

Norteño Pipeline Company: First Revised Volume No. 1
Title Page : Superseded

Regulatory Commission, Docket No. RS92-53-000 and 001,
dated June 18, 1993, and Letter Order in Docket Nos.
CP96-81-000 et al., dated January 18, 1996.

FERC GAS TARIFF
FIRST VOLUME NO. 1
of
NORTEÑO PIPELINE COMPANY
filed with
FEDERAL ENERGY REGULATORY COMMISSION

Communications Concerning this Tariff Should be Addressed
to:

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Effective Date: 11/07/2003 Status: Effective

FERC Docket: RP04-95-000

First Revised Sheet No. 1 First Revised Sheet No. 1 : Effective
Superseding: Substitute Original Sheet No. 1

CANCELLATION OF ENTIRE TARIFF

Notice is hereby given that effective November 7, 2003, FERC
Gas Tariff, First Revised Volume No.1, of Norteno Pipeline Company
Is to be cancelled.

Effective Date: 04/01/1996 Status: Effective

FERC Docket: CP96- 81-007

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Effective Date: 04/01/1996 Status: Effective

FERC Docket: CP96- 81-007

Original Sheet No. 3 Original Sheet No. 3 : Superseded

PRELIMINARY STATEMENT

Norteño Pipeline Company ("Norteño") is a natural gas company engaged in the business of providing sales and transportation service to natural gas distribution companies and other customers. Norteño's system is located in El Paso County, Texas, and Dona Ana County, New Mexico, at Canutillo and Anthony (Southern Division). Additionally, Norteño's Del Norte System consists of two discrete transmission line segments that function to transport and export natural gas to Mexico.

Effective Date: 04/01/1996 Status: Effective
FERC Docket: CP96- 81-007

Original Sheet No. 4 Original Sheet No. 4 : Superseded

SHEET NO. 4
IS RESERVED FOR FUTURE USE

Effective Date: 04/01/1996 Status: Effective

FERC Docket: CP96- 81-007

Original Sheet No. 5 Original Sheet No. 5 : Superseded

MAP
SEE FILED HARD COPY

Effective Date: 04/01/1996 Status: Effective

FERC Docket: CP96- 81-007

Original Sheet No. 6 Original Sheet No. 6 : Superseded

SHEET NUMBERS 6 THROUGH 9
ARE RESERVED FOR FUTURE USE

Effective Date: 10/01/1997 Status: Effective
 FERC Docket: TM98-1-138-000

Second Revised Sheet No. 10 Second Revised Sheet No. 10 : Superseded
 Superseding: First Revised Sheet No. 10

STATEMENT OF RATES

Effective Rate Applicable to Rate Schedules
 Contained in this FERC Gas Tariff, First Volume No. 1
 (Rates in Dollars per MMBTU)

SALES RATE SCHEDULE:

The rates for Rate Schedule GSS - General Sales Service - are subject to negotiation as provided under the terms of the Rate Schedule, Service Agreement and the General Terms and Conditions of this FERC Gas Tariff.

TRANSPORTATION RATE SCHEDULE:

Rate Schedule	Base Rate	Effective Surcharges	Tariff Rate
FT-S - Canutillo and Anthony(4)			
Reservation (1) (2)	\$0.8400	\$0.0107	\$0.8507
Commodity (3)	\$0.0000	\$0.0022	\$0.0022
Minimum Rate (3)	\$0.0000	\$0.0022	\$0.0022
Retention Quantity	0.00%		
FT-DN - Del Norte			
Reservation (1) (2)	\$ N/A	\$ N/A	\$ N/A
Commodity (3)	\$ N/A	\$0.0022	\$ N/A
Minimum Rate (3)	\$ N/A	\$0.0022	\$ N/A
Retention Quantity	0.00%		
IT-S - Commodity:			
Maximum Rate	\$0.0280	\$0.0022	\$0.0302
Minimum Rate	\$0.0005	\$0.0022	\$0.0027
Retention Quantity	0.00%		

Effective Date: 10/01/1997 Status: Effective
FERC Docket: TM98-1-138-000

Second Revised Sheet No. 11 Second Revised Sheet No. 11 : Superseded
Superseding: First Revised Sheet No. 11

STATEMENT OF RATES
(continued)

IT-DN - Commodity:
Maximum Rate \$0.0260 \$0.0022 \$0.0282
Minimum Rate \$0.0005 \$0.0022 \$0.0027

Retention Quantity 0.00%

- (1) The minimum base rate for the Reservation Charge is \$0.0000
- (2) The surcharges may include GRI, Take-or-pay, and Transition Cost recovery. Transition Cost recovery included in these proforma tariffs does not include \$2,669,000 for potential system reinforcement costs necessary to eliminate the merchant function which may be collected at a later date. These costs are amortized over a six year period and allocated to the divisions based on plant investment.
- (3) The surcharges may include GRI, ACA, Take-or-pay, and Transition Cost recovery.

