

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

**STATEMENT OF OPERATING CONDITIONS OF ENLINK LIG, LLC
REGARDING FIRM AND INTERRUPTIBLE TRANSPORTATION SERVICE
UNDER SECTION 311(a)(2) OF THE NGPA**

TABLE OF CONTENTS

<u>No.</u>	<u>Section</u>	<u>Page</u>
1.	Definitions.....	1
2.	Transportation Service	3
3.	Request for Transportation Service	4
4.	Capacity and Priority Determination	6
5.	Applicability and Character of Service.....	9
6.	Reimbursement	10
7.	Quantity.....	11
8.	Term	11
9.	Operating Conditions	11
10.	Imbalances	21
11.	Measurements and Tests	26
12.	Quality.....	30
13.	Odorization	33
14.	Financial Requirements and Payment.....	33
15.	Warranties and Indemnification.....	35
16.	Possession and Control	35
17.	Force Majeure	36
18.	Miscellaneous	37
19.	Rate Summary	39

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

STATEMENT OF OPERATING CONDITIONS OF ENLINK LIG, LLC
REGARDING FIRM AND INTERRUPTIBLE TRANSPORTATION SERVICE
UNDER SECTION 311(a)(2) OF THE NGPA

This Statement by EnLink LIG, LLC ("LIG" or "Transporter"), an intrastate pipeline within the meaning of Section 2(16) of the Natural Gas Policy Act of 1978 ("NGPA"), is filed pursuant to Section 284.123(e) of the Regulations of the Federal Energy Regulatory Commission ("Commission"), and describes general provisions under which LIG will provide transportation services to eligible customers qualified to receive such services pursuant to Section 311(a)(2) of the NGPA, as implemented by Subpart C of Part 284 of the Commission's Regulations. This Statement of Operating Conditions incorporates the terms and conditions that describe how LIG will engage in transportation under Section 311(a)(2) of the NGPA ("transportation"), and does not apply to transportation in intrastate commerce in Louisiana. This Statement of Operating Conditions shall be effective while LIG actually provides Section 311(a)(2) transportation and shall remain in effect until superseded or canceled by LIG. This Statement of Operating Conditions replaces and supersedes all previously filed Statements of Operating Conditions governing firm and interruptible transportation service provided under the NGPA on file with the Commission.

1. DEFINITIONS

Except as otherwise herein provided, the following words and/or terms as used in this Statement of Operating Conditions shall have the following scope and meaning:

- 1.1 The terms "British thermal unit" or "Btu" shall mean the amount of heat required to raise the temperature of one pound of pure water from fifty-eight and five-tenths degrees (58.5°) Fahrenheit to fifty-nine and five-tenths degrees (59.5°) Fahrenheit.
- 1.2 The term "day" shall mean a period of twenty-four (24) consecutive hours beginning and ending at 9:00 a.m., Central Time; provided, however, that the term "business day" as used herein means any day that is a Monday, Tuesday, Wednesday, Thursday or Friday, except when such day is a bank holiday.
- 1.3 The term "firm" shall mean that Shipper has reserved the use or partial use of facilities or capacity, and subject to other provisions of this Statement, including all provisions related to allocations and curtailment, that capacity is not subject to claim by another Shipper.
- 1.4 The terms "gas" and "natural gas" shall mean (i) natural gas as produced in its natural state whether or not stored or processed prior to delivery; (ii) natural gas or any other component thereof that has been previously liquefied and restored to

its gaseous state prior to delivery to Shipper; and (iii) gas synthesized or manufactured from oil, naphtha, coal or any other material that meets the quality standards contained in this Statement and which Transporter elects to deliver in lieu of or commingled with one or more of the types of gas described herein.

- 1.5 The term “heating value” shall mean the gross number of British thermal units, sometimes hereinafter referred to as Btu’s, produced by the combustion at constant pressure of the amount of gas saturated with water vapor which would occupy a volume of one (1) cubic foot at a temperature of sixty (60) degrees Fahrenheit, under a pressure equivalent to that of thirty (30) inches of mercury at thirty-two (32) degrees Fahrenheit and under gravitational force (acceleration 980.665 cm. per sec. per sec.) with air of the same temperature and pressure as the gas, when the products of combustion are cooled to the initial temperature of the gas and air, and when the water formed by combustion is condensed to the liquid state, and expressed at a pressure base of 14.73 pounds per square inch absolute in the South Zone and 15.025 pounds per square inch absolute in the North Zone, and adjusted as delivered; provided, however, if the water vapor content of the gas delivered is seven (7) pounds or less per one million (1,000,000) cubic feet, the gas shall be assumed to be dry. Where a chromatograph is used instead of a calorimeter, the gross Btu shall be determined by analysis but shall be on the equivalent basis as above.
- 1.6 The term “interruptible” shall mean that transportation of Shipper’s gas is provided such that Transporter, in its sole discretion, shall have the absolute and unfettered right to interrupt, curtail or suspend the receipt, transportation, or delivery of gas hereunder at any time and from time to time without Transporter having any liability to Shipper by reason thereof.
- 1.7 The term “Mcf” shall mean one thousand (1,000) cubic feet of gas as determined on the measurement basis set forth in Article 11.
- 1.8 The term “MMBtu” shall mean one million (1,000,000) Btu’s.
- 1.9 The term “month” shall mean the period beginning at 9:00 a.m., Central Time, on the first day of the calendar month and ending at 9:00 a.m., Central Time, on the first day of the next succeeding calendar month.
- 1.10 The term “Shippers” shall mean LIG’s customers who receive firm and interruptible transportation service on the LIG pipeline system.
- 1.11 The term “Statement” or “Statement of Operating Conditions” or “SOC” shall mean the most recent Statement of LIG regarding firm and interruptible transportation under Section 311 of the NGPA then on file with the Commission, as such may change from time-to-time pursuant to subsequent filings by LIG.
- 1.12 The term “Transportation Agreement” shall mean the contractual arrangement under which Transporter will provide transportation service to a Shipper.

- 1.13 The term “transaction confirmation” shall mean a notification to Transporter of Shipper’s contractual obligation to provide a certain volume of gas according to the terms of their Transportation Agreement for a certain period of time.
- 1.14 The term “year” shall mean a period of three hundred sixty-five (365) consecutive days provided, however, that any such year which contains a date of February 29 shall consist of three hundred sixty-six (366) consecutive days.

2. TRANSPORTATION SERVICE

- 2.1 LIG’s primary business is to serve its intrastate sales and transportation customers within the State of Louisiana. LIG will provide firm and interruptible transportation service for Shippers that are qualified to receive such service under Section 311(a)(2) of the NGPA (*i.e.*, on behalf of interstate pipelines and local distribution companies served by an interstate pipeline), without undue discrimination or preference within the meaning of 18 C.F.R. § 284.7, subject to:
- (a) the conditions as set forth in this Statement;
 - (b) such other reasonable conditions as may be established from time to time by LIG without undue discrimination or preference;
 - (c) applicable legal and regulatory requirements; and
 - (d) the execution of a Transportation Agreement between LIG and Shipper and the terms and conditions contained in such Transportation Agreement. Transportation service will not be rendered under Section 311(a)(2) of the NGPA if the transportation service to be rendered is intrastate service.
- 2.2 Any 311(a)(2) service will not be inconsistent with LIG's intrastate service, nor will it subject LIG to jurisdiction as an interstate pipeline under the Natural Gas Act (NGA).
- 2.3 LIG currently has approved by the Commissioner, Office of Conservation, State of Louisiana, a blanket authorization to utilize several major interconnections with interstate and intrastate pipelines for Section 311(a)(2) transportation service without prior approval by the Commissioner. LIG is not assured of continuation of this blanket authorization and does not obligate itself to provide this group of receipt and delivery interconnections as a group;
- 2.4 LIG operates as two distinct zones (North and South) in the establishment of maximum rates and all other matters that are geographically dependent.
- (a) The “North Zone” shall refer to mainline portions of LIG and any lateral segments of pipeline at the point where they enter such mainline portions of LIG that are geographically North of the site of LIG’s interconnect meter with Columbia Gulf Pipeline located at Section 34 - Township 2 South - Range 2 East; Evangeline Parish (the “Demarcation Point”). Mainline

portions of the pipeline shall be defined as those which run predominantly North and South as they converge at the Demarcation Point.

- (b) The “South Zone” shall refer to mainline portions of LIG and any lateral segments of pipeline at the point where they enter such mainline portions of LIG that are geographically South of the site of LIG’s interconnect meter at the Demarcation Point. Mainline portions of the pipeline shall be defined as those which run predominantly North and South as they converge at the Demarcation Point.
- (c) Except as specifically noted in this Statement, all terms of this Statement are applicable to both the North and South Zones.

2.5 In addition to the services provided hereunder pursuant to NGPA Section 311, Transporter offers and performs intrastate transportation services that are subject to the exclusive jurisdiction of the Louisiana Department of Natural Resources, and that are exempt from FERC’s regulation under the NGPA. To provide Shippers with flexibility to access intrastate and/or interstate markets, Shippers may contract for both intrastate and NGPA Section 311 service on mutually agreeable terms, including a limitation that Shipper’s combined usage under the intrastate and NGPA Section 311 agreements cannot exceed the maximum daily quantity indicated in the applicable intrastate agreement; provided, however, that Transporter’s provision of NGPA Section 311 service, without undue discrimination, shall not be conditioned on Shipper’s subscription to firm intrastate capacity. The description of available intrastate services contained herein is provided for informational purposes only and shall not be construed to make such intrastate services subject to FERC regulation.

3. REQUEST FOR TRANSPORTATION SERVICE

Shippers shall submit a valid request for transportation pursuant to the provisions of this Statement, which request and subsequent transportation service shall be subject to the conditions contained in this Statement as such may be amended from time to time, the terms contained in the applicable Transportation Agreement, the availability of sufficient system capacity, and other operational constraints.

