other method as is then mutually agreed upon by the parties, including, but not limited to, the conveyance by one party to the other party of the quantity of Gas equal to the imbalance, provided that any such method is consistent with the terms of this Tariff.

7.15 Operational Balancing Agreements. HIOS recognizes that, despite best efforts to match deliveries of gas volumes to the designated interconnecting pipeline at the HIOS delivery point with the gas volumes allocated to the Shippers' account at the same HIOS delivery point, imbalances in the aggregate of all Shippers' gas volumes intended for delivery to the designated interconnecting pipeline may occur. HIOS may enter into an Operational Balancing Agreement (OBA) with the interconnecting pipeline at each HIOS delivery point on a nondiscriminatory basis, the terms and conditions of which will provide for the resolution of any imbalances. A pro forma OBA is set forth in Part IV, Sec 4 of this Tariff.

Any subsequent provisions that may be entered into pursuant to the "mutually agreed" to provisions of the pro forma OBA are to be consistent with the terms of this Tariff.

7.16 Segmentation of Capacity. Any Shipper receiving firm transportation service under Rate Schedules FT-1 or FT-2 may segment its capacity by

nominating service at any Points of Receipt and Points of Delivery along the System, provided that: (1) the segmentation nomination is operationally feasible; (2) the total of the segmentation nominations by the original Shipper or a combination of Releasing and Replacement Shippers on any overlapping segment does not exceed the firm entitlements of the underlying segmented Service Agreement; (3) capacity exists at the applicable Points of Receipt and Points of Delivery subject to the segmentation nomination; and (4) all gas transported through Shipper's use of segmentation opportunities hereunder remains in compliance with the gas quality and thermal content requirements of this tariff. The total of segmentation nominations by the original Shipper or a combination of Releasing and Replacement Shipper(s) may exceed the firm entitlements of the underlying segmented Service Agreement at a Point of Receipt or a Point of Delivery provided that any resulting overlap of contract quantities at a point may consist only of a forwardhaul up to the firm entitlement(s) and a backhaul up to the firm entitlement(s) to the same point at the same time. Subject to the limits set forth herein, Shippers acquiring segmented capacity shall also be permitted to nominate Secondary Points of Receipt and Secondary Points of Delivery up to Shipper's Maximum Daily Quantity.

Further, if both the Primary Point of Receipt and Primary Point of Delivery in the underlying Service Agreement are located downstream of High Island Block 264 then any segmentation nomination to either a Receipt or Delivery Point located upstream of High Island Block 264 shall be subject to the applicable Long Haul Rate. For purposes of determining whether a nominated segmented release is operationally feasible, HIOS shall take into consideration the availability of mainline and/or point capacity, the location on HIOS' System of the nominated segment, and whether or not the nomination is otherwise consistent with the tariff requirements and scheduling practices for all of HIOS' services.

## 8. OPERATING TOLERANCES/IMBALANCES

It is recognized that the parties will be unable to control exactly the quantities of Gas delivered and accepted hereunder on any day and that deliveries by Shipper and redeliveries by HIOS may vary above or below the quantities, respectively, nominated by Shipper and allocated by HIOS on any day.

8.1 Operating Tolerances. Variations between actual deliveries by Shipper and actual redeliveries by HIOS shall be kept to the minimum permitted by operating conditions and shall be balanced as soon as practicable but in no event shall exceed an allowable daily variation of five (5) percent of the scheduled quantities, and provided further that the cumulative net variations during any month above or below the quantities scheduled shall not exceed five (5) percent of the sum of the scheduled quantities for each day of such month. The parties agree to use their best efforts to correct any cumulative net variations from scheduled quantities as soon as practicable. However it shall be the responsibility of the Shipper to monitor and adjust deliveries of gas to HIOS to match scheduled quantities.

If the monthly variation deviates from the allowable tolerances referred to herein, Shipper, after receiving written notification from HIOS of the variation deviating from such allowable tolerances, shall have 10 days to eliminate such variation. If any such variation is not brought within tolerances or suitable progress is not made toward correcting the variation, to Transporter's satisfaction, within thirty (30) days of notification to Shipper, HIOS may adjust scheduled deliveries to such Shipper if it determines that it may, by doing so, achieve elimination of the variation.

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

8.3 Monthly Cashout of Imbalances. At the end of each month HIOS shall calculate the Company Use Variance and each Shipper's imbalance. HIOS shall permit trading of imbalances and then cashout all remaining imbalances using the methodology and prices included in this Section 8.

- (a) Calculation of Shipper Imbalances. The calculation of the monthly Shipper imbalances shall depend upon whether there is an Operational Balancing Agreement in effect at the delivery point(s). Where an Operational Balancing Agreement is in effect, monthly Shipper imbalances under an Agreement shall be calculated each Month by comparing the volumes scheduled for the Month to actual receipts during that Month. Where an Operational Balancing Agreement is not in effect, monthly imbalances under an Agreement shall be calculated each Month by comparing actual measured volumes delivered during the Month to actual net measured volumes received (with the appropriate deduction for Gas Unaccounted For during that Month on the basis of Equivalent Volumes. Imbalances under all of a Shipper's service agreements will be netted together and then allocated a Pro-Rata Share of the CUV to calculate the Shipper's Total Monthly Imbalance ("TMI").
- (b) Transportation Charges. Notwithstanding the foregoing, a transportation charge under the applicable provision of Sheet No. 10 of this Tariff will be assessed for any positive Shipper imbalance under each Agreement remaining at the end of a month.
- (c) Imbalance Trading. The TMI calculated each month shall include the calculation and derivation of the quantities associated with the Shipper's imbalances, its allocated CUV, and its TMI. Supporting workpapers shall be provided to Shippers upon request.
  - (i) Monthly Trading. To facilitate the trading or offsetting of Shipper's TMI, HIOS will post on its Internet Website, on or before the ninth business day of the month, the TMI of any Shipper that has notified HIOS in writing that the Shipper elects to have that information posted. Shippers or their agents may then trade offsetting imbalances with Shippers, HIOS or their agents until the close of business on the seventeenth day of the month (Trading Period). Parties that agree to trade all or part of an imbalance must notify HIOS in writing on or before the seventeenth business day of the month through submission of an Imbalance Trade Confirmation form; otherwise, such trade shall not be effective. Upon receipt of an Imbalance Trade Confirmation, HIOS will send an Imbalance Trade Notification to the trading parties by noon (Central

Clock Time) the next business day. Any Shipper imbalance remaining after the Trading Period will be cashed out as described in Section 8.4.

- (ii) HIOS Participation in Trading. From Month to Month, HIOS may experience imbalances in its own gas account that it desires to eliminate and will offer such imbalances for trading to Shippers on a non-discriminatory basis. Any Shipper desiring to trade imbalances with HIOS should notify HIOS in writing of its election of HIOS as a trading partner. Each Month, HIOS will post any imbalance that it has to trade so that Shippers may trade during the trading window described in Section 8.3(c)(i). In the event that HIOS has requests from Shippers to trade quantities that exceed those which HIOS has available for trade, then HIOS shall allocate on a pro-rata basis, among all requesting Shippers, those quantities that it has available for trade.

8.4 Monthly Cashout Procedures. Any portion of a Shipper's TMI remaining after the end of the Trading Period will be cashed out on a tiered basis pursuant to the following schedule:

IMBALANCE LEVEL	OVERAGE (HIOS Pays Shipper)	UNDERAGE (Shipper Pays HIOS)
-----	-----	-----
0% to 5%	100% x AMIP	100% x AMIP
Greater than 5% to 10%	90% x AMIP	110% x AMIP
Greater than 10% to 15%	80% x AMIP	120% x AMIP
Greater than 15% to 20%	70% x AMIP	130% x AMIP
Greater than 20%	60% x AMIP	140% x AMIP

- (a) A Shipper's remaining TMI will be cashed out based on the percentage of that remaining TMI compared to the total deliveries for that Shipper during the month, provided however, that any CUV quantities included in the TMI will be eliminated from this calculation and cashed out at 100% of the AMIP. For example, if the Total Deliveries were 1,000 Dth and the

remaining underage TMI was 101 Dth, (comprised of 100 Dth of Shipper imbalance and 1 Dth of allocated CUV, for a tierable TMI of 100 Dth), the total Imbalance Level would be 10% (calculated as 100 Dth / 1,000 Dth). The first 5% (50 Dth), and allocated CUV (1 Dth) would be cashed out at 100% of the AMIP, while the remaining 5% (50 Dth) would be cashed out at 110% of the AMIP.

- (b) The Average Monthly Index Price (AMIP) is the arithmetic average of the Weekly Index Prices (WIPs). The WIP for any week is the arithmetic average of the following two index prices reported in "Gas Price Report" issued by "Natural Gas Week":
- (1) Louisiana, Gulf Coast, Onshore, Spot Delivered to Pipeline; and
  - (2) Louisiana, Gulf Coast, Offshore, Spot Delivered to Pipeline.

In calculating the AMIP, the WIPs will be based on the prices reported in the issue of "Natural Gas Week" dated on or after HIOS' nomination deadline for first of the month service for that month, and the subsequent issues dated prior to HIOS nomination deadline for the following month's first of the month service.

- (c) Shippers with any remaining TMI shall pay HIOS or will be credited with the appropriate cashout amounts.
- (d) In the event "Natural Gas Week" ceases to publish entirely or fails to publish the index prices listed in subsection (b) above, the following procedures shall apply in determining a month's AMIP:
- (1) Should, in any given week, "Natural Gas Week" fail to publish one of the two index prices used in determining that week's WIP, the WIP will be determined using the remaining published index price.
  - (2) Should, in any given week, "Natural Gas Week" fail to publish both of the index prices used in determining that week's WIP, there will be no WIP for that week used in determining the month's AMIP.

- (e) In the event the foregoing prices are no longer available or valid, HIOS will file to change the Tariff and may, at its discretion, select a representative price in the interim period, subject to adjustment.
  
- 8.5 Purchase and Sale of Gas. HIOS is not providing a supply service under any Rate Schedule of this Tariff. Without limitation of the foregoing, HIOS may buy and sell gas to the extent necessary to maintain system pressure, to maintain line pack and provide additional line pack for new facilities, to implement the cashout procedures under this Section 8 and to perform other functions in connection with providing transportation service. Such sales shall be authorized pursuant to HIOS' blanket sales certificate. Nothing herein shall impose on HIOS any obligation to provide a supply function to any of its transportation Shippers.
  
- 8.6 Treatment of Cash-Out Revenues and Costs. Subsequent to the end of each calendar year HIOS shall compare (a) the revenues received by HIOS for sales of gas to eliminate imbalances with (b) the costs incurred by HIOS for purchases of gas to eliminate imbalances. If the revenues received exceed the costs incurred, then HIOS shall use such net positive revenues to reduce any positive surcharge associated with any negative Company Use True Up determined for the same calendar year as calculated pursuant to Section 28.3(c) of these General Terms and Conditions. If revenues received are less than the costs incurred, then HIOS shall carry forward such net negative revenues and may offset such net negative revenues against any future net positive revenues that may subsequently occur.

9. RECEIPT AND DELIVERY PRESSURE

- 9.1 Pressure at the Points of Receipt. Shipper shall cause the gas to be delivered at the Points of Receipt at a pressure sufficient to allow the Gas to enter the System, provided Shipper shall, except by mutual agreement, be required to deliver the Gas at the Points of Receipt at a pressure in excess of the pressure specified for each Point of Receipt set forth in Exhibits A and B of the Transportation Agreement.
- 9.2 Pressure at Points of Delivery. HIOS shall cause the Gas to be delivered at the Points of Delivery set forth in the Transportation Agreement at such uniform pressures as may be required to allow the Gas to enter the facilities of others for further transportation. HIOS, however, shall not be required or permitted to deliver Gas at a pressure in excess of the pressure specified for each Point of Delivery set forth in Exhibits A and B of the Transportation Agreement.



## 10. BILLING AND PAYMENT

- 10.1 Billing. On or before the 9th business day of each month, HIOS shall render to Shipper a statement of the total amount of Gas delivered to HIOS by Shipper at the Points of Receipt set forth in the Transportation Agreement during the preceding month and the amount due. "Render" is defined as postmarked, time-stamped or delivered to the designated site. Any imbalance statements shall be rendered prior to or with the statement. Invoices shall be based on actuals (if available) or best available data, expressed in Dth. Quantities at points where OBAs exist shall be invoiced based on scheduled quantities. When information necessary for billing purposes is in the control of Shipper, Shipper shall furnish such information to HIOS on or before the 5th day of the month.

Shipper and HIOS shall have the right to examine at reasonable times, books, records, and charts of the other to the extent necessary to verify the accuracy of any statement, charge, or computation made under or pursuant to any of the provisions hereof.

- 10.2 Payment. Shipper shall pay HIOS, at its general office, or at such other address as HIOS shall designate, no later than ten (10) days after the date of the statement, the amount due for the preceding month. All payments shall reference the statement number.

If presentation of a bill by HIOS is delayed after the 9th business day of the month, then the time of payment shall be extended accordingly unless Shipper is responsible for such delay. Should Shipper fail to pay all or any portion of the amount of any bill as herein provided when such amount is due, interest on the unpaid portion of the bill shall accrue at the rate specified in Section 154.501(d) of the Commission's regulations. If such failure to pay continues for 30 days after payment is due, HIOS, in addition to any other remedy it may have hereunder, may suspend further delivery of Gas until such amount is paid; provided, however, that if Shipper in good faith shall dispute the amount of any such bill or part thereof and shall timely pay to HIOS such amounts as it does not in good faith dispute and, at any time thereafter within 30 days of a demand made by HIOS, shall furnish a good and sufficient surety bond in an amount, on a form and with surety satisfactory to HIOS, guaranteeing payment to HIOS of the amount ultimately found due upon such bills after a final determination which may be reached either by agreement or judgment of courts, as may be the case, then HIOS shall not be entitled to suspend further delivery of Gas on account of non-payment of such sum unless and until default be made in the conditions of such bond. For any amount to be considered "disputed", Shipper must provide remittance detail identifying which

portion of the statement amount is being disputed and appropriate documentation supporting and identifying the basis for the dispute, in accordance with 10.3.

- 10.3 Adjustment of Billing Errors. Subject to the provisions of Sections 3.10 and 3.12 hereof, if an error is discovered in the allocated quantities, the rate billed, or any other item in any statement rendered by HIOS, Shipper shall make a claim therefor within six (6) months of the date of such statement. HIOS shall have three (3) months from the date the claim is made to dispute or resolve the claim. If there is an agreement as to the amount of an error, any adjustment shall be made within thirty (30) days of the determination thereof. Such time limits shall not apply in the case of government required rate changes, deliberate omission or misrepresentation, or mutual mistake of fact. If the parties are unable to agree on the adjustment of any claimed error, any resort by either of the parties to legal procedure, either at law, in equity, or otherwise, shall be commenced within 15 months after the supposed cause of action is alleged to have arisen, or shall thereafter be forever barred.

11. RESPONSIBILITY FOR GAS AND ASSOCIATED LIQUIDS

As between the Parties hereto, Shipper shall be in exclusive control and possession of the Gas and Associated Liquids until such have been delivered to HIOS at the Points of Receipt and after such Gas and Associated Liquids have been redelivered to or for the account of Shipper by HIOS at the Points of Delivery. HIOS shall be in exclusive control and possession of such Gas and Associated Liquids while same are in the System between the Points of Receipt and the Points of Delivery. As between the parties, the party which shall be in exclusive control and possession of such Gas and Associated Liquids shall be responsible for all injury or damage caused thereby.

12. FACILITIES

Unless otherwise agreed to by the parties, HIOS shall not be required to own, construct and install any facilities to perform any transportation service requested by Shipper including, but not limited to, hot tap, side valve, measurement, gas supply lateral lines, looping and/or compression facilities. Shipper shall reimburse HIOS for all HIOS' costs associated therewith either on a lump sum or incremental fee basis as agreed to by the parties.

### 13. FORCE MAJEURE

- 13.1 Definition. The term "force majeure" as used herein shall mean: acts of God; strikes, lockouts, or other industrial disturbances; acts of a public enemy; wars; blockades; insurrection; riots; epidemics; landslides; lightning; earthquakes; fires; storms (including but not limited to hurricanes or hurricane warnings); crevasses; floods and washouts; arrests and restraints of the government, either federal or state, civil or military; civil disturbances; shutdowns for purposes of necessary repairs, relocation, or construction of facilities; breakage or accident to machinery or lines of pipe; the necessity for testing (as required by governmental authority or as deemed necessary by the testing party for the safe operation thereof); the necessity of making repairs or alterations to machinery or lines of pipe; failure of surface equipment or pipelines; accidents, breakdowns, inability of either party hereto to obtain necessary material, supplies, or permits, or labor to perform or comply with any obligation or condition of this rate schedule or the Transportation Agreement; rights of way; and any other causes, whether of the kind herein enumerated or otherwise, which are not reasonably in the control of the party claiming suspension. It is understood and agreed that the settlement of strikes or lock outs shall be entirely within the discretion of the party having the difficulty and that the above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of an opposing party when such course is inadvisable in the discretion of the party having the difficulty.
- 13.2 Force Majeure. If by reason of force majeure either the Shipper or HIOS is rendered unable, wholly or in part, to carry out its obligations under these General Terms and Conditions or the Transportation Agreement except for an obligation to pay money, and if such party gives notice and reasonably full particulars of such force majeure in writing or by telegraph to the other within a reasonable time after the occurrence of the cause relied on, the party giving such notice, so far as and to the extent that it is affected by such force majeure, shall not be liable in damages during the continuance of any inability so caused, provided such cause shall so far as possible be remedied with all reasonable dispatch.
- 13.3 Limitations. Force majeure affecting the performance hereunder by either Shipper or HIOS however shall not relieve such party of liability in the event of concurring negligence or in the event of failure to use due diligence to remedy the situation and to remove the cause in an adequate manner and with all reasonable dispatch, nor shall such causes

or contingencies affecting such performance relieve either party from its obligations to make payments as determined hereunder.

"Concurring negligence," as used herein, is defined as negligence of a party that causes, contributes substantially to the cause of, and/or significantly aggravates or prolongs the effects of, a force majeure event that the party identifies as affecting its performance and relieving it of liability for damages.

14. CURTAILMENT

If, on any day, HIOS determines that the capacity of its system, or any part thereof, is insufficient to serve all transportation requirements scheduled for such day, or to accept the quantities of gas tendered, capacity which requires curtailment shall be curtailed so as to provide the service which is possible.

Volumes shall be curtailed in the following order: (1) pro rata among both requests for overrun service and confirmed nominations for service under Rate Schedule IT, up to the Maximum Daily Volumes of the shippers nominating Rate Schedule IT service; (2) pro rata among confirmed nominations for service under Rate Schedules FT-1 and FT-2, up to the Maximum Daily Quantities, as applicable, of the shippers nominating Rate Schedules FT-1 or FT-2 service.

15. CONSTRUCTION OF DELIVERY LATERALS

Unless otherwise agreed to in writing, HIOS shall not be required to construct, own or operate delivery lateral facilities. In the event that HIOS does agree to construct, own, or operate delivery lateral facilities, it will do so in a nondiscriminatory manner, and HIOS may require the reimbursement of the costs associated therewith as agreed to by the parties. Nothing herein shall require HIOS to file an application for a certificate of public convenience and necessity under Section 7(c) of the Natural Gas Act, nor shall anything herein be construed to authorize the filing of such an application by others on its behalf. Moreover, nothing herein shall prevent HIOS from contesting an application for service filed pursuant to Section 7(a) of the Natural Gas Act. HIOS reserves the right to seek a waiver of the policy set forth herein for good cause shown.



## 16. RIGHT OF FIRST REFUSAL

- 16.1 Purpose of Section. Subject to the procedures and conditions set forth in the following subsections of this Section 16, an existing firm shipper that is served by HIOS pursuant to a Transportation Agreement under this Tariff with a primary term of one year or longer shall be afforded a right of first refusal, at the end of such primary term or any extension thereof of one (1) year or longer, to continue its firm capacity entitlements under the Transportation Agreement. Any such existing firm shipper is hereinafter referred to as an "Existing Shipper".
- 16.2 Limitation on Applicability of Section. If HIOS and the Existing Shipper agree on the terms and conditions of continued service before the posting of available capacity described in subsection 16.4 of this Section 16, or if HIOS is willing to permit the automatic extension of the Transportation Agreement in accordance with its terms, or if the Existing Shipper has given notice of termination of the Transportation Agreement in accordance with its terms, then HIOS shall forego the posting, competitive bidding, and right of first refusal procedures of this Section 16.
- 16.3 Communication with HIOS. Any communication with HIOS under this Section 16, including any Qualified Bid under subsection 16.5, must be addressed to the following official:
- High Island Offshore System, L.L.C.  
Attn: Gas Scheduling  
811 Louisiana, Suite 1200  
Houston, Texas 77002  
Telephone:(713) 860-2541
- 16.4 Posting of Available Capacity. Not less than 180 days nor more than 270 days prior to the end of the primary term of a Transportation Agreement between HIOS and an Existing Shipper, or any extension thereof for one year or longer, HIOS may post notice, on its Interactive Internet Website, of the forthcoming availability of the firm capacity covered by the Transportation Agreement, without revealing the identity of the Existing Shipper. The posted information shall include:
- 16.4(a) The date upon which the capacity would become available;
- 16.4(b) The amount of the available capacity, by receipt point, delivery point, and in total;

- 16.4(c) The maximum reservation charge stated on the then-effective Sheet No. 10 of this Tariff;
- 16.4(d) Any other terms or conditions that would attend use of the capacity; and
- 16.4(e) A statement that any bid for the capacity shall be subject to the right of first refusal of the Existing Shipper, as specified in this Section 16.

The information specified in this subsection 16.4 shall be posted on HIOS' Interactive Internet Website until 150 days prior to the end of the primary term of the existing Transportation Agreement.

- 16.5 Bidding Procedures. Any person that has prequalified as a prospective shipper under the provisions of subsection 16.6 of this Section 16 ("Qualified Bidder") may submit a bid that is consistent with the posted information ("Qualified Bid") for available capacity. HIOS shall receive binding Qualified Bids for the available capacity, or any portion thereof, for the entire period that the information is posted. Qualified Bids may be communicated to HIOS by mail, facsimile or HIOS' Interactive Internet Website. The date of receipt will be recorded for each Qualified Bid. A Qualified Bid must be submitted on the HIOS Qualified Bid Form, as set forth on Sheet Nos. 184-186 of this Tariff, and must include the following information:

- 16.5(a) The legal name of the Qualified Bidder, and the name, title, address, telephone number, and facsimile number of the individual responsible for the Qualified Bid;
- 16.5(b) The amount of capacity, by receipt point, delivery point, and in total, that the Qualified Bidder proposes to take;
- 16.5(c) The period of time that the Qualified Bidder proposes to take the capacity; and
- 16.5(d) The reservation charge that the Qualified Bidder proposes to pay for the capacity.

HIOS shall be under no obligation to accept or consider Qualified Bids at less than the maximum reservation charge. However, HIOS will inform the Existing Shipper of the maximum bid that was received, or the fact that no bids were received.

- 16.6 Qualification of Bidders. In order to qualify for available capacity, a prospective shipper must first:
- 16.6(a) Demonstrate, to HIOS' reasonable satisfaction, that it is creditworthy in accordance with Sections 2.2(k) and 5 of the General Terms and Conditions of this Tariff; and
  - 16.6(b) Provide to HIOS a statement of its willingness and ability to:
    - (1) execute a Transportation Agreement for firm transportation service in accordance with Rate Schedule FT-1 or FT-2 of this Tariff; and
    - (2) become a party to the Gas Allocation Agreement between HIOS and its shippers.

In the interest of expediting HIOS' creditworthiness review, a prospective shipper may submit to HIOS, at any time, the credit evaluation materials described in Section 2.2(k) of the General Terms and Conditions of this Tariff. HIOS reserves the right to request additional or renewed credit evaluation materials at any time for the purpose of reviewing a completed creditworthiness evaluation.

- 16.7 Provisional Payment to Ensure Bona Fide Bid. Each Qualified Bidder must also submit with its Qualified Bid, as a demonstration of its bona fide intentions, a check, payable to HIOS, for the lesser of: (1) \$10,000; or (2) three months' reservation charges for the amount of capacity sought, at the maximum rate. In the event that, upon completion of the right of first refusal procedures described in this Section 16, capacity is awarded to the Qualified Bidder and the Qualified Bidder executes a Transportation Agreement with HIOS, the payment shall be credited to the Qualified Bidder's bill(s) for service under the Transportation Agreement. In the event that the Qualified Bidder is awarded capacity but declines to execute a Transportation Agreement with HIOS, or the Qualified Bidder withdraws its bid before the right of first refusal procedures are complete, the Qualified Bidder will be deemed to have forfeited the payment. Otherwise, in the event that the Qualified Bidder is not awarded capacity, the payment, together with interest calculated in accordance with Section 154.67(c) of the Commission's regulations, shall be refunded to the Qualified Bidder upon completion of the right of first refusal procedures.
- 16.8 Determination of Highest Bid. If, at the end of the posting period specified in subsection 16.4 above, HIOS has received more than one Qualified Bid for the available capacity, HIOS shall evaluate the Qualified Bids to determine which constitutes the highest bid. Whether

an application constitutes the "highest bid" shall be determined on the basis of the following procedures:

16.8(a) HIOS shall calculate the Net Present Value of each Qualified Bid by applying the proposed reservation charge to the amount of capacity proposed to be taken for the term proposed by the Qualified Bidder, and discounting the resultant dollar figure to present value on the basis of the Federal Energy Regulatory Commission interest rate described in 18 CFR Section 154.67(c)(2)(iii)(A) that is in effect on the date that the calculation is made for all Qualified Bids, provided, however, that in comparing present values, HIOS will not factor into its calculation any portion of a proposed transaction term that exceeds 20 years from the commencement of service.

This calculation is expressed in the following formula:

$$r \times \frac{1 - (1+i)^{-n}}{i} \times u = \text{Net Present Value}$$

Where:  $i$  = The interest rate per month  
 $n$  = The number of months in the term of the proposed agreement, not to exceed 240 months for purposes of the calculation;  
 $r$  = The proposed reservation charge per unit per month; and  
 $u$  = The maximum daily quantity of capacity requested, in Dth.

16.8(b) The available capacity shall be awarded conditionally to the Qualified Bid with the highest Net Present Value. If, following identification of the highest-value Qualified Bid, the capacity that remains available is greater than the capacity requested in the Qualified Bid with the next highest Net Present Value, then capacity shall also be awarded conditionally to such next highest bid. This procedure shall continue until the conditional award of capacity to a Qualified Bid with the next highest Net Present Value would cause the remaining available capacity to be exceeded.

16.8(c) If there are two or more Qualified Bids with equal Net Present Values, then the capacity shall be awarded conditionally to the Qualified Bidder whose Qualified Bid was received first during the posting period, and if two or more such Qualified Bids of equal value were received on the same day, the capacity shall be conditionally allocated between or among them on a pro rata basis.