Effective Date: 04/01/1996 Status: Effective

FERC Docket: CP96- 81-007

Original Sheet No. 12 Original Sheet No. 12 : Superseded

SHEET NUMBERS 12 THROUGH 99
ARE RESERVED FOR FUTURE USE.

Effective Date: 04/01/1996 Status: Effective
FERC Docket: CP96- 81-007

Original Sheet No. 100 Original Sheet No. 100 : Superseded

RATE SCHEDULE GSS-S
MARKET-BASED GAS SALES SERVICE

1. AVAILABILITY:

This Rate Schedule is available for the purchase from Norteño Pipeline Company (hereinafter called "Norteño") of natural gas at Norteño's facilities by any purchaser (hereinafter called "Buyer") where:

- (a) sufficient gas supply exists to provide such service;
- (b) Buyer takes delivery of gas at such delivery points as may be agreed to from time to time and set out in the Service Agreement between Buyer and Norteño; and
- (c) Buyer has an executed Service Agreement with Norteño for service under this Rate Schedule.

2. APPLICABILITY AND CHARACTER OF SERVICE:

This Rate Schedule shall apply to gas delivered under the executed Service Agreement for service under this Rate Schedule, and shall be subject to the terms of this Rate schedule, the Service Agreement, and the General Terms and Conditions of Norteño's FERC Gas Tariff. Except for the adjustments to the General Terms and Conditions contained in the Service Agreement, if there are any inconsistencies or conflicts between this Rate Schedule, the Service Agreement, and the General Terms and Conditions, the General Terms and Conditions shall prevail.

Gas sales service rendered under this Rate Schedule shall consist solely of unbundled sales service in accordance with Seller's blanket sales certificate. The priority and other conditions of this gas sales service shall be those agreed to by Seller and Buyer and described in the Service Agreement.

Effective Date: 04/01/1996 Status: Effective

FERC Docket: CP96- 81-007

Original Sheet No. 101 Original Sheet No. 101 : Superseded

RATE SCHEDULE GSS-S
MARKET-BASED GAS SALES SERVICE

3. RATES:

The charge for natural gas delivered and gas service rendered during each monthly billing period shall be the amount in dollars negotiated between Seller and Buyer. The negotiated rate shall be inclusive of any charges or costs incurred by Seller in connection with the transportation of such gas to the delivery point(s).

4. MINIMUM BILL:

None.

5. HEAT CONTENT:

Refer to Section 7 of the General Terms and Conditions.

6. MEASUREMENT:

Refer to Section 3 of the General Terms and Conditions.

7. GENERAL TERMS AND CONDITIONS:

Except as otherwise expressly indicated in this Rate Schedule, all of NorteRo's General Terms and Conditions contained in this FERC Gas Tariff, including any modifications, additions or deletions thereto, are applicable to service rendered under this Rate Schedule and are hereby made a part hereof.

Effective Date: 04/01/1996 Status: Effective

FERC Docket: CP96- 81-007

Original Sheet No. 102 Original Sheet No. 102 : Superseded

RATE SCHEDULE GSS-DN
MARKET-BASED GAS SALES SERVICE

1. AVAILABILITY:

This Rate Schedule is available for the purchase from Norteño Pipeline Company (hereinafter called "Norteño") of natural gas at Norteño's facilities by any purchaser (hereinafter called "Buyer") where:

- (a) sufficient gas supply exists to provide such service;
- (b) Buyer takes delivery of gas at such delivery points as may be agreed to from time to time and set out in the Service Agreement between Buyer and Norteño; and
- (c) Buyer has an executed Service Agreement with Norteño for service under this Rate Schedule.