3.1 Information Required -- Any requests for transportation under Section 311(a)(2) of the NGPA shall be made in writing to the contact listed at <https://www.enlink.com/contact/> and shall provide the following information:

- (a) Transportation Quantity--the maximum daily quantities during the term of the Transportation Agreement to be received by LIG at each Point of Receipt and delivered by LIG at each Point of Delivery;
- (b) Transportation Rate -- specify whether Shipper will pay the maximum fair and equitable rate for the transportation service, and if not, the rate Shipper is willing to pay;

- (c) Point(s) of Receipt -- the point(s) of entry into LIG's pipeline, with a specific description of the point(s) sufficient to identify the location provided, however, except as provided below in Section 2.3, a request for all point(s) of entry on LIG's system without specification of each point shall not be deemed sufficient;
- (d) Point(s) of Delivery -- the point(s) of delivery out of LIG's pipeline with a specific description of the point(s) sufficient to identify the location provided, however, except as provided below in Section 2.3, a request for all Point(s) of Delivery out of LIG's system without specification of each point shall not be deemed sufficient;
- (e) Term -- the dates service is requested to commence and terminate;
- (f) Other Parties -- identification and confirmation of the interstate pipeline or local distribution company served by an interstate pipeline on whose behalf LIG would be transporting the gas under Section 311(a)(2). LIG reserves the right to require, prior to flow, confirmation of such "on behalf of" party with such confirmation to be evidenced by an executed copy of the transportation arrangement (or the equivalent thereof, such as a Letter of Intent, or other confirmation by such third parties as determined to be necessary by LIG, in its sole discretion) between the Shipper and the party on whose behalf LIG would be transporting the gas;
- (g) High Priority Gas Use -- identification of any requested Point of Delivery as to whether the gas is destined for "High Priority Gas Use" by an end user located within the state of Louisiana, and that the Shipper agrees to comply with the provisions of Section 9.2 below. For purposes of this Statement, High Priority Gas Use shall mean gas used within the State of Louisiana for:
 - (i) Public health, safety and welfare protection, gas and electric to hospitals, correctional institutions, homes, sewage, and drainage facilities;
 - (ii) Agricultural operations, water conservation, commercial fishing and related services; food processing and production;
 - (iii) Maintenance of maximum production of oil, gas and other hydrocarbons to be transported by another pipeline either or both prior to receipt by LIG at the Point of Receipt or subsequent to delivery by LIG at the Point of Delivery, in which case Shipper will provide a statement, subject to verification by LIG, that such transportation is already in place or will be in place prior to the commencement of service by LIG;
 - (iv) Commercial and business activities using less than 1,500 Mcf per day on their peak day; and

- (v) Maintenance of public services for customers described in (ii), (iii) and (iv) above.
 - (h) Minimum Transportation Volumes -- a statement, containing information verifiable by LIG, that a Shipper's minimum transportation quantity of gas to be received or delivered at least equals 1,000 Mcf per day at each Point of Delivery or Point of Receipt.
 - (i) Predetermined Allocation Agreement ("PDA") -- in the event that gas is to be received or delivered by LIG at any single Point of Receipt or Delivery where gas is already being received or delivered by LIG, LIG may require a statement that Shipper (1) execute a PDA as to any such points, (2) accept LIG's allocation in the absence of an applicable PDA, and (3) indemnify LIG and hold LIG harmless for any good faith allocation made pursuant thereto. LIG's standard PDA form will be furnished to the Shipper at Shipper's request.
 - (j) Intermediate Transports -- in the event that gas is also to be transported by another pipeline prior to receipt by LIG at the Point of Receipt and/or subsequent to delivery by LIG at the Point of Delivery, LIG reserves the right to require, prior to flow, a statement subject to verification by LIG, that arrangements for such transportation is already in place or will be in place prior to the commencement of service by LIG.
 - (k) Contact Person -- Shipper will designate one or more persons, but not more than three persons, for LIG to contact on operating matters at any time, on a 24-hour a day, 365 days a year basis. Such contact persons must have adequate authority and expertise to deal with all operating matters. The Shipper must also provide a valid e-mail address, fax number, and postal address so Transporter can provide various notices, such information to be updated within a commercially reasonable time if there are changes in the information originally submitted.
- 3.2 Filing Fees -- Such request shall be accompanied with a prepayment of all federal and state filing and reporting fees.
- 3.3 Transportation Request Validity -- A request for transportation shall not be deemed valid until all information set out in Section 3.1 is provided to LIG in one document or one set of documents, accompanied with the required filing fee.
- 3.4 Duration of Request -- Unless otherwise agreed, valid requests for transportation under this Statement will become invalid if a Transportation Agreement is not executed within twenty-days (21) days of notification by LIG of acceptance of the request.

4. CAPACITY AND PRIORITY DETERMINATION

- 4.1 Priority for transportation service shall be determined by LIG pursuant to this

section. Shippers shall submit a valid request for transportation pursuant to the provisions of this Statement, which request and subsequent transportation service shall be subject to the conditions contained in this Statement, the terms contained in the applicable Transportation Agreement, the availability of sufficient system capacity and other operational constraints. LIG reserves the right to determine the appropriate volumes of firm Section 311(a)(2) transportation services that will be made available on its system.

4.2 LIG shall not be required to provide transportation service if:

- (a) providing such service would cause LIG to have insufficient capacity or operational capability to meet its contractual obligations to provide transportation or sales service to a class level with a higher priority;
- (b) providing such service would affect or increase operational requirements of LIG, including, but not limited to, obligations regarding drainage;
- (c) providing such service would require LIG to purchase or increase purchases of gas;
- (d) providing such service would, in LIG's reasonable judgment, be detrimental to LIG's system operations;
- (e) providing such service would impair the service LIG provides to its existing customers;
- (f) all facilities (including those of intermediate transporters) necessary to effectuate the transportation are not in existence at the time the request for transportation is made;
- (g) Shipper fails to comply with the terms of this Statement, the terms of its Transportation Agreement, or applicable legal and regulatory provisions; or
- (h) providing such service would result in LIG obtaining less than the maximum fair and equitable rate applicable for such service.

4.3 In carrying out its day-to-day operations, LIG in its discretion shall determine the manner in which its system will be utilized and which services will be provided by it or a third-party provider of ancillary services associated with its pipeline facilities.

4.4 LIG shall not be required to raise or lower its system operating pressure, or to alter the direction of gas flow, the gas load, or other operations or utilization of its facilities in order to receive, transport or deliver gas hereunder.

4.5 In order that LIG may maintain its status as a non-jurisdictional intrastate pipeline, and may be fully cognizant of any acts or events that could impact its status or operations, LIG will not transport for any party other than specified in Shipper's

Transportation Agreement and will not commence or continue service until all federal and state regulatory authority necessary to commence or continue service has been received.

- 4.6 If volumes available for delivery by Shipper or Shipper's nomination under its Transportation Agreement exceed LIG's available capacity to provide such services, LIG shall allocate the available capacity among its Shippers in accordance with the below order of priority. In the event that the total quantity of gas needed by LIG for System Sales and that nominated by all Shippers by LIG for receipt, transportation or delivery at any point or through any portion of LIG's pipeline system (a "Constrained Point") exceeds the capacity of such Constrained Point (a "Constraint Event"), LIG will suspend transportation and allocate capacity based on the following criteria:

<u>Order of Curtailment</u>	<u>Affected Class of Service</u>
First	Section 311(a)(2) and intrastate authorized overrun service. Curtailment within this class of service will be made such that the Shipper paying the highest rate shall be the last to be curtailed. Shippers with nominations paying the same rate will be handled on a pro rata basis.
Second	Section 311(a)(2) and intrastate interruptible transportation service. Curtailment within this class of service will be made such that the Shipper paying the highest rate shall be the last to be curtailed. Shippers with nominations paying the same rate will be handled on a pro rata basis.
Third	Firm Section 311(a)(2) and intrastate transportation service nominated from a Receipt Point(s) or to a Delivery Point(s) NOT specifically listed as a Receipt or Delivery Point(s) on Shipper's Transportation Agreement. Curtailment within this class of service will be made on a pro rata basis.
Fourth	Firm Intrastate system sales (made by LIG) service nominated from a Receipt Point(s) or to a Delivery Point(s) NOT specifically listed as a Receipt or Delivery Point(s) on Shipper's Transportation Agreement. Curtailment within this class of service will be made on a pro rata basis.
Fifth	Firm Section 311(a)(2) and intrastate transportation service nominated from a Receipt Point(s) or to a Delivery Point(s) specifically listed as a Receipt or Delivery Point(s) on Shipper's Transportation Agreement. Curtailment within this class of service will be made on a pro rata basis.

Sixth Firm Intrastate system sales (made by LIG) service nominated from a Receipt Point(s) or to a Delivery Point(s) specifically listed as a Receipt or Delivery Point(s) on Shipper's Transportation Agreement. Curtailment within this class of service will be made on a pro rata basis.

Further criteria include the following where:

- (a) within any category, transportation service for Shippers who have executed the applicable Transportation Agreement prior to the time of the Constraint Event shall not be subject to suspension until all transportation service for any similarly-situated Shipper who had not delivered an executed agreement to LIG prior to the time of the Constraint Event has been suspended;
- (b) any Shipper's nomination will be subordinate to another Shipper's nomination which falls into a higher curtailment rank category. All adjustments of such subordinated nominations may take place at any time prior to and during the gas flow day applicable to such nomination. In making adjustment decisions during the day of flow LIG may take into consideration, but shall not be bound by, the scheduling constraints of interconnecting pipelines. Nothing in this curtailment section is intended to prevent a Shipper who has nominated at Receipt or Delivery Points from submitting a revised nomination for service at Receipt or Delivery Points in the event the Shipper's nomination at a point is not confirmed by LIG or after being scheduled is curtailed.
- (c) within either class of interruptible transportation service during any given month, the capacity applicable to any Shipper's nomination for the prior flow day will be allotted to Shipper for the subsequent day, on the same basis, regardless of rate paid unless any of the following are applicable: 1) nominations are made for the day of flow later than the day and time specified in Section 9.1(c); or 2) the rate granted for the prior day of flow was not also applicable after that day at the time of granting; or 3) Shipper's nominated quantities do not remain substantially the same each day the granted rate is in effect.

5. APPLICABILITY AND CHARACTER OF SERVICE

- 5.1 Statutory Regulatory Authority -- The transportation service provided under this Statement shall be performed under and subject to the provisions of Section 311(a)(2) of the NGPA and Subpart C of Part 284 of the Commission's Regulations and any applicable regulations of the Office of Conservation in the State of Louisiana.
- 5.2 Facility Installation -- LIG shall not be obligated to add any facilities or to expand the capacity of LIG's pipeline facilities or system in any manner to provide

transportation service to a Shipper pursuant to Section 311(a)(2) of the NGPA.

- 5.3 Applicable Facilities -- LIG's obligation to transport gas hereunder only applies to facilities owned by LIG and through which LIG retains the right to transport gas and does not extend to any facilities through which LIG merely has capacity or transportation rights.
- 5.4 Eligible Points of Receipt and Delivery -- LIG shall not be obligated to receive any gas at any Point(s) of Receipt or to deliver any gas at any Point(s) of Delivery, if such receipt or delivery shall, in LIG's reasonable discretion, be detrimental to the operation of LIG and any attendant facilities owned by and/or located on LIG, including any processing and/or straddle plants located on LIG's system.