16.9 Right of First Refusal of Existing Shipper.

16.9(a) Within 15 days following the close of the posting period specified in subsection 16.4 above, HIOS shall forward to the Existing Shipper, by mail or facsimile, the particulars of the Qualified Bid(s) representing the highest bid, without revealing the identity of the Qualified Bidder(s).

16.9(b) Within seven (7) days following receipt of the particulars forwarded by HIOS pursuant to subsection 16.9(a), the Existing Shipper may match the highest bid(s) for the capacity by submitting a binding written offer to HIOS, by mail or facsimile, to accept the reservation charge and transaction term provisions of the highest bid(s), for the amount of capacity covered by the bid(s) that the Existing Shipper wishes to retain, provided, however, that in order to retain the capacity, the Existing Shipper need not match a proposed transaction term in excess of 20 years in duration. If the Existing Shipper matches the highest bid(s), then the affected capacity shall be retained by that shipper, and HIOS shall execute a Transportation Agreement with the Existing Shipper that contains the reservation charge, transaction term, and other acceptable provisions of its matching bid. If, following exercise of the Existing Shipper's right of first refusal, the capacity that remains available is greater than the capacity requested in the highest Qualified Bid, then capacity shall be awarded to such highest bid. The same procedure shall be followed for the Qualified Bid with the next highest Net Present Value. Such awards of available capacity shall continue until the award of capacity to a Qualified Bid with the next highest Net Present Value would cause the remaining available capacity to be exceeded. HIOS shall execute a Transportation Agreement with any Qualified Bidder that is awarded capacity, containing the reservation charge, transaction term, and other acceptable provisions of its Qualified Bid.

16.10 Continuation of Service Under Existing Agreement. Upon completion of the posting, competitive bidding, and the right of first refusal

procedures of this Section 16, if there is remaining capacity under the existing Transportation Agreement between HIOS and the Existing Shipper, and HIOS and the Existing Shipper have not otherwise agreed on the terms for continued firm service that are different than the terms in the existing Transportation Agreement, and neither HIOS nor the Existing Shipper has given notice, or subsequently gives notice, of termination of the existing Transportation Agreement pursuant to the terms of that Agreement, then the existing Agreement shall continue to apply to the remaining capacity from year to year, in accordance with its terms, provided, however, if no bids were received for the capacity under the existing Transportation Agreement, then the Existing Shipper, upon its written agreement to pay the maximum reservation charge, may retain such capacity for such additional fixed period as it designates and, at the end of such additional fixed period, again exercise a right of first refusal under this Section 16 for such capacity. HIOS reserves the right to initiate the posting, competitive bidding, and right of first refusal procedures in this Section 16 in advance of any successive extension of the existing Transportation Agreement.

**GT&C Section 17**

17. CAPACITY RELEASE

17.1 Eligibility. Subject to the procedures and conditions set forth in the following subsections of this Section 17, any holder of firm capacity rights under Rate Schedule FT-1 of this Tariff, including any person that acquired such rights through release pursuant to such procedures and conditions, may release all such rights, or a part thereof, to another person. Any such person that seeks to release firm capacity rights is hereinafter referred to as a "Releasing Shipper". The person to whom such rights are released is hereinafter referred to as the "Replacement Shipper". For the purposes of certain provisions of this Section 17, the "Replacement Shipper" may be referred to as the "Prearranged Shipper" as that term is defined in subsection 17.4 of this Section 17, where applicable.

17.2 Limitations on Releases. Any proposed release of capacity under this Section 17 shall be subject to the following limitations:

17.2(a) 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 Replacement Shipper has been determined to be creditworthy, in accordance with Sections 2.2(k) and 5, hereof, before the capacity release bid is tendered and (2) there are no special terms or conditions of the release.

17.2(b) Period of Release. Any proposed release of capacity must be for a period of no less than one (1) day, as defined in subsection 1.5 of the General Terms and Conditions, and no more than the remaining primary term of the Transportation Agreement between the Releasing Shipper and HIOS.

17.2(c) Volume of Release. Any proposed release of capacity must be in an amount of no less than 100 Dth at any specific receipt point, and no more than the Releasing Shipper is entitled to, by receipt point, delivery point, and in total, under its Transportation Agreement with HIOS.

17.2(d) FT-2 Capacity Releases.

- i. Temporary Releases. A Shipper under Rate Schedule FT-2 may release capacity in accordance with the terms and conditions of this Section 17 for periods less than the remaining primary term of its FT-2 Agreement only

during months in which Shipper is being billed a Reservation Charge pursuant to Section 4 of Rate Schedule FT-2.

- ii. Permanent Releases. A Shipper under Rate Schedule FT-2 may release capacity in accordance with the terms and conditions of this Section 17 for the remaining primary term of its FT-2 Agreement only where the Replacement Shipper (a) has complied with all of the terms and conditions relative to Rate Schedule FT-2 or Rate Schedule FT-1, (b) has executed a FT-2 or FT-1 Agreement with HIOS for the released capacity at the rate and for the primary term originally set forth in Releasing Shipper's Transportation Agreement with HIOS, and (c) has succeeded to, or otherwise acquired, that portion of the gas reserves that are committed under the Reserve Commitment Agreement that corresponds to the amount of capacity being released, all unless HIOS agrees otherwise in a nondiscriminatory manner.

17.2(e) Maximum Reservation Charge. For: (1) releases with terms of one year or less that will take effect on or before one year from the date the Releasing Shipper notifies HIOS of the release, the Releasing Shipper may specify a rate for the released capacity that exceeds the maximum rate stated on the then-effective Sheet No. 10, including a volumetric reservation charge that exceeds such maximum reservation charge when converted to a volumetric charge on a one hundred percent (100%) load factor basis; and (2) releases with terms of more than one year, and releases with terms of one year or less that will take effect more than one year from the date the Releasing Shipper notifies HIOS of the release, a Releasing Shipper may not specify a reservation charge for the released capacity that exceeds the maximum reservation charge stated on the then-effective Sheet No. 10 of this Tariff, including when converted to a volumetric charge on a one hundred percent (100%) load factor basis.

17.2(f) Other Terms or Conditions. A Releasing Shipper may not specify any terms or conditions for the release that conflict with the terms and conditions of: (1) the Releasing Shipper's Rate Schedule FT-1 Transportation Agreement with HIOS; or (2) this tariff.



- 17.3 Communications With HIOS. Any communication with HIOS under this Section 17, including any Release Proposal under subsection 17.4 or Qualified Bid under subsection 17.6, must be addressed to the following official:

High Island Offshore System, L.L.C.  
Attn: Gas Scheduling  
811 Louisiana, Suite 1200  
Houston, Texas 77002  
Telephone:(713) 860-2541  
Fax Number: (713) 860-2640

- 17.4 Making the Release Proposal. Any Releasing Shipper that wants to make a proposal to release firm capacity ("Release Proposal") must inform HIOS, by mail, facsimile or, HIOS' Interactive Internet Website of the specific terms and conditions of the Release Proposal. All such terms and conditions must be objectively stated, applicable to all potential bidders, and non-discriminatory. A Releasing Shipper that has entered into a provisional agreement on the terms and conditions of a capacity release ("Prearranged Transaction") with another person that is prequalified as a Replacement Shipper under subsection 17.11 of this Section 17 ("Prearranged Shipper") must include the information concerning the Prearranged Transaction specified below. Any Release Proposal must be made on the HIOS Release Proposal Form, as set forth on Sheet Nos. 187-191 of this Tariff, and must include the following information:

17.4(a) The Releasing Shipper's legal name, the contract number and date of the Transportation Agreement under which firm capacity would be released, and the name, title, address, telephone number, and facsimile number of the individual responsible for authorizing the capacity release;

17.4(b) For a Prearranged Transaction, the legal name of the Prearranged Shipper, and the name, title, address, telephone number, and facsimile number of the individual responsible for consummating the Prearranged Transaction for the Prearranged Shipper;

17.4(c) The amount (numeric quantity) of firm capacity by receipt point, delivery point, and in total, that the Releasing Shipper wants to release on a per day basis or that will be released in the Prearranged Transaction, as applicable, and for long-term

(i.e., one calendar month or longer) Prearranged Transactions, the amount of any additional capacity that the Releasing

Shipper is willing to release, by receipt point and delivery point;

- 17.4(d) The period of time for which the Releasing Shipper wants to release the capacity or for which capacity will be released in a Prearranged Transaction, as applicable, and, for long-term Prearranged Transactions, the duration of any additional period of time that the Releasing Shipper is willing to make the capacity available;
- 17.4(e) The minimum reservation charge at which the Releasing Shipper is willing to make the capacity available within the range from \$0 to the maximum reservation charge specified on the then-effective Sheet No. 10 of this Tariff, or higher if applicable pursuant to Section 17.2(e) hereof, and, for Prearranged Transactions, the reservation charge that would be paid for the capacity or for a release on a volumetric basis, the volumetric commitments, and/or any other minimum conditions. The rate specified may be in dollars and cents or percents of maximum tariff rates, but in any event, Releasing Shipper must state any rates equal to the number of decimal places in the stated rates per HIOS' rate schedules. The maximum/minimum rates specified by the Releasing Shipper shall include the tariff reservation rate and all demand surcharges, as a total number or as stated separately.
- 17.4(f) Whether the release of capacity in the proposed release or the Prearranged Transaction, as applicable, would be subject to interruption or recall, and, if so, the non-discriminatory conditions, consistent with subsection 17.12(e) of the Section 17, under which the capacity may be interrupted or recalled;
- 17.4(g) If capacity is interrupted or recalled, whether the Replacement Shipper will have option to refuse the capacity after a recall or interruption has ended;
- 17.4(h) Whether the Releasing Shipper wants HIOS to actively market the Release Proposal;
- 17.4(i) At Releasing Shipper's option, and in lieu of HIOS implementing the "best bid" determination stated in subsection 17.7, Releasing Shipper may specify in the Release Proposal one of the following bid evaluation methodologies: (i) highest rate, (ii) net revenue, or (iii) present value. A Release Proposal submitted specifying one of these methods may be accorded the

timeline treatment described in Section 17.5. However, the Releasing Shipper may choose another bid evaluation method, but this request shall be accorded the timeline treatment described in Section 17.5 only at the discretion of HIOS. Such bid evaluation methods shall be objectively stated, applicable to all Replacement or Prearranged Shippers and not unduly discriminatory and shall enable HIOS to rank the bids received by utilizing the weight assigned by Releasing Shipper to each element of the Releasing Shipper's Notice.

17.4(j) Whether contingent bids will be accepted and if so, for what time period each contingent bidder will be allowed to eliminate the contingency; and, if not eliminated, all details concerning the evaluation of other bids, including the time period when the next highest bidder will be obligated to acquire the capacity.

17.4(k) Any additional terms and conditions of releases that are objective and non-discriminatory (e.g. any tie-breaking methodology, agency agreement requirements, limiting reassignment, changing Point(s) of Delivery, or precluding reassignment of a release without notice to and consent of the releasor, or indemnification agreement requirements). In all cases, however, Releasing Shipper's specified bid evaluation method must be set forth with sufficient specificity that HIOS' evaluation of the bids to determine the "best bid" is a purely ministerial matter that does not require any discretionary exercise of judgment by HIOS.

17.4(l) HIOS will post offers and bids, including prearranged deals, upon receipt. A Releasing Shipper may request a later posting time for posting of such offer, and HIOS will support such request insofar as it comports with the standard Capacity Release timeline in Section 17.5.

17.5 Posting of Release Proposals. Completed Release Proposals that conform to the requirements of subsection 17.4 of this Section 17 shall be posted on the HIOS' Interactive Internet Website in accordance with the following procedures (all times are Central Clock Time):

17.5(a) Posting With No Prearranged Transaction or With Long-Term

Prearranged Transaction.

NAESB WGQ Standard 5.3.2 states:

- (i) For biddable releases (1 year or less):
  - (1) Offers should be tendered such that they can be posted by 9:00 a.m. on a Business Day.
  - (2) Open season ends at 10:00 a.m. on the same or a subsequent Business Day.
  - (3) Evaluation period begins at 10:00 a.m. during which any contingencies are eliminated, determination of best Bid is made, and ties are broken.
  - (4) If no match is required, the evaluation period ends and the Award is posted by 11:00 a.m.
  - (5) 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.
  - (6) The contract is issued within one hour of the Award posting (with a new contract number, when applicable).
  - (7) Nomination is possible beginning at the next available nomination cycle for the effective date of the contract.
  
- (ii) For biddable releases (more than 1 year):
  - (1) Offers should be tendered such that they can be posted by 9:00 a.m. on a Business Day.
  - (2) Open season shall include no less than three 9:00 a.m. to 10:00 a.m. time periods on consecutive Business Days.
  - (3) Evaluation period begins at 10:00 a.m. during which any contingencies are eliminated, determination of best Bid is made, and ties are broken.
  - (4) If no match is required, the evaluation period ends and the Award is posted by 11:00 a.m.
  - (5) 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.
  - (6) The contract is issued within one hour of the Award posting (with a new contract number, when applicable).
  - (7) Nomination is possible beginning at the next available nomination cycle for the effective date of the contract.

#### 17.5(b) Releases Not Subject to Bidding

For (1) proposed capacity releases of a duration of thirty-one (31) consecutive days or less for which Releasing

Shipper has obtained a Prearranged Shipper; or (2) proposed capacity releases for which Releasing Shipper has obtained a Prearranged Shipper and the Prearranged Shipper is paying the maximum rate and the release term is greater than one year; or (3) proposed capacity releases for which Releasing Shipper has obtained a Prearranged Shipper and the Prearranged Shipper is paying the maximum rate, the release term is one year or less, and the release will take effect more than one year from the date the Releasing Shipper notifies HIOS of the release; or (4) proposed capacity releases for which Releasing Shipper has obtained a Prearranged Shipper and the Prearranged Shipper is either an asset manager as defined in 18 C.F.R. Section 284.8(h)(3) or a marketer participating in a state-regulated retail access program as defined in 18 C.F.R. Section 284.8(h)(4), and all other terms and conditions of the release are met, Releasing Shipper shall notify HIOS by posting the information required by subsection 17.4 of this Section 17, which information will be on HIOS' Interactive Internet Website in accordance with the following schedule:

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

- Timely Cycle 12:00 Noon
- Evening Cycle 5:00 p.m.
- Intraday 1 Cycle 9:00 a.m.
- Intraday 2 Cycle 1:30 p.m.
- Intraday 3 Cycle 6:00 p.m.

The contract is issued within one hour of the Award posting (with a new contract number, when applicable).

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

The Prearranged Shipper must initiate confirmation of

Prearranged Transaction via HIOS' Interactive Internet Website. Nominations submitted in accordance with this Section 17.5(b) will be processed in accordance with the nomination and scheduling requirements of Section 7 of the General Terms and Conditions of this Tariff. A Prearranged Shipper may not consummate a release with

any Releasing Shipper without such release being subject to the bidding requirement if such Releasing Shipper has, within the prior twenty-eight (28) consecutive days, released capacity to such Prearranged Shipper, which prior release was not subject to the bidding requirements for any reason other than the fact that the Prearranged Shipper was paying the maximum rates for such prior release or the release was made pursuant to 18 C.F.R. Section 284.8(h)(3) or 18 C.F.R. Section 284.8(h)(4). All other provisions of this Section 17 shall apply, including Releasing Shipper's obligations under subsection 17.12 of this Section 17.

#### 17.5(c) Extension and Withdrawal of Release Proposal

The Releasing Shipper shall not be able to specify an extension of the original Bid Period or the Prearranged Transaction Match Period without first posting a new release. A Releasing Shipper, including a Releasing Shipper with a Prearranged Transaction that is subject to competitive bidding, may withdraw its Release Proposal, at any time prior to the close of the Bid Period if such withdrawal is due to unanticipated circumstances and no minimum bid has been made. Release Proposals are binding until written notice or notice via HIOS' Interactive Internet Website is received by HIOS. Once the Release Proposal is withdrawn, the Release Proposal shall remain posted on HIOS' Interactive Internet Website, for a period of thirty (30) days for monitoring and control purposes.

#### 17.6 Bidding Procedures.

17.6(a) Any person that has prequalified as a prospective Replacement Shipper under the provisions of subsection 17.11 of this Section 17 ("Qualified Bidder") may submit a completed bid ("Qualified Bid") for available capacity under a Release Proposal posted pursuant to subsection 17.5(a) of this Section 17, during the applicable posting period. For purposes hereof, the applicable "bid period" shall be the same as the posting period specified in subsection 17.5(a)(i)-(ii) of this Section 17.

17.6(b) HIOS will receive Qualified Bids for the posted Release Proposal for the entire initial or successive posting period. A Qualified Bid may be communicated to HIOS by mail, facsimile, or HIOS' Interactive Internet Website. The date of receipt will be recorded for each Qualified Bid.

17.6(c) A Qualified Bid must be submitted on the HIOS Qualified Bid

Form, as set forth on Sheet Nos. 184-186 of this Tariff, and must include the following information:

- (i) The Qualified Bidder's legal name and the name, title, address, telephone number, and facsimile number of the person responsible for authorizing the acquisition of capacity;
- (ii) Identification of the posted Release Proposal for which the Qualifying Bid is being made;
- (iii) The amount of capacity being requested, by receipt point, delivery point, and in total, within the limits specified in the Release Proposal;
- (iv) The proposed commencement date and period of time for which capacity is requested, within the limits specified in the Release Proposal;
- (v) The reservation charge, or volumetric equivalent, if applicable, that the Qualified Bidder proposes to pay for the capacity, expressed in a form consistent with Section 17.4(e);
- (vi) Whether the bid is a contingent bid and the contingency which must be satisfied, and the date by which such contingency must be satisfied;
- (vii) A statement that the Qualified Bidder will accept all terms and conditions of the Release Proposal that are not deemed negotiable by the Releasing Shipper.
- (viii) A statement that the Qualified Bidder will execute a contract.

17.6(d) A Qualified Bidder, at any time prior to close of the bidding period, may withdraw its bid by mail, facsimile or HIOS'

Interactive Internet Website. If a bid is withdrawn, Qualified Bidder may submit a higher bid, but not a lower bid, on the same capacity. Only one bid may be maintained at a time. A winning bid becomes final if not withdrawn prior to close of the bidding period.

17.6(e) All Qualified Bids must be consistent with the limitations on releases set forth in subsection 17.2 of this Section 17.

17.6(f) Unless the Qualified Bid states otherwise, a Qualified Bid for HIOS' maximum reservation charge, or higher if applicable pursuant to Section 17.2(e) hereof, shall be deemed to include all non-commodity based charges provided under HIOS' tariff for the capacity to be released. Unless the Qualified Bid states otherwise, a Qualified Bid for a reservation rate less than HIOS' maximum reservation rate shall not include any such non-commodity based charges not directly included in the reservation rate stated in HIOS' tariff.

17.6(g) The Qualified Bid must commit to payment of the maximum commodity charge for Rate Schedule FT-1 or FT-2 service, as set forth on Sheet No. 10 of this Tariff, in connection with use of the capacity to be released, as well as all other applicable add-on charges and surcharges under HIOS' tariff, including, but not limited to, the ACA.

#### 17.7 Bid Selection Procedures

17.7(a) HIOS shall rank all bids and select the "best bid" or "better offer" as defined in Section 17.7(b) from among the bids received. However, if more than one bidder submits the "best bid" or "better offer", the first bidder in time, inclusive of the Prearranged Shipper, shall be selected and posted as the "best bid" or "better offer", unless the Releasing Shipper specifies another tie-breaking methodology in its Release Proposal. If multiple bids meeting minimum conditions have been submitted, bids shall be awarded best bid or better offer first, until all offered capacity is awarded. Any bid submitted for released capacity pursuant to Section 17.6 may state that its acceptance is contingent; provided, the Release Proposal allows the submission of contingent bids pursuant to subsection 17.4 of this Section 17. The Replacement or Prearranged Shipper submitting the contingent bid shall have a reasonable time, as

specified by the Releasing Shipper, within which to eliminate the contingency or withdraw its bid. The Replacement or Prearranged Shipper may eliminate the contingency by notifying HIOS of such elimination via HIOS' Interactive Internet Website no later than 11:30 a.m. Central Time on the business day prior to the nomination deadline for the effective date of the release. If the Replacement or Prearranged Shipper fails to notify HIOS that the contingency is not eliminated within such time, such contingent bid shall be deemed rejected by HIOS for



failure to eliminate the contingency in accordance with the Releasing Shipper's Release Proposal. Any Replacement Shipper may make an upward revision to or withdraw its bid during the bid period; provided, HIOS will allow any Prearranged Shipper to match, in accordance with subsection 17.7(c), the "best bid" or "better offer" after the close of the bid period; however, if the Replacement Shipper submits more than one bid for the same capacity, the lower bid will automatically expire. Replacement Shipper shall not have the opportunity to use its ability to withdraw its bid in order to submit a lower bid, if its submitted bid is higher than necessary to obtain the capacity.

17.7(b) "Best Bid" or "Better Offer". The "best bid" or "better offer" shall be (1) determined in accordance with the bid evaluation method specified by the Releasing Shipper pursuant to subsection 17.4, or (2) in the event the Releasing Shipper elects not to submit a bid evaluation method, the "best bid" or "better offer" shall be selected from among the Qualified Bid(s) received during the bid period, including any extension thereof, in accordance with the following procedures:

- (i) HIOS shall calculate the Net Present Value of all Qualified Bids and applicable Prearranged Transactions by applying the proposed reservation charge to the amount of capacity proposed to be taken for the proposed duration of the capacity release transaction, and discounting the resultant dollar figure to present value on the basis of the Federal Energy Regulatory Commission interest rate described in 18 CFR Section 154.501(d) that is in effect on the date that the calculation is made for all competing Qualified Bids and Prearranged Transactions.
- (ii) In the event both a contingent Qualified Bid and a non-contingent Qualified Bid generate the same Net Present Value, HIOS shall reject the contingent Qualified Bid.
- (iii) The Qualified Bid or applicable Prearranged Transaction with the highest Net Present Value shall be the winning bid, except that any Qualified Bid with a higher Net

Present Value than a Prearranged Transaction for the same capacity shall be subject to the right of first refusal

of the Prearranged Shipper in that Prearranged Transaction under subsection 17.7(c) of this Section 17.

- (iv) If, following identification of the highest-value Qualified Bid or Prearranged Transaction, the capacity that remains available for release under the Release Proposal is greater than the capacity requested in the Qualified Bid or Prearranged Transaction with the next highest Net Present Value, then capacity shall also be awarded to such next highest bid. This procedure shall continue until the award of capacity to a Qualified Bid or Prearranged Transaction with the next highest Net Present Value would cause the remaining available capacity under the Release Proposal to be exceeded.

17.7(c) Right of First Refusal of Prearranged Shipper. If the procedures described in subsection 17.7(a) or 17.7(b) result in selection of a Qualified Bid with a higher value than a Prearranged Transaction for the same capacity, then HIOS shall provide the Prearranged Shipper in the Prearranged Transaction with the terms and conditions of such highest-value Qualified Bid. Such information shall be communicated via HIOS' Interactive Internet Website by 11:00 a.m. Central Time. If the Prearranged Shipper elects to match the highest-value Qualified Bid, it shall inform HIOS via HIOS' Interactive Internet Website by 11:30 a.m. Central Time, of its unconditional agreement to match or exceed such terms and conditions. A Prearranged Shipper that matches or exceeds a highest-value Qualified Bid shall be granted the first award of available capacity under the Release Proposal. If the Prearranged Shipper declines to match the highest-value Qualified Bid, then the first award of available capacity shall be granted to the Qualified Bidder that made such highest-value Qualified Bid.

17.7(d) Notification of Winners. HIOS shall notify winning Qualified Bidders and/or Prearranged Shippers, via HIOS' Interactive Internet Website by 12:00 Noon Central Time of their award of capacity. An award of released capacity shall be deemed to occur on the date that such notification occurs, or, in the case of a short-term Prearranged Transaction, on the date that HIOS receives the associated Release Proposal from the Releasing Shipper. The effective date of the release shall be determined in accordance with subsection 17.8 of this Section 17.

17.7(e) HIOS shall post the winning bid, and name of the winning bidder on its Interactive Internet Website for five (5) days.

17.8 Effecting Service for the Replacement Shipper.

- 17.8(a) A release of capacity under this Section 17 shall become effective on the later of (1) the date specified for such release in the Release Proposal/Prearranged Transaction, as applicable;
- (2) the date that HIOS receives a Rate Schedule FT-1 or FT-2 Transportation Agreement that has been executed by the Replacement Shipper, and that includes specification of the MDQ, receipt point entitlements, and delivery point entitlements that have been released to that Replacement Shipper;
  - (3) the date that HIOS receives a copy of the Gas Allocation Agreement that has been executed by the Replacement Shipper; or
  - (4) the date the completed release of capacity is posted on HIOS' Interactive Internet Website. HIOS will not commence transportation service under an effective release of capacity before a timely nomination has been scheduled.

17.8(b) HIOS shall provide for the electronic execution and tender of all documents required in this Section 17.8 through its Interactive Internet Website; provided, however, that HIOS may also require a fully executed written agreement.

17.9 Posting of Requests for Released Capacity. A prospective

Replacement Shipper that wants to make a request for released firm capacity ("Release Request") may inform HIOS, by mail, facsimile or Interactive Internet Website, of the specific terms and conditions of the Release Request. Upon receipt of the tendered Release Request, HIOS will post the Release Request in accordance with the following procedures:

17.9(a) The Release Request must be made on the HIOS Release Request Form, as set forth on Sheet Nos. 192-195 of this Tariff, and must include the following information:

- (i) The prospective Replacement Shipper's legal name, and

the name, title, address, telephone number, and facsimile number of the individual responsible for the Release Request;

- (ii) The amount of firm capacity, by receipt point, delivery point, and in total, that the prospective Replacement Shipper wants to acquire;
- (iii) The proposed effective date and term of the desired acquisition of capacity;
- (iv) The maximum reservation rate, or the volumetric reservation rate equivalent, that the prospective Replacement Shipper is willing to pay for the capacity; and
- (v) Any other terms or conditions that the prospective Replacement Shipper deems essential to the Release Request, provided, that any such terms or conditions must be consistent with the terms and conditions of this Tariff.

17.9(b) A Release Request that conforms to the requirements of subsection 17.9(a) of this Section 17, that is received by HIOS no later than 12:00 noon Central Time on a business day, and for which the posting fee has been paid, will be posted on HIOS' Interactive Internet Website beginning on the following business day.

17.9(c) The posting of the Release Request will continue for a period of 30 days, except that the prospective Replacement Shipper may request that it be removed, or that the posting be extended for an additional 30-day period, at any time prior to the end of the period.

17.9(d) Any agreement for the release of capacity between a Releasing Shipper and the prospective Replacement Shipper that posted the Release Request shall be subject to all requirements of this Section 17 that pertain to such a transaction, including the applicable posting and competitive bid requirements of subsections 17.4, 17.5, and 17.6.

17.10 Active Marketing of Release Proposals by HIOS. If a Releasing Shipper requests that HIOS actively market its Release Proposal, HIOS will inform the Releasing Shipper whether HIOS is willing to pursue

the possibility of providing active marketing service. HIOS and the Releasing Shipper shall negotiate the terms of any marketing service to be provided by HIOS and the marketing fee to be paid HIOS for such service. HIOS shall be under no obligation to actively market a Release Proposal on terms to which it has not agreed.