2. APPLICABILITY AND CHARACTER OF SERVICE:

This Rate Schedule shall apply to gas delivered under the executed Service Agreement for service under this Rate Schedule, and shall be subject to the terms of this Rate schedule, the Service Agreement, and the General Terms and Conditions of Norteño's FERC Gas Tariff. Except for the adjustments to the General Terms and Conditions contained in the Service Agreement, if there are any inconsistencies or conflicts between this Rate Schedule, the Service Agreement, and the General Terms and Conditions, the General Terms and Conditions shall prevail.

Gas sales service rendered under this Rate Schedule shall consist solely of unbundled sales service in accordance with Seller's blanket sales certificate. The priority and other conditions of this gas sales service shall be those agreed to by Seller and Buyer and described in the Service Agreement.

Effective Date: 04/01/1996 Status: Effective
FERC Docket: CP96- 81-007

Original Sheet No. 103 Original Sheet No. 103 : Superseded

RATE SCHEDULE GSS-DN
MARKET-BASED GAS SALES SERVICE

3. RATES:

The charge for natural gas delivered and gas service rendered during each monthly billing period shall be the amount in dollars negotiated between Seller and Buyer. The negotiated rate shall be inclusive of any charges or costs incurred by Seller in connection with the transportation of such gas to the delivery point(s).

4. MINIMUM BILL:

None.

5. HEAT CONTENT:

Refer to Section 7 of the General Terms and Conditions.

6. MEASUREMENT:

Refer to Section 3 of the General Terms and Conditions.

7. GENERAL TERMS AND CONDITIONS:

Except as otherwise expressly indicated in this Rate Schedule, all of Norteño's General Terms and Conditions contained in this FERC Gas Tariff, including any modifications, additions or deletions thereto, are applicable to service rendered under this Rate Schedule and are hereby made a part hereof.

Effective Date: 04/01/1996 Status: Effective

FERC Docket: CP96- 81-007

Original Sheet No. 104 Original Sheet No. 104 : Superseded

SHEET NUMBERS 104 THROUGH 109
ARE RESERVED FOR FUTURE USE.

Effective Date: 04/01/1996 Status: Effective
FERC Docket: CP96- 81-007

Original Sheet No. 110 Original Sheet No. 110 : Superseded

RATE SCHEDULE FT-S
FIRM TRANSPORTATION SERVICE - SOUTHERN DIVISION

1. AVAILABILITY:

- 1.1 This Rate Schedule is available for transportation of natural gas on a firm basis by Norteño Pipeline Company (hereinafter called "Norteño") in Norteño's Southern Division for any party (hereinafter called "Shipper"), under the following conditions:
- (a) Norteño determines that sufficient capacity is available on its system to provide requested firm transportation service;
 - (b) Shipper makes a valid request for service under Section 3.1 of this Rate Schedule;
 - (c) Shipper has executed an FT-S Service Agreement for firm transportation service under this Rate Schedule;
 - (d) Shipper has title to, or the good right to deliver the gas to Norteño for transportation under this Rate Schedule.
- 1.2 Norteño will make transportation available on a first-come, first-served basis to any Shipper willing to pay the maximum rates hereunder and in accordance with the General Terms and Conditions governing service hereunder as set forth from time to time in Norteño's FERC Gas Tariff.

Effective Date: 04/01/1996 Status: Effective
FERC Docket: CP96- 81-007

Original Sheet No. 111 Original Sheet No. 111 : Superseded

RATE SCHEDULE FT-S
FIRM TRANSPORTATION SERVICE - SOUTHERN DIVISION
(Continued)

2. APPLICABILITY AND CHARACTER OF SERVICE:

- 2.1 This Rate Schedule shall apply to the firm transportation of natural gas by Norteño pursuant to an FT-S Service Agreement executed by Norteño and Shipper providing for transportation service up to a Maximum Annual Transportation Quantity ("MATQ") and a Maximum Daily Transportation Quantity ("MDTQ"), and subject to the terms of this Rate Schedule, the FT-S Service Agreement and the General Terms and Conditions of Norteño's FERC Gas Tariff. Except for the adjustments to the General Terms and Conditions under Article IX of the Service Agreement, if there is any inconsistency between this Rate Schedule, the Service Agreement, and the General Terms and Conditions, the General Terms and Conditions shall prevail.
- 2.2 Service hereunder is provided pursuant to Part 284 of the Commission's Regulations.
- 2.3 Service hereunder shall consist of:
- (a) delivery by Shipper and receipt by Norteño of natural gas for Shipper's account at the Receipt Point(s) set forth in the FT-S Service Agreement;
 - (b) the transportation of said gas by Norteño; and
 - (c) the redelivery by Norteño to Shipper or for Shipper's account of quantities of natural gas at the Delivery Point(s) set forth in the FT-S Service Agreement.