6. REIMBURSEMENT

- 6.1 LIG may require in its Transportation Agreement that the Shipper reimburse LIG for the following to the extent that such is not prohibited by any applicable statute, regulation, or order by a federal or state governmental body having jurisdiction: (1) for the costs of any facilities installed by LIG to receive or deliver natural gas for the account of Shipper; (2) for any and all fees required in connection with Shipper's Transportation Agreement that LIG is obligated to pay to the Commission or any other governmental authority having jurisdiction; (3) for any natural gas gathering, occupation, production, severance or sales tax, first use tax, gross receipt tax, or taxes similar in nature or equivalent in effect that are now or hereafter imposed or assessed against LIG by any lawful authority as a result of the transportation of natural gas pursuant to any applicable Transportation Agreement or the production or gathering of such natural gas; and (4) for any charges that LIG incurs from other parties in rendering service for Shipper, including but not limited to penalties of any kind, imbalance cash outs, whether imposed pursuant to a transportation service agreement, operational balancing agreement or otherwise, which charges are related to the transportation service rendered to Shipper pursuant to any applicable Transportation Agreement.
- 6.2 If LIG agrees to (i) construct, acquire or modify any facilities, (ii) acquire the right to use facilities by lease, or (iii) contract with a third party for the provision of upstream or downstream transportation service at the request of Shipper in order to perform transportation service hereunder, Shipper shall pay LIG the cost of such facilities, lease payments or third party service agreement payments, including all costs and charges associated therewith. LIG shall recover such costs, lease payments or third party service agreement payments, and any costs or charges associated therewith, from the Shipper requesting LIG to incur them by means of a separately stated facilities charge or charges to be included in Transporter's monthly invoice.
- 6.3 In the event that LIG agrees to construct new facilities or to expand or extend its existing facilities and Shipper has agreed pursuant to Section 6.2 to pay a facilities charge to defray the cost of such facilities, and regardless of whether Shipper is

deemed “creditworthy” within the meaning of Section 14.1, LIG may require additional adequate assurances in a form, amount, for a term and from an issuer all as reasonably acceptable to LIG and as agreed to by the parties in a request for service.

7. QUANTITY

7.1 The volumes of gas delivered pursuant to any Transportation Agreement at Point(s) of Delivery shall be the thermal equivalent of the volumes received at the Point(s) of Receipt, minus the volumes of gas delivered at the Point(s) of Delivery less Shipper's pro rata share of LIG's compressor fuel and use requirements and gas lost and unaccounted for, as well as any incremental compressor fuel incurred by LIG to compress the gas in order to receive the gas at the Point of Receipt or deliver the gas at the Point of Delivery. Compressor fuel includes, but is not limited to, natural gas and electricity.

7.2 If the quantity of gas tendered at any single Point of Receipt or delivered at any single Point of Delivery is less than 1,000 Mcf per day averaged over a calendar month, then as to any such Point of Receipt or Delivery, as applicable, LIG may thereafter, in its sole discretion, (1) terminate such Point of Receipt or Delivery from the applicable Transportation Agreement; or (2) charge a low volume administration fee until the monthly average quantity of gas tendered at any single Point of Receipt or delivered at any single Point of Delivery is more than 1,000 Mcf per day for two successive calendar months.

8. TERM

The term of any transportation performed hereunder shall be governed by the Transportation Agreement entered into by Shipper and LIG. Notwithstanding any other provisions of this Statement, LIG's obligation to provide transportation service pursuant to a Transportation Agreement executed pursuant to this Statement shall terminate at the earlier of (i) the date provided for in the applicable Transportation Agreement with the Shipper or (ii) the date on which LIG determines to cease transporting gas on a firm basis pursuant to Section 311(a)(2) of the NGPA. Shipper shall have no contractual remedy, and LIG shall have no liability, for transportation service related to periods subsequent to the termination of Section 311(a)(2) service.

9. OPERATING CONDITIONS

9.1 Dispatching Rate of Flow; Nominations

(a) No gas shall flow under any nomination until LIG has confirmed the nomination, awarded capacity, and scheduled the applicable quantities. At the earlier of: (1) at least three (3) business days prior to the first day of each calendar month, or (2) at the date and time immediately prior to the close of any published nomination deadline for any other pipeline, Shipper shall nominate the quantities of gas which Shipper desires to nominate at each Point of Receipt and Delivery in the form designated by Transporter as may

change from time to time. Shipper shall furnish LIG with a schedule showing the daily volumes of natural gas Shipper desires LIG to receive and transport at each Point of Receipt and Delivery during the subsequent calendar month, or such alternate period as designated by LIG.

- (b) No earlier than three (3) business days prior to the first day of each calendar month, LIG will evaluate all nominations received prior to the deadline established herein to confirm their validity and to determine if capacity is available to accommodate all confirmed nominated services. If only partial confirmations are received by LIG from the upstream and downstream entities delivering or receiving gas on behalf of Shipper or if there is insufficient capacity to render all nominated services on the LIG system, Shipper's overall nominations shall be subject to LIG's capacity allocation priorities set forth in Article 4 herein, and to the extent necessary, individual nominations shall be reduced. Upon prior request and prior to allocations, LIG will provide Shippers wishing to have the opportunity to adjust receipts and deliveries in order to allow other Shippers to avoid reductions from nominations with information regarding the projected overall allocation reduction at constrained points and an opportunity for such Shippers to adjust their nominations for such purpose prior to the final allocation. To the extent capacity is not available, LIG will notify Shippers of their respective allocations and will, if conditions permit and nominations can be confirmed, allow Shippers to nominate supplies at other receipt and delivery points.
- (c) If Shipper desires on any day to transport a volume different than its current daily nomination, then, no later than 10:00 a.m., Central Time, of the preceding working day, or such earlier nomination deadline for any other pipeline designated in that nomination, Shipper shall inform LIG of the volume of gas Shipper desires LIG to transport for the next succeeding day. As soon as reasonably practical after receiving such request, LIG will inform the Shipper if it can accept such volumes and, if not, the volumes LIG can accept.
- (d) Following confirmation of the nomination by LIG for such subsequent day and during such subsequent day, Shipper can and LIG may require Shipper to adjust the actual gas flowing on such subsequent day and attributable to any variances between gas to be received, or actually received, at the Point(s) of Receipt and gas to be delivered, or actually delivered, at the Point(s) of Delivery.
- (e) LIG may waive any notice requirements upon request, if in LIG's reasonable judgment, operating conditions permit such waiver. LIG and Shipper shall inform each other of any other discovered unanticipated changes in deliveries as soon as practicable.
- (f) The gas to be transported hereunder shall be delivered at uniform hourly

and daily rates of flow as nearly as practicable, and to the extent that it is consistent with the operating conditions on LIG's system, the volumes of gas received and delivered shall be kept in balance on a daily as well as monthly basis. LIG shall never be required to deliver gas at hourly or daily rates different than (i) the rate at which it is then receiving gas or (ii) to receive gas at hourly or daily rates different than the rate at which it is delivering gas. In addition to other measures which may be in effect pursuant to Section 9.4, LIG shall be entitled, should Shipper's volume be out of tolerance by more than 10% at any time, to interrupt service to the extent required to bring receipts and deliveries under a Transportation Agreement into balance. In the event that receipts and deliveries are not in balance within a month, LIG shall provide Shipper written notification of any variances in the volumes of gas received and delivered and such imbalance shall be resolved solely as provided in Articles 9 or 10 of this Statement.

- (g) Notwithstanding the provisions of any other Section of this Statement, in the event that Shipper delivers a quantity of gas at the Point(s) of Delivery that is different than the quantity received by Shipper at the Point(s) of Receipt and such an imbalance would jeopardize the safety of LIG's operations and/or its ability to meet its contractual commitments to others and to the extent permitted by law, LIG shall have the right to (1) vent, without being held liable to Shipper, or any other person, all or such part of said excess quantity as LIG, in its reasonable discretion, deems necessary, (2) cease receipt of all, or any portion of Shipper's gas at the Point(s) of Receipt as LIG, in its reasonable discretion deems necessary, or (3) cease delivery of all, or any portion of Shipper's gas at the Point(s) of Delivery as LIG, in its reasonable discretion deems necessary.
- (h) Shipper shall make, or cause to be made, all necessary arrangements with other pipelines or parties at or upstream of the Point(s) of Receipt and at or downstream of the Point(s) of Delivery in order to effectuate LIG's receipt and delivery of gas. Such arrangements must be coordinated with LIG's commercial services department and must be acceptable to LIG in its reasonable discretion.
- (i) Nothing in this Section 9.1 shall affect the nature of the service provided as set forth in Article 4 herein.
- (j) LIG shall not be obligated to flow gas through any Point of Receipt or Delivery unless telemetry exists that permits LIG to verify the actual physical receipt or delivery of gas into or out of LIG's pipeline system.

9.2 High Priority Gas Use; Requirement to Match Receipts and Deliveries.

Certain classes of end-users, as a result of their high priority status, may necessitate that LIG continue to make deliveries although concurrent quantities are not being

received by LIG for the Shipper's account. In order to address this issue, the conditions contained in this Section 9.2 will apply.

(a) A Shipper that has requested LIG to deliver at any Point of Delivery certain High Priority Gas Use volumes shall additionally satisfy the following conditions below.

(i) For each Point of Delivery where telemetry exists, no later than 10:00 a.m., Central Time of the preceding working day, or such earlier nomination deadline for any other pipeline designated in the nomination, the Shipper shall modify its monthly nomination applicable for the subsequent day for such Point of Delivery to reflect Shipper's then best estimate based on forecast weather data of the High Priority Gas volume that the Shipper anticipates that it will require that subsequent day at each such Point of Delivery. Such subsequent day may hereinafter be referred to as the "Consumption Day." Nominations and requests shall be in writing sent by fax; provided, if no fax is available it may be given telephonically or by e-mail. During the Consumption Day the Shipper agrees to adjust within one hour of notification by LIG, the volumes LIG is receiving at the Point(s) of Receipt for Shipper's account, as shown by telemetry, to the volumes being delivered at the Point(s) of Delivery for High Priority Gas Use for Shipper's account under the Transportation Agreement, as shown by telemetry. In the event that an adjustment is not made by the Shipper pursuant to this subparagraph, LIG shall inform Shipper by telephone, and if available, confirmed by fax within a reasonable time thereafter, that the adjustment has not been made ("Penalty Notification"). The period of time commencing with the time of the Penalty Notification, and continuing until the Shipper has complied with LIG's request for a period of at least six (6) consecutive hours shall constitute the "Penalty Period." The difference each hour during the Penalty Period between the volumes LIG is receiving at the Point(s) of Receipt and the volumes being delivered at the Point(s) of Delivery for High Priority Gas Use, which difference could in any hour be either an over-delivery or an under-delivery, and whether an over-delivery or under-delivery, shall constitute the "Penalty Volume" applicable for that hour. As to each hour during the Penalty Period and as to Point(s) of Delivery where telemetry exists, LIG shall determine the Penalty Volume, based on either LIG telemetry or actual measurement data whichever, in LIG's sole opinion, provides the most accurate volumes; provided, however, that for any hour during a Penalty Period where the total volume received by LIG at the Point(s) of Receipt for Shipper's account under the Transportation Agreement, as shown by LIG telemetry, is within two percent (2%) of the volumes being delivered by LIG at the Point(s) of Delivery for Shipper's account under the

Transportation Agreement, then for such hour only, there shall be no Penalty Volume. The total of the Penalty Volumes for each hour of the Penalty Period shall constitute the Penalty Volume applicable for the Penalty Period. If LIG cannot contact any Shipper because that Shipper has failed to designate a contact person or Shipper's contact person is unavailable, such Shipper shall be solely responsible for any consequences which could have been prevented by communication.