17.11 Qualification for Participation in the Capacity Release Program.

17.11(a) In order to qualify for participation in a Prearranged Transaction or to submit a Qualified Bid for a posted Release Proposal, a prospective Replacement Shipper must first:

- (i) Demonstrate, to HIOS' reasonable satisfaction, that it is creditworthy in accordance with Sections 2.2(k) and 5 of the General Terms and Conditions of this Tariff; and
- (ii) Provide to HIOS a statement of its willingness and ability to: (1) execute a Transportation Agreement for firm transportation service that conforms to Rate Schedule FT-1 or FT-2 of this Tariff; and (2) become a party to the Gas Allocation Agreement between HIOS and its shippers.

17.11(b) HIOS reserves the right to request additional or renewed credit evaluation materials at any time for the purpose of reviewing a completed creditworthiness evaluation.

17.12 Rights and Obligations of the Releasing Shipper and the Replacement Shipper.

17.12(a) General Commitment of Replacement Shipper. By acquiring released capacity, a Replacement Shipper agrees that it will comply with all of the provisions of this Tariff, the terms and conditions of the executed Rate Schedules FT-1 and FT-2 Transportation Agreement, and the applicable orders, rules, and regulations of the Federal Energy Regulatory Commission. The Replacement Shipper shall remain fully liable to HIOS at the end of the term of the release transaction for all responsibilities under its Transportation Agreement with HIOS, including, but not limited to, all charges incurred by the Replacement Shipper.

17.12(b) Continuing Obligations of Releasing Shipper. The original

Releasing Shipper in any sequence of one or more releases involving the same capacity ("Original Releasing Shipper") shall continue to be liable for all reservation charges associated with the released capacity, up to the reservation charge specified in the Original Releasing Shipper's underlying Rate Schedules FT-1 and FT-2 Transportation Agreement with HIOS. By releasing firm capacity to a Replacement Shipper, the Releasing Shipper recognizes and agrees that such release shall reduce the Releasing Shipper's firm capacity rights under its underlying Transportation Agreement with HIOS during the term of the release, beginning on the effective date thereof, except for any period that the released capacity is recalled by the Releasing Shipper.

17.12(c) Release by Replacement Shipper. A release of capacity by a Replacement Shipper shall not relieve the Original Releasing Shipper, or any Replacement Shipper in the sequence of releases between the Original Releasing Shipper and the Replacement Shipper holding the capacity, of their obligations under this tariff or their respective Transportation Agreements with HIOS. Re-releases may be on the same terms and conditions as the primary release (except as prohibited by F.E.R.C. regulations).

17.12(d) Changes in Receipt or Delivery Points. A Releasing Shipper may include in its Release Proposal restrictions on the Replacement Shipper's ability to modify Primary Point(s) of Receipt and Primary Point(s) of Delivery in its Transportation Agreement with HIOS. In the absence of any

restrictions, the Releasing Shipper shall be deemed to have amended its Transportation Agreement to incorporate the changes to Primary Point(s) of Receipt and Primary Point(s) of Delivery made effective by any Replacement Shipper in the sequence of releases between the Original Releasing Shipper and the Replacement Shipper holding the capacity.

17.12(e) Right of Recall. Releasing Shippers may, to the extent permitted as a condition of the capacity release, recall released capacity by providing notice to HIOS in accordance with the following time line (all times are Central Clock Time):

(i) Timely Recall Notification

- (a) A Releasing Shipper recalling capacity should provide notice of such recall to HIOS and the first Replacement Shipper no later than 8:00 a.m. on the day that Timely Nominations are due;
  - (b) HIOS should provide notification of such recall to all affected Replacement Shippers no later than 9:00 a.m. on the day that Timely Nominations are due;
  
- (ii) Early Evening Recall Notifications:
  - (a) A Releasing Shipper recalling capacity should provide notice of such recall to HIOS and the first Replacement Shipper no later than 3:00 p.m. on the day that Evening Nominations are due;
  - (b) HIOS should provide notification of such recall to all affected Replacement Shippers no later than 4:00 p.m. on the day that Evening Nominations are due;
  
- (iii) Evening Recall Notifications:
  - (a) A Releasing Shipper recalling capacity should provide notice of such recall to HIOS and the first Replacement Shipper no later than 5:00 p.m. on the day that Evening Nominations are due;
  - (b) HIOS should provide notification of such recall to all affected Replacement Shippers no later than 6:00 p.m. on the day that Evening Nominations are due;
  
- (iv) Intraday 1 Recall Notifications:
  - (a) A Releasing Shipper recalling capacity should provide notice of such recall to HIOS and the first Replacement Shipper no later than 7:00 a.m. on the day that Intraday 1 Nominations are due;
  - (b) HIOS should provide notification of such recall to all affected Replacement Shippers no later than 8:00 a.m. on the day that Intraday 1 Nominations are due;
  
- (v) Intraday 2 Recall Notifications:
  - (a) A Releasing Shipper recalling capacity should provide notice of such recall to HIOS and the first Replacement Shipper no later than 12:00 p.m. on the day that Intraday 2 Nominations are due;

- (b) HIOS should provide notification of such recall to all affected Replacement Shippers no later than 1:00 p.m. on the day that Intraday 2 Nominations are due;
- (vi) Intraday 3 Recall Notifications:
  - (a) A Releasing Shipper recalling capacity should provide notice of such recall to HIOS and the first Replacement Shipper no later than 4:00 p.m. on the day that Intraday 3 Nominations are due;
  - (b) HIOS should provide notification of such recall to all affected Replacement Shippers no later than 5:00 p.m. on the day that Intraday 3 Nominations are due.

For recall notification provided to HIOS prior to the recall notification deadline specified above and received between 7:00 a.m. and 5:00 p.m., HIOS should provide notification to all affected Replacement Shippers no later than one hour after receipt of such recall notification. For recall notification provided to HIOS after 5:00 p.m. and prior to 7:00 a.m., HIOS should provide notification to all affected Replacement Shippers no later than 8:00 a.m. after receipt of such recall notification.

Releasing Shipper that has released capacity subject to a right of recall must provide HIOS and the Replacement Shipper to whom the capacity was released with notice of its intent to

recall capacity. The notice shall identify, by volume, receipt point, and delivery point, the capacity being recalled, and state whether the recall is permanent or temporary and, if the latter, the duration of the recall. Any Replacement Shipper that wants to release capacity that was released to it, subject to interruption or recall, must fashion its own release of the capacity so as to accommodate the conditions of interruption or recall.

- 17.12(f) Permanent Release. If a Releasing Shipper releases capacity for the remaining term of its Transportation Agreement and the Replacement Shipper has agreed to pay the maximum rates, or higher if applicable pursuant to Section 17.2(e) hereof, and executes a Transportation Agreement with HIOS where under all of the Releasing Shipper's obligations have been assumed, the Releasing Shipper may request from HIOS a release from its



obligations under the underlying Transportation Agreement; subject to the approval of HIOS' creditors to whom said Transportation Agreement has been pledged, HIOS shall act on Releasing Shipper's request for release from its obligations on a non-discriminatory basis, and shall not unreasonably withhold approval thereof. Inasmuch as the Replacement Shipper must at all times meet HIOS credit-worthiness standard under Section 5 of the General Terms and Conditions, the criteria for creditor's approval shall generally be satisfied thereby, absent extenuating circumstances.

- 17.12(g) Billing. HIOS shall bill the Replacement Shipper the rate specified in the Transportation Agreement and any other applicable charges and such Replacement Shipper shall pay the billed amounts directly to HIOS. Further, the Replacement Shipper who has acquired capacity on a volumetric reservation charge shall be billed the daily reservation charge plus the commodity rate and all applicable surcharges times the volumes actually transported. Releasing Shipper shall be billed the reservation charge and reservation surcharge, if any, associated with the released capacity pursuant to its contract, with a concurrent conditional credit for payment of the reservation charge and reservation surcharge due from the Replacement Shipper. This bill shall include an itemization of credits and adjustments associated with each release

transaction. Releasing Shipper shall also be billed a marketing fee, if applicable, pursuant to the provisions of subsection 17.10 of this Section 17. A Replacement Shipper who releases acquired capacity shall pay to HIOS a marketing fee, if applicable.

If a Replacement Shipper does not make payment to HIOS of the reservation charge and reservation surcharge, if any, due as set forth in Section 10 the General Terms and Conditions, HIOS shall notify the Releasing Shipper of the amount due, including all applicable late charges authorized by Section 10 of the General Terms and Conditions and such amount shall be paid by the Releasing Shipper. In addition, Releasing Shipper may terminate the release of capacity to a Replacement Shipper if such Replacement Shipper fails to pay all of the amount of any bill for gas delivered under the executed Transportation Agreement when such amount is due. Once terminated, capacity and

all applicable charges shall revert to the Releasing Shipper. All payments received from a Replacement Shipper shall first be applied to the reservation charge due for the transportation service and then to any reservation surcharge, including late charges related solely to such reservation charges, then to any penalty due, then to usage charges, and last to late charges not related to any reservation charges due.

If the Transportation Agreement between HIOS and the Replacement Shipper specifies a reservation charge for the released capacity that is higher than the reservation charge specified in the underlying Transportation Agreement with HIOS and the Releasing Shipper, then any revenues that HIOS collects from the Replacement Shipper that are based on the difference between the specified reservation charges which remain after payment of the items specified in the last sentence of the immediately preceding paragraph shall be credited to the Releasing Shipper.

- 17.13 Conversion between Monthly and Daily Reservation Rates. Converting a daily rate to a monthly rate is accomplished by multiplying the daily rate times the number of days in the rate period, dividing the result by the number of months in the rate period, taking the remainder out to 5 decimal places, and rounding up or down to HIOS' specified decimal place.

Converting a monthly rate to a daily rate is accomplished by multiplying the monthly rate by the number of months in the rate period, dividing the result by the number of days in the rate period, taking the remainder out to 5 decimal places, and rounding up or down to HIOS' specified decimal place.

- 17.14 Capacity release historical data shall be made available, upon request, on a consistent basis by HIOS for a period of 3 years.

## 18. STORM DAMAGE REPAIR SURCHARGE TRACKER

- 18.1 Purpose and Applicability. This section sets forth the tariff mechanism whereby HIOS will have the right to implement, through a limited filing(s) under Section 4 of the Natural Gas Act, a commodity surcharge (the “Storm Damage Surcharge”) for the recovery of all qualifying expenditures that HIOS incurs in connection with the repair of damage to its facilities caused by a Storm Event. For purposes of this Section 18, a Storm Event shall consist of any hurricane, tropical storm or depression named or numbered by the U.S. National Weather Service that occurs after the date of the Stipulation and Agreement filed in Commission Docket No. RP09-487-000. The Storm Damage Surcharge shall be applicable to each Dekatherm of Gas transported under any Transportation Service Agreement in effect under this FERC Gas Tariff, including any discounted recourse rate or negotiated rate Transportation Service Agreement.
- 18.2 Eligible Costs. The costs that HIOS will be entitled to collect through the Storm Damage Surcharge (the “Eligible Costs”) shall include actual costs incurred by HIOS resulting from a Storm Event, including but not limited to: temporary or permanent pipeline re-routings; repair or replacements of HIOS pipeline (including damage caused by dragging of shipping anchors and damages to third parties caused by Storm Event-related damage to HIOS), platforms, receipt points, delivery points, compressors, and other property and appurtenant equipment; construction of replacement or alternative, or remediation of existing, pipeline interconnections or multiple pipeline crossings and associated facilities; removal of pipelines and other equipment (including but not limited to removal of any HIOS equipment located on third party offshore platforms owned by third parties); removal of debris (including but not limited to sunken ships and platforms); pipeline burials; smart pigging operations related to a Storm Event; post-Storm Event inspections (including but not limited to inspections by remote operated submersible vehicles and inspections required by any governmental authority); reimbursement of damage to third party property and persons; miscellaneous expenses associated with having personnel available to repair HIOS’s system; any costs which HIOS incurs to restore system operations following the occurrence of a Storm Event; and any other Storm Event-related incremental costs resulting from federal, state and/or local regulation. Eligible costs shall include costs that are subject to future recovery through insurance, provided that any such costs actually recovered are later credited to a subsequent tracker filing made under this Section. Eligible costs shall be exclusive of preventative measures or improvements to the HIOS system, the costs of which shall be addressed in a general rate change application made under Section 4 of the Natural Gas Act.

### 18.3 Filing Procedures

18.3(a) In order to avail itself of the Storm Damage Surcharge, HIOS shall be permitted (but not required) to make a Storm Damage Surcharge tracker filing on March 1 of each year, to be effective April 1. The amount of the Storm Damage Surcharge shall be shown on Sheet No. 7, but shall in no event exceed \$0.05 per Dth. Interested parties shall have the right to protest any such filing by HIOS.

18.3(b) HIOS shall include with each filing detailed information on the Eligible Costs proposed for recovery, including a written explanation of how such costs qualify for reimbursement through a Storm Damage Surcharge. Each filing shall also include information detailing: (1) all revenues that HIOS collected during the prior twelve months pursuant to a Storm Damage Surcharge; (2) all of the Eligible Costs HIOS has incurred; and (3) any insurance proceeds or recoveries from other affiliated or unaffiliated third parties actually received for any portion of the Eligible Costs previously collected through any prior Storm Damage Surcharge, together with supporting workpapers.

18.3(c) In evaluating the timing and costs of repairing its facilities, it shall be prudent for HIOS to: (1) consider in its discretion the time of the year in which it should schedule Storm Event damage repairs; (2) incur Eligible Costs during a period of high demand for offshore repair services and equipment (for example, special barges) at the time of or after the Storm Event occurred; (3) incur Eligible Costs as necessary to return its pipeline system (or any part thereof) damaged by the Storm Event back into service as soon as possible, including but not limited to in response to urging by any governmental authority; and (4) incur costs to arrange for temporary housing, meals, travel and other necessities for personnel to be available to repair HIOS's pipeline system.

18.3(d) If, by April 1 of any year, HIOS has had in effect during the previous twelve month period a Storm Damage Surcharge, and has not made a filing on the immediately prior March 1 to place into effect a new Storm Damage Surcharge, HIOS shall file with the Commission a final report setting forth (1) all of the revenues that HIOS has collected through the Storm Damage Surcharge applicable to the most recent Storm Event subject to surcharge recoveries; (2) all of the Eligible Costs incurred with respect to such Storm Event; and (3) any insurance proceeds or recoveries from other affiliated or unaffiliated third parties actually received for any portion of Eligible Costs previously collected through any Storm Damage Surcharge applicable to such Storm Event, together with supporting workpapers. Interested parties shall have the right to protest any such final report. Such final report shall also be subject to the requirements of Section 18.6(e).

- 18.4 Maintenance of Separate Storm Damage Surcharge Cost Account. HIOS shall establish and maintain separately an account for its Storm Damage Surcharge recoveries as follows:

18.4(a) Each Month, the Storm Damage Surcharge account shall be: (1) debited by the Eligible Costs incurred that Month; (2) credited by any insurance proceeds or recoveries from other affiliated or unaffiliated third parties actually received during that Month for any Eligible Costs previously debited to the account; (3) credited by any Storm Damage Surcharge revenue actually collected by HIOS from Shippers during that Month; and (4) debited or credited, as appropriate, each Month by carrying charges calculated at the FERC-prescribed interest rate on the monthly balance of the Storm Damage Surcharge account for the prior Month.

18.4(b) It is HIOS's intent that the accounting set forth in Section 18.4(a), above, shall operate as a true-up mechanism between HIOS's: (1) Eligible Costs; and (2) Storm Damage Surcharge recoveries plus any insurance proceeds or recoveries from other affiliated or unaffiliated third parties actually received for Eligible Costs previously included in the Storm Damage Surcharge account.

#### 18.5 Calculation of the Storm Damage Surcharge.

18.5(a) Each Storm Damage Surcharge shall be calculated as the quotient of: (1) the latest available balance in the Storm Damage Surcharge account established by HIOS under Section 18.4(a) plus carrying costs at the FERC-prescribed interest rate, subject to Section 18.5(b), below; divided by (2) the projected total system throughput (unadjusted for any rate discounting) for the twelve Month period beginning on the proposed effective date of the applicable Storm Damage Surcharge.

18.5(b) The collection of any Eligible Costs included for recovery in any Storm Damage Surcharge recovery filing shall be based on an amortization period of 36 Months, subject to the \$0.05/Dth cap; provided, however, that if the Storm Damage Surcharge as calculated in accordance with the foregoing is less than \$0.005/Dth, HIOS may amortize the amount in the Storm Damage Surcharge account over a period of 12 Months.

18.5(c) To the extent that any balance in the Storm Damage Surcharge account remains uncollected at the end of a given period as a result of the \$0.05/Dth cap and the 36 Month amortization period, the foregone revenue plus carrying costs at the FERC-prescribed interest rate may be collected by HIOS in a subsequent period at a rate not to exceed \$0.05/Dth.

18.5(d) If the amount in the Storm Damage Surcharge account is less than \$100,000 (either negative or positive), HIOS may, upon at least thirty (30) Days prior notice to the Commission, reduce the Storm Damage Surcharge to \$0.00/Dth and refund to or direct bill Shippers the remaining balance in the Storm Damage Surcharge account as part of the invoices for the Month following the date the Storm Damage Surcharge is reduced to \$0.00/Dth,

such refunds or direct bills to be based pro rata on the actual quantities transported by HIOS for each Shipper during such Month.

#### 18.6 Miscellaneous

18.6(a) No Eligible Cost included in the calculation of any Storm Damage Surcharge may be included in HIOS's existing base rates. No cost included in HIOS's existing base rates may be included in the calculation of the Storm Damage Surcharge.

18.6(b) At the time HIOS files to revise its base rates under Section 4 of the Natural Gas Act, or at the time rates go into effect as a result of a final Commission order issued in response to an investigation into HIOS's base rates under Section 5 of the Natural Gas Act, all Eligible Costs (or portions thereof) that have not been reimbursed through collection of the Storm Damage Surcharge may be included in the cost-of-service used to calculate HIOS's base rates and, if so included, shall no longer be the basis for any calculation of any future Storm Damage Surcharge. Interested parties shall have the right to protest any such filing.

18.6(c) Any capital-related Eligible Costs (or portion thereof) for which HIOS is reimbursed through collection of the Storm Damage Surcharge shall not be debited to HIOS's gross plant (Property, Plant, and Equipment) accounts.

18.6(d) If HIOS discontinues the use of the Storm Damage Surcharge, HIOS shall file to refund to or direct bill its Shippers any negative or positive amount remaining in the Storm Damage Surcharge account as of the date that the Storm Damage Surcharge is discontinued; provided, however, that all actual insurance proceeds or recoveries from any affiliated or unaffiliated third party for Eligible Costs previously included in the Storm Damage Surcharge Cost account that are subsequently received by HIOS shall be refunded to its Shippers. Any such refunds to or direct billings of Shippers shall be based pro rata on the actual quantities transported by HIOS for each Shipper during the Month covered by the invoice on which such refund or direct billing is reflected. Interested parties shall have the right to protest any such filing.

## 20. INFORMATION AND COMMUNICATIONS REGARDING SERVICES

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

### 20.1 General

HIOS shall maintain an Interactive Internet Website for the purpose of providing its Shippers and third parties equal and timely access to HIOS' transportation log, and on information relevant to the availability of capacity on HIOS' System. HIOS shall also provide each Shipper access through its Interactive Internet Website to information related to activity under its agreement with HIOS, such as nominations and estimated imbalances. Furthermore, HIOS shall administer each Shipper's release of capacity as more particularly described in Section 17 hereof, through its Interactive Internet Website and shall provide to Shipper other interactive capabilities. All forms set forth or referenced in the Tariff will also be maintained on HIOS' Interactive Internet Website for Shipper's use.

### 20.2 Submission of Information and Communications

- (a) Unless specifically provided otherwise in this Tariff, the generic provisions of this Tariff requiring that notices, requests, and other communications be in writing may be satisfied by Shipper through submission of such communications over HIOS' Interactive Internet Website. Transportation Service Agreement specific notices requiring communications to be in writing remain unchanged unless mutually agreed to otherwise by the parties. Electronic Communications in Electronic Data Interchange ASCX12 ("EDI") format may also be transmitted via HIOS' Interactive Internet Website. Submission of information and communications through HIOS' Interactive Internet Website shall be legally binding on Shipper and HIOS.

### 20.3 Access to the Interactive Internet Website

- (a) A Shipper may communicate with HIOS via the Interactive Internet Website by:
  - (i) acquiring compatible PC capability;
  - (ii) executing the System License Agreement with HIOS; and

- (iii) receiving a user identification number for accessing the system.



21. NEW FACILITY COSTS

HIOS shall be entitled to submit filings under Section 4 of the Natural Gas Act and the Commission's Regulations and to recover other capital costs of new facilities incurred as a result of the restructuring of Transporter's services pursuant to the provisions of Order Nos. 636, et seq.

Such costs shall include, but not be limited to, electronic measurement and communication facilities; flow control equipment; and other facility costs (including pre-tax rate of return times net rate base; depreciation; and an allowance for ad valorem taxes).

22. ORDER OF DISCOUNTING SURCHARGES

HIOS does not have any rate surcharge components for which to establish an order of discounting.

23. PERIODIC REPORTS

HIOS is required to file no periodic reports pursuant to Commission order or to a settlement in a proceeding initiated under Parts 154 or 284 of the regulations of the Federal Energy Regulatory Commission.

**GT&C Section 24**

24. NORTH AMERICAN ENERGY STANDARDS BOARD (NAESB)  
 STANDARDS

Transporter has adopted the Business Practices and Electronic Communications Standards, NAESB WGQ Version 3.2, 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>
0.3.3	GT&C Section 5.2
0.3.4	GT&C Section 5.3
0.3.5	GT&C Section 5.4
0.3.6	GT&C Section 5.5
0.3.7	GT&C Section 5.6
0.3.8	GT&C Section 5.7
0.3.9	GT&C Section 5.8
0.3.10	GT&C Section 5.9
1.3.2(i)	GT&C Section 7.2
1.3.2(ii)	GT&C Section 7.2
1.3.2(iii)	GT&C Section 7.2
1.3.2(iv)	GT&C Section 7.2
1.3.2(v)	GT&C Section 7.2
1.3.2(vi)	GT&C Section 7.2
5.2.2	GT&C Section 7.3
5.3.2	GT&C Section 17.5(a)-(b)
5.3.34	GT&C Section 7.3

**Standards Incorporated by Reference:**

Additional Standards:

General:

- Definition: 0.2.5
- Principles: 0.1.1, 0.1.2, 0.1.3
- Standards: 0.3.1, 0.3.2, 0.3.16, 0.3.17

Gas/Electric Operational Communications:

- Definitions: 0.2.1, 0.2.2, 0.2.3, 0.2.4
- Standards: 0.3.11, 0.3.12, 0.3.13, 0.3.14, 0.3.15

Operating Capacity and Unsubscribed:

Standards: 0.3.18, 0.3.20, 0.3.21, 0.3.22

Data Sets: 0.4.2, 0.4.3

Location Data Download:

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

Data Sets: 0.4.4

Storage Information:

Data Sets: 0.4.1

Nominations Related Standards:

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

Definitions: 1.2.1, 1.2.2, 1.2.3, 1.2.4, 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, 1.3.17, 1.3.18, 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, 1.3.48, 1.3.51,  
1.3.53, 1.3.55, 1.3.56, 1.3.58, 1.3.62, 1.3.64, 1.3.65, 1.3.66, 1.3.67,  
1.3.68, 1.3.69, 1.3.70, 1.3.71, 1.3.72, 1.3.73, 1.3.74, 1.3.75, 1.3.76,  
1.3.77, 1.3.79, 1.3.80, 1.3.81, 1.3.82

Data Sets: 1.4.1, 1.4.2, 1.4.3, 1.4.4, 1.4.5, 1.4.6, 1.4.7

Flowing Gas Related Standards:

Principles: 2.1.1, 2.1.2, 2.1.3, 2.1.4, 2.1.5, 2.1.6

Definitions: 2.2.1, 2.2.2, 2.2.3, 2.2.4, 2.2.5

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, 2.3.32, 2.3.40, 2.3.41, 2.3.42, 2.3.43, 2.3.44,  
2.3.45, 2.3.46, 2.3.47, 2.3.48, 2.3.50, 2.3.51, 2.3.52, 2.3.53, 2.3.54,  
2.3.55, 2.3.56, 2.3.57, 2.3.58, 2.3.59, 2.3.60, 2.3.61, 2.3.62, 2.3.63,  
2.3.64, 2.3.65, 2.3.66

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

Invoicing Related Standards:

Principles: 3.1.1, 3.1.2

Definition: 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, 3.3.27

Data Sets: 3.4.1, 3.4.2, 3.4.3, 3.4.4

Quadrant Electronic Delivery Mechanism Related Standards:

Principles: 4.1.2, 4.1.3, 4.1.4, 4.1.6, 4.1.7, 4.1.10, 4.1.12, 4.1.13, 4.1.16, 4.1.17, 4.1.18, 4.1.19, 4.1.20, 4.1.21, 4.1.22, 4.1.23, 4.1.24, 4.1.26, 4.1.27, 4.1.28, 4.1.29, 4.1.30, 4.1.32, 4.1.33, 4.1.34, 4.1.35, 4.1.36, 4.1.37, 4.1.38, 4.1.40  
Definitions: 4.2.1, 4.2.2, 4.2.3, 4.2.4, 4.2.5, 4.2.6, 4.2.7, 4.2.8, 4.2.9, 4.2.10, 4.2.11, 4.2.12, 4.2.13, 4.2.14, 4.2.15, 4.2.16, 4.2.17, 4.2.18, 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, 4.3.42, 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, 4.3.62, 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, 4.3.84, 4.3.85, 4.3.86, 4.3.87, 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, 4.3.105, 4.3.106, 4.3.107, 4.3.108, 4.3.109, 4.3.110

Capacity Release Standards:

Principles: 5.1.1, 5.1.2, 5.1.3, 5.1.4  
Definitions: 5.2.1, 5.2.3, 5.2.4, 5.2.5  
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, 5.3.35, 5.3.36, 5.3.37, 5.3.38, 5.3.39, 5.3.40, 5.3.41, 5.3.42, 5.3.44, 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, 5.3.72, 5.3.73  
Data Sets: 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

Internet Electronic Transport Related Standards:

Principles: 10.1.1, 10.1.2, 10.1.3, 10.1.4, 10.1.5, 10.1.6, 10.1.8, 10.1.9, 10.1.10  
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, 10.2.39  
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, 10.3.28, 10.3.29

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

NONE

## 25. NEGOTIATED RATES

25.1 Availability: Notwithstanding anything to the contrary contained in this Tariff, including the provisions of the rate schedules contained herein, Transporter and Shipper may mutually agree to a Negotiated Rate under any Part 284 Rate Schedule, provided that Shipper has not acquired its capacity under the capacity release provisions of Section 17 of these General Terms and Conditions. If a portion of the capacity under any existing Agreement is agreed to be priced at Negotiated Rates, the existing Agreement must first be bifurcated, and the existing tariff rate will continue to apply to the capacity not subject to the Negotiated Rates. Transporter's maximum effective rate (maximum base rate plus all applicable surcharges) for service under any such rate schedule is available as a recourse rate for any Shipper that does not desire to negotiate a rate hereunder.