Effective Date: 04/01/1996 Status: Effective
FERC Docket: CP96- 81-007

Original Sheet No. 112 Original Sheet No. 112 : Superseded

RATE SCHEDULE FT-S
FIRM TRANSPORTATION SERVICE - SOUTHERN DIVISION
(Continued)

2. APPLICABILITY AND CHARACTER OF SERVICE: (Continued)
 - 2.4 Norteño shall also receive at the Receipt Point(s), and retain, a portion of the volumes delivered by Shipper for transportation to reimburse Norteño for fuel usage and losses ("Retention Quantity"). Such volumes shall be equal to the quantity of gas delivered for transportation multiplied by the applicable Retention Quantity percentage set forth at Sheet No. 10 of Norteño's FERC Gas Tariff.
 - 2.5 Gas subject to transportation under this Rate Schedule shall not be subject to curtailment or interruption or discontinuance except such caused by Force Majeure or in accord with Section 14 of the General Terms and Conditions of Norteño's FERC Gas Tariff, and shall have priority of service over all deliveries made on an interruptible service basis.
 - 2.6 Priority of service and the allocation of capacity for service under this Rate Schedule are pursuant to Section 15 of the General Terms and Conditions of Norteño's FERC Gas Tariff.
3. REQUESTS FOR TRANSPORTATION SERVICE:
 - 3.1 All Shippers requesting firm transportation service must provide the information required on Norteño's Transportation Service Request Form which appears beginning at Tariff Sheet No. 378, in order to qualify for firm transportation service. No request for firm service will be entered on Norteño's log, as required by Section 284.13 of the Commission's Regulations, or scheduled for receipt and delivery until a completed Transportation Request Form has been provided to Norteño. A request for service shall

RATE SCHEDULE FT-S
FIRM TRANSPORTATION SERVICE - SOUTHERN DIVISION
(Continued)

3. REQUESTS FOR TRANSPORTATION SERVICE: (Continued)

be made no earlier than ninety days prior to the proposed commencement date of service and shall not be accepted unless firm capacity to render the service is available; provided, however, if facilities are required, the request may be made at an earlier date. All completed Transportation Request Forms are to be sent to:

Transportation and Exchange Services
Norteco Pipeline Company
504 Lavaca, Suite 950
Austin, TX 78701-2939

For Shipper's convenience, copies of the Transportation Request Form are available upon request from Norteco.

- 3.2 An FT-S Service Agreement shall be executed by Shipper and Norteco following Norteco's acceptance in writing of Shipper's request for service. In the event the FT-S Service Agreement is not executed by Shipper and returned within thirty days after Norteco tenders the Service Agreement, Norteco shall consider the request for service invalid.

4. DELIVERY AND RECEIPT POINTS:

- 4.1 Receipt Points: The Receipt Point(s) for all gas transported by Norteco under this Rate Schedule shall be at a mutually agreeable interconnection between Norteco's facilities and the facilities of Shipper or Shipper's designee.

Norteco shall not be required under any circumstances to receive gas at any Receipt Point where the total quantity of gas for Norteco's system supply and for transportation scheduled for receipt on any day is less than that required for the accurate measurement of quantities to be received. Norteco shall notify Shipper of the minimum volumes that can be metered at requested receipt and delivery points when service

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FERC Docket: CP96- 81-007

Original Sheet No. 114 Original Sheet No. 114 : Superseded

RATE SCHEDULE FT-S
FIRM TRANSPORTATION SERVICE - SOUTHERN DIVISION
(Continued)

agreements are executed. Norteño will notify Shipper if quantities of gas tendered are too small to be metered at the requested receipt or delivery points.

The minimum volumes that can be measured at requested receipt and delivery points shall be the minimum volumes nominated at such receipt and delivery points; and the provisions of Section 19 of the General Terms and Conditions shall apply to imbalances arising as the result of the difference between unmeasurable quantities (which shall be considered zero quantities