- (ii) Where LIG telemetry does not exist and LIG has allowed flow to occur at a Point of Delivery under the Transportation Agreement, Shipper will inform LIG prior to the start of the following month of the minimum daily volume that the Shipper anticipates will be needed at each Point of Delivery during that following month of High Priority Gas volumes. This volume so nominated for such following month shall constitute the “Base Load Volume” applicable for that month, and shall be determined based on the best data reasonably available and expressed in MMBtus per day. For each day of the month that the Base Load Volume is to be consumed, no later than 10:00 a.m., Central Time of the preceding working day, or such earlier nomination deadline for any other pipeline designated in the nomination, the Shipper of the High Priority Gas volumes will adjust its nomination for the Consumption Day based on the Shipper's then best estimate based on forecast weather data of the High Priority Gas volume that the Shipper anticipates that it will require for that Consumption Day. No more than four times during the Consumption Day, but not more often than once in a four (4) hour period, and within one hour of notification by LIG, the Shipper agrees to adjust the volume being tendered for transportation at the Point(s) of Receipt under the Transportation Agreement to the volume requested by LIG to be determined by LIG using the following procedure:
 - (A) LIG has telemetry where it delivers High Priority Gas Volumes for consumption in the towns of Lafayette, Pineville and Natchitoches, Louisiana;
 - (B) As to each Point of Delivery where telemetry does not exist, LIG shall determine to which of the towns of Lafayette, Pineville or Natchitoches such Point of Delivery is closest. Whichever of the cities is closest to that Point of Delivery shall be as to such Point of Delivery its “Adjustment Point.”
 - (C) As to each Adjustment Point, LIG will determine the percent difference between the volume currently being delivered at such Adjustment Point to that previously delivered. It shall be presumed that this same percentage difference is also

applicable to that Point of Delivery and LIG's request will be for the Shipper to correspondingly adjust its receipts into LIG at the Point of Receipt by such volume. For example, if the gas Shipper is delivering at the Point of Receipt and nominated for a Point of Delivery is at a rate of 1,000 Mcf per day and the gas at the Adjustment Point increased from a rate of 20,000 Mcf per day to 30,000 Mcf per day, an increase of 50% is applicable. LIG's request would then be for the Shipper to increase its receipts into LIG at the Point(s) of Receipt under the Transportation Agreement to a rate of 1,500 Mcf per day, an increase of 50%. Conversely, if the deliveries at the Adjustment Point decreased from a daily rate of 20,000 Mcf to 10,000 Mcf, a 50% decrease, LIG's request would be for the Shipper to reduce its deliveries into LIG to a rate of 500 Mcf per day, a similar 50% reduction.

LIG will inform the Shipper no later than ten (10) days prior to the start of the month of the minimum daily volume that LIG anticipates will be delivered at each Point of Delivery based on LIG's estimate of the end users' High Priority Gas Use volume for such month as to that Point of Delivery. This volume shall then constitute the "Base Load Volume" applicable for that month and expressed in MMBtu per day. In recognition that High Priority Gas Use is volatile and varies greatly, Shipper agrees to limit its use of Section 311(a)(2) transportation each month to the Base Load Volume applicable for that month as to each Point of Delivery. If Shipper nominates a Base Load Volume to be received by LIG at a Point of Receipt and to the extent such volume is not delivered, then such deficiency shall constitute a Penalty Volume applicable for that day. Additionally, if LIG, to satisfy the actual volume Shipper takes at the Point of Delivery under a Section 311(a)(2) Transportation Agreement, delivers a volume greater than the Base Load Volume, such excess volume shall also constitute a Penalty Volume. If only positive displacement measurement exists at a Point of Delivery, LIG shall estimate the actual volume delivered during any day.

- (iii) In the event that an adjustment is not made by the Shipper, as required by Section 9.2(a)(ii)(C), LIG shall inform Shipper by telephone, and if available, confirmed by fax or e-mail within a reasonable time thereafter, that the adjustment has not been made ("Penalty Notification"). The period of time commencing with the time of the Penalty Notification, and continuing until the Shipper has complied with LIG's request for a period of at least six (6) consecutive hours, shall constitute the "Penalty Period." The difference each hour during the Penalty Period between the volumes LIG is receiving at the Point(s) of Receipt and the volumes being

delivered at the Point(s) of Delivery for High Priority Gas Use, which difference could in any hour be either an over-delivery or an under-delivery, and whether an over-delivery or under-delivery, shall constitute the "Penalty Volume" applicable for that hour. As to each hour during the Penalty Period and as to Point(s) of Delivery where telemetry exists, LIG shall determine the Penalty Volume, based on either LIG telemetry or actual measurement data whichever, in LIG's sole opinion, provides the most accurate volumes; provided, however, that for any hour during a Penalty Period where the total volume received by LIG at the Point(s) of Receipt for Shipper's account under the Transportation Agreement, as shown by LIG telemetry, is within two percent (2%) of the volumes being delivered by LIG at the Point(s) of Delivery for Shipper's account under the Transportation Agreement, then for such hour only, there shall be no Penalty Volume. The total of the Penalty Volumes for each hour of the Penalty Period shall constitute the Penalty Volume applicable for the Penalty Period. If LIG cannot contact any Shipper because that Shipper has failed to designate a contact person or Shipper's contact person is unavailable, such Shipper shall be solely responsible for any consequences which could have been prevented by communication.

- (b) Penalty Volumes shall be calculated by LIG as provided above or by any other means, including using measurement records or gas control telemetry records, which LIG believes, in its sole opinion, will provide the most accurate volumes and shall be aggregated for each month and expressed in MMBtus. In aggregating such Penalty Volumes there shall be no offset for prior or subsequent over- or under - deliveries. The amount of penalty which Shipper shall owe LIG for each MMBtu of Penalty Volume each month shall be two (2) times the "Monthly Average of the Daily Price for Louisiana – Onshore South, ANR, La." as posted in Platts *Gas Daily* ("Gas Daily") for North Zone Shippers and two (2) times the "Monthly Average of the Daily Price for Louisiana – Onshore – South, Henry Hub" as posted in *Gas Daily* for South Zone Shippers. Further, LIG shall be entitled to interrupt service to the extent such conditions are not satisfied. Penalties shall be invoiced by LIG and paid within ten (10) days of the date invoiced by LIG at the address and manner as provided for payments for imbalances in Article 10 of this Statement. If payments are not made within ten (10) days then LIG will be entitled to access additional penalties for each successive ten (10) period or may terminate the Transportation Agreement.

- 9.3 Receipt and Delivery Pressures -- Shipper shall deliver, or cause to be delivered, to LIG the gas to be transported hereunder at the line pressures existing in LIG's system at the Point(s) of Receipt, as such pressure may change from time to time. LIG shall deliver, or cause to be delivered, to Shipper at the line pressures existing in LIG's system at the Point(s) of Delivery, as such pressure may change from time to time. LIG shall not be required to operate its pipeline at pressures above or

below those pressure(s) necessary to optimize the utilization of LIG's pipeline capacity and shall not be required to provide compression to receive, deliver or transport the gas. Without limiting the above, LIG shall not be required to operate its pipeline at pressures which would adversely affect LIG's ability to deliver gas to other parties under prior or higher priority contractual commitments.

9.4 Operational Flow Orders -- LIG shall have the right to issue Operational Flow Orders ("OFOs") as specified in this Section 9.4 that require actions by Shipper in order (a) to alleviate conditions that threaten the integrity of LIG's system, (b) to maintain LIG's pipeline operations at the pressures required to provide efficient and reliable transportation services, (c) to have adequate gas supplies in the system to deliver on demand, (d) to maintain service to all LIG firm Shippers and for all services, and (e) to maintain the LIG system in balance for the foregoing purposes.

- (a) Preliminary Notifications/Follow-up Reports -- LIG shall provide, via fax, prior notice to all Shippers of upcoming system events such as anticipated weather patterns and operational problems which may necessitate the issuance of an OFO.
- (b) Applicability of OFO -- LIG shall make an OFO as localized as is reasonably practicable based on LIG's good faith and reasonable judgment concerning the situations requiring remediation. An OFO will be directed (1) first to Shippers appearing to LIG to be causing the problem necessitating the OFO or transporting gas in the area of the system there is an operational problem and (2) second to those Shippers transporting gas in the area of the system where action is required to correct the problem necessitating the OFO. LIG will attempt to tailor the OFO to match the severity of the known or anticipated operational problem requiring remediation as more fully set forth in Subsections 9.4(c) and 9.4(d).
- (c) Notice -- All OFOs will be issued by a fax to the affected Shipper. The OFO will set forth: (1) the time and date of issuance; (2) the actions Shipper is required to take; (3) the time by which Shipper must be in compliance with the OFO; (4) the anticipated duration of the OFO; and (5) any other terms that LIG may reasonably require to ensure the effectiveness of the OFO. If LIG cannot contact any Shipper because that Shipper has failed to designate a contact person or Shipper's contact person is unavailable, such Shipper shall be solely responsible for any consequences that could have been prevented by communication and shall indemnify LIG and hold LIG harmless for any damages by LIG as a result thereof.
- (d) Shipper Compliance -- A Shipper must comply with an OFO within the time period set forth therein unless the Shipper is able to demonstrate that such compliance (1) is not within the Shipper's physical control or capability; (2) is prevented by operating conditions on a third party system that are beyond the Shipper's physical control; and/or (3) is prevented due to a force majeure event as defined in Article 17 of this Statement. Even if

any of (1) through (3) is applicable, the Shipper shall make a good faith effort to comply with any such OFO, including seeking waivers of modifications of operating conditions on third party systems. Shipper shall notify LIG immediately if it believes that it is excused from compliance with the OFO for any of the above stated reasons, and shall provide LIG with documentation sufficient to support its basis for non-compliance. The foregoing will not prevent LIG from reducing or otherwise limiting deliveries or receipts in order to effectuate the purposes of an OFO nor will it excuse Shipper from the imbalance settlement provisions provided in Article 10 applicable to imbalances created during an OFO.