HIOS and Shipper may agree that a specified negotiated rate will apply: (a) to Rate Schedules IT, FT-1 and FT-2; (b) only if specified quantity levels are actually achieved under Shipper's service agreement (with higher rates, charges, and fees applicable to all quantities above those levels, or to all quantities under Shipper's service agreement if the specified levels are not achieved); (c) only to natural gas reserves committed by the Shipper pursuant to the applicable Reserve Commitment Agreement with HIOS in the appropriate form contained in these General Terms and Conditions; (d) only during specified time periods; or (e) only to specified Points of Receipt, Points of Delivery, transportation paths, or defined geographical areas.

25.2 Definition: Negotiated rates shall be mutually agreed and set forth in writing. A negotiated rate is a rate: which is determined from a formula rather than a stated rate between the maximum and minimum on the filed rate sheets; or which is a stated rate that is or may be greater than the maximum rate; or which may have components which are less than the minimum charge for such components on the filed rate sheets; or which uses a rate design other than the one used to establish the applicable recourse rate (e.g., straight fixed variable). A negotiated rate may include a minimum or maximum volume quantity for which charges will be paid.

25.3 Capacity Allocation: In evaluating requests for firm service, where one or more request uses a negotiated rate or negotiated rate formula, Transporter will consider, in assigning value to such requests, only reservation or demand charge revenue or other revenue which is guaranteed to be received by Transporter. Pursuant to a capacity evaluation under Section 16 of these General Terms and Conditions, the net present value of any such bid for firm service shall be capped by the net present value of the



maximum applicable reservation rate for such service over the contract term bid. In evaluating, scheduling and allocating requests for interruptible service pursuant to Sections 7.8 and 7.9 of the General Terms and Conditions, the consideration of the price paid to HIOS for such service shall be capped by the maximum applicable rate for such service. In performing a net present value evaluation of a negotiated rate bid proposing a volumetric or usage rate along with a minimum throughput commitment, Transporter shall consider only the amounts required to be paid regardless of actual usage.

- 25.4 Capacity Release and Right of First Refusal: A negotiated rate shall not apply as a price cap for capacity release transactions. For purposes of exercising rights to continue service pursuant to Section 16 of these General Terms and Conditions, the highest rate that the existing Shipper capacity holder must match if it desires to retain all or a portion of its capacity, is the applicable maximum tariff rate, including surcharges, for such service.
- 25.5 Filing Requirements: No later than the business day on which Transporter commences service at a negotiated rate (or if the day on which Transporter commences such service is not a business day, then the next business day after Transporter commences such service), Transporter will file with the Commission either its negotiated rate agreement or a numbered tariff sheet stating the name of the Shipper, the duration of the contract, the actual negotiated rate or the formula used to calculate the rate, the applicable receipt and delivery points, the quantity of gas to be transported, the applicable Rate Schedule for the service and an affirmation that the negotiated rate agreement does not deviate in any material aspect from the applicable form of service agreement in Transporter's tariff.
- 25.6 Accounting for Costs and Revenues: The allocation of costs to, and the recording of revenues from, service at negotiated rate(s) will follow Transporter's normal practices associated with all of its services under this Tariff. Transporter will maintain separate records of negotiated rate transactions for each billing period. These records shall include the volumes transported, the billing determinants, the rates and surcharges charged and the revenue received associated with such transactions. Transporter will separately identify such transactions in Statement G, I and J (or their equivalents) filed in any general rate proceeding.
- 25.7 Rate Treatment: Transporter shall have the right to seek in future general rate proceedings discount-type adjustments in the design of its rates related to negotiated rate agreements. In these situations, Transporter may seek a discount-type adjustment based upon the greater of the negotiated rate

revenues received or the discounted rate revenues which otherwise would have been received.

- 25.8 Limitations: This Section 25 does not authorize Transporter to negotiate terms and conditions of service.

26. Discounting

HIOS and Shipper may agree that a specified discounted rate will apply: (a) to Rate Schedules IT, FT-1 and FT-2; (b) only if specified quantity levels are actually achieved under Shipper's service agreement (with higher rates, charges, and fees applicable to all quantities above those levels, or to all quantities under Shipper's service agreement if the specified levels are not achieved); (c) only to natural gas reserves committed by the Shipper pursuant to the applicable Reserve Commitment Agreement with HIOS in the appropriate form contained in these General Terms and Conditions; (d) only during specified time periods; or (e) only to specified Points of Receipt, Points of Delivery, transportation paths, or defined geographical areas; provided, however, that any such discounted rates set forth above shall be between the minimum and maximum rates applicable to the service provided under HIOS' Tariff.

Such forms of discounts shall not be considered a material deviation from HIOS' pro forma service agreements as a result of such discounts and HIOS shall not be required to file such agreements with the Commission as a non-conforming agreement because of such discounts.

In addition, the discount agreement may include a provision that if one rate component that was at or below the applicable Maximum Rate at the time the discount agreement was executed subsequently exceeds the applicable Maximum Rate due to a change in HIOS' Maximum Rates so that such rate component must be adjusted downward to equal the new applicable Maximum Rate, then other rate components may be adjusted upward to achieve the agreed overall rate, as long as none of the resulting rate components exceeds the Maximum Rate applicable to that rate component. Such changes to rate components shall be applied prospectively, commencing with the date a Commission Order accepts revised tariff sheet rates. However, nothing contained herein shall be construed to alter a refund obligation under applicable law for any period during which rates that had been charged under a discount agreement exceeded rates that ultimately are found to be just and reasonable.

27. Refunding of Penalty Revenue

This section applies to the refund of all penalty refunds that are collected outside of the cash-out mechanism. Any refunds due under the cash-out mechanism will be distributed in accordance with Section 8.5

This section sets forth the procedures under which HIOS will refund, for each annual billing period, penalty revenues collected. For the purposes of this Section 27, an annual billing period shall be the twelve month period commencing each January 1 and ending each December 31.

Within 60 days of the end of each annual billing period, HIOS shall calculate the amount of penalty revenues received by HIOS pursuant to provisions of its various rate schedules. HIOS shall refund to non-offending firm and interruptible transportation customers, as a credit to their bills, all penalty revenues received by HIOS, on a pro-rata basis in accordance with the transportation volumes received during the annual period.

28. Company Use

- 28.1 Company Use Percentage. The Company Use Percentage shall be expressed as a percentage rounded to two (2) decimal places and shall be used to calculate the quantity of gas, expressed in MMBtu, to be delivered by or for the account of Shipper and accepted by HIOS at receipt point(s) to reimburse HIOS for actual Compressor Fuel and Unaccounted For Gas. Such percentage shall be the sum of the Compressor Fuel percentage, the Unaccounted For Gas percentage and the Company Use True up percentage and shall be adjusted annually in accordance with this Section 28. The currently effective Company Use, Compressor Fuel, Unaccounted For Gas and Company Use True up percentages shall be separately stated on Sheet No. 11 of this Tariff. For purposes of this Section 28, "receipts" shall mean net receipts, defined as gross receipts on HIOS less deliveries to Stingray.
- 28.2 Annual Filing of Company Use Percentage. HIOS shall make an annual Company Use Percentage filing with an effective date of April 1. Such filing shall include workpapers setting forth the calculation of the prospective Compressor Fuel, Unaccounted For Gas and Company Use True up percentages as determined in accordance with Section 28.3.
- 28.3 Computation of Company Use Percentage. The Compressor Fuel, Unaccounted For Gas, Company Use True up and Company Use Percentages determined as part of the annual filing and posted on Sheet No. 11 of this Tariff, shall be calculated in accordance with this section.
- 28.3(a) Compressor Fuel. The Compressor Fuel percentage shall be calculated annually as the quotient of a) the Compressor Fuel used for the previous calendar year ending each December 31 and b) the projected quantity of gas received by HIOS for the account of Shippers during the recovery period. HIOS shall include supporting workpapers.
- 28.3(b) Unaccounted For Gas. The Unaccounted For Gas percentage shall be calculated annually as the quotient of a) the Unaccounted For Gas experienced for the previous calendar year ending each December 31 and b) the projected quantity of gas received by HIOS for the account of Shippers during the recovery period. HIOS shall include supporting workpapers.
- 28.3(c) Company Use True up. As part of each annual filing made pursuant to this Section 28, HIOS shall calculate a Company Use True up percentage each year as the quotient of a) the

Company Use Variance on the balance sheet of the company as of the end of the previous calendar year, plus carrying charges, and b) the projected quantity of gas received by HIOS for the account of Shippers during the recovery period. HIOS shall include supporting workpapers.

Notwithstanding the foregoing, HIOS shall mitigate any positive Company Use true-up as provided herein. If, at the end of a calendar year, HIOS has a negative Company Use Variance and calculates a positive Company Use true-up pursuant to this Section; and during the same calendar year utilized herein HIOS realizes net positive cashout revenue as provided in Section 8.6 of these General Terms and Conditions; then HIOS shall utilize such net positive revenues to either offset or purchase Gas quantities and reduce or eliminate any such positive Company Use true-up as provided below.

Each month HIOS shall record a) the costs or revenues and b) the negative or positive quantities of CUV for that Month. At the end of the calendar year, HIOS shall calculate an average CUV price ("ACUVP") which shall equal the quotient of the net costs of the CUV divided by the net negative quantities of the CUV, both as reflected on the balance sheet of the company at the end of such year. If electing to offset any positive Company Use true-up, HIOS will reduce the costs and quantities using the ACUVP. If electing to purchase quantities, HIOS shall post a notice on its bulletin board soliciting bids for the sale of the Gas and shall accept the bid(s) with the lowest net cost to HIOS.

28.3(d) Company Use Percentage. The Company Use Percentage shall equal the sum of the Compressor Fuel percentage, the Unaccounted For Gas percentage and the Company Use True up percentage.

28.4 Interim Adjustment to Company Use Percentage. HIOS shall monitor the CUV monthly. Each September, HIOS shall calculate the percentage relationship of CUV to actual Company Use for the previous six (6) month period (i.e. March - August). If the CUV is more than fifteen percent (15%) of the actual Company Use, HIOS shall revise the Company Use Percentage to equal the average monthly actual Company Use during such six (6) month period, and shall file a tariff sheet and supporting workpapers with the Commission as soon as final data for the months March through August is available, to be effective the first day of

the month following the filing, to implement the revision in the Company Use Percentage. Such filing shall become effective on the proposed effective date following a minimum suspension.

29. THIRD PARTY CHARGES

Shipper is responsible for delivering all Gas to Transporter's system, and shall be free to contract with third party(ies) to achieve such result. If Shipper requests, and Transporter agrees, that Transporter shall, for service to Shipper, use transportation service which Transporter has contracted for with third party(ies) on behalf of Shipper, Shipper will pay Transporter an amount equal to the charges Transporter is obligated to pay to third party(ies) for transportation or other services attributable to performance of Service on behalf of Shipper under this Rate Schedule. Such charges include, but are not limited to, compression fuel charges, compression fees, Gas handling fees, measurement fees, processing fees, facility rents, or charges that Transporter pays to a third party for Transportation of Shipper's Gas, including the third party's filing and regulatory fees. Such charges, as they may be from time to time, shall be set forth as separate items on billings rendered to Shipper.



30. OFF-SYSTEM CAPACITY

From time to time, Transporter may enter into transportation and/or storage agreements with other interstate and intrastate pipelines and storage providers ("off-system capacity"). In the event that Transporter acquires off-system capacity, Transporter will use such capacity for operational reasons or to render service for its Shippers. In the event that Transporter uses off-system capacity to render service for its Shippers, it will only render service to Shippers on the acquired capacity pursuant to Transporter's FERC Gas Tariff and subject to Transporter's approved rates, as such tariff and rates may change from time to time. For purposes of transactions entered into subject to this section, the "Shipper must have title" requirement is waived.

## **PART IV**

## **FORMS**

HIGH ISLAND OFFSHORE SYSTEM, L.L.C.  
 NOMINATION REQUEST FORM

----- Time/Date Stamp: \_\_\_\_\_

Service Provider Name: \_\_\_\_\_  
 Service Provider ID #: \_\_\_\_\_

Service Requester Name: \_\_\_\_\_ Beginning Date: \_\_\_\_\_  
 Service Requester ID#: \_\_\_\_\_ Beginning Time: \_\_\_\_\_  
 Representative: \_\_\_\_\_ Ending Date: \_\_\_\_\_  
 Telephone No.: \_\_\_\_\_ Ending Time: \_\_\_\_\_  
 Facsimile No.: \_\_\_\_\_

Capacity Type Indicator (FT-1, FT-2, IT): \_\_\_\_\_ Model Type: \_\_\_\_\_  
 Service Requester Contract Number: \_\_\_\_\_ Quantity Type Indicator: \_\_\_\_\_  
 Longhaul: \_\_\_\_\_ Transaction Type: \_\_\_\_\_  
 Shorthaul: \_\_\_\_\_

ALWAYS FAX NOMINATION REQUESTS TO THE FOLLOWING LOCATION:

High Island Offshore System, L.L.C.  
 811 Louisiana, Suite 1200  
 Houston, Texas 77002  
 Attn: Gas Scheduling Fax Number: (713) 860-2640  
 Telephone No.: (713) 860-2541

Upstream Identifier Code	Producer Operator Name	HIOS Electronic Measurement Location	Dth/D	Lateral Transporter	Downstream Shipper	Downstream Contract Number	Quantity Dth/D
-----	-----	-----	-----	-----	-----	-----	-----
-----	-----	-----	-----	-----	-----	-----	-----
-----	-----	-----	-----	-----	-----	-----	-----
-----	-----	-----	-----	-----	-----	-----	-----
-----	-----	-----	-----	-----	-----	-----	-----

By signing this Nomination/Schedule, Shipper certifies that Shipper has title to the gas or right to deliver the gas which is to be transported by HIOS.

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

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

HIGH ISLAND OFFSHORE SYSTEM, L.L.C.  
 PREDETERMINED ALLOCATION FORM  
 -----

Recipient Name: \_\_\_\_\_ Date: MO/DY/YR  
 Recipient ID #: \_\_\_\_\_ Time: 00:00:00  
 Page \_\_\_\_ of \_\_\_\_

Preparer Name: \_\_\_\_\_ Beginning Flow Date: \_\_\_\_\_ Time: \_\_\_\_\_  
 Preparer ID #: \_\_\_\_\_ Ending Flow Date: \_\_\_\_\_ Time: \_\_\_\_\_  
 Preparer Address: \_\_\_\_\_  
 Location Code/Measurement Site: \_\_\_\_\_ Direction of Flow: \_\_\_\_\_

ALWAYS FAX PDA REQUEST FORM TO THE FOLLOWING LOCATION:

High Island Offshore System, L.L.C.  
 811 Louisiana, Suite 1200  
 Houston, Texas 77002  
 Attn: Gas Scheduling  
 Fax Number: (713) 860-2640  
 Telephone No.: (713) 860-2541

Allocation Method	Service Request ID	Shipper Name	Service Requester Contract	Percentage or Overage Rank	Percentage or Underage Rank
___ Prorata	-----	-----	-----	-----	-----
___ Rank	-----	-----	-----	-----	-----
___ Percentage	-----	-----	-----	-----	-----

Contact Person: \_\_\_\_\_ Telephone No.: \_\_\_\_\_  
 \_\_\_\_\_ Date: \_\_\_\_\_ Facsimile No.: \_\_\_\_\_  
 (Print or Type)

HIGH ISLAND OFFSHORE SYSTEM  
TRANSPORTATION SERVICE REQUEST FORM

Send to: High Island Offshore System (HIOS)  
811 Louisiana, Suite 1200  
Houston, Texas 77002  
Attention: Gas Scheduling

Date Received \_\_\_\_\_

Fax Number: (713) 860-2640  
Verification: (713) 860-2541

NOTE: A check, if required by Section 2.1, must accompany each Transportation Service Request to be valid.

INFORMATION REQUIRED FOR VALID TRANSPORTATION REQUEST

1. Requester's Name and Address (Do not complete if same as Shipper, see No. 2 below):

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Requester's Affiliation With HIOS or Any Partner in HIOS:

---

2. Shipper's Name and Address (Note: The "Shipper" is the party which proposes to execute the Transportation Agreement with HIOS):

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Attention: \_\_\_\_\_ Telephone: \_\_\_\_\_

Nature of Shipper (check one):

\_\_\_\_\_ Interstate pipeline

\_\_\_\_\_ Intrastate pipeline

\_\_\_\_\_ Local distribution company

\_\_\_\_\_ End-user

\_\_\_\_\_ Producer

\_\_\_\_\_ Marketer

\_\_\_\_\_ Other (explain) \_\_\_\_\_

State in Which Shipper is Organized or Incorporated: \_\_\_\_\_

Shipper's Affiliation With HIOS or Any Member in HIOS: \_\_\_\_\_

Address for \_\_\_\_\_  
Statements & \_\_\_\_\_  
Invoices \_\_\_\_\_  
Attention: \_\_\_\_\_ Telephone: \_\_\_\_\_

Dispatch & Control Representative \_\_\_\_\_  
Telephone No. \_\_\_\_\_ Fax: \_\_\_\_\_

For All \_\_\_\_\_  
Other Matters \_\_\_\_\_  
Attention: \_\_\_\_\_ Telephone: \_\_\_\_\_

3. Term of Service

Date service is requested to commence: \_\_\_\_\_

Date service is requested to terminate: \_\_\_\_\_

4. This request is for: (Check One)

\_\_\_\_\_ Interruptible Service under Rate Schedule IT

\_\_\_\_\_ Firm Service under Rate Schedule FT-1

\_\_\_\_\_ Firm Service under Rate Schedule FT-2

5. Requested Maximum Daily Quantity (MDQ)

\_\_\_\_\_ Dth per day

6. Requested total quantity for initial term (MDQ x days in initial term)

\_\_\_\_\_ Dth

7 Liquids & Liquefiabiles

Is Shipper requesting transportation of Associated Liquids?

YES \_\_\_\_\_ NO \_\_\_\_\_

If yes, name and location of Processing Plant: \_\_\_\_\_

(Attach a table showing associated liquids at points of receipt)

8. Point(s) of Receipt

Location

Short Haul Point(s) of Receipt -----	Maximum Daily Volumes in Dth @ 14.73 Psia -----	Central Lateral Point(s) of Receipt -----	Maximum Daily Volumes in Dth @ 14.73 Psia -----
H.I. A-218		H.I. A-281	
H.I. A-247		H.I. A-303	
W.C. 314		H.I. A-340	
W.C. 342		H.I. A-546	
W.C. 376		H.I. A-573	
H.I. A-264		A.C. 25	
W.C. 167			

West Lateral Point(s) of Receipt	Maximum Daily Volumes in Dth @ 14.73 Psia	East Lateral Point(s) of Receipt	Maximum Daily Volumes in Dth @ 14.73 Psia
H.I. A-270		H.I. A-271	
H.I. A-283		H.I. A-280	
H.I. A-468		H.I. A-298	
H.I. A-470		H.I. A-316	
H.I. A-492		H.I. A-323	
H.I. A-498		H.I. A-343M	
H.I. A-526		H.I. A-345	
H.I. A-539		H.I. A-332	
H.I. A-555		H.I. A-330M	
H.I. A-582M			

(If more space is required, please attach a listing).

9. Point(s) of Delivery

Location	MDQ FT-1/FT-2	Party Receiving Gas from HIOS
(1) ANR Pipeline/W.C. 167	_____	_____
(2) UTOS/W.C. 167	_____	_____
(3) Stingray/H.I. 330	_____	_____
(4) Tennessee Gas Pipeline /W.C. 167	_____	_____

10. Producing Area of All Gas Supply Sources

Offshore Location	Point of Measurement
(1) _____	_____
(2) _____	_____
(3) _____	_____



(If more space is required, please attach a listing).

11. Nature and Extent of Supplier's Affiliation with HIOS or Any member in HIOS (if known):

\_\_\_\_\_

12. State(s) of Ultimate End Use of the Gas: \_\_\_\_\_

13. (To be completed only if Shipper is affiliated with HIOS or any Member in HIOS, and will be marketing the gas to be transported.)

Amount By Which the Gas Will Be Sold At a Loss (\$/Dth): \_\_\_\_\_

14. Dun & Bradstreet Number: \_\_\_\_\_

15. Internet-E-Mail Address: \_\_\_\_\_

16. Certified Statement

By submitting this request, Shipper certifies that Shipper has or will have by the time of execution of an Agreement with Transporter, title to the Gas or right to deliver the Gas which is to be transported and owns facilities or has contractual rights which will cause such Gas to be delivered to and received from Transporter.

THIS TRANSPORTATION SERVICE REQUEST IS HEREBY SUBMITTED

this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_

By \_\_\_\_\_

Title \_\_\_\_\_

Telephone Number \_\_\_\_\_

## FORM OF OPERATIONAL BALANCING AGREEMENT

WHEREAS, High Island Offshore System, L.L.C.'s (HIOS) pipeline facilities and \_\_\_\_\_'s (Interconnecting Pipeline) facilities directly interconnect at the HIOS delivery point in WC Block 167 [in WC Block 330] (Delivery Point);

WHEREAS, HIOS has entered into one or more transportation agreements whereby HIOS transports gas which its Shippers desire to be delivered at the Delivery Point;

WHEREAS, from time to time, total gas quantities tendered by HIOS at the Delivery Point are either greater than or lesser than the aggregate of all Shippers' allocated quantities intended for delivery at the Delivery Point, resulting in inadvertent over-or underdeliveries relative to allocated quantities;

NOW THEREFORE, HIOS and \_\_\_\_\_ ("The Parties") agree that such over-or under-deliveries at the Delivery Point be treated in the following manner:

- (1) Prior to the first day of each month, the Parties shall confirm in writing the nominations received from each Shipper and how these gas quantities are to be allocated each day of the month among those Shippers for whom the Parties are delivering or receiving the gas. Any changes to such confirmed nominations shall be effective only if agreed to in writing by both Parties. Such written communication shall be substantially in the form set out on the attached Exhibit 1 or in any other form mutually agreeable to the Parties. By the tenth (10) business day of the month, HIOS shall furnish the Interconnecting Pipeline with a signed summary of the agreed-upon allocations for the Shippers for the previous month. Interconnecting Pipeline shall sign and return a copy of such monthly allocation summary evidencing Interconnecting Pipeline's concurrence.
- (2) The Parties intend that the gas quantities actually delivered and received each day at the Delivery Point will equal gas quantities transported by HIOS and allocated in accordance with the terms and conditions of HIOS' F.E.R.C. Gas Tariff and agree to make all reasonable efforts on a daily basis to maintain the actual quantity flowing through the Delivery Point at a level equal to the allocated quantities. Daily variances in actual gas flow from the allocated quantities shall not exceed five percent (5%) of the daily allocated transportation quantities with the total monthly variance from the allocated quantity not to exceed five percent (5%) of the total gas quantity allocated to flow for that month. If the imbalance under this Agreement exceeds the variances set forth in this paragraph, either party shall have the unilateral

right to adjust the actual flow of gas at the Delivery Point or adjust nominations received and confirmed at this point in order to correct for any differences.

- (3) HIOS will allocate gas quantities which are to be delivered at the Delivery Point among HIOS' respective Shippers pursuant to the terms of HIOS' F.E.R.C. Gas Tariff. Any imbalance created when the actual physical flow is different than the allocated volumes expressed in Dth will represent the "Operational Imbalance".
- (4) Estimated operating quantities shall be used on a daily basis, during the current month, to determine the estimated Operational Imbalance at the Delivery Point, with physical flow adjustments to be made during the current month as mutually agreed to by both Parties to adequately control and minimize imbalance levels.
- (5) Any Operational Imbalance shall be corrected in a manner mutually agreed to in writing by both Parties, within a period of time as is mutually agreed to by the Parties. The ability to correct any Operational Imbalance shall be subject to the availability of capacity and to the operational conditions that may exist on either Parties' pipeline system.
- (6) In the event that a capacity constraint occurs on either Parties' pipeline system which results in curtailment of gas quantities through the Delivery Point, the Party on whose system the constraint has occurred shall determine the reallocation of quantities to its Shippers. Such change in allocation shall be confirmed in writing pursuant to the provisions of Paragraph (1) above.
- (7) All gas quantities hereunder shall be reported in Dth. Measurement of gas for all purposes hereunder shall be in accordance with the provisions set forth in HIOS' F.E.R.C. Gas Tariff.
- (8) This Agreement shall be effective \_\_\_\_\_ and shall continue until canceled by either Party upon ten (10) days written notice. Any Operational Imbalance existing between HIOS and the Interconnecting Pipeline after Agreement termination shall be corrected within thirty (30) days after the final Operational Imbalance is agreed to in writing by the Parties, or within such other period of time as may be mutually agreed to by the Parties.

The Parties' signatures below will evidence their agreement to this Operational Balancing Agreement.

\_\_\_\_\_ HIGH ISLAND OFFSHORE SYSTEM, L.L.C.

By \_\_\_\_\_ By \_\_\_\_\_

Accepted and agreed to this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

FORM OF OPERATIONAL BALANCING AGREEMENT  
(Continued)

EXHIBIT 1

OPERATIONAL BALANCING AGREEMENT  
BETWEEN HIGH ISLAND OFFSHORE SYSTEM, L.L.C.

and \_\_\_\_\_

Dated \_\_\_\_\_

Name of Interconnect Point: \_\_\_\_\_

Effective dates of this statement (nomination period)

From: \_\_\_\_\_ To: \_\_\_\_\_

HIOS Contract Number	Transportation Customer Name	(Other Company) Transportation Contract Number	Customer Name	Daily Allocation Dth/day
-----	-----	-----	-----	-----

Operational Imbalance \_\_\_\_\_

Total Deliveries/Receipts at Interconnect Point \_\_\_\_\_

Agreed to this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

HIGH ISLAND OFFSHORE SYSTEM,  
L.L.C.

\_\_\_\_\_ By \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_ By \_\_\_\_\_

HIGH ISLAND OFFSHORE SYSTEM  
QUALIFIED BID FORM

Send to: High Island Offshore System (HIOS)  
811 Louisiana, Suite 1200  
Houston, Texas 77002  
Attention: Gas Scheduling

Date Received \_\_\_\_\_

Fax Number: (713) 860-2640  
Verification: (713) 860-2541

NOTE: A check, if required by Section 2.1 or Section 16.7 of the General Terms and Conditions of this tariff, must accompany each request, for the request to be valid.