- (e) Penalties -- If a Shipper/Operator fails to comply with an OFO it shall be subject to a charge per MMBtu equal to two (2) times the higher of (a) the Daily Price for that day, or (b) the next available transaction day's Daily Price. The Daily Price for North Zone Shippers shall be the Daily Price for "Louisiana – Onshore South, ANR, La." as posted in *Gas Daily*. The Daily Price for South Zone Shippers shall be the Daily Price for "Louisiana – Onshore South, Henry Hub" as posted in *Gas Daily*. This charge shall be assessed for each MMBtu of gas by which it deviates from the requirements of the OFO. The deviations shall be determined by LIG using either telemetry or actual measured volume data, in its sole opinion as to which provides the most accurate volume, and LIG shall inform Shipper as promptly as reasonably practical of the deviation volume. Recognizing that this penalty shall be assessed based on actual measurement or telemetry, if the deviation based on telemetry is less than two percent (2%) of the volume then being received at each of the Point(s) of Receipt under the Transportation Agreement, there shall be no penalty, but Shipper nevertheless must still come into compliance with the OFO. A Shipper shall not incur any charges or penalties if such charges or penalties would not have been incurred but for Shipper's compliance with an OFO, including any preliminary action taken by a Shipper in response to a warning issued in LIG's discretion in anticipation of circumstances that might require issuance of an OFO.
- (f) Liability of LIG -- LIG shall not be liable for any costs incurred by any Shipper in complying with an OFO. LIG shall not be responsible for any damages that result from any interruption in Shipper's service that is a result of a Shipper's failure to comply promptly and fully with an OFO and the non-complying Shipper shall indemnify LIG against any claims of responsibility.
- (g) Unilateral action -- In the event that (a) Shipper does not respond to an OFO, or (b) the actions taken in response to such an event are insufficient to correct the system problem for which it was issued, or (c) there is insufficient time to carry out the procedures with respect to the OFO, LIG may periodically take unilateral action to maintain the operational integrity of LIG's system (or any portion thereof). For purposes of this section the

operational integrity of LIG's system shall encompass the integrity of the physical system and the preservation of physical assets and their performance, the overall operating performance of the entire physical system as an entity (or any portion thereof) and the maintenance (on a reliable and operationally sound basis) of total system deliverability and the quality of gas delivered.

- 9.5 Commingling of Natural Gas -- From the time any natural gas is received by LIG at the Point(s) of Receipt, LIG shall have the unqualified right to commingle such natural gas with other gas in LIG's pipeline system. LIG shall have the absolute and unqualified right to treat such gas as its own, including, but not by way of limitation, the right to deliver molecules different from those received and to treat the molecules received in any manner, including the right to process or condition the same. Notwithstanding the foregoing, LIG shall not be required or obligated to process or condition such commingled quantities and LIG does not guarantee that gas received into its pipeline will meet all downstream pipeline quality specifications or quality specifications stated in a Shipper's third-party agreement.
- 9.6 Capacity Limitations -- LIG's obligation to transport gas for Shipper is subject to the available capacity (including LIG's ability to accomplish service by displacement of gas between points), as such capacity is owned by and available for LIG and as it changes from time to time on LIG's system, as determined by LIG in its reasonable discretion, from any requested Point of Receipt to any requested Point of Delivery. On any day that sufficient capacity is not available on LIG's system to provide services for all gas tendered under applicable Transportation Agreement(s), LIG shall allocate its capacity in accordance with the priorities established in Article 4 herein. As required by LIG in the operation of its system, LIG shall have the right to interrupt without being held liable to Shipper or any other person, all or part of the volumes requested to be transported by a Shipper. Nevertheless, if LIG interrupts firm Section 311(a)(2) transportation, the Shippers so interrupted during the duration of such interruption and to the extent of such interruption shall not owe that part of that Shipper's reservation charge pro rated to the volumes so interrupted, unless the interruption by LIG is due to Shipper's failure to comply with all Articles of this Statement or their respective Transportation Agreement.
- 9.7 Third-Party Transporters -- Shipper shall make, or cause to be made, all necessary arrangements with other pipelines or parties at or upstream of the Point(s) of Receipt and at or downstream of the Point(s) of Delivery in order to effectuate LIG's receipt and delivery of gas. Such arrangements must be coordinated with LIG's commercial services department and must be acceptable to LIG in its reasonable discretion and shall include a PDA, if required by LIG, as to any point where gas is being received or delivered under more than one Transportation Agreement. The flow for each Point of Delivery and Receipt shall have only one (1) party designated to do the allocations for that point. LIG shall be fully protected and shall be liable to no Shipper or other entity for following the allocations made by such allocating party. In the event that no PDA or Shipper designation exists for

any point of Receipt or Delivery, LIG shall have the right at its option (i) to discontinue transportation of the volumes to be delivered or received at such Point of Receipt or Delivery or (ii) to allocate the volumes actually received or delivered at such Point. LIG shall not be liable to any Shipper or other entity for taking action pursuant to the preceding option.

10. IMBALANCES

10.1 Cashout

Determination of Imbalances – Each day, LIG shall determine as to each Shipper under each Transportation Agreement whether for that day (and taking into account fuel use and lost and unaccounted for gas) the Shipper over-tenders gas (gas taken out of LIG at the Point(s) of Delivery was less than that put into LIG at the Point(s) of Receipt) or under-tenders gas (gas taken out of LIG at the Point(s) of Delivery exceeded that put into LIG at the Point(s) of Receipt).

In the event Shipper has more than one Section 311 Transportation Agreement with Transporter in a zone, Transporter will net any imbalances Shipper incurs across the Section 311 Transportation Agreements in the zones in which the imbalances are incurred.

Sale of Imbalances – Each day under each Transportation Agreement, each Shipper that tenders more gas than their nominated volume shall by the act of such over-tender and to the extent of such over-tender, agrees to sell such volumes to LIG pursuant to their respective Transportation Agreements.

Purchase of Imbalances – Each day under each Transportation Agreement, each Shipper that tenders less gas than their nominated volume shall by the act of failing to deliver, and to the extent of such under -tender, agree to purchase such volumes from LIG pursuant to their respective Transportation Agreements.

LIG will act as agent for each Shipper's sale or purchase pursuant to Section 10.3 below.

- 10.2 For purposes of pricing of the cashout as noted in Section 10.1, each Shipper will fall into one of the following groups:

Group 1 - North Zone Shippers

Group 2 - South Zone Shippers

Group 3 - Shipper delivers to municipalities in place as of August 1, 2007, where there is no daily electronic transmission of volume data available.

Deliveries to municipal power generation facilities are specifically excluded from this group and will be handled per the imbalance provisions for their respective zone.

Any Shipper's delivery that falls into Group 3, regardless of which additional Group such delivery falls into, will be governed by the Group 3 imbalance.

(a) Group 1 - Threshold and Price for Imbalances

The purchase and sale of imbalances each day except for imbalances which occur during (1) a Penalty Period as to High Priority Gas Use, or (2) times when an OFO is in effect, shall be made at a price per MMBtu determined as follows:

<u>Daily Imbalance</u>	<u>Cashout</u>
For the portion of over-tenders 10% or less	Customer Receives 100% of the "Daily Midpoint Price" in <i>Gas Daily</i> for 100% of the daily imbalance
For the portion of under-tenders 10% or less	Customer Pays 100% of the "Daily Midpoint Price" in <i>Gas Daily</i> for 100% of the daily imbalance
For the portion of over-tenders greater than 10%	Customer Receives 100% of the "Daily Common Low Price" in <i>Gas Daily</i>
For the portion of under-tenders greater than 10%	Customer Pays 100% of the "Daily Common High Price" in <i>Gas Daily</i>

For example, an imbalance of 12% would be cashed out as follows: the first 10% would be cashed out at the Daily Midpoint Price, and the remaining 2% would be cashed out at the Daily Common Low Price, or Daily Common High Price, as applicable.

The "Daily Midpoint Price" shall be the midpoint prices published by *Gas Daily* each day in its "Daily Price Survey" using the "Louisiana - Onshore South, Columbia Gulf, mainline" posting.

The "Daily Common Low Price" shall be the low Common price published by *Gas Daily* each day in its "Daily Price Survey" using the "Louisiana - Onshore South, Columbia Gulf, mainline" posting.

The “Daily Common High Price” shall be the high Common price published by *Gas Daily* for each day in its “Daily Price Survey” using the “Louisiana - Onshore South, Columbia Gulf; mainline” posting.

For the purposes hereof; the imbalance will be expressed on a dry MMBtu basis.

For each MMBtu of gas over-tendered by Shipper said gas will be considered to have been delivered and sold to Transporter at LIG's administrative imbalance meter with the highest nominated volume transportation fee, across all applicable Section 311 contracts within the same zone, for that day charged.

The purchase and sale of imbalances during periods when (1) there is an OFO in effect will be addressed per Section 9.4, or (2) there is a Penalty Period as to High Priority Gas Use, will be addressed per Section 9.2.

(b) Group 2 - Threshold and Price for Imbalances

The purchase and sale of imbalances each day except for imbalances which occur during (1) a Penalty Period as to High Priority Gas Use, or (2) times when an OFO is in effect, shall be made at a price per MMBtu determined as follows:

<u>Daily Imbalance</u>	<u>Cashout</u>
For the portion of over-tenders 10% or less	Customer Receives 100% of the “Daily Midpoint Price” in <i>Gas Daily</i> for 100% of the daily imbalance
For the portion of under-tenders 10% or less	Customer Pays 100% of the “Daily Midpoint Price” in <i>Gas Daily</i> for 100% of the daily imbalance
For the portion of over-tenders greater than 10%	Customer Receives 100% of the “Daily Common Low Price” in <i>Gas Daily</i> .
For the portion of under-tenders greater than 10%	Customer Pays 100% of the “Daily Common High Price” in <i>Gas Daily</i>

For example, an imbalance of 12% would be cashed out as follows: the first 10% would be cashed out at the Daily Midpoint Price, and the

remaining 2% would be cashed out at the Daily Common Low Price, or Daily Common High Price, as applicable.

The “Daily Midpoint Price” shall be the midpoint prices published by *Gas Daily* each day in its “Daily Price Survey” using the “Louisiana - Onshore South, Henry Hub” posting.

The “Daily Common Low Price” shall be the low Common price published by *Gas Daily* each day in its “Daily Price Survey” using the “Louisiana - Onshore South, Henry Hub” posting.

The “Daily Common High Price” shall be the high Common price published by *Gas Daily* each day in its “Daily Price Survey” using the “Louisiana - Onshore South, Henry Hub” posting.

For the purposes hereof; the imbalance will be expressed on a dry MMBtu basis.

For each MMBtu of gas over-tendered by Shipper said gas will be considered to have been delivered and sold to Transporter at LIG's administrative imbalance meter with the highest nominated volume transportation fee, across all applicable Section 311 contracts within the same zone, for that day charged.

The purchase and sale of imbalances during periods when (1) there is an OFO in effect will be addressed per Section 9.4, or (2) there is a Penalty Period as to High Priority Gas Use, will be addressed per Section 9.2.

(c) Group 3 - Threshold and Price for Imbalances

The purchase and sale of imbalances each month except for imbalances which occur during (1) a Penalty Period as to High Priority Gas Use, or (2) times when an OFO is in effect, shall be made at a price per MMBtu determined as follows:

<u>Daily Imbalance</u>	<u>Cashout</u>
For the portion of over-tenders 10% or less	Customer Receives 100% of the monthly average “Daily Midpoint Price” in <i>Gas Daily</i> for 100% of the daily imbalance
For the portion of under-tenders 10% or less	Customer Pays 100% of the monthly average “Daily Midpoint Price” in <i>Gas Daily</i> for 100% of the daily imbalance
For the portion of over-tenders greater than 10%	Customer Receives 95% of the monthly average “Daily Midpoint Price” in <i>Gas Daily</i>
For the portion of under-tenders greater than 10%	Customer Pays 105% of the monthly average “Daily Midpoint Price” in <i>Gas Daily</i>

For example, an imbalance of 12% would be cashed out as follows: the first 10% would be cashed out at the monthly average Daily Midpoint Price, and the remaining 2% would be cashed out at 95% of the monthly average Daily Midpoint Price.

The “Daily Midpoint Price” shall be the midpoint prices published by *Gas Daily* each day in its “Daily Price Survey” using the “Louisiana - Onshore South, Henry Hub” posting.

For the purposes hereof, the imbalance will be expressed on a dry MMBtu basis.

The purchase and sale of imbalances during periods when (1) an OFO is in effect will be addressed per Section 9.4, or (2) there is a Penalty Period as to High Priority Gas Use, will be addressed per Section 9.2.

- 10.3 Administration and Payment – LIG, through itself or its designee, will administer the purchase and sale of these imbalance volumes and shall act as the purchaser's and seller's agent in such regard. LIG will send statements indicating whether the respective Shipper is a purchaser or a seller of imbalance gas. The statement will show the daily imbalance, if any, and the corresponding index price to which the purchase or sale is to be made. If the Shipper is a purchaser, it shall make payment of the amount shown by LIG no later than ten (10) days following receipt of the statement. If the Shipper is a seller, the amount shown as owed

shall be paid by LIG to the Shipper by the last day of the month following the month of over-delivery. If Shipper is out of balance in both the North and South Zones, then the Shipper will be cashed out separately according to the respective Zone methodology, imbalance volumes in the Zones not to be netted against the other Zone volumes. Payments shall be made at the addresses provided in the Transportation Agreement. Payments shall be made by wire transfer so that the funds will be available on the date that the payment is due.

Failure to make timely payments shall be governed by Section 14.4 of this Statement. LIG will maintain appropriate accounts to reflect the agency aspect of these transactions and that LIG is neither purchasing nor selling the imbalance volumes but that such is being done by LIG exclusively as agent for the Shippers.

- 10.4 Revenue Crediting – To the extent that LIG receives revenue from Shippers pursuant to this Section 10 through the use of the cashout price of any Shipper Group’s “greater than 10%” imbalance threshold category that is in excess of the cashout price prescribed in the same Shipper Group’s “10% or less” imbalance threshold category, LIG shall credit such revenue semi-annually to LIG’s firm and interruptible Shippers on a pro rata basis in accordance with the quantities nominated by each Shipper. If such semi-annual revenues total less than \$1000 or are negative, LIG shall carry that balance forward to the next semi-annual period.
- 10.5 Applicability – Any imbalances that occurred prior to the effective date of this Statement shall be resolved as provided in the Statement that this Statement supersedes.

11. MEASUREMENTS AND TESTS

The measurement of gas at each Point of Receipt and Delivery shall be accomplished in accordance with the following:

- 11.1 The unit of volumes for all purposes of measurement hereunder shall be one (1) cubic foot of gas at a temperature of sixty (60) degrees Fahrenheit and at an absolute pressure of fifteen and twenty-five thousandths (15.025) pounds per square inch absolute. The average atmospheric pressure shall be assumed to be fourteen and seven tenths (14.7) pounds per square inch at the Point(s) of Receipt and at the Point(s) of Delivery. Whenever conditions of temperature and pressure differ from such standard, conversion of the volume from such conditions to the standard conditions shall be made in accordance with the Ideal Gas Laws corrected for deviation of the gas from Boyle's Law in accordance with the methods and formulas prescribed in the American Gas Association's manual for the determination of supercompressibility factors for natural gas as last amended and superseded.
- 11.2 The volume of gas transported hereunder shall be measured by dual chamber style orifice meters with flange type connections installed at the Point(s) of Receipt and at the Point(s) of Delivery. Orifice meters shall be installed, operated and volumes

computed in accordance with the American National Standard publication, API MPMS Chapter 14.3 Parts 1, 3, & 4, ANSI/API MPMS Chapter 14.3 Part 2, and in such amendments and revisions thereto and superseding publications thereof. Calculations to be performed by an electronic flow computer capable of at least one (1) calculation per second and having the capacity to store and archive at least thirty-one (31) days of measurement data, analysis files, alarms, and audit trail.

- 11.3 The temperature of the gas transported hereunder shall be determined by an electronic recording device incorporated with the electronic flow computer continuously used and installed so as to record properly the temperature of the gas flowing through each meter.
- 11.4 The specific gravity of the gas shall be determined at the point(s) of measurement by one of the following methods, mutually acceptable to both parties: (1) by an on line chromatograph, (2) by continuous sampling, or (3) if (1) or (2) is not considered feasible, then by use of a portable specific gravity balance of standard manufacture acceptable to both parties. A determination will be made at least once every thirty (30) days. If the on line chromatograph fails or is not required, then the gravity from the continuous sampler if installed and working properly or a spot sample shall be used during the measurement interval.
- 11.5 The arithmetical average of the hourly temperature when gas is flowing, the factor for specific gravity according to the latest test therefore and the corrections for deviation from Boyle's Law applicable during each metering period shall be used to make proper computations of gas volumes measured hereunder.
- 11.6 The heating value of gas at Transporter's option, will be determined at each point(s) of measurement hereunder: (1) by the use of a spot sample taken during such month to be analyzed on a gas chromatograph, (2) by analysis samples from a continuous gas sampler taken by Transporter and/or its nominee by using an analytical chromatograph, (3) by an on line chromatograph installed by Transporter and/or its designee or (4) by application of the methods contained in the American Gas Association publication, Fuel Gas Energy Metering, Gas Measurement Committee Report No. 5, and in such amendments and revisions thereto and superseding reports thereof as recommended by such committee. The heating value however determined shall be converted to the same condition stipulated for the unit of volume in "Article B-I, Paragraph 1.(a)." If an analytical chromatograph is used, such analytical chromatograph shall be of a design and manufacture mutually agreeable to both the Shipper and the Transporter. The method of Btu computation for a perfect gas shall be derived from the "Table of Physical Properties for Hydrocarbons and Other Compounds of Interest to the Natural Gas Industry Bulletin 2145-09 and superseding revisions thereof. The analysis shall be complete and individual values in mol percent or fraction of each hydrocarbon compound shall be listed through CH₆. The CH₇ value shall include the sum of the remaining hydrocarbons in the sample and the designated value for CH₇'s+ shall be 50% CH₇ and 50% CH₈ or as determined from an extended chromatograph breakdown. If an on line chromatograph is used the appropriate CH + configuration shall be set from

the program choices by an independent spot analysis, the value of which shall be used to select the program choice closest to the actual CH₇ + value. The analysis shall further include the mol fraction or percent individually of additional compounds contained in chromatographically measurable quantities contained in the sample. The method to be used for chromatographic analysis shall be that contained in Gas Processors Association publication number 2261-00, GPA Method of Analysis for Natural and Similar Gaseous Mixtures by Gas Chromatography and superseding revisions thereof.

- 11.7 Upon mutual agreement of the parties, other types of Btu per cubic foot measuring devices may be installed, operated and Btu computed in accordance with the manufacturer instructions for same and consistent with industry-accepted practices for transmission Btu per cubic foot measurement.
- 11.8 Gas samples taken from the pipeline system for purposes of determining or deriving quantitative values that will be used in the computation of gas volume and Btu per cubic foot shall be obtained through use of a probe to be inserted sufficiently beyond the periphery of the internal pipe walls to assure that the gas being drawn for the sample is free of any liquid accumulation from the internal pipe wall.
- 11.9 If the method for determining chromatographic analysis, as set forth in the GPA publication 2261-00, is revised, the new method will apply.
- 11.10 Transporter's and Shipper's measuring and testing equipment shall be of standard type, installed, operated and maintained as necessary to measure and test gas transported hereunder. Transporter shall keep same accurate, and in good repair, and shall test once each month. Readings, calibrations, tests, repairs and adjustments of Transporter's measuring and testing equipment shall be done only by employees of Transporter, or its designated representatives. Shipper, or its designated representative shall, in the presence of an employee of Transporter or Transporter's designated representative, have access to Transporter's measuring and testing equipment at any reasonable time, and shall have the right to witness tests, calibrations and adjustments thereof. All tests scheduled hereunder shall be preceded by reasonable notice to Shipper. Upon request of either party hereto for a special test of any meter or auxiliary equipment, but not more often than once every three (3) months, Transporter shall promptly verify the accuracy of same; provided that the cost of such special test shall be borne by the requesting party, unless the percentage of inaccuracy found is more than two percent (2%).

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 is not more than one percent (1%), then previous receipts 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 exceeds one percent (1%) of 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 case the period is not known definitely or agreed upon, such correction shall be for a period extending back one-half of the time elapsed since the date of the last test, not exceeding a correction period of sixteen (16) days.