INFORMATION REQUIRED FOR REQUEST

1. Shipper's Name and Address (Note: The "Shipper" is the party that is responsible for the qualified bid, if applicable, and for the execution of the Transportation Agreement with HIOS):

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

Attention: \_\_\_\_\_  
Telephone:(\_\_\_\_\_) \_\_\_\_\_ Fax:(\_\_\_\_\_) \_\_\_\_\_

2. Term of Service

Date service is requested to commence: \_\_\_\_\_

Date service is requested to terminate: \_\_\_\_\_

3. Requested Maximum Daily Quantity (MDQ)  
(Complete Item 6 first; then give the sum of volumes here)

Long Haul \_\_\_\_\_ Dth per day

Short Haul \_\_\_\_\_ Dth per day

4. Requested Total Quantity for Initial Term (MDQ x Days in Initial Term)

\_\_\_\_\_ Dth

5. Point(s) of Receipt

Location

Short Haul Point(s) of Receipt -----	Maximum Daily Volumes in Dth @ 14.73 Psia -----	Central Lateral Point(s) of Receipt -----	Maximum Daily Volumes in Dth @ 14.73 Psia -----
H.I. A-218		H.I. A-281	
H.I. A-247		H.I. A-303	
W.C. 314		H.I. A-340	
W.C. 342		H.I. A-546	
W.C. 376		H.I. A-573	
H.I. A-264		A.C. 25	
W.C. 167			

West Lateral Point(s) of Receipt -----	Maximum Daily Volumes in Dth @ 14.73 Psia -----	East Lateral Point(s) of Receipt -----	Maximum Daily Volumes in Dth @ 14.73 Psia -----
H.I. A-270		H.I. A-271	
H.I. A-283		H.I. A-280	
H.I. A-468		H.I. A-298	
H.I. A-470		H.I. A-316	
H.I. A-492		H.I. A-323	
H.I. A-498		H.I. A-343M	
H.I. A-526		H.I. A-345	
H.I. A-539		H.I. A-332	
H.I. A-555		H.I. A-330M	
H.I. A-582M			

(If more space is required, please attach a listing).



6. Point(s) of Delivery

Location	MDQ	Party Receiving Gas from HIOS
(1) ANR Pipeline/W.C. 167	_____	_____
(2) UTOS/W.C. 167	_____	_____
(3) Stingray/H.I. 330	_____	_____
(4) Tennessee Gas Pipeline /W.C. 167	_____	_____

8. Reservation Charge (Note: The "reservation charge" is what the Qualified Bidder proposes to pay for the capacity.)

\$ \_\_\_\_\_ per Dth

THIS QUALIFIED BID IS HEREBY SUBMITTED

This \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

By \_\_\_\_\_

Title \_\_\_\_\_

Telephone: (\_\_\_\_\_) \_\_\_\_\_

HIGH ISLAND OFFSHORE SYSTEM  
FIRM SHIPPER  
CAPACITY RELEASE FORM  
Prearranged Transaction  
-----

Send to: High Island Offshore System  
811 Louisiana, Suite 1200  
Houston, Texas 77002  
Attention: Gas Scheduling

Fax Number: (713) 860-2640  
Verification Number: (713) 860-2541

Information Required for Valid Release Proposal

1. Releasing Shipper's Name and Address (The "Releasing Shipper" is the party that proposes to reallocate all or part of its firm transportation capacity rights on HIOS)

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

Attention: \_\_\_\_\_

Telephone:(\_\_\_\_\_)\_\_\_\_\_

Fax:(\_\_\_\_\_)\_\_\_\_\_

Releasing Shipper's Rate Schedule Number or Contract Number \_\_\_\_\_

2. Terms of Service

A. This request is for (check one):

\_\_\_\_\_ Permanent Capacity Release (remaining term of Releasing Shipper's existing transportation agreement with HIOS)

\_\_\_\_\_ Temporary Capacity Release (portion of remaining term of Releasing Shipper's existing transportation agreement with HIOS)

\_\_\_\_\_ Interruption or Recall Capacity Release (If applicable, complete Item B below -- if more space is required, please attach separate sheet)

B. Specify Terms or Conditions of Interruption or Recall Capacity Release (Refer to subsections 17.2(e) and 17.12(e) of the General Terms and Condition of this tariff)

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

C. Date of proposed commencement of capacity release: \_\_\_\_\_

Date of proposed termination of capacity release: \_\_\_\_\_

3. Minimum Reservation Charge per Dth to be paid for released capacity (not to exceed the current maximum reservation fee as listed on page 10 of tariff)

\$ \_\_\_\_\_ per Dth

4. Releasing Shipper's Contract Demand

A. Current Maximum Daily Quantity (MDQ)

Long Haul \_\_\_\_\_ Dth per day

Short Haul \_\_\_\_\_ Dth per day

B. Requested Maximum Daily Quantity (MDQ) for Capacity Release

(Complete Item 5 first; then give the sum of volumes here)

\_\_\_\_\_ Dth per day

C. Releasing Shipper's Remaining Maximum Daily Quantity (MDQ)  
 (Complete Item 7 first; then give the sum of volumes here)

\_\_\_\_\_ Dth per day

5. Point(s) of Receipt - Specify volume(s) and location(s) for capacity release.

Location

Short Haul Point(s) of Receipt -----	Maximum Daily Volumes in Dth @ 14.73 Psia -----	Central Lateral Point(s) of Receipt -----	Maximum Daily Volumes in Dth @ 14.73 Psia -----
H.I. A-218		H.I. A-281	
H.I. A-247		H.I. A-303	
W.C. 314		H.I. A-340	
W.C. 342		H.I. A-546	
W.C. 376		H.I. A-573	
H.I. A-264		A.C. 25	
W.C. 167			
West Lateral Point(s) of Receipt -----	Maximum Daily Volumes in Dth @ 14.73 Psia -----	East Lateral Point(s) of Receipt -----	Maximum Daily Volumes in Dth @ 14.73 Psia -----
H.I. A-270		H.I. A-271	
H.I. A-283		H.I. A-280	
H.I. A-468		H.I. A-298	
H.I. A-470		H.I. A-316	
H.I. A-492		H.I. A-323	
H.I. A-498		H.I. A-343M	
H.I. A-526		H.I. A-345	
H.I. A-539		H.I. A-332	
H.I. A-555		H.I. A-330M	
H.I. A-582M			

(If more space is required, please attach a listing).

6. Point(s) of Delivery

Location	MDQ	Party Receiving Gas from HIOS
-----	-----	-----
(1) ANR Pipeline/W.C. 167	_____	_____
(2) UTOS/W.C. 167	_____	_____
(3) Stingray/H.I. 330	_____	_____

7. Point(s) of Receipt - Specify Releasing Shipper's remaining volume(s) and location(s)

Location			
Short Haul Point(s) of Receipt	Maximum Daily Volumes in Dth @ 14.73 Psia	Central Lateral Point(s) of Receipt	Maximum Daily Volumes in Dth @ 14.73 Psia
-----	-----	-----	-----
H.I. A-218		H.I. A-281	
H.I. A-247		H.I. A-303	
W.C. 314		H.I. A-340	
W.C. 342		H.I. A-546	
W.C. 376		H.I. A-573	
H.I. A-264		A.C. 25	
W.C. 167			
West Lateral Point(s) of Receipt	Maximum Daily Volumes in Dth @ 14.73 Psia	East Lateral Point(s) of Receipt	Maximum Daily Volumes in Dth @ 14.73 Psia
-----	-----	-----	-----
H.I. A-270		H.I. A-271	
H.I. A-283		H.I. A-280	
H.I. A-468		H.I. A-298	
H.I. A-470		H.I. A-316	

H.I. A-492	H.I. A-323
H.I. A-498	H.I. A-343M
H.I. A-526	H.I. A-345
H.I. A-539	H.I. A-332
H.I. A-555	H.I. A-330M
H.I. A-582M	

(If more space is required, please attach a listing).

8. Point(s) of Delivery - Specify total remaining delivery volume for Releasing Shipper

Location	MDQ	Party Receiving Gas from HIOS
-----	-----	-----
(1) ANR Pipeline/W.C. 167	_____	_____
(2) UTOS/W.C. 167	_____	_____
(3) Stingray/H.I. 330	_____	_____
(4) Tennessee Gas Pipeline /W.C. 167	_____	_____

9. Designated Replacement Shipper's Name and Address (If applicable) (The term "Designated Replacement Shipper" refers to a person with whom the Releasing Shipper has entered into a Prearranged Transaction)

Note: The Designated Replacement Shipper listed below may not necessarily become the holder of Releasing Shipper's capacity. The Replacement Shipper must equal the best offer for the available capacity in order to receive the capacity.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Attention: \_\_\_\_\_

Telephone:(\_\_\_\_\_) \_\_\_\_\_ Fax: (\_\_\_\_\_) \_\_\_\_\_

10. Releasing Shipper requests HIOS to actively market the Release Proposal

Yes \_\_\_\_\_ No \_\_\_\_\_

THIS AUTHORIZATION FOR CAPACITY RELEASE IS HEREBY  
SUBMITTED this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_,

By \_\_\_\_\_

Title \_\_\_\_\_

Telephone:(\_\_\_\_\_) \_\_\_\_\_

HIGH ISLAND OFFSHORE SYSTEM  
CAPACITY RELEASE REQUEST FORM  
Prospective Replacement  
-----

Send to: High Island Offshore System (HIOS)  
811 Louisiana, Suite 1200  
Houston, Texas 77002  
Attention: Gas Scheduling

Date Received \_\_\_\_\_

Fax Number: (713) 860-2640  
Verification: (713) 860-2541

NOTE: A check, if required by Section 2.1 or Section 17.9 of the General Terms and Conditions of this tariff, must accompany each request, for the request to be valid.

INFORMATION REQUIRED FOR VALID REQUEST

1. Requester's Name and Address (Do not complete if same as Shipper, see No. 2 below):

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Requester's Affiliation With HIOS or any Partner in HIOS:

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2. Replacement Shipper's Name and Address (The "Replacement Shipper" listed below may not necessarily become the holder of Releasing Shipper's capacity. The Replacement Shipper must equal the best offer or the available capacity in order to receive the capacity.)

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Attention: \_\_\_\_\_  
Telephone:(\_\_\_\_\_) \_\_\_\_\_  
Fax:(\_\_\_\_\_) \_\_\_\_\_

3. Term of Service

Date of proposed commencement of capacity release: \_\_\_\_\_

Date of proposed termination of capacity release: \_\_\_\_\_

4. Requested Maximum Daily Quantity (MDQ)  
(Complete Item 7 first; then give the sum of volumes here)

Long Haul \_\_\_\_\_ Dth per day

Short Haul \_\_\_\_\_ Dth per day

5. Requested Total Quantity for Initial Term (MDQ x Days in Initial Term)

\_\_\_\_\_ Dth

6. Liquids & Liquefiabiles

Is Shipper requesting transportation of Associated Liquids?

YES \_\_\_\_\_ NO \_\_\_\_\_

If yes, name and location of Processing Plant: \_\_\_\_\_

\_\_\_\_\_  
(Attach a table showing associated liquids at points of Receipts)

7. Point(s) of Receipt - Specify desired volume(s) and location(s)

Location

Short Haul Point(s) of Receipt -----	Maximum Daily Volumes in Dth @ 14.73 Psia -----	Central Lateral Point(s) of Receipt -----	Maximum Daily Volumes in Dth @ 14.73 Psia -----
H.I. A-218		H.I. A-281	
H.I. A-247		H.I. A-303	
W.C. 314		H.I. A-340	
W.C. 342		H.I. A-546	
W.C. 376		H.I. A-573	
H.I. A-264		A.C. 25	
W.C. 167			

Location

West Lateral Point(s) of Receipt -----	Maximum Daily Volumes in Dth @ 14.73 Psia -----	East Lateral Point(s) of Receipt -----	Maximum Daily Volumes in Dth @ 14.73 Psia -----
H.I. A-270		H.I. A-271	
H.I. A-283		H.I. A-280	
H.I. A-468		H.I. A-298	
H.I. A-470		H.I. A-316	
H.I. A-492		H.I. A-323	
H.I. A-498		H.I. A-343M	
H.I. A-526		H.I. A-345	
H.I. A-539		H.I. A-332	
H.I. A-555		H.I. A-330M	
H.I. A-582M			

(If more space is required, please attach a listing).

8. Point(s) of Delivery - Specify total delivery

Location	MDQ	Party Receiving Gas from HIOS
-----	-----	-----
(1) ANR Pipeline/W.C. 167	_____	_____
(2) UTOS/W.C. 167	_____	_____
(3) Stingray/H.I. 330	_____	_____
(4) Tennessee Gas Pipeline /W.C. 167	_____	_____

9. Producing Area of All Gas Supply Sources

Offshore Location	Point of Measurement
(1) _____	_____
(2) _____	_____
(3) _____	_____

(If more space is required, please attach a listing).

10. Maximum Reservation Charge per Dth to be paid for released capacity

\$ \_\_\_\_\_ per Dth

11. Specify Terms or Conditions (Refer to subsections 17.2(d) and 17.12(e) of the General Terms and Condition of this Tariff)

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12. Nature and Extent of Gas Supplier's Affiliation with HIOS or Any Member in HIOS (if known): \_\_\_\_\_
13. State(s) of Ultimate End Use of the Gas: \_\_\_\_\_
14. (To be completed only if Shipper is affiliated with HIOS or any Member in HIOS, and will be marketing the gas to be transported.) Amount By Which the Gas Will Be Sold At a Loss (\$/Dth): \_\_\_\_\_
15. Certified Statement

By submitting this request, Shipper certifies that Shipper has or will have by the time of execution of an Agreement with Transporter, title to the Gas or the right to deliver the Gas which is to be transported and owns facilities or has contractual rights which will cause such Gas to be delivered to and received from Transporter.

THIS RELEASED CAPACITY REQUEST IS HEREBY SUBMITTED

this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_

By \_\_\_\_\_

Title \_\_\_\_\_

Telephone: \_\_\_\_\_

## FORM OF RESERVE COMMITMENT AGREEMENT

THIS RESERVE COMMITMENT AGREEMENT (Agreement) is made and entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between High Island Offshore System, L.L.C. a limited liability company of the State of Delaware hereinafter referred to as "Transporter" and \_\_\_\_\_, a \_\_\_\_\_ corporation, hereinafter referred to as "Shipper". Transporter and Shipper shall collectively be referred to herein as the Parties.

### ARTICLE I DEFINITIONS

- 1.1 Committed Lease(s). For purposes of this Agreement, "Committed Lease(s)" shall mean those OCS leases set forth on Exhibit A hereto. The estimated proven recoverable reserves from the Committed Lease(s) attributable to Shipper's and/or its affiliates' interest or aggregated with other Shipper's interests in such lease(s) which are committed to Transporter pursuant to this Reserve Commitment Agreement shall meet the eligibility requirements set forth in Rate Schedule FT-2 of Transporter's F.E.R.C. Gas Tariff. Shipper shall provide to Transporter supporting documentation for the reserves estimate, technical support data, and production development plans, including facilities design capacity, subject to a mutually agreeable confidentiality agreement to confirm Shipper's estimated proven recoverable reserves and to demonstrate Shipper's authority to dedicate the Committed Lease(s) under the terms of this Agreement.
- 1.2 Affiliate. For purposes of this Agreement, "affiliate" shall mean any entity controlling, controlled by, or under common control with the relevant entity. For purposes of this definition, the term "control" (including derivative terms) means the direct or indirect ability to direct the management and policy of the relevant entity, whether by ownership, control of voting interests, contract or otherwise.
- 1.3 Any Capitalized terms not defined herein shall have the meaning ascribed thereto in Transporter's F.E.R.C. Gas Tariff.

ARTICLE II  
RESERVE DEDICATION

- 2.1 Subject to the provisions of Sections 2.4 and 2.5, Shipper hereby agrees to deliver into and transport through Transporter's pipeline facilities under a Transportation Agreement under Rate Schedule FT-2, "FT-2 Agreement," or under Rate Schedule FT-1, "FT-1 Agreement" between Shipper and Transporter all gas produced by or for the account of Shipper, or any affiliate of Shipper, from the Committed Lease(s) for the producible life of the Committed Lease(s).
- 2.2(a) In the event Shipper should transfer or assign any or all of its rights, title and/or interest in the Committed Lease(s), Shipper agrees that (i) it shall notify Transporter in writing of its intent of such assignment as soon as practicable and (ii) any such transfer or assignment will be made subject to the terms of this Agreement, it being the intent of the parties hereto subject to the provisions of Article V and this Article II, that the Committed Lease(s) remain dedicated for purposes of transportation under Rate Schedule FT-2, and/or Rate Schedule FT-1, to Transporter's pipeline facilities for the producible life of the Committed Lease(s). All of the provisions of this Agreement shall be applicable to assignees of Shipper's interests in the Committed Lease(s), and such assignees shall receive a proportionate assignment of the rights and obligations hereunder with respect to the Committed Lease(s) so assigned. Upon such assignment, Shipper shall be relieved of its obligations under this Agreement to the extent, and only to the extent, such obligations are assigned to a third party.
- (b) Shipper shall be entitled to unitize any Committed Lease(s) with one or more additional OCS leases without the consent of Transporter. In the event of such unitization, then (i) such unitization shall not be deemed a transfer or assignment of Shipper's interest for the purpose of this Agreement and (ii) only the gas production attributable to Shipper's interest in the unit shall be subject to the provisions of this Agreement or be entitled to the services provided by the associated FT-2 Agreement. For purposes of this Section 2.2 (b), "unitize" or "unitization" shall mean the combination of all or parts of the leases in a prospect, reservoir, or field such that development and operation of the unit are provided for without regard to separate property interests and with unit production and costs allocated among the various parties, whether pursuant to formal or informal joint operating agreements.
- 2.3 From the obligations in Section 2.1, Shipper expressly reserves unto itself, its successors and assigns, the following rights and quantities of production sufficient to satisfy such rights:

- (a) The right to operate the Committed Lease(s) free from any control by Transporter including, without limitation, the right (but never the obligation) to drill new wells, to repair and rework old wells, to plug and abandon any well, to shut in wells and to renew, surrender, release or terminate any lease (in whole or in part) included in the Committed Lease(s);
- (b) The right to deliver production to lessors of the Committed Leases in quantities sufficient to fulfill Shipper's lease obligations from time to time, including the right to deliver royalty in kind; and
- (c) The rights to use production for the development and operation of the Committed Lease(s), including, but not limited to, the use of gas for fuel, drilling (including gas drilling), deepening, reworking, development system installation and startup, compressing, gas lifting, processing, treating, cycling, repressuring or other supplemental recovery operations, provided, however, that any gas so used but not consumed by such uses shall remain committed under this Agreement.
- (d) The right to process gas from the Committed Lease(s), prior to delivery to Transporter, by the use of mechanical separators for the recovery of any component from the gas other than methane, except such methane incidentally removed through such separation.

#### 2.4 Temporary Release.

- (a) In the event that prior to a month or during a month Shipper nominates and has available for transportation (x) a daily quantity of production from Committed Lease(s) that in the aggregate exceeds (y) the daily amount of capacity available for transportation on Transporter's pipeline facilities under all of Shipper's existing FT-2 Agreement(s), then Shipper shall, upon request to Transporter, be released for such month, or the remainder of such month, as applicable, from its obligations under Section 2.1 of a daily quantity of gas up to the difference of (x) minus (y) (the "Temporary Release Quantity"). The Temporary Release Quantity so released shall be deemed to be the last quantities produced, so that any release under this Section 2.4(a) is applicable only to the daily production quantity in excess of the quantity that Transporter is able to accept into Transporter's pipeline facilities on a given day.
- (b) In the event that Shipper delivers its production from the Committed Lease(s) to Transporter via a pipeline which (i) is upstream of Transporter's pipeline system, (ii) is not affiliated with Shipper, and (iii) has a Reserve Commitment Agreement with Shipper relative to

Shipper's production that is substantially similar in all material respects to the reserve commitment contained in this Agreement

(Collectively the "Upstream Pipeline"), and such Upstream Pipeline temporarily releases Shipper's production from such similar reserve commitment agreement where such released production cannot otherwise be delivered to Transporter's pipeline system, then Shipper shall, upon request to Transporter, be released from its obligations under Section 2.1 of a daily quantity of gas up to an amount equal to the volume temporarily released by such Upstream Pipeline.

- (c) Shipper may deliver the quantities released pursuant to Sections 2.4(a) and/or (b) from any field(s) under its Committed Lease(s) which Shipper chooses.

## 2.5 Permanent Release

- (a) This Section 2.5(a) applies to gas produced from Committed Lease(s) in excess of a Shipper's firm effective or future Maximum Daily Quantity ("MDQ").

In the event Shipper has had quantities released pursuant to Section 2.4(a) for more than 90 consecutive days or for more than 90 days during any consecutive 180 day period or if Shipper wishes to increase its MDQs to accommodate production from new fields within the Committed Lease(s) that were not included in Shipper's initial production development plan for the Committed Lease(s) submitted to Transporter under Section 1.1 above, at the time of execution of this Agreement, Shipper may request in writing from Transporter a prospective permanent release of the daily quantities of gas in future Delivery Periods in excess of the daily quantities of FT-2 service that Transporter is able to make available to Shipper during such future Delivery Periods as described below. Such request shall include a schedule of quantities of gas that Shipper reasonably expects to nominate and have available for delivery from Committed Lease(s) in future Delivery Periods based on production development data presented to and verified by Transporter. Transporter shall act upon Shipper's release request as soon as practicable, but in no event later than six (6) months from the date of receipt of Shipper's request. Such actions may include, without limitation or obligation to take any action, the installation of facilities or the solicitation of available firm MDQs from other Shippers, to enable Transporter to receive such additional quantities from Shipper. To that end, Transporter shall review with Shipper the steps or actions Transporter is taking, or proposes to take, as soon as practicable, but in no event later than three (3) months following Shipper's release request.



After such review, but within the six (6) month period, Transporter shall notify Shipper of the additional MDQs, if any, that may be available to Shipper under its FT-2 Agreements in such future Delivery Periods, and/or the quantities of gas eligible for permanent release. If Transporter (i) is unable, with existing facilities, to provide to Shipper the increased MDQs requested or (ii) is unable or unwilling to expand its system, by the later of (a) 24 months after the date Transporter receives Shipper's request for increased MDQs, or (b) Shipper's anticipated start-up of deliveries from the new field(s), or (c) an alternative, later date acceptable to Shipper, then Transporter shall provide Shipper a written, permanent release of quantities from this Agreement as provided below. Such quantities shall be equal to amount(s) of up to (a) the daily quantities of gas that Shipper reasonably expects to nominate and have available for delivery from Committed Lease(s) in future Delivery Periods, minus (b) the quantities of FT-2 service made available to Shipper for such future Delivery Periods including the additional MDQs, if any, and MDQs under Shipper's existing FT-2 Agreements on the date of such notice (the "Permanent Release Quantities"). Within fifteen (15) days after such notice, Shipper must notify Transporter in writing if Shipper elects to implement the permanent release of the obligations under Section 2.1 with respect to the Permanent Release Quantities; provided, however, that the Permanent Release Quantities shall be deemed to be based on the last quantities produced so that any release under this Section 2.5 is applicable only to the daily production quantity in excess of the level of additional FT-2 MDQs that were made available to Shipper during such review.

Upon such notification to Transporter of Shipper's election to release, Transporter will release the Permanent Release Quantities from the obligations under Section 2.1. An illustrative example of the permanent release provisions of this Section 2.5 is provided at Exhibit B to this Agreement. Shipper may deliver the Permanent Release Quantities from any field(s) under the Committed Lease(s) of Shipper's choice.

- (b) This Section 2.5(b) applies where an Upstream Pipeline, as defined in Section 2.4(b), permanently releases Shipper's production attributed to the Reserve Commitment Agreement that such Upstream Pipeline has executed with Shipper.

In the event that an Upstream Pipeline, as defined in Section 2.4(b), permanently releases Shipper's production from the Reserve Commitment Agreement that it has executed with Shipper that is

substantially similar in all material respects to the reserve commitment contained in this Agreement, and the production released by such Upstream Pipeline cannot otherwise be delivered to Transporter's pipeline system, then Shipper shall, upon a written request to Transporter, be granted a permanent release of production up to amount equal to the amount of production that was released by such Upstream Pipeline from its Reserve Commitment Agreement with Shipper.

- 2.6 Shipper agrees to provide to Transporter, at least annually, an updated production development plan, to update Exhibit A hereto in order to reflect changes in the Committed Lease(s).

### ARTICLE III TRANSPORTATION

- 3.1 Shipper may request that its production from the Committed Lease(s) be transported under Rate Schedule FT-2 in accordance with the provisions of the applicable Rate Schedule. Shipper shall execute no more than one (1) Service Agreement per lease or group of leases dedicated under this Reserve Commitment Agreement.
- 3.2 Transporter agrees to accept and process Shipper's Requests for Service under Section 3.1 in accordance with the provisions of the applicable Rate Schedules. Prior to the execution of an FT-2 Agreement with Shipper, Transporter does not guarantee sufficient capacity to transport all of Shipper's production from Committed Lease(s).
- 3.3 Nothing contained herein shall obligate HIOS to build or install new facilities to provide transportation service for production from Committed Lease(s). Shipper's sole and exclusive remedy, in the event of Transporter's failure to take volumes in excess of the MDQ due to insufficient capacity shall be to request a permanent or temporary release as specified in Sections 2.4 and 2.5 above. The preceding sentence shall not apply to HIOS' failure to transport volumes within the MDQ.

ARTICLE IV  
REGULATION

This Agreement shall be subject to all applicable and lawful governmental statutes, orders, rules and regulations.

ARTICLE V  
TERM

This Agreement shall be effective \_\_\_\_\_, \_\_\_\_\_, and shall remain in force and effect for the producible life of the Committed Lease(s) unless terminated sooner pursuant to other applicable provisions of this Agreement.

ARTICLE VI  
NOTICES

Notices hereunder shall be given to the respective party at the applicable address, telephone number or facsimile machine number stated below or such other addresses, telephone numbers or facsimile machine numbers as the parties shall respectively hereafter designate in writing from time to time:

Transporter: High Island Offshore System, L.L.C.  
Attn: Gas Scheduling  
811 Louisiana, Suite 1200  
Houston, Texas 77002  
  
Telephone No.: (713) 860-2541  
Fax No.: (713) 860-2640

Shipper: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
  
Telephone No.: (\_\_\_\_) \_\_\_\_\_  
  
FaxNo.:(\_\_\_\_) \_\_\_\_\_

ARTICLE VII  
MISCELLANEOUS

The laws of the State of Delaware (excluding choice of law provisions) shall govern the validity, construction, interpretation, and effect of this Agreement.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed as of the date first hereinabove written.

SHIPPER

HIGH ISLAND OFFSHORE SYSTEM, L.L.C.

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

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

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

FORM OF RESERVE COMMITMENT AGREEMENT  
(Continued)

EXHIBIT A

COMMITTED LEASE(S)

EXHIBIT B

Example: Permanent Release  
Under Section 2.5

Assumptions:

- Year 2001
- Shipper A: - has MDQ of 100,000  
Dth/day under its FT-2 Service Agreement

has then current production (as of 1/1/2001)  
from Committed Lease(s) of 130,000 Dth/day,  
but expects its production from such fields to  
increase to 175,000 Dth/day beginning  
1/1/2002, to remain at 175,000 Dth/day through  
12/31/2003 and to decline to 120,000 Dth/day  
beginning 1/1/2004 (and thereafter to remain at  
that level)

Shipper has been receiving 20,000 Dth of IT  
and 10,000 Dth of Shipper's current  
production has been interrupted for 90  
consecutive days (thru 12/31/2000)

Procedures:

1. Shipper on 1/1/2001 requests permanent release of quantities of gas in excess of quantities of FT-2 service available to Shipper with respect to future delivery periods.