- 11.11 If any meter or auxiliary equipment is out of service or out of repair for a period of time so that the amount of gas delivered cannot be ascertained or computed from the reading thereof, then the gas delivered during such period shall be estimated upon the basis of the best data available, using the first of the following methods which is feasible: (1) by using the registration of any check meter or meters, if installed and accurately registering; or (2) by correcting the error if the percentage of error is ascertainable by calibration tests or mathematical calculations; or (3) by estimating gas volumes on the basis of deliveries during the preceding periods under similar conditions when the equipment was registering accurately, or by other method(s) mutually acceptable to both Shipper and Transporter.
- 11.12 Upon request of Shipper, Transporter shall submit its measurement records to Shipper for examination, the same to be returned within thirty (30) days. Transporter's measurement records for a given accounting month will be presumed correct if no written objection thereto is served on either party hereto by the other within the twelve (12) month period following any accounting month, but the same shall be retained for a twenty-four (24) month period or a longer period if required by law.
- 11.13 Shipper may install, operate and maintain, at its sole cost, risk and expense, but in the same manner as is required for Transporter's equipment hereunder, check measuring and testing equipment of standard type, provided that the same does not interfere with the operation of Transporter's equipment, but the measurement and testing of gas for purposes of the service provided under this Statement shall only be by Transporter's equipment. Transporter shall have the same rights with respect to said check metering and testing equipment of Shipper as are granted to Shipper with respect to Transporter's metering and testing equipment.
- 11.14 If it is determined prior to, or as a result of, in-service tests, experience and observation by either Shipper or Transporter that pulsations exist that affect the measurement accuracy at the Point(s) of Receipt, then the Shipper agrees to install and operate or have installed and operated mechanical dampening equipment necessary to eliminate such pulsations.
- 11.15 If at any time 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 for the method set forth in this Article when, in Transporter's sole discretion, employing such new method or technique is advisable. Transporter shall notify Shipper in writing of any such election prior to actually implementing such substitution.

12. QUALITY

12.1 The gas received and delivered at each Point(s) of Receipt and Point(s) of Delivery in the North Zone shall meet the following quality specification:

- (a) The gas shall be commercially free from dust, gums, gum-forming constituents, water, crude oil, impurities and other objectionable substances that might become separate from the gas in Transporter's pipeline under normal pipeline operating conditions.
- (b) The gas shall contain not more than one-quarter (1/4) grain of hydrogen sulfide per one hundred (100) cubic feet as determined by quantitative methods generally used within the natural gas industry.
- (c) The gas shall not contain more than five (5) grains of total sulfur per one hundred (100) cubic feet.
- (d) The gas shall not contain in excess of three percent (3%) inert parts by volume, including no more than two percent (2%) by volume of carbon dioxide at the Point(s) of Receipt and no more than two percent (2%) by volume of nitrogen at the Point(s) of Receipt.
- (e) For gas received at each Point of Receipt, gas shall contain no oxygen, and for gas delivered at each Point of Delivery, gas shall not contain more than 0.2 percent (0.2%) by volume of oxygen.
- (f) The temperature of the gas shall not exceed one hundred twenty (120) degrees Fahrenheit, nor be less than forty (40) degrees Fahrenheit.
- (g) The gas shall not contain in excess of seven (7) pounds of water per million cubic feet, as determined by a dew point apparatus in general use in the industry on a basis not less often than monthly.
- (h) The gas shall have a total heating value of not less than nine hundred fifty (950) Btu per cubic foot or more than one thousand seventy (1,070) Btu per cubic foot of gas.
- (i) The gas shall not have a hydrocarbon dew point greater than forty degrees Fahrenheit (40°F).
- (j) The gas shall not contain any hydrocarbons, which might condense to free liquids in Transporter's pipeline under normal pipeline operating conditions.
- (k) The gas shall not contain more than four hundred parts per million (400 ppm) of hydrogen.
- (l) The gas shall contain no carbon monoxide, halogens, or unsaturated

hydrocarbons.

- (m) The gas shall not contain deleterious substances in concentrations that are hazardous to health, injurious to Transporter's pipeline or adversely affect merchantability.

12.2 The gas received and delivered at each Point(s) of Receipt and Point(s) of Delivery in the South Zone shall meet the following quality specification:

- (a) The gas shall be commercially free from dust, gums, gum-forming constituents, water, crude oil, impurities and other objectionable substances that might become separate from the gas in Transporter's pipeline under normal pipeline operating conditions.
- (b) The gas shall contain not more than one-quarter (1/4) grain of hydrogen sulfide per one hundred (100) cubic feet as determined by quantitative methods generally used within the natural gas industry.
- (c) The gas shall not contain more than five (5) grains of total sulfur per one hundred (100) cubic feet.
- (d) The gas shall not contain in excess of three percent (3%) inert parts by volume, including no more than two percent (2%) by volume of carbon dioxide at the Point(s) of Receipt and no more than two percent (2%) by volume of nitrogen at the Point(s) of Receipt.
- (e) For gas received at each Point of Receipt, gas shall contain no oxygen, and for gas delivered at each Point of Delivery, gas shall not contain more than 0.2 percent (0.2%) by volume of oxygen.
- (f) The temperature of the gas shall not exceed one hundred twenty (120) degrees Fahrenheit, nor be less than forty (40) degrees Fahrenheit.
- (g) The gas shall not contain in excess of seven (7) pounds of water per million cubic feet, as determined by a dew point apparatus in general use in the industry on a basis not less often than monthly.
- (h) The gas shall have a total heating value of not less than nine hundred seventy-five (975) Btu per cubic foot or more than one thousand one hundred seventy-five (1,175) Btu per cubic foot of gas.
- (i) The gas shall not have a hydrocarbon dew point greater than forty degrees Fahrenheit (40°F).
- (j) The gas shall not contain any hydrocarbons, which might condense to free liquids in Transporter's pipeline under normal pipeline operating conditions.

- (k) The gas shall not contain more than a total of twenty-hundredths (0.20) gallons of isopentane, normal pentane, and heavier liquefiable hydrocarbons per 1000 cubic feet.
- (l) The gas shall not contain more than four hundred parts per million (400 ppm) of hydrogen.
- (m) The gas shall contain no carbon monoxide, halogens, or unsaturated hydrocarbons.
- (n) The gas shall not contain deleterious substances in concentrations that are hazardous to health, injurious to Transporter's pipeline or adversely affect merchantability.

12.3 As to the gas which cannot meet the specifications set out in this Article and which Shipper elects not to process to meet said specifications, Transporter shall have the option to:

- (a) Refuse to accept receipt of gas. In the event the delivering party cannot correct such deficiency within a reasonable time, Transporter shall have the right to terminate service to Shipper upon such notice as is reasonable under the circumstances; or
- (b) Accept receipt of such gas, at its sole option, on a not unduly discriminatory basis. The acceptance of non-conforming gas shall not act as a continuing or future waiver of the quality specifications in Section 12.1 or Section 12.2, nor require Transporter to receive gas of similar non-conforming quality in the future. In the event Transporter does agree to accept such gas which differs from the quality specifications, Transporter will have the continuing right to notify Shipper and/or Shipper's transporting pipeline that, within a specified period of time, as determined in Transporter's sole discretion, all prospective volumes of gas to be delivered must comply with the quality specifications set forth in Section 12.1, Section 12.2, or the provisions of Section 12.3(a) shall be applicable to all gas delivered to Transporter which does not so comply. Shipper and/or Shipper's transporting pipeline shall be liable for, and indemnify, Transporter against and reimburse Transporter for all losses, damages, and liabilities of any nature (including consequential damages) incurred by Transporter and arising from Shipper's delivery of gas not in conformance with the above specifications.

12.4 Notwithstanding the specifications of this Article, Shipper's downstream market or transporter(s) may notify Transporter of different or additional quality specifications required for the operation of transporter's pipeline. In the event that Transporter accepts such different or additional quality specifications from Shipper's downstream market or transporter(s), Transporter will notify Shipper of any such different or additional specifications as soon as practicable after being notified by such downstream market or transporter, and such specifications will

be considered as quality specifications under the respective Transportation Agreement for as long as required by the downstream market or transporter.

- 12.5 Notwithstanding the foregoing, including Section 12.4, Transporter expressly reserves the right, at any time in the future, upon at least sixty (60) days prior written notice to Shipper, to institute new quality specifications or revise from time to time the quality specifications set forth above. Upon such modification of any such quality specifications by Transporter, Shipper will have the right to terminate the Transportation Agreement on the effective date of the modification by giving sixty (60) days prior written notice to Transporter. If accepted by Shipper, upon the effective date, such new quality specifications will supersede and replace the quality specifications set forth above.

13. ODORIZATION

Shipper is responsible for any and all odorization that is or may be required by any statute, ordinance, rule or regulation, and that Shipper shall construct, maintain and operate any facilities required for the performance of this obligation. Transporter shall not be obliged to odorize the gas transported and redelivered hereunder, and Shipper's indemnity obligation in favor of Transporter as set forth in Section 14 includes a duty to indemnify and defend Transporter for any and all claims, losses, damages, costs and expenses (including attorneys fees) arising out of liability predicated upon failure to odorize or inadequate odorization of any gas transported and redelivered hereunder.

14. FINANCIAL REQUIREMENTS AND PAYMENT

- 14.1 Eligibility -- Except to the extent, if any, to which LIG may be legally precluded by the Bankruptcy Code from refusing or discontinuing service to Shipper, LIG shall not be required to transport or continue to transport under any applicable Transportation Agreement for any Shipper that has (1) been declared insolvent by proper governmental authorities, or becomes bankrupt or the subject of receivership or reorganization in bankruptcy or makes an assignment for the benefit of creditors; or (2) on behalf of any Shipper who LIG, in its sole opinion as tested in a commercially reasonable manner, does not consider creditworthy; provided however, LIG shall transport such Shipper's gas if Shipper prepays for such service or if within thirty (30) days of a demand by LIG, Shipper furnishes sufficient collateral assignment, letter of credit, good and sufficient surety bond, or other sufficient security, that are satisfactory to LIG, in an amount and for a term reasonably specified by LIG. The obligation to maintain such credit assurance will continue until such time that LIG determines in its reasonable discretion that Shipper is deemed creditworthy. In order to determine Shipper's creditworthiness, Shipper shall provide LIG, upon its request, Shipper's audited financial statements that have been certified by an officer of the Shipper, and the most recent quarterly financial statement of Shipper.

- 14.2 Billing -- LIG shall render to Shipper each month a statement of the total quantities of gas delivered during the preceding month together with a bill for the

transportation services provided for such period. The statement and bill will also include a description of all imbalance charges, an adjustment to total quantities for company use and unaccounted for gas, and an adjustment to total quantities for any allocation of compressor fuel used to transport Shippers' gas to its designated Delivery Point(s), such adjustment to reflect an allocation of actual fuel usage during the respective statement/billing month. All statements, meter and billing, shall be considered final if not challenged within twelve (12) months after the date of same. Shipper and LIG shall have the right to examine the books, records and charts of the other party at all reasonable times to the extent necessary to verify the accuracy of any statement, charge or computation related to the Transportation Agreement.

- 14.3 Payment -- Shipper shall pay LIG by wire transfer to an account designated by LIG or by such other means as agreed to by LIG so that payment is received and LIG has available funds from that account on or before ten (10) days following the receipt by the Shipper of LIG's bill as provided in Sections 14.2 and 10.3, for all charges for the preceding month billed by LIG in accordance with Sections 14.2 and 10.3 herein.
- 14.4 Failure to Make Timely Payment -- Should Shipper fail to pay the entire amount of any bill as herein provided when such amount is due, Shipper shall pay a charge for late payment which shall be included by LIG on the next regular monthly bill rendered to Shipper for services rendered hereunder. If Shipper fails to remit the full amount payable by it when due, interest on the unpaid portion shall accrue at a rate equal to the lower of (i) the then effective prime rate of interest for large U.S. Money Center commercial banks, published under "Money Rates" by The Wall Street Journal, plus three percent (3%) per annum from the date due until the date of payment, such percentage to be no lower than five and one-half percent (5.5%), or (ii) the maximum applicable lawful interest rate. If such failure to pay continues for thirty (30) days after payment is due, LIG, in addition to any other remedy it may have, may suspend further delivery of gas for Shipper's account until such amount is paid, and if such failure to pay continues for ninety (90) days after payment is due, LIG may, in addition to any other remedy it may have, terminate the applicable Transportation Agreement; provided, however, that if Shipper, in good faith, shall dispute the amount of any such bills or parts thereof and shall pay to LIG such amounts as it concedes to be correct and, at any time thereafter within thirty (30) days of a demand made by LIG, shall furnish a good and sufficient surety bond in an amount and with sureties satisfactory to LIG conditioned upon the payment of any amounts ultimately found due upon such bills after a final determination, which may be reached either by agreement or judgment of the courts, as the case may be, then LIG shall not be entitled to suspend further delivery of gas unless and until default be made in the conditions on such bond.

In addition to all other remedies stated in this Statement, if Shipper fails to pay according to provisions hereof and/or Transporter, in its sole judgment reasonably exercised, determines that the credit worthiness or financial responsibility of Shipper has become impaired or unsatisfactory, then Transporter may, upon

written notice to Shipper, require Shipper to pay for the transportation of gas hereunder in cash in advance of Transporter's services thereof or request other security satisfactory to Transporter before further services are provided. In the event Shipper (i) makes an assignment or any general arrangement for the benefit of creditors, (ii) defaults in the payment or performance of any obligation to Transporter, (iii) files a petition or otherwise commence, authorize, or acquiesce in the commencement of a proceeding or cause under any bankruptcy or similar law for the protection of creditors or has such petition filed or proceeding commenced against it, (iv) otherwise becomes bankrupt or insolvent (however evidenced), (v) is unable to pay its debts as they fall due, or (vi) fails to give adequate security for or assurance of its ability to perform its obligations within forty-eight (48) hours of a reasonable request by Transporter, then Transporter shall have the right to suspend services hereunder or to terminate a Transportation Agreement without prior notice and without prejudice to any and all claims for damages or other rights or remedies available under the Transportation Agreement or pursuant to law, and without liability of any kind or character to Shipper.

15. WARRANTIES AND INDEMNIFICATION

- 15.1 Warranty of Title -- Shipper warrants that it will at the time of delivery of gas to LIG under any applicable Transportation Agreement have good title to or good right to deliver all gas so made available, and that the gas shall be free and clear of all liens, encumbrances, or adverse claims of any kind.
- 15.2 Warranty of Eligibility for Transportation -- Shipper warrants that all gas delivered to LIG for transportation shall be eligible for transportation by LIG under the applicable laws, rules, regulations or orders of the Commission and any other governmental authority having jurisdiction and that at the time of such deliveries Shipper has complied with all conditions of this Statement.
- 15.3 Indemnification -- Shipper shall indemnify LIG and save it harmless against all losses, damages, costs, expenses (including attorneys' fees), suits and regulatory proceedings, arising from a breach of the warranties in Sections 15.1 or 15.2.

16. POSSESSION AND CONTROL

As between the Shipper and LIG, Shipper shall be deemed to be in control and in possession of the gas prior to such gas being received by LIG and shall be responsible for any damages, losses or injuries caused thereby until the same shall have been received by LIG at the Point(s) of Receipt. LIG shall be in control and in possession of the gas subsequent to such gas being received by LIG and shall be responsible for any damages, losses or injuries caused thereby until the same shall have been redelivered to Shipper or its designee at the Point(s) of Delivery, except for injuries and damages that have been occasioned solely and approximately by the negligence of Shipper or its designee.

17. FORCE MAJEURE

If either LIG or Shipper is rendered unable, wholly or in part, by force majeure or any other cause of any kind not reasonably within its control, to perform or comply with any obligation or condition of the Transportation Agreement, such obligation or condition shall be suspended during the continuance of the inability so caused and such party shall be relieved of liability and shall suffer no prejudice for failure to perform the same during such period; provided, the obligation to make payments (i) then due for gas received and delivered including imbalances and penalties for prior failures and (ii) for reservation charges when the company suffering the force majeure is other than LIG and is receiving firm service, shall not be suspended. The cause for suspension (other than strikes or lockouts) shall be remedied so far as possible with reasonable dispatch. The party suffering any such force majeure or any other cause of any kind not reasonably within its control shall give oral and written notice of the force majeure event, including reasonably full particulars to the other party, as soon as reasonably possible following occurrence of such event.

The term “force majeure”, as employed herein, shall mean acts of God; strikes, lockouts or other industrial disturbances; acts of the public enemy, wars, blockades, insurrections, civil disturbances and riots, and epidemics; landslides, lightning, earthquakes, fires, storms, hurricanes and threats of hurricanes, floods and washouts; arrests, orders, requests, directives, restraints and requirements of the government and governmental agencies, either federal or state, civil and military; any application of governmental conservation or curtailment rules and regulations; operational failure of LIG’s pipeline system; explosions, breakage or accident to machinery, equipment or lines of pipe; outages (shutdowns) of equipment, machinery or lines of pipe for inspection, maintenance or repair; freezing of wells or lines of pipe; and other causes of a similar nature not reasonably within the control of the party claiming suspension. The settlement of strikes or lockouts shall be entirely within the discretion of the party having the difficulty, and that the above reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demand of opposing party when such course is inadvisable or inappropriate in the discretion of the party having the difficulty. Force majeure shall likewise include (a) those instances where LIG is required to obtain servitudes, right-of-way grants, permits or licenses to enable it to fulfill its obligations hereunder, the inability to acquire, or the delays on the part of LIG in acquiring, at reasonable cost and after the exercise of reasonable diligence, such servitudes, right-of-way grants, permits or licenses; and (b) those instances where LIG is required to furnish materials and supplies for the purpose of constructing or maintaining facilities or is required to secure permits or permissions from any governmental agency to enable it to fulfill its obligations hereunder, the inability of LIG to acquire or the delays in acquiring, at reasonable cost and after the exercise of reasonable diligence, such materials and supplies, permits and permissions.

The term “force majeure” specifically excludes interruptions in Shipper’s gas supply as well as price changes due to market conditions or economics associated with the purchase and sale of gas quantities transported under a Transportation Agreement.

18. MISCELLANEOUS

- 18.1 Regulatory Bodies -- All Transportation Agreements shall be subject to all valid applicable Federal, State and local laws, rules and regulations of any governmental body or official having jurisdiction. Neither LIG nor Shipper shall be held in default for failure to perform hereunder if such failure is due to good faith compliance with such party's best understanding of the requirements of any such laws, orders, rules or regulations. Shipper warrants that gas and concomitant production to be transported under a Transportation Agreement has been and will be produced and handled in compliance with the requirements of the Fair Labor Standards Act of 1938, and amendments thereto, and any other applicable laws, orders, rules and regulations.
- 18.2 Rates -- Recognizing LIG's ongoing right to file for changes or increases, the rates for service provided pursuant to this Statement shall be the maximum rate authorized from time to time by the Commission and its regulations for such service; provided, however, that LIG may discount such maximum rate without undue discrimination or preference.
- 18.3 Modification -- LIG shall have the unilateral right to file and/or make effective changes in any of the conditions contained in this Statement.
- 18.4 Waiver -- LIG reserves the right to waive any provision included in this Statement at any time and for any reason in its sole discretion, provided such waivers are not invoked in as to create undue discrimination or preference.
- 18.5 Transportation Agreement Waiver -- No waiver by LIG of any default of Shipper under a Transportation Agreement shall operate as a waiver of any future default, whether of a like or different character.
- 18.6 Default -- LIG shall not be required to perform service for any Shipper that fails to comply with any and all of the terms of this Statement and with terms of Shipper's Transportation Agreement with LIG.
- 18.7 Governing Law -- As to all matters of construction and interpretation, the Transportation Agreements shall be interpreted, construed and governed by the laws of the State of Texas, except where federal law is applicable.
- 18.8 Assignment -- No Transportation Agreement or the capacity rights granted therein, may be assigned, in whole or in part, by Shipper without the prior written consent of LIG. Nothing herein shall be construed to prevent either Shipper or LIG or any assignee from pledging all or any part of its interest in the Transportation Agreement or any benefit accruing hereunder to any party making the pledge. In the event either LIG or Shipper shall assign its interest in any Transportation Agreement, it shall in the instrument of assignment cause the assignee to assume its rights and obligations under such Transportation Agreement.
- 18.9 Effective Date -- Unless otherwise provided by the Commission and except as

otherwise provided herein, this Statement shall become effective on the date this Statement is filed with the Commission.

19. RATE SUMMARY

19.1 North Zone

	Rate Schedule	Minimum	Maximum
	Firm Transportation Service		
(a)	Monthly demand rate per MMBtu	\$0.00000	\$15.9687
(b)	or Daily demand rate per MMBtu	\$0.00000	\$0.5250
(c)	Usage rate per MMBtu	\$0.00000	\$0.1500
	Interruptible Transportation Service		
(d)	Usage rate per MMBtu	\$0.00000	\$0.6350
	Overrun Transportation Service		
(e)	Usage rate per MMBtu	\$0.00000	\$0.6350

19.2 South Zone

	Rate Schedule	Minimum	Maximum
	Firm Transportation Service		
(a)	Monthly demand rate per MMBtu	\$0.00000	\$4.2887
(b)	or Daily demand rate per MMBtu	\$0.00000	\$0.1410
(c)	Usage rate per MMBtu	\$0.00000	\$0.0400
	Interruptible Transportation Service		
(d)	Usage rate per MMBtu	\$0.00000	\$0.1810
	Overrun Transportation Service		
(e)	Usage rate per MMBtu	\$0.00000	\$0.1810

19.3 Fuel, Company Use and Unaccounted-For Gas

LIG will retain from all Shippers a pro rata share of company use and lost and unaccounted-for gas. In addition, a Shipper will incur a pro rata share of actual compressor fuel for each stage of compression in Shipper's designated transportation path.