2. By 5/1/2001, Transporter notifies Shipper of the actions it proposes to take and any additional MDQs available to Shipper under its FT-2 Service Agreement in such future delivery periods.

FORM OF RESERVE COMMITMENT AGREEMENT  
(Continued)

EXHIBIT B  
(Continued)

Assume, for this example, Transporter informs Shipper that it has 25,000 Dth/d of additional MDQs available to Shipper under its FT-2 Service Agreement effective 6/1/2001 and another 30,000 Mcf/d of additional MDQs available to Shipper under its FT-2 Service Agreement beginning 1/1/2002.

Permanent Release Quantities:

1. Shipper's Permanent Release Quantities are up to: 5,000 Dth/day during 7/1/2001 through 12/31/2002; 20,000 Dth/day during 1/1/2002 through 12/31/2003, and 0 beginning 1/1/2004 (see below):

7/1/2001  
through 130,000 - 125,000 (FT-2) = 5,000 Dth/day  
12/31/2001

1/1/2002  
through 175,000 - 155,000 (FT-2) = 20,000 Dth/day  
12/31/2003

beginning 120,000 125,000 (FT-2) = 0 permanent  
1/1/2004 release  
quantities

2. If Shipper's actual production in calendar year 2002 is 165,000 Dth/day, only 10,000 Dth/day will be released (last quantities produced rule).

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This example is for illustrative purposes only. The actual application of any permanent releases shall be governed by the provisions of Section 2.5.

## SYSTEM LICENSE AGREEMENT

This System License Agreement is entered into this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between High Island Offshore System, L.L.C. ("Pipeline") and \_\_\_\_\_ ("Subscriber"). Pipeline and Subscriber shall be collectively referred to as the "Parties."

### ARTICLE I - SCOPE OF AGREEMENT

Pipeline shall make available for use by Subscriber Pipeline's Interactive Internet Website ("the System"). Subscriber shall use the System to (1) request new services under applicable rate schedules; (2) request and execute amendments of existing service agreements; (3) nominate quantities for receipt and delivery by Pipeline pursuant to an existing service agreement under any of Pipeline's rate schedules; (4) effect changes in nominations of quantities for receipt and delivery by Pipeline pursuant to an existing service agreement in accord with the rate schedule pursuant to which service is rendered; (5) participate in Pipeline's capacity release program (e.g., post release requests, bid on capacity) in accord with provisions of the General Terms and Conditions of Pipeline's FERC Gas Tariff; and (6) use the Pipeline Mapping System. Subscriber may also use the System to request and receive from Pipeline such other information as Pipeline may from time to time make available to Subscriber through the System.

### ARTICLE II - TERMS AND CONDITIONS OF AUTHORIZED USE

- 2.1 Upon Subscriber's request, Pipeline will make available to Subscriber any software necessary to operate the System. Pipeline and Subscriber will agree on the number of copies which Pipeline will make available to Subscriber, not to exceed five (5) copies. Subscriber is not authorized to make any additional copies without the express written consent of Pipeline. Any System software remains the property of Pipeline, and Subscriber shall return to Pipeline any software issued by Pipeline within five (5) days of the expiration or termination of this Agreement or within five (5) days of any demand by Pipeline for the return of such software upon breach by Subscriber of its obligations hereunder.
- 2.2 Subscriber recognizes that the System will operate properly only if Subscriber utilizes the hardware and software as posted on Pipeline's web site under "Notices."

- 2.3 Pipeline will provide Subscriber with a User ID and a unique password for each authorized user within Subscriber. To prevent unauthorized access, Subscriber shall be responsible for securing physical access to the System and to keep confidential its User ID and all passwords provided by Pipeline.
- 2.4 Subscriber shall identify one or more of its employees and/or officers to perform the contracting function and thereby legally bind Subscriber to any service agreement or amended service agreement entered into with Pipeline. Subscriber represents and warrants to Pipeline that the person(s) which have been designated for the contracting function have been duly authorized by the Subscriber to enter into service agreements or amended service agreements with Pipeline.
- 2.5 Liability -- Subscriber shall be solely responsible for any and all unauthorized or otherwise improper use of User ID and passwords issued by Pipeline to Subscriber that results from Subscriber's negligence, including, but not limited to the use of such User ID and passwords by Subscriber's personnel who at some point are no longer in Subscriber's employment or control. Upon evidence of unauthorized or improper use of a User ID or password, Pipeline reserves the right to invalidate, upon 72 hours prior notice, any such password or User ID.
- Subscriber shall defend and indemnify Pipeline from and against any and all claims, demands and actions, and any resulting loss, costs, damages and expenses (including court costs and reasonable attorneys fees) of any nature whatsoever which may be asserted against or imposed upon Pipeline by any person as a result of the unauthorized or otherwise improper use of any User ID or password issued by Pipeline to Subscriber, except when such unauthorized or improper use is the result of negligence or wrongful conduct on the part of the Pipeline.

### ARTICLE III - INITIATION/MODIFICATION OF SERVICE

- 3.1 Following transmittal of Subscriber's request for service or amendment of existing service, such request shall be evaluated and accepted or rejected by Pipeline in accord with the General Terms and Conditions of its FERC Gas Tariff. If such request is accepted by Pipeline, Subscriber will be notified by Pipeline of such acceptance via the System and Subscriber shall execute on-line the requested new service or amendment of existing service.
- 3.2 With respect to requests for new transportation service, Subscriber, at the time that it executes on-line its request in accord with Section 3.1 above, agrees to



be bound by the terms and conditions of the pro-forma service agreement contained in Pipeline's FERC Gas Tariff which corresponds to the Rate

Schedule under which the Subscriber is seeking service, as modified to incorporate the terms of the service request.

- 3.3 With respect to requests for modifications to meters in an existing service agreement between Subscriber and Pipeline, the Subscriber agrees to be bound by the terms and conditions of the pro forma contract amendment contained in Pipeline's FERC Gas Tariff, as modified to incorporate the meter modifications executed on-line by Subscriber.

#### ARTICLE IV - RELEASE AND DISCLAIMER OF LIABILITY/INDEMNIFICATION

- 4.1 Except for the negligence, bad faith, fraud or willful misconduct of Pipeline, Pipeline expressly disclaims any and all liability for loss or damage to Subscriber or to any third parties associated with Subscriber's use of the System, including but not limited to any loss or damage resulting from any one or more of the following: (1) Subscriber's negligent or otherwise improper use of the System; (2) any unauthorized use of the System, whether by Subscriber, Subscriber's employees or former employees, or by any other persons; (3) any acts of God or force majeure, as defined in Article X of Transporter's General Terms and Conditions, and also including electrical shortage and/or power outages; (4) any defects in computer hardware; (5) any interruption in or malfunction of electronic communication or transmission not within the Pipeline's control. Such causes or contingencies affecting the performance of this Agreement shall not relieve Pipeline of liability in the event (a) it fails to use due diligence to remedy the situation and remove the causes or contingencies affecting performance of this Agreement or (b) it fails to give Subscriber notice and full particulars of the same in writing or by telegraph or facsimile as soon as possible after the event or situation arises.
- 4.2 Subscriber agrees to protect, defend, indemnify, and hold harmless Pipeline against any and all loss, costs, damages, and expenses of any nature whatsoever (including court costs and reasonable attorney's fees), resulting from or otherwise related to any claim, demand, or action asserted against Pipeline, arising from or connected with Subscriber's use of the System except for the negligence, bad faith, fraud or willful misconduct of Pipeline.

#### ARTICLE V - TERM

This Agreement shall be and continue in full force and effect from the date of execution for twelve (12) months and shall continue thereafter on a month to month basis unless terminated by Pipeline for due cause or at the request of Subscriber. Subscriber agrees that Pipeline shall have the unilateral right to file with the

appropriate regulatory authority to make changes in the rates, charges, terms and conditions applicable to service pursuant to this Agreement or any provisions of the General Terms and Conditions applicable to this Agreement. Pipeline agrees that Subscriber may protest or contest the aforementioned filings and that Subscriber does not waive any rights it may have with respect to such filings.

#### ARTICLE VI - NOTICE

Except as otherwise provided in the General Terms and Conditions applicable to this Agreement, any notice under this Agreement shall be in writing and mailed to the post office address of the party intended to receive the same, as follows:

Pipeline: High Island Offshore System, L.L.C.  
811 Louisiana, Suite 1200  
Houston, Texas 77002  
  
Attention: Gas Scheduling

SUBSCRIBER:

Attention:

or to such other address as either Party shall designate by formal written notice to the other.

#### ARTICLE VII - MISCELLANEOUS

7.1 Conformance with Tariff -- Subscriber's use of the System shall be in accordance with and subject to Pipeline's currently effective FERC Gas Tariff, including any and all applicable provisions of the General Terms and Conditions and the terms and conditions of any relevant rate schedules, all of which terms

and conditions are incorporated herein by reference. In the event of a conflict between the terms and conditions of this Agreement and any other applicable terms and conditions set forth in Pipeline's FERC Gas Tariff, such other terms

and conditions shall govern. For Subscriber's convenience, the terms and provisions of Pipeline's FERC Gas Tariff are available on the System. In the event of a conflict between what is displayed on the System and Pipeline's currently effective FERC Gas Tariff on file with the Federal Energy Regulatory

Commission (FERC), Pipeline's currently effective tariff on file with FERC shall govern.

- 7.2 THE INTERPRETATION AND PERFORMANCE OF THIS AGREEMENT SHALL BE IN ACCORDANCE WITH AND CONTROLLED BY THE LAWS OF THE STATE OF TEXAS, WITHOUT REGARD TO DOCTRINES GOVERNING CHOICE OF LAW.
- 7.3 This Agreement and the obligations of the Parties are subject to all present and future valid laws with respect to the subject matter either state or federal, and to all valid present and future orders, rules, and regulations of duly constituted authorities having jurisdiction.
- 7.4 If any provision of this Agreement is declared null and void, or voidable, by a court of competent jurisdiction, then that provision will be considered severable at either Party's option; and if the severability option is exercised, the remaining provisions of the Agreement shall remain in full force and effect.
- 7.5 Unless otherwise expressly provided in this Agreement or in Pipeline's FERC Gas Tariff, no modification of or supplement to the terms and provisions hereof shall be or become effective, until Subscriber has submitted a request for change in accordance with Article III hereof.
- 7.6 This Agreement, as of the date of its execution, shall supersede and cancel any previously executed agreements between Pipeline and Subscriber with respect to the use of the System.
- 7.7 Pipeline reserves the right to modify or replace the System at any time.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed as of the date first hereinabove written.

HIGH ISLAND OFFSHORE SYSTEM, L.L.C.

By: \_\_\_\_\_  
Agent and Attorney-in-Fact

Accepted and Agreed to this

\_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_

SUBSCRIBER

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

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

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

ADDITIONAL SUBSCRIBER 2

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

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

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

## NGL BANK AGREEMENT

This NGL Bank Agreement ("Agreement") is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, between Southern Petroleum Laboratories, Inc. ("Administrator"), \_\_\_\_\_ ("Shipper") and High Island Offshore System, L.L.C. ("Transporter").

WHEREAS, Transporter owns the High Island Offshore System ("HIOS"); and

WHEREAS, Shipper's gas is transported on HIOS pursuant to Transportation Agreement(s) between Shipper and Transporter; and

WHEREAS, Participating in this NGL Bank is a condition of receiving service on HIOS; and

WHEREAS, Administrator has agreed to administer such an NGL Bank for the benefit of all shippers on HIOS in accordance with the terms and conditions contained herein;

NOW THEREFORE, in consideration of the mutual covenants of the parties, Administrator, Shipper and Transporter agree as follows:

### ARTICLE I - PURPOSE

The purpose of the NGL Bank is to provide a mechanism by which to mitigate inequities in gas processing economics that may occur among shippers on HIOS as a result of such shippers' gas streams containing different NGL (as defined herein) compositions being commingled in a pipeline with multiple delivery points located upstream of gas processing plants ("Plants"). Participation in the NGL Bank is a condition of receiving service on HIOS. Transporter's obligation to accept gas tendered by Shipper at the Points of Receipt and to deliver Equivalent Volumes, as defined in Transporter's FERC Gas Tariff, at the Points of Delivery under the provisions of a Transportation Agreement shall not be modified by any provision of this Agreement. Shipper acknowledges that Transporter is not obligated to deliver to any shipper at a Point of Delivery the same volume of NGL's as it received from that shipper at a Point of Receipt.

## ARTICLE II - DEFINITIONS

- 2.1 Natural Gas Liquids or NGL's are hydrocarbons produced with a gas stream and include natural gasoline (pentanes plus heavier hydrocarbons), butanes, propane and ethane. These components are present in the vapor phase in a gas pipeline and may be condensed to a liquid phase and extracted by a Plant. The concentration of each NGL component in the vapor phase in a gas stream is expressed either as mole percent or as gallons per Mcf of gas ("GPM"). NGL's are Plant products and do not include either injected condensate or retrograde condensate.
- 2.2 Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in Transporter's FERC Gas Tariff.
- 2.3 Notwithstanding Section 2.2 above, for purposes of this Agreement a Point of Receipt is a location where gas is measured to determine Transporter's receipts from one or more shippers.

## ARTICLE III - TERM

This Agreement shall be effective as of \_\_\_\_\_, and shall remain in full force and effect for the effective term of a Transportation Agreement between Transporter and Shipper. In the event that there is more than one Transportation Agreement between Transporter and Shipper, then this Agreement shall remain in full force and effect until the termination of the latest of any of such Transportation Agreement.

## ARTICLE IV - SHIPPER PARTICIPATION

- 4.1 Participation. Shipper agrees to (i) participate in the NGL Bank as a condition of receiving service on HIOS in accordance with Shipper's Transportation Agreement, this Agreement and Transporter's FERC Gas Tariff, (ii) participate in the NGL Bank, either in person or through its agent holding processing rights to Shipper's gas, with the relevant agency agreement provided to Administrator prior to said agent's participation in the NGL Bank on behalf of Shipper, (iii) make settlements in accordance with the provisions of Article V of this Agreement, and (iv) pay the administrative fees billed by Administrator to Shipper for administration of the NGL Bank pursuant to Article V of this Agreement.
  - 4.2.a Advisory Group. Administrator shall establish the HIOS NGL Bank Advisory Group ("Advisory Group") to provide a forum to discuss, consider and determine material NGL Bank issues if, and when, they arise, including but not limited to, making adjustments authorized by this Agreement. In making any adjustments authorized by this

Agreement, the objective of the Advisory Group shall be to ensure that

the NGL Bank functions to mitigate inequities in gas processing economics for all shippers on HIOS to the extent reasonably practicable and consistent with the terms of this Agreement. The Advisory Group initially shall consist of the top seven shippers, or their respective agents, of the largest volume of gas, expressed in Dekatherms ("Dth"), during the previous six months ending April 30, 2004. Each such shipper or its agent shall appoint a single representative to serve on the Advisory Group. Each shipper or its agent may replace its representative on the Advisory Group by notice to Administrator. Beginning June 1, 2005, and annually thereafter, Administrator shall redetermine the top seven shippers, or their respective agents, for the previous six months ending April 30 and the membership of the Advisory Group shall be altered accordingly, if necessary.

4.2.b Adjustment Rights. The Advisory Group shall have the right to adjust the settlement components set forth in Section 5 of this Agreement, specifically including but not limited to: (1) the NGL component recovery factors, settlement basis, prices and deductions used to determine the Theoretical Revenue; (2) the prices, rates and factors used to determine the Shrinkage Cost; and (3) the prices, rates and factors used to determine the Fuel Cost. Any such adjustment and its effective date and applicable duration shall be posted on Transporter's website.

4.2.c Meetings. Administrator will chair the Advisory Group, record, distribute and maintain minutes of every meeting, and convene meetings no less often than annually, in person or electronically as needed. The first such meeting shall be convened during the month of September 2004. The Advisory Group shall review the items set forth above to perform the settlement calculations hereunder, and adjust such items as necessary to be representative of the operating parameters of the downstream Plants.

In addition, Administrator shall convene a meeting at any time when requested, in writing, by two or more of the Advisory Group members, said meeting to occur within sixty (60) Days of receiving the written request. Prior to convening any meeting of the Advisory Group, Administrator shall give each Advisory Group member thirty (30) Days prior written notice of the meeting and its purpose.

Resolution of issues brought forward to the Advisory Group will be by simple majority vote of the respective representatives of the then shippers or agents in the Advisory Group, with each representative having a single vote.

Administrator does not have a vote. No fewer than five members of the Advisory Group must vote, whether in person or electronically, in order to resolve any issue. Administrator, Shipper and Transporter acknowledge that (1) neither the Advisory Group nor Transporter are granted any authority by this Agreement to alter the operating parameters of any downstream Plant and (2) any agreement between Shipper or its agent and a downstream Plant shall not be modified by any provision of this Agreement.

#### ARTICLE V - SETTLEMENTS

- 5.1 Settlement Calculations. The NGL Bank settlement calculations to be performed by the Administrator shall involve a process that is intended to approximate the difference between the monthly theoretical gross processing margin for each Shipper's gas stream and the processing margin for the HIOS commingled gas stream. For purposes of this Agreement, such difference in the monthly theoretical gross processing margin, which may be either positive or negative, shall be calculated as follows:
- 5.1.a The difference between a shipper's processing revenue for theoretical processing of its gas composition at its Point of Receipt versus the composition of the HIOS commingled stream shall be calculated by first subtracting the weighted average GPM of each NGL component for all of the various Points of Receipt on HIOS from such shipper's GPM of each NGL component at the Point of Receipt. Such GPM difference for each NGL component, whether positive or negative, shall be multiplied by the representative NGL component recovery factors below and multiplied by the shipper's monthly volume of gas in Mcf to calculate a representative difference in NGL component volumes in gallons that would be available to the shipper after theoretical processing ("Theoretical NGL Recovery"). Such factors shall be representative of the Plants that process gas delivered from HIOS to various downstream pipelines that, in turn, deliver gas to the Plants. For purposes of this Agreement except as provided for by Section 5.2, the representative recovery factors shall be as follows:
- |      |                  |      |
|------|------------------|------|
| i.   | Ethane           | 65%  |
| ii.  | Propane          | 96%  |
| iii. | Isobutane        | 100% |
| iv.  | Normal butane    | 100% |
| v.   | Natural gasoline | 100% |

The Theoretical NGL Recovery for each NGL component shall then be multiplied by the representative Plant settlement basis and the representative sales price for each NGL component to yield the difference



in the shipper's theoretical revenue ("Theoretical Revenue") for each NGL component. For purposes of this Agreement, the representative Plant settlement basis shall be eighty five percent (85%).

For purposes of this Agreement, the representative sales price for each NGL component shall be based on the monthly average of the daily average of the high and low Mt. Belvieu price quotes as published by the Oil Price Information Service (or like publication if no longer available) for the month of production as follows:

- |                     |         |
|---------------------|---------|
| i. Ethane           | Purity  |
| ii. Propane         | Non-TET |
| iii. Isobutane      | Non-TET |
| iv. Normal butane   | Non-TET |
| v. Natural gasoline | Non-TET |

The sales price for each NGL component shall be reduced by four cents (\$.04) per gallon for NGL transportation and fractionation. Such NGL component recovery factors, settlement basis, prices and deductions used to determine the Theoretical Revenue may be adjusted by the Advisory Group as needed to be representative of the operating parameters of the downstream Plants.

- 5.1.b NGL Bank settlements shall be calculated for each Point of Receipt on HIOS for each shipper by subtracting the "Shrinkage Cost" and the "Fuel Cost" for each Point of Receipt from the Theoretical Revenue for each shipper's NGL components at each Point of Receipt.

Shrinkage Cost shall be defined as the sum of the products derived when multiplying the "Heat Content" for each of the NGL components by the "Value of the Btu's" and by the respective gallons for each of the adjusted NGL components and adding eight tenths percent (0.8%) to the result for the pipeline fuel portion of fuel and shrinkage transportation cost. The Heat Content for the NGL components shall be as set forth under the heading "Gross Heating Value, Btu/gal, fuel as ideal gas" in the most recent GPA Standard 2145, currently Standard 2145-03. For hexane and heavier hydrocarbons, however, the Heat Content shall be the sum of the products derived by multiplying the hexane Heat Content by 50% and by multiplying the heptane Heat Content by 50%.

Fuel Cost shall be defined as the product of multiplying the Value of the Btu's by 16,000 Btu's of fuel used per gallon and by the total Theoretical NGL Recovery gallons and adding eight tenths percent (0.8%) to the result for the pipeline fuel portion of fuel and shrinkage transportation

cost.

Effective April 1, 2007, Fuel Cost shall be defined as the product of multiplying the Value of the Btu's by 12,800 Btu's of fuel used per gallon and by the total Theoretical NGL Recovery gallons and adding eight tenths percent (0.8%) to the result for the pipeline fuel portion of fuel and shrinkage transportation cost.

For purposes of this Agreement, effective December 1, 2015, the Value of the Btu's shall be determined monthly and shall be equal to the NYMEX natural gas contract settlement price posted for the month of production.

Six cents per million Btu's (\$.06/mmBtu) shall be added to the Value of the Btu's for the commodity rate portion of fuel and shrinkage transportation cost. Such prices, rates and factors used to determine the Shrinkage Cost and the Fuel Cost may be adjusted by the Advisory Group as needed to be representative of the operating parameters of the downstream Plants.

Example calculations of the NGL Bank settlements are set forth on Exhibit "A", attached hereto and incorporated herein by reference.

- 5.1.c If after performing the calculations described in Sections 5.1.a and 5.1.b, the result calculated for a positive volume of ethane is negative, but the result calculated for a positive volume of propane is positive, then NGL Bank settlements shall be made using recovery factors, representative of "ethane rejection" operation by the Plants as follows:

i.	Ethane	40%
ii.	Propane	90%
iii.	Isobutane	100%
iv.	Normal butane	100%
v.	Natural gasoline	100%

- 5.1.d Except as provided for by Section 5.2, if after performing the calculations described in Sections 5.1.a and 5.1.b, the results calculated for positive volumes of ethane and propane are both negative, then no NGL Bank settlements will be made on any NGL components for that month, and only the fee for administrating the NGL Bank will be charged by the Administrator as described in Section 5.4.

- 5.1.e In the event that HIOS issues revised statements, any resulting NGL Bank settlement adjustments will be limited to instances where the absolute value of such adjustments collectively exceed \$20,000.00. In

order to determine the \$20,000.00 threshold, all calculations shall be performed and compared by Administrator, and the administrative fees

provided for in Section 5.4 shall be charged regardless of whether there is a settlement adjustment or not. Notwithstanding the above, no NGL Bank settlement adjustments will be made for revised HIOS statements received more than two (2) years following the month of production.

5.2 Settlement Calculations Under Required Processing Periods. It is understood by the parties that from time to time processing may occur at the Plants even though processing margins, as calculated per Sections 5.1.a and 5.1.b above for the NGL Bank are negative. As such, notwithstanding the provisions of Sections 5.1.c and 5.1.d, during periods when any or all of such plants on the downstream pipelines connected to HIOS at West Cameron Block 167 are processing some or all of the gas received from HIOS, if after performing the calculations described in Sections 5.1.a and 5.1.b, the results calculated for positive volumes of ethane and propane are both negative, then NGL Bank settlements shall be made using recovery factors representative of "minimal recovery" operation by the Plants as follows:

i.	Ethane	25%
ii.	Propane	80%
iii.	Isobutane	95%
iv.	Normal butane	95%
v.	Natural gasoline	95%

In all respects other than Plant Recovery factors, settlement shall be made in accordance with Section 5.1.

During any period when the Advisory Group has voted pursuant to Section 4.2 of this Agreement to suspend settlement calculations, there shall be no administrative fees due Administrator, and the NGL bank billings and payments described in Section 5.5 of this Agreement shall not be required

5.3 Data Requirements. Transporter hereby agrees to provide Administrator with each producer's volume (Dth and/or Mcf), heat content (Btu/cf) and NGL component data (mole percent and/or GPM) for each Point of Receipt used by Shipper, by the 15th day of the succeeding month for the previous month; and any other information Administrator may reasonably require in the performance of this Agreement from time to time including, but not limited to, downstream pipeline routing.

Administrator agrees to provide settlement statements to Shipper or its agent by the end of the succeeding month for the previous month, or within 15 days of receipt of the above volume, heat content and NGL component data,

whichever is later. If Administrator has not received such data in a timely manner, Administrator, at its sole discretion, may make reasonable approximations in lieu of late or missing data. If Administrator utilizes

estimated data then Administrator shall so state on the settlement statement.

Calculated settlements for any month shall be adjusted such that total credits are equal to total debits. Such adjustment shall be pro rata based on the gallons of ethane and heavier NGL components contained in the gas from each Point of Receipt.

Shipper and Transporter agree to indemnify and hold Administrator harmless from and against any and all claims that arise from Administrator's exclusive reliance on such data provided by Transporter in the performance of this Agreement. Administrator and Shipper shall have the right to audit any information supplied to Administrator by Transporter or the operator of the Points of Receipt in connection herewith including, but not limited to, inspecting the facilities, equipment and procedures used in supplying such information to Administrator. In the case of gas sampler failure, or associated like equipment, Administrator may use, at its reasonable discretion, a spot sample, the previous month's data, or some other reasonable estimate. All NGL component data in mole percent shall be converted to GPM using the respective factors as set forth under the heading "Volume, Ft<sup>3</sup> ideal gas/gal liquid" in the most recent GPA Standard 2145, currently Standard 2145-03, and adjusted to a 14.73 psia pressure base.

- 5.4 Administrative Fees. Total monthly payments due Administrator to administer the NGL Bank for the period beginning June 1, 2004, and ending March 31, 2005, as further detailed on Exhibit "B," attached hereto and incorporated herein by reference, shall be \$2,500.00 per month, plus an additional \$100.00 per month multiplied by the total number of active Points of Receipt on HIOS. The total of such monthly payments shall be charged pro rata to each shipper based upon each shipper's total monthly quantity of gas, in Dth, transported on HIOS as compared with the total monthly quantity of gas, in Dth, transported by all shippers on HIOS for such month.

Any additions or modifications to the model used to calculate the NGL Bank settlements as provided in Sections 5.1 and 5.2, other than those relating to new shipper setup, shall be charged by Administrator at \$50.00 per hour. Any such fees shall be charged to shippers based on the above allocation.

All fees provided for in this Section 5.4 shall be adjusted as of the first day of April each year commencing April 1, 2005. The adjustment shall be computed by multiplying the cost and/or fee then in use by the percentage increase in the average weekly earnings of Crude Petroleum and Gas Production Workers for

the last calendar year compared with the calendar year preceding as shown by the Index of average weekly earnings of Crude Petroleum and Gas Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics. Such adjustment shall be effective each April 1, and shall be

applicable from said date until March 31 of the following year.

All fees provided for in this Section 5.4 shall be adjusted as of the first day of April each year commencing April 1, 2006. The adjustment shall be computed by multiplying the cost and/or fee then in use by the percentage increase as posted by the Council of Petroleum Accountants Societies (COPAS) "Model Form Interpretation 50 - Overhead Adjustment Index" or similar index, if COPAS is not available, for the last calendar year compared with the calendar year preceding as shown by COPAS or similar index. Such adjustment shall be effective each April 1, and shall be applicable from said date until March 31 of the following year.

- 5.5 NGL Bank Billings and Payments. Administrator shall invoice Shipper or its agent for any net NGL Bank settlement amounts due plus NGL Bank administrative fees no later than 5 business days after providing settlement statements. Shipper agrees that it, or its agent, will abide by and will pay any such invoice in accordance with the provisions of Transporter's FERC Gas Tariff. Designation of an agent shall not relieve Shipper from any rights or responsibilities arising from this Agreement.

Administrator shall remit payment from the NGL Bank to Shipper or its agent for any net NGL Bank settlement amounts payable less NGL Bank administrative fees no later than 30 days after providing settlement statements. To the extent that all monies due the NGL Bank for a particular month are not received in a timely manner from shippers owing the NGL Bank, Administrator shall pro-rate monies available for disbursement from the NGL Bank to shippers owed monies by the NGL Bank based upon the total amount owed any such shipper compared with the total amount owed to all shippers for that month. Administrator shall make appropriate adjustments in the succeeding months until any such shortfalls have been satisfied; provided, however, that Administrator shall not be required to pay interest on the unpaid portion of any amount due any shipper. Notwithstanding anything to the contrary herein, in no event shall Administrator be obligated to pay out more funds from the NGL Bank than it has received from shippers, after deduction for administrative fees.

Shipper will be charged interest on late payments or partial payments in accordance with the provisions of Transporter's FERC Gas Tariff and also will be subject to all other remedies for non-payment available to Transporter as provided by Transporter's FERC Gas Tariff. Any interest collected by Administrator hereunder attributable to payment shortfalls into the NGL Bank

shall be pro-rated among those shippers owed money from the NGL Bank taking into consideration the amount owed and the length of time such amount has been owed.

Shipper acknowledges and agrees that Administrator shall not be obligated to

disperse any NGL Bank settlement funds to Shipper unless and until Administrator has received sufficient settlement funds from other shippers to pay the amounts due Shipper. It is the intent of the parties hereto that Administrator shall act only as a conduit for NGL Bank settlement funds and shall have no obligation or liability for any settlements due Shipper.

Administrator shall have the operational authority to net out any funds due Shipper(s) against funds owed by Shipper(s) that are delinquent on payments to the NGL Bank. Shipper(s) will not have the same operational authority to net out funds due the NGL Bank against funds due Shipper(s).

- 5.6 Legal Action. Administrator shall, as to any and all shippers owing sums to the NGL Bank, make all reasonable efforts, including, but not limited to the institution of legal action or proceedings to collect sums due the NGL Bank, subject to the approval of the Advisory Group. If Administrator initiates legal action or proceedings to enforce the obligations of Shipper owing sums to the NGL Bank and prevails in any such action or proceedings, then in addition to any remedies awarded to Administrator, Administrator shall be entitled to reimbursement by such Shipper of costs and expenses (including, without limitation, reasonable attorney's fees and expenses, court costs and filing fees) incurred in bringing such action or proceeding. If Administrator undertakes to enforce the obligations of any third party shipper with respect to the NGL Bank, whether pursuant to the initiation of legal action or proceedings or otherwise, Shipper agrees to reimburse Administrator, within ten (10) days after Shipper's receipt of Administrator's invoice, for Shipper's proportionate share of all costs and expenses (including reasonable attorney's fees and expenses, court costs, and filing fees) incurred by Administrator in the enforcement of the obligations of such third party shipper with respect to the NGL Bank, such proportionate share being equal to a fraction, the numerator of which is one (1) and the denominator of which is the total number of shippers participating in the NGL Bank which are not then in Default (as hereinafter defined) under their respective NGL Bank Agreements with Administrator. To the extent that Administrator is successful in enforcing the obligations of such third party shipper with respect to the NGL Bank, Administrator shall reimburse Shipper for Shipper's proportionate share (determined as provided in the preceding sentence of this Section 5.6) of any recovery received by Administrator for the costs and expenses (including, without limitation, attorney's fees and expenses, court costs, and filing fees) incurred by Administrator in connection with the enforcement of such obligations.
- 5.7 Default; Remedies. For purposes of this Agreement, the term "Default" means (a) that Shipper (i) makes an assignment or any general arrangement for the benefit of creditors; (ii) files a petition or otherwise commences, authorizes, or acquiesces in the commencement of a proceeding or cause under any bankruptcy or similar law for the protection of creditors or has such a petition filed or proceeding commenced against it; or (iii) is unable to pay its debts as they fall

due; (b) the failure by Shipper to make, when due, any payment required under this Agreement if such failure is not remedied within ten (10) days after notice of such failure is given by Administrator, provided the payment is not the subject of a good faith dispute; or (c) the failure by Shipper to perform any covenant set forth in this Agreement (other than an obligation to make payment), and such failure is not remedied within ten (10) days after notice thereof by Administrator. Upon the occurrence of a Default, Administrator will have the right, subject to the approval of the Advisory Group, to exercise all rights and remedies available to it under this Agreement, at law, and in equity, including the rights: (a) to file suit to seek damages or equitable remedies; and (b) to suspend performance hereunder (including, without limitation, the withholding of any payments due hereunder) until the relevant Default has been remedied.

#### ARTICLE VI - AUDITS

- 6.1 At any time within one (1) year following the end of a calendar year, Shipper, upon sixty (60) days prior notice to Administrator and all other shippers, shall have the right, at reasonable times, to inspect and audit the accounts, records, documents and data of Administrator pertaining to the NGL Bank for that calendar year provided, however, that any such audit shall be performed within twenty-four (24) months of the date of such notice. The cost of conducting the audit (including Administrator's costs) and resolving the exceptions and adjustments thereto shall be borne solely by the shipper(s) auditing the system records.
- 6.2 Administrator shall maintain true and correct sets of records pertaining to the performance of this Agreement and all transactions related thereto, and agrees to retain all such records for a period of not less than thirty-six (36) months following the end of the calendar year in which such records were created.
- 6.3 Should the audit result in a claim by a shipper, then a written response shall be made by Administrator as soon as practical, but in no event later than one hundred and twenty (120) days from the date of Administrator's receipt of such claim. Any NGL Bank settlement adjustments determined to be due any shipper shall be made within sixty (60) days of determination thereof.
- 7.1 Shipper shall, without relieving itself of its obligations under this Agreement, assign its rights in this Agreement to any entity to which Shipper has assigned its Transportation Agreement(s).
- 7.2 Subsequent to June 1, 2009, Administrator may, without relieving itself of its obligations under this Agreement, assign its interest in this Agreement upon six (6) months prior notice to all shippers; provided, however, that any assignment or transfer of Administrator's interest in this Agreement shall be subject to the

approval of the Advisory Group.

- 7.3 Any party which shall succeed by purchase, merger or consolidation to the properties, substantially as an entirety, of a party hereto shall be entitled to the rights and shall be subject to the obligations of its predecessor-in-interest under this Agreement.

#### ARTICLE VIII - REMOVAL OF ADMINISTRATOR

Subject to the approval of the Advisory Group, Administrator may be removed hereunder and a successor to replace Administrator appointed by the Advisory Group if:

- (i) Administrator becomes bankrupt or insolvent, commits or suffers any act of bankruptcy or insolvency, is placed in receivership, seeks debt or relief protection under any applicable legislation and such is not rectified within thirty (30) days of such event; or
- (ii) Administrator assigns or purports to assign its general powers and responsibility of supervision and management as Administrator hereunder in contravention of Article VII herein.
- (iii) The Advisory Group votes to replace Administrator.

#### ARTICLE IX - MISCELLANEOUS

- 9.1 SHIPPER AGREES THAT NEITHER ADMINISTRATOR OR TRANSPORTER SHALL HAVE ANY LIABILITY TO SHIPPER OR ITS DESIGNATED AGENT IN CONNECTION WITH THE OPERATION AND ADMINISTRATION OF THE NGL BANK AND SHIPPER HEREBY AGREES TO RELEASE, DEFEND, INDEMNIFY AND HOLD HARMLESS ADMINISTRATOR AND TRANSPORTER FROM AND AGAINST ALL CLAIMS, DEMANDS, CAUSES OF ACTION, LIABILITIES, JUDGMENTS, LOSSES, PENALTIES, FINES, DAMAGES AND EXPENSES (INCLUDING, WITHOUT LIMITATION, ATTORNEYS' FEES AND COURT COSTS) IN CONNECTION THEREWITH.
- 9.2 Shipper acknowledges and agrees that because other shippers' gas may have a different NGL content than that of Shipper, Transporter cannot and, therefore, is not obligated to deliver to any shipper at a Point of Delivery the same volume of NGL's as it received from that shipper at a Point of Receipt. Shipper also acknowledges and agrees that the commingled gas stream delivered to Shipper at a Point of Delivery may have a different NGL content than that received from Shipper at a Point of Receipt.



9.3 Shipper recognizes that settlement conducted under this Agreement, while intended to mitigate the inequity caused by one shipper's gas stream with relatively low NGL content being enriched by another shipper's gas stream with relatively high NGL content when those gas streams are commingled, will not necessarily eliminate any or all such inequities. NOTWITHSTANDING ANY PROVISION TO THE CONTRARY CONTAINED HEREIN, SHIPPER HEREBY ACCEPTS THE NGL BANK "AS IS" AND "WITH ALL FAULTS." SHIPPER ACKNOWLEDGES THAT NEITHER TRANSPORTER NOR ADMINISTRATOR HAS MADE, AND TRANSPORTER AND ADMINISTRATOR HEREBY EXPRESSLY DISCLAIM ANY REPRESENTATIONS OR WARRANTIES, EITHER STATUTORY, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, QUALITY, MERCHANTABILITY OR CONDITION WITH RESPECT TO THE NGL BANK. SHIPPER EXPRESSLY ASSUMES THE RISK OF ANY DEFECT IN OR FAILURE OF THE NGL BANK AND HEREBY FULLY RELEASES AND RELIEVES AND AGREES TO INDEMNIFY, DEFEND AND HOLD HARMLESS TRANSPORTER AND ADMINISTRATOR WITH RESPECT TO ANY LIABILITY TO SHIPPER AS A RESULT THEREOF.

9.4 Notwithstanding anything in this Agreement to the contrary, the Parties agree that each of them shall bear, without limit, full responsibility for the Gross Negligence and Willful Misconduct of their managerial and supervisory personnel and, in no event, will a Party be required to release or indemnify any other Party for Gross Negligence or Willful Misconduct attributable to the other Party's managerial or senior supervisory personnel. The Parties further agree that no Party shall be liable to another Party for any negligence associated with the operation of the NGL Bank, including but not limited to, negligent actions or omissions by the members of the Advisory Group. For the purposes of this Section 9.4, "Party" shall mean Shipper, Transporter, and Administrator, individually. "Parties" shall mean Shipper, Transporter, and Administrator, collectively. As used herein "Gross Negligence" is defined by the law governing this Agreement; however, if such law does not define the term "gross negligence", it means any act or failure to act (whether sole, joint or concurrent) which seriously and substantially deviates from a diligent

course of action or which is in reckless disregard of or indifference to the harmful consequences. "Willful Misconduct" is defined by the law governing this Agreement; however, if such law does not define the term "willful misconduct", it means an intentional disregard of good and prudent standards of performance or of any terms of this Agreement.

9.5 This Agreement is subject to Transporter's FERC Gas Tariff, as such may be modified or amended from time to time. In the event of a conflict between this Agreement and Transporter's FERC Gas Tariff, the provisions of Transporter's

FERC Gas Tariff shall govern.

9.6 This Agreement shall be governed by and construed in accordance with the laws of the state of Texas without regard to principles concerning conflicting laws.

9.7 Any notice, request, demand, statement, bill or payment provided for in this Agreement, or any notice which a party may desire to give to the other, shall be in writing and shall be considered as duly delivered when received by the other party at the following address:

(a) If to Shipper: \_\_\_\_\_  
Address \_\_\_\_\_  
City, State, Zip Code \_\_\_\_\_  
Telephone: \_\_\_\_\_  
Fax: \_\_\_\_\_  
Attention: \_\_\_\_\_

(b) If to Administrator: Southern Petroleum Laboratories, Inc.  
Address 8850 Interchange Drive  
City, State, Zip Code Houston, Texas 77054  
Telephone: (713) 660-0901

(c) If to Transporter: High Island Offshore System, L.L.C.  
Address 811 Louisiana, Suite 1200  
City, State, Zip Code Houston, Texas 77002  
Telephone: (713) 860-2541  
Fax: (713) 860-2640  
Attention: Gas Scheduling

9.8 It is recognized by the parties that the NGL Bank is a condition of service under Shipper's Transportation Agreement with Transporter and that the "Form of NGL Bank Agreement" is part of Transporter's FERC Gas Tariff.

Accordingly, Transporter warrants to Administrator and to Shipper that at all times during the term of this Agreement it shall have such "Form of NGL Bank Agreement" in place with all such other shippers.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth above.

SHIPPER:

\_\_\_\_\_

ADMINISTRATOR:

SOUTHERN PETROLEUM  
LABORATORIES, INC.

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

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

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

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

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

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

TRANSPORTER:

HIGH ISLAND OFFSHORE SYSTEM, L.L.C.

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

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

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

EXHIBIT "A" TO NGL BANK AGREEMENT

EXAMPLE OF REPRESENTATIVE SHIPPER'S MONTHLY RECEIPT SETTLEMENT

In this example calculation, Shipper 1 would receive a payment from the NGL Bank for the Month.

Ethane gross margin is negative, propane gross margin is positive and processing is not required.

Receipts to NGL Bank

Shipper's NGL Components	Point of Receipt 1		Point of Receipt 2		Point of Receipt 3		Point of Receipt 4		Weighted Average NGL Components
	Shipper 1	Shipper 2	Shipper 3	Shipper 4	Shipper 5	Shipper 6	Shipper 6		
GPM	1.33	1.33	1.07	1.07	0.81	0.73	0.73	1.097	
C2	0.74	0.74	0.60	0.60	0.45	0.40	0.40	0.611	
C3	0.24	0.24	0.19	0.19	0.14	0.13	0.13	0.195	
iC4	0.21	0.21	0.17	0.17	0.13	0.11	0.11	0.174	
nC4	0.44	0.44	0.36	0.36	0.27	0.24	0.24	0.365	
C5+	2.96	2.96	2.39	2.39	1.80	1.61	1.61	2.442	
Total	2.96	2.96	2.39	2.39	1.80	1.61	1.61	2.442	
Btu/cf	1160	1160	1130	1130	1100	1090	1090	1133	
Volume (Mcf)	3,000,000	1,500,000	1,500,000	1,500,000	3,000,000	300,000	300,000	10,800,000	
Volume (Dth)	3,480,000	1,740,000	1,695,000	1,695,000	3,300,000	327,000	327,000	12,237,000	

Shipper 1 Revenue Difference for Point of Receipt 1

Components	Shipper's GPM Difference From Weighted Average	Representative Recovery Factors	Theoretical NGL Recovery gallons	Plant Settlement gallons	Representative Sales Price ¢/gallon	NGL Transportation and Fractionation \$	Theoretical Revenue \$
C2	0.233	0%	0	0	35.00	\$0	\$0
C3	0.129	96%	371,200	315,520	56.00	\$12,621	\$164,070
iC4	0.045	100%	134,167	114,042	65.50	\$4,562	\$70,136
nC4	0.036	100%	108,333	92,083	61.25	\$3,683	\$52,718
C5+	0.075	100%	225,000	191,250	71.25	\$7,650	\$128,616
Total	0.518		838,700	712,895		\$28,516	\$415,540

Plant Settlement Basis  
%  
85%

Commodity Rate  
¢/gallon  
4

Shipper 1 Expenses

Components	Heat Content Dth/gallon	Shrinkage Cost \$	Plant Fuel Cost \$	Transportation Cost Plant Fuel and Shrinkage		Theoretical Gross Margin \$
				\$	\$	
C2	0.066369	\$0	\$0	\$0	\$0	\$0
C3	0.091599	\$136,006	\$23,757	\$2,396	\$1,278	\$633
iC4	0.099652	\$53,480	\$8,587	\$931	\$497	\$6,641
nC4	0.103724	\$44,947	\$6,933	\$778	\$415	-\$355
C5+	0.112000	\$100,800	\$14,400	\$1,728	\$922	\$10,766
Total		\$335,233	\$53,677	\$5,833	\$3,112	\$17,685

Value of Btu's \$/Dth  
\$4.00

Plant Fuel Use Dth/gallon  
0.016000

Commodity Rate ¢/Dth  
6.0

Transportation Fuel %  
0.8%

### Shipper 1 Monthly Summary

Theoretical Revenue	\$415,540	Administrative Fee
Shrinkage Cost	\$335,233	\$2,500 Monthly Fee
Plant Fuel Cost	\$53,677	\$100 Per Point of Receipt Fee
Transportation Cost	\$8,945	4 Points of Receipt
Theoretical Gross margin	\$17,685	\$2,900 Total Monthly Fee
Administrative Fee	\$825	\$825 Shipper 1 Pro Rata Fee
Shipper 1 Credit/(Debit)	\$16,860	

### Procedure Notes

For positive processing economics:

Receipts into NGL Bank at above weighted average NGL content - Credit to Shipper

Receipts into NGL Bank at below weighted average NGL content - Debit to Shipper

For negative processing economics:

Receipts into NGL Bank at above weighted average NGL content - Debit to Shipper

Receipts into NGL Bank at below weighted average NGL content - Credit to Shipper

EXHIBIT "B" TO NGL BANK AGREEMENT

INITIAL PAYMENTS DUE ADMINISTRATOR TO OPERATE  
THE NGL BANK FROM JUNE 1, 2004 TO MARCH 31, 2005

<u>Function/Activity</u>	<u>\$/month</u>
Allocation and NGL Bank calculations	\$1,500.00* plus \$100.00* per active Point of Receipt
Administration, including data gathering and verification	\$500.00*
Billing/invoicing and bank reconciliation, when applicable	\$500.00*
Monthly total	\$2,500 plus \$100.00* per active Point of Receipt
Settlement model additions or modifications other than new shipper setup	\$50.00 per hour
Issues management and third party services	Unknown but as incurred

\* This amount is adjusted annually, as specified in Section 5.4 of this Agreement.

FORM OF RESERVE COMMITMENT AGREEMENT  
(for use under Rate Schedules FT-1 & IT)

THIS RESERVE COMMITMENT AGREEMENT (Agreement) is made and entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between High Island Offshore System, L.L.C. a limited liability company of the State of Delaware hereinafter referred to as "Transporter" or "HIOS" and \_\_\_\_\_, a \_\_\_\_\_ corporation, hereinafter referred to as "Shipper". Transporter and Shipper shall collectively be referred to herein as the Parties.

ARTICLE I  
DEFINITIONS

- 1.1 Committed Lease(s). For purposes of this Agreement, "Committed Lease(s)" shall mean those OCS leases set forth on Exhibit A hereto.
- 1.2 Shipper's Gas. For purposes of this Agreement, "Shipper's Gas" shall mean all Gas produced by or for the account of Shipper, or any affiliate of Shipper, from the Committed Lease(s).
- 1.3 Affiliate. For purposes of this Agreement, "affiliate" shall mean any entity controlling, controlled by, or under common control with the relevant entity. For purposes of this definition, the term "control" (including derivative terms) means the direct or indirect ability to direct the management and policy of the relevant entity, whether by ownership, control of voting interests, contract or otherwise.
- 1.4 Any Capitalized terms not defined herein shall have the meaning ascribed thereto in Transporter's F.E.R.C. Gas Tariff.

ARTICLE II  
RESERVE DEDICATION

- 2.1 In exchange for the provisions of Article XI as set forth in that certain Transportation Service Agreement dated \_\_\_\_\_, \_\_\_\_\_ between HIOS and Shipper, and subject to the provisions of Section 2.4, Shipper hereby agrees to deliver Shipper's Gas into and transport Shipper's Gas through Transporter's pipeline facilities under a Transportation Agreement pursuant to

Rate Schedules FT-1 or IT, between Shipper and Transporter for the producible life of the Committed Lease(s).

- 2.2(a) In the event Shipper should transfer or assign any or all of its rights, title and/or interest in the Committed Lease(s), Shipper agrees that (i) it shall notify Transporter in writing of its intent of such assignment as soon as practicable and (ii) any such transfer or assignment will be made subject to the terms of this Agreement, it being the intent of the parties hereto subject to the provisions of this Article II, that the Committed Lease(s) remain dedicated for purposes of transportation under Rate Schedules FT-1 or IT to Transporter's pipeline facilities for the producible life of the Committed Lease(s). All of the provisions of this Agreement shall be applicable to assignees of Shipper's interests in the Committed Lease(s), and such assignees shall receive a proportionate assignment of the rights and obligations hereunder with respect to the Committed Lease(s) so assigned. Upon such assignment, Shipper shall be relieved of its obligations under this Agreement to the extent, and only to the extent, such obligations are assigned to a third party.
- (b) Shipper shall be entitled to unitize any Committed Lease(s) with one or more additional OCS leases without the consent of Transporter. In the event of such unitization, then (i) such unitization shall not be deemed a transfer or assignment of Shipper's interest for the purpose of this Agreement and (ii) only the gas production attributable to Shipper's interest in the unit shall be subject to the provisions of this Agreement or be entitled to the services provided by the associated Transportation Agreement. For purposes of this Section 2.2 (b), "unitize" or "unitization" shall mean the combination of all or parts of the leases in a prospect, reservoir, or field such that development and operation of the unit are provided for without regard to separate property interests and with unit production and costs allocated among the various parties, whether pursuant to formal or informal joint operating agreements.
- 2.3 From the obligations in Section 2.1, Shipper expressly reserves unto itself, its successors and assigns, the following rights and quantities of production sufficient to satisfy such rights:
- (a) The right to operate the Committed Lease(s) free from any control by Transporter including, without limitation, the right (but never the obligation) to drill new wells, to repair and rework old wells, to plug and abandon any well, to shut in wells and to renew, surrender, release or terminate any lease (in whole or in part) included in the Committed Lease(s);
- (b) The right to deliver production to lessors of the Committed Leases in quantities sufficient to fulfill Shipper's lease obligations from time to time, including the right to deliver royalty in kind; and



- (c) The rights to use production for the development and operation of the Committed Lease(s), including, but not limited to, the use of gas for fuel, drilling (including gas drilling), deepening, reworking, development system installation and startup, compressing, gas lifting, processing, treating, cycling, repressuring or other supplemental recovery operations, provided, however, that any gas so used but not consumed by such uses shall remain committed under this Agreement.
- (d) The right to process gas from the Committed Lease(s), prior to delivery to Transporter, by the use of mechanical separators for the recovery of any component from the gas other than methane, except such methane incidentally removed through such separation.

#### 2.4 Temporary Release.

- (a) In the event that HIOS is unable to accept Shipper's Gas for any reason (including, without limitation, a force majeure event as set forth in Section 13 of the General Terms and Conditions of HIOS' FERC Gas Tariff) and such inability is not the result of any action or inaction by Shipper ("HIOS' Inability"), Shipper shall be entitled to deliver to and transport Shipper's Gas on another pipeline(s) during the duration of HIOS' Inability.
- (b) In the event that any occurrence of HIOS' Inability lasts for a period exceeding ninety (90) consecutive days, Shipper shall have thirty five (35) days from its receipt of written notice of HIOS' ability to recommence receipts of Shipper's Gas to resume deliveries of Shipper's Gas to HIOS.

### ARTICLE III TRANSPORTATION

- 3.1 Shipper may request that its production from the Committed Lease(s) be transported under Rate Schedules FT-1 or IT in accordance with the provisions of the applicable Rate Schedule. Shipper shall execute no more than one (1) Service Agreement per lease or group of leases dedicated under this Reserve Commitment Agreement.
- 3.2 Transporter agrees to accept and process Shipper's Requests for Service under Section 3.1 in accordance with the provisions of the applicable Rate Schedule.
- 3.3 Nothing contained herein shall obligate HIOS to build or install new facilities to provide transportation service for production from Committed Lease(s).

ARTICLE IV  
REGULATION

This Agreement shall be subject to all applicable and lawful governmental statutes, orders, rules and regulations.

ARTICLE V  
TERM

This Agreement shall be effective \_\_\_\_\_, \_\_\_\_\_, and shall remain in force and effect for the producible life of the Committed Lease(s).

ARTICLE VI  
NOTICES

Notices hereunder shall be given to the respective party at the applicable address, telephone number or facsimile machine number stated below or such other addresses, telephone numbers or facsimile machine numbers as the parties shall respectively hereafter designate in writing from time to time:

Transporter: High Island Offshore System, L.L.C.  
Attn: Gas Scheduling  
811 Louisiana, Suite 1200  
Houston, Texas 77002

Telephone No.: (713) 860-2541  
Fax No.: (713) 860-2541

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

Telephone No.: ( ) \_\_\_\_\_

Fax No.: ( ) \_\_\_\_\_

ARTICLE VII  
MISCELLANEOUS

- 7.1 The laws of the State of Delaware (excluding choice of law provisions) shall govern the validity, construction, interpretation, and effect of this Agreement.
- 7.2 If Shipper, including its assignee(s) or its agent(s), delivers Shipper's Gas to another pipeline transporter, HIOS shall immediately notify Shipper in writing of such violation of this Agreement. Shipper shall have thirty (30) days to either remedy such violation or commence good-faith steps to remedy such violation. If Shipper does not remedy the violation within sixty (60) days after receipt of HIOS' notice, HIOS shall, in addition to its other rights to seek redress in an appropriate forum, have the right to terminate the provisions of Article XI of the Service Agreement granted by HIOS in exchange for this Agreement, as referenced in Article II, Section 2.1 above, from the date of such violation.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed as of the date first hereinabove written.

SHIPPER

HIGH ISLAND OFFSHORE SYSTEM, L.L.C.

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

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

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

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

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

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

EXHIBIT A

COMMITTED LEASE(S)

AREA  
LEASE NUMBER

BLOCK

OCS

**PART V**  
**NON-CONFORMING AGREEMENTS**

1. Minerals Management Service

IT Contract #5686, dated January 1, 2007

IT Contract #7828, dated January 1, 2007

2. FT-2 Transportation Agreements

Amendment to FT-2 Contract #4856, dated September 28, 2017

Amendment to FT-2 Contract #9845, dated November 1, 2017

**Tariff Submitter:** High Island Offshore System, L.L.C.

**FERC Tariff Program Name:** FERC NGA Natural Gas

**Tariff Title:** Natural Gas Tariffs

**Tariff Record Proposed Effective Date:** October 9, 2015

**Tariff Record Title:** MMS-IT Contract #5686, dated January 1, 2007

**Option Code:** A

## IT TRANSPORTATION AGREEMENT

THIS, AGREEMENT, made and entered into as of **January 1, 2007**, by and between **High Island Offshore System, L.L.C.** (Transporter), a limited liability company under the laws of the State of Delaware, and **Minerals Management Service** (Shipper), a Federal governmental agency.

## WITNESSETH:

WHEREAS, Shipper desires to have gas transported on an interruptible basis in the **High Island Offshore System, L.L.C.** from offshore Texas and Louisiana on its behalf; and

WHEREAS, Transporter may have interruptible capacity available to provide transportation of gas on behalf of Shipper.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties do covenant and agree as follows:

## ARTICLE I

- 1.1 **Obligation to Transportation.** Commencing with the date of initial deliveries hereunder, Transporter shall receive at the Points of Receipt hereunder for the account of Shipper all Gas, together with Associated Liquids, which Shipper may cause to be delivered to it up to Shipper's Maximum Daily Quantity (MDQ) as set forth in Exhibits A and B hereof, and shall be obligated to deliver for the account of Shipper on an interruptible basis at the Point or Points of Delivery hereunder Equivalent Volumes in the manner and subject to the conditions hereinafter set forth.
- 1.2 **Term.** This Agreement shall become effective on **January 1, 2007**, subject to filing with and approval of the Federal Energy Regulatory Commission ("Commission"). After this Agreement becomes effective it shall continue in full force and effect for a period of one year from the effective date of such Agreement and from year to year thereafter until this Agreement is terminated as provided in Article I, Section 1.3 or until the dissolution of Transporter; provided, however, that in the event the Commission does not approve this Agreement, this Agreement will be considered null and void and of no further force and effect.
- 1.3 **Termination.** Either party may elect to terminate this Agreement as of the end of said one year period or as of the end of any succeeding extended annual period by giving written notice to the other party of such election not less than 90 days prior to the termination date designated in such notice.

IT TRANSPORTATION AGREEMENT  
(Continued)

ARTICLE II

- 2.1 Point(s) of Receipt. The point(s) of receipt shall be those identified on Exhibits A and B hereto.

ARTICLE III

- 3.1 Point(s) of Delivery. The point(s) of delivery shall be those identified on Exhibits A and B hereto.

ARTICLE IV

- 4.1 Rate Schedule and Charges. Each month, Shipper shall pay Transporter for the service hereunder, an amount determined in accordance with Transporter's Rate Schedule IT and the applicable provisions of the General Terms and Conditions of Transporter's F.E.R.C. Gas Tariff, Third Revised Volume No. 1, as filed with the F.E.R.C. Such rate schedule and General Terms and Conditions are incorporated herein by reference and are made a part hereof. For all gas delivered to the Point(s) of Receipt in Exhibits A and B hereto and redelivered to Point(s) of Delivery in Exhibits A and B hereto, Shipper shall pay the effective rates and charges under Rate Schedule IT, as the same may be amended or superseded in accordance with applicable provisions of the Natural Gas Act and the rules and regulations of the F.E.R.C. The rates and charges shall be billed and paid for in accordance with the General Terms and Conditions applicable to Rate Schedule IT.
- 4.2 Rate Adjustments. It is agreed that either Transporter or Shipper may seek authorization from time to time from the F.E.R.C. for such rate adjustments as may be found necessary to assure Transporter just and reasonable rates.

ARTICLE V

- 5.1 Receipt Pressure. The minimum pressure at which Shipper may be requested to deliver gas to Transporter at the Point(s) of receipt is set forth in Exhibits A and B hereto.
- 5.2 Delivery Pressure. The minimum pressure at which Transporter is required to cause gas to be delivered at the Point(s) of Delivery is set forth in Exhibits A and B hereto.



IT TRANSPORTATION AGREEMENT  
(Continued)

ARTICLE VI

- 6.1 Notices. Except as herein otherwise provided, any notice, request, demand, statement, bill, or payment provided for in this Agreement, or any notice which either party may desire to give to the other, shall be in writing and shall be considered as duly delivered when mailed by registered or certified mail return receipt requested to the Post Office Address of the parties hereto as follows:

TRANSPORTER:

**High Island Offshore System**  
P. O. Box 4324  
Houston, Texas 77210-4324  
Attn: Manager, Contract Administration  
Phone: 713-381-7940  
Fax: 713-381-7995

SHIPPER:

NOTICES:  
**Minerals Management Service**  
P. O. Box 25165  
MS-330B2  
Denver, CO 80225  
Attn: Jeff Olson  
Phone: 303-231-3225  
Fax: 303-231-3846

Duns No. 926038266

BILLINGS:  
**Minerals Management Service**  
P. O. Box 25165  
MS-330B2  
Denver, CO 80225  
Attn: Manager, Natural Gas Back Office  
Fax: 303-231-3846

or such other address as either of the parties hereunder shall designate by formal written notice. Routine communications including monthly statements and payments shall be considered as duly delivered when properly addressed and mailed by either registered, certified or first class mail, postage prepaid.

ARTICLE VII

- 7.1 Waivers. No waiver by either Shipper or Transporter of any one or more defaults in the performance of any provision hereunder shall operate or be construed as a waiver of any future default or defaults, whether of a like or a different character.

IT TRANSPORTATION AGREEMENT  
(Continued)

ARTICLE VIII

- 8.1 Regulations. This Agreement, and all terms and provisions contained herein, and the respective obligations of the parties hereunder are subject to valid laws, orders, rules, and regulations of duly constituted authorities having jurisdiction.

ARTICLE IX

- 9.1 Assignments. Any company which shall succeed by purchase, merger, or consolidation to the properties, substantially as an entirety, of Shipper, or of Transporter, as the case may be, shall be entitled to the rights and shall be subject to the obligations of its predecessor in title under this Agreement; and either of the parties may assign or pledge this Agreement under the provisions of any mortgage, deed of trust, indenture, or similar instrument which it has executed or may execute hereafter covering substantially all of its properties; otherwise neither of the parties shall assign this Agreement or any of its rights hereunder unless it first shall have obtained the consent thereto in writing of the other party, provided further, however, that neither of the parties shall be released from its obligations hereunder without the consent of the other.

ARTICLE X

- 10.1 Limitation on Liability of Member. The parties hereto hereby agree that any claim against the Transporter which may arise hereunder shall be made only against the Transporter and all rights to proceed against the Members therein, individually, or against their assets as a result of such claim or any obligation arising therefrom, is hereby waived.
- 10.2 Indemnification of Operator. To the fullest extent allowed by law, Shipper shall indemnify and save harmless any Operator of the System, designated by Transporter to operate the System for Transporter as an independent contractor, and such Operator's officers, agents and employees from any claim, demand or expense for loss, damage or injury arising out of or in any way connected with the quality, use or condition of the Gas and Associated Liquids after the delivery from the System.
- 10.3 Applicable Law. To the fullest extent allowed by law, this Agreement shall be governed by and interpreted in accordance with laws of the State of Delaware.
- 10.4 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute but one and the same instrument.
- 10.5 Headings. The headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

IT TRANSPORTATION AGREEMENT  
(Continued)

ARTICLE XI

11.1 Further Agreement.

None

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed in several counterparts by its duly authorized officer as of March 9, 2007.

**High Island Offshore System, L.L.C.**  
(A Limited Liability Company)

By Rick Kern \_\_\_\_\_

**Minerals Management Service**

By Margaret C. Miller \_\_\_\_\_ ) 2/5/07

Margaret C. Miller  
Contracting Officer

IT TRANSPORTATION AGREEMENT  
(Continued)

EXHIBIT A

Maximum Daily Quantity:

**6,000 Dth**

Points of Receipt 1/  
-----

Location -----	Maximum Daily Long Haul Dth 2/ -----	Pressure ----- 1000 psig
All Receipt Points		

Points of Delivery  
-----

Location -----	Maximum Daily Long Haul Volume in Dth -----	Minimum Pressure ----- 1000 psig
All Delivery Points		

1/ See subsections 6.2 and 6.3 of Section 6 of the General Terms and Conditions for the definitions of Primary Points of Receipt and Secondary Points of Receipt, respectively.

2/ The sum of the Maximum Daily Volumes must equal the Maximum Daily Quantity.

IT TRANSPORTATION AGREEMENT  
(Continued)

EXHIBIT B

Maximum Daily Quantity:

**6,000 Dth**

Points of Receipt 1/  
-----

Location -----	Maximum Daily Short Haul Volume in Dth 2/ -----	Minimum Pressure -----
All Receipt Points		1000 psig

Points of Delivery  
-----

Location -----	Maximum Daily Short Haul Volume in Dth -----	Minimum Pressure -----
All Delivery Points		1000 psig

**Minerals Management Service**

- 1/ See subsections 6.2 and 6.3 of Section 6 of the General Terms and Conditions for the definitions of Primary Points of Receipt and Secondary Points of Receipt, respectively.
- 2/ The sum of the Maximum Daily Volumes must equal the Maximum Daily Quantity.

**Tariff Submitter:** High Island Offshore System, L.L.C.

**FERC Tariff Program Name:** FERC NGA Natural Gas

**Tariff Title:** Natural Gas Tariffs

**Tariff Record Proposed Effective Date:** October 9, 2015

**Tariff Record Title:** MMS-IT Contract #7828, dated January 1, 2007

**Option Code:** A

## IT TRANSPORTATION AGREEMENT

THIS, AGREEMENT, made and entered into as of **January 1, 2007**, by and between **High Island Offshore System, L.L.C.** (Transporter), a limited liability company under the laws of the State of Delaware, and **Minerals Management Service** (Shipper), a Federal governmental agency.

## WITNESSETH:

WHEREAS, Shipper desires to have gas transported on an interruptible basis in the **High Island Offshore System, L.L.C.** from offshore Texas and Louisiana on its behalf; and

WHEREAS, Transporter may have interruptible capacity available to provide transportation of gas on behalf of Shipper.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties do covenant and agree as follows:

## ARTICLE I

- 1.1 **Obligation to Transportation.** Commencing with the date of initial deliveries hereunder, Transporter shall receive at the Points of Receipt hereunder for the account of Shipper all Gas, together with Associated Liquids, which Shipper may cause to be delivered to it up to Shipper's Maximum Daily Quantity (MDQ) as set forth in Exhibits A and B hereof, and shall be obligated to deliver for the account of Shipper on an interruptible basis at the Point or Points of Delivery hereunder Equivalent Volumes in the manner and subject to the conditions hereinafter set forth.
- 1.2 **Term.** This Agreement shall become effective on **January 1, 2007**, subject to filing with and approval of the Federal Energy Regulatory Commission ("Commission"). After this Agreement becomes effective it shall continue in full force and effect for a period of one year from the effective date of such Agreement and from year to year thereafter until this Agreement is terminated as provided in Article I, Section 1.3 or until the dissolution of Transporter; provided, however, that in the event the Commission does not approve this Agreement, this Agreement will be considered null and void and of no further force and effect.
- 1.3 **Termination.** Either party may elect to terminate this Agreement as of the end of said one year period or as of the end of any succeeding extended annual period by giving written notice to the other party of such election not less than 90 days prior to the termination date designated in such notice.

IT TRANSPORTATION AGREEMENT  
(Continued)

ARTICLE II

- 2.1 Point(s) of Receipt. The point(s) of receipt shall be those identified on Exhibits A and B hereto.

ARTICLE III

- 3.1 Point(s) of Delivery. The point(s) of delivery shall be those identified on Exhibits A and B hereto.

ARTICLE IV

- 4.1 Rate Schedule and Charges. Each month, Shipper shall pay Transporter for the service hereunder, an amount determined in accordance with Transporter's Rate Schedule IT and the applicable provisions of the General Terms and Conditions of Transporter's F.E.R.C. Gas Tariff, Third Revised Volume No. 1, as filed with the F.E.R.C. Such rate schedule and General Terms and Conditions are incorporated herein by reference and are made a part hereof. For all gas delivered to the Point(s) of Receipt in Exhibits A and B hereto and redelivered to Point(s) of Delivery in Exhibits A and B hereto, Shipper shall pay the effective rates and charges under Rate Schedule IT, as the same may be amended or superseded in accordance with applicable provisions of the Natural Gas Act and the rules and regulations of the F.E.R.C. The rates and charges shall be billed and paid for in accordance with the General Terms and Conditions applicable to Rate Schedule IT.
- 4.2 Rate Adjustments. It is agreed that either Transporter or Shipper may seek authorization from time to time from the F.E.R.C. for such rate adjustments as may be found necessary to assure Transporter just and reasonable rates.

ARTICLE V

- 5.1 Receipt Pressure. The minimum pressure at which Shipper may be requested to deliver gas to Transporter at the Point(s) of receipt is set forth in Exhibits A and B hereto.
- 5.2 Delivery Pressure. The minimum pressure at which Transporter is required to cause gas to be delivered at the Point(s) of Delivery is set forth in Exhibits A and B hereto.



IT TRANSPORTATION AGREEMENT  
(Continued)

ARTICLE VI

- 6.1 Notices. Except as herein otherwise provided, any notice, request, demand, statement, bill, or payment provided for in this Agreement, or any notice which either party may desire to give to the other, shall be in writing and shall be considered as duly delivered when mailed by registered or certified mail return receipt requested to the Post Office Address of the parties hereto as follows:

TRANSPORTER:

**High Island Offshore System**  
P. O. Box 4324  
Houston, Texas 77210-4324  
Attn: Manager, Contract Administration  
Phone: 713-381-7940  
Fax: 713-381-7995

SHIPPER:

NOTICES:  
**Minerals Management Service**  
P. O. Box 25165  
MS-330B2  
Denver, CO 80225  
Attn: Jeff Olson  
Phone: 303-231-3225  
Fax: 303-231-3846

Duns No. 926038266

BILLINGS:  
**Minerals Management Service**  
P. O. Box 25165  
MS-330B2  
Denver, CO 80225  
Attn: Manager, Natural Gas Back Office  
Fax: 303-231-3846

or such other address as either of the parties hereunder shall designate by formal written notice. Routine communications including monthly statements and payments shall be considered as duly delivered when properly addressed and mailed by either registered, certified or first class mail, postage prepaid.

ARTICLE VII

- 7.1 Waivers. No waiver by either Shipper or Transporter of any one or more defaults in the performance of any provision hereunder shall operate or be construed as a waiver of any future default or defaults, whether of a like or a different character.

IT TRANSPORTATION AGREEMENT  
(Continued)

ARTICLE VIII

- 8.1 Regulations. This Agreement, and all terms and provisions contained herein, and the respective obligations of the parties hereunder are subject to valid laws, orders, rules, and regulations of duly constituted authorities having jurisdiction.

ARTICLE IX

- 9.1 Assignments. Any company which shall succeed by purchase, merger, or consolidation to the properties, substantially as an entirety, of Shipper, or of Transporter, as the case may be, shall be entitled to the rights and shall be subject to the obligations of its predecessor in title under this Agreement; and either of the parties may assign or pledge this Agreement under the provisions of any mortgage, deed of trust, indenture, or similar instrument which it has executed or may execute hereafter covering substantially all of its properties; otherwise neither of the parties shall assign this Agreement or any of its rights hereunder unless it first shall have obtained the consent thereto in writing of the other party, provided further, however, that neither of the parties shall be released from its obligations hereunder without the consent of the other.

ARTICLE X

- 10.1 Limitation on Liability of Member. The parties hereto hereby agree that any claim against the Transporter which may arise hereunder shall be made only against the Transporter and all rights to proceed against the Members therein, individually, or against their assets as a result of such claim or any obligation arising therefrom, is hereby waived.
- 10.2 Indemnification of Operator. To the fullest extent allowed by law, Shipper shall indemnify and save harmless any Operator of the System, designated by Transporter to operate the System for Transporter as an independent contractor, and such Operator's officers, agents and employees from any claim, demand or expense for loss, damage or injury arising out of or in any way connected with the quality, use or condition of the Gas and Associated Liquids after the delivery from the System.
- 10.3 Applicable Law. To the fullest extent allowed by law, this Agreement shall be governed by and interpreted in accordance with laws of the State of Delaware.
- 10.4 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute but one and the same instrument.
- 10.5 Headings. The headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

IT TRANSPORTATION AGREEMENT  
(Continued)

ARTICLE XI

11.1 Further Agreement.

None

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed in several counterparts by its duly authorized officer as of March 9, 2007.

**High Island Offshore System, L.L.C.**  
(A Limited Liability Company)

By *Pinkey* PAF

**Minerals Management Service**

By *Margaret C. Miller* JC 3/5/07

Margaret C. Miller  
Contracting Officer

IT TRANSPORTATION AGREEMENT  
(Continued)

EXHIBIT A

Maximum Daily Quantity:

**50,000 Dth**

Points of Receipt 1/  
-----

Location -----	Maximum Daily Long Haul Dth 2/ -----	Pressure -----
All Receipt Points		1000 psig

Points of Delivery  
-----

Location -----	Maximum Daily Long Haul Volume in Dth -----	Minimum Pressure -----
All Delivery Points		1000 psig

1/ See subsections 6.2 and 6.3 of Section 6 of the General Terms and Conditions for the definitions of Primary Points of Receipt and Secondary Points of Receipt, respectively.

2/ The sum of the Maximum Daily Volumes must equal the Maximum Daily Quantity.

IT TRANSPORTATION AGREEMENT  
(Continued)

EXHIBIT B

Maximum Daily Quantity: **50,000 Dth**

Points of Receipt 1/

<u>Location</u>	<u>Maximum Daily Short Haul Volume in Dth 2/</u>	<u>Minimum Pressure</u>
All Receipt Points		1000 psig

Points of Delivery

<u>Location</u>	<u>Maximum Daily Short Haul Volume in Dth</u>	<u>Minimum Pressure</u>
All Delivery Points		1000 psig

**Minerals Management Service**

- 1/ See subsections 6.2 and 6.3 of Section 6 of the General Terms and Conditions for the definitions of Primary Points of Receipt and Secondary Points of Receipt, respectively.
- 2/ The sum of the Maximum Daily Volumes must equal the Maximum Daily Quantity.

**Tariff Submitter:** High Island Offshore System, L.L.C.

**FERC Tariff Program Name:** FERC NGA Natural Gas

**Tariff Title:** Natural Gas Tariffs

**Tariff Record Proposed Effective Date:** November 1, 2017

**Tariff Record Title:** Amendment to FT-2 Contract #4856, dated  
September 28, 2017

**Option Code:** A

## AMENDMENT TO FT-2 TRANSPORTATION AGREEMENT

THIS AGREEMENT (this "Amendment Agreement"), is made and entered into as of September 28, 2017 (the "Execution Date"), by and between HIGH ISLAND OFFSHORE SYSTEM, L.L.C., a Delaware limited liability company ("HIOS" or "Transporter"), and EXXONMOBIL GAS & POWER MARKETING COMPANY, A DIVISION OF EXXON MOBIL CORPORATION (the "Shipper").

### WITNESSETH:

WHEREAS, Transporter owns the HIOS Pipeline that is more fully described in the LNG Abandonment Application;

WHEREAS, Transporter and Shipper (Transporter and Shipper are hereafter referred to as the "Parties") are parties to that certain gas transportation agreement, as amended, for firm service dated November 1, 2002 for service on the HIOS Pipeline (the "HIOS FT-2 Transportation Agreement");

WHEREAS, on November 19, 2015, Transporter filed an application (the "LNG Abandonment Application") for authorization from the Federal Energy Regulatory Commission (the "FERC") in Docket No. CP16-20-000 under Section 7 of the Natural Gas Act, 15 U.S.C. § 717f, to abandon and repurpose certain of its facilities ("LNG Use Facilities") utilized to provide service under the HIOS FT-2 Agreement for use to serve an LNG Project sponsored by Delfin LNG LLC (the "Delfin LNG Project");

WHEREAS, on December 22, 2015, Shipper joined with Fieldwood Energy LLC in a protest filed with the FERC in opposition to the LNG Abandonment Application (the "Protest");

WHEREAS, Transporter and Shipper have entered into the "Agreement to Resolve Opposition to Abandonment Application" of even date hereof;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, the Parties agree as follows:

1. The Negotiated Rate provisions of Exhibit B to the HIOS FT-2 Transportation Agreement are amended as follows:
  - a. All references to "\$0.15" shall be replaced with "\$0.10" and
  - b. All references to "\$4.5625" shall be replaced with "\$3.0417".
2. Such amended Negotiated Rates (the "New Negotiated Rates") will become effective on the first day of the first month following the acceptance by the FERC of Transporter's filing of the New Negotiated Rates ("Effective Date") and shall remain in effect until October 1, 2022.

3. Effective October 1, 2022, the New Negotiated Rates shall be amended as follows:
  - a. All references to “\$0.10” shall be replaced with “\$0.15” and
  - b. All references to “\$3.0417” shall be replaced with “\$4.5625”.
4. In the event that Transporter, or that portion of its system serving this Amendment Agreement, is no longer subject to the jurisdiction of the FERC under the Natural Gas Act due to a FERC order granting the LNG Abandonment Application and the repurposing of the LNG Use Facilities, the Parties agree that Transporter will continue to provide firm service pursuant to the rates provided for herein, even following the termination of the HIOS FERC Gas Tariff.
  - a. Service shall continue under the FT-2 Transportation Agreement as amended herein until the date the termination of the HIOS FERC Gas Tariff becomes effective on the Discontinuation Date as defined in the Agreement to Resolve Opposition to Abandonment Application.
  - b. The Parties agree to enter into a gathering agreement, which will include provisions to continue the service currently provided under the following sections of the HIOS FT-2 Transportation Agreement: Term provision (Article I, § 1.2), Obligation to Transportation (Article I, § 1.1), Receipt Pressure (Article V, § 5.1), and Delivery Pressure (Article V, § 5.2) and such other provisions as are customary in such agreements.
5. In the event that the FERC does not grant the LNG Abandonment Application, or Transporter does not repurpose its facilities to serve as part of the Delfin LNG Project following such authorization, the FT-2 Transportation Agreement shall continue in effect as amended by this Agreement with respect to the rates provisions described in Sections 1, 2 and 3 above; however, the changes in Section 4 of this Amendment Agreement shall not apply.
6. Terms used in this Amendment Agreement shall have the same meaning as in the HIOS FT-2 Transportation Agreement.

[Signature page follows]



IN WITNESS WHEREOF, the Parties have executed this Amendment Agreement to be effective on the Effective Date.

EXXONMOBIL GAS & POWER MARKETING COMPANY, A DIVISION OF EXXON MOBIL CORPORATION

VM  
2/13

By: W.P. Greenwood 9/26/17  
Name: W. Page Greenwood  
Its: Mgr. Fueling Ops, Hc, CO & SO

HIGH ISLAND OFFSHORE SYSTEM, L.L.C.

By: [Signature] RAF  
Name: William S. Goloway  
Its: Vice President

**Tariff Submitter:** High Island Offshore System, L.L.C.

**FERC Tariff Program Name:** FERC NGA Natural Gas

**Tariff Title:** Natural Gas Tariffs

**Tariff Record Proposed Effective Date:** November 1, 2017

**Tariff Record Title:** Amendment to FT-2 Contract #9845, dated  
November 1, 2017

**Option Code:** A

## AMENDMENT TO FT-2 TRANSPORTATION AGREEMENT

THIS AMENDMENT (“Amendment Agreement”), is made and entered into as of November 1, 2017 (the “Effective Date”), by and between HIGH ISLAND OFFSHORE SYSTEM, L.L.C., a Delaware limited liability company (“HIOS” or “Transporter”), and ANADARKO US OFFSHORE LLC, (the “Shipper”).

### WITNESSETH:

WHEREAS, Transporter and Shipper (Transporter and Shipper are hereafter referred to collectively as the “Parties”), as successor in interest to Freeport-McMoRan Exploration & Production LLC, successor by name change to PXP Offshore LLC, successor to BP Exploration & Production Inc., are Parties to that certain FT-2 Transportation Agreement, as amended, dated September 12, 2002 (the “FT-2 Transportation Agreement”);

WHEREAS, on November 19, 2015, Transporter filed an application (the “LNG Abandonment Application”) for authorization from the Federal Energy Regulatory Commission (the “FERC”) in Docket No. CP16-20-000 under Section 7 of the Natural Gas Act, 15 U.S.C. § 717f, to abandon and repurpose certain of its facilities (“LNG Use Facilities”) utilized to provide service under the FT-2 Transportation Agreement for use to serve an LNG Project sponsored by Delfin LNG LLC (the “Delfin LNG Project”);

WHEREAS, Transporter and Shipper desire to amend the rates set forth in Exhibit B to the FT-2 Transportation Agreement; and

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, the Parties agree as follows:

1. The Negotiated Rate provisions of Exhibit B to the FT-2 Transportation Agreement are amended as follows:
  - a. All references to “\$0.15” shall be replaced with “\$0.10” and
  - b. All references to “\$4.5625” shall be replaced with “\$3.0417”.
2. Such amended Negotiated Rates (the “New Negotiated Rates”) will become effective on the Effective Date and shall remain in effect until October 1, 2022.
3. Effective October 1, 2022, the New Negotiated Rates shall be amended as follows:
  - a. All references to “\$0.10” shall be replaced with “\$0.15” and
  - b. All references to “\$3.0417” shall be replaced with “\$4.5625”.
4. In the event that Transporter, or that portion of its system serving this Amendment Agreement, is no longer subject to the jurisdiction of the FERC under the Natural Gas Act


due to a FERC order granting the LNG Abandonment Application and the repurposing of the LNG Use Facilities, the Parties agree that Transporter will continue to provide firm service pursuant to the rates provided for herein, even following the termination of the HIOS FERC Gas Tariff.

- a. Service shall continue under the FT-2 Transportation Agreement as amended herein until the date the termination of the HIOS FERC Gas Tariff becomes effective and upon such date, deliveries to the LNG Use Facilities will be discontinued.
  - b. The Parties agree to enter into a gathering agreement, which will include provisions to continue the service currently provided under the following sections of the FT-2 Transportation Agreement: Term provision (Article I, § 1.2), Obligation to Transportation (Article I, § 1.1), Receipt Pressure (Article V, § 5.1), and Delivery Pressure (Article V, § 5.2) and such other provisions as are customary in such agreements.
5. In the event that the FERC does not grant the LNG Abandonment Application, or Transporter does not repurpose its facilities to serve as part of the Delfin LNG Project following such authorization, the FT-2 Transportation Agreement shall continue in effect as amended by this Agreement with respect to the rates provisions described in Sections 1, 2 and 3 above; however, the changes in Section 4 of this Amendment Agreement shall not apply.
  6. Terms used in this Amendment Agreement shall have the same meaning as in the FT-2 Transportation Agreement unless otherwise defined herein.

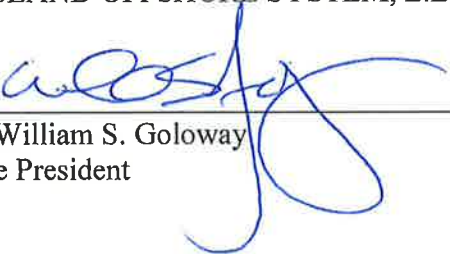
[Signature page follows]


IN WITNESS WHEREOF, the Parties have executed this Amendment Agreement to be effective on the Effective Date.

ANADARKO US OFFSHORE LLC

By:   
Name: CHARLES BARNETT  
Its: Commercial Mktg Advisor

HIGH ISLAND OFFSHORE SYSTEM, L.L.C.

By:   
Name: William S. Goloway  
Its: Vice President

RAF 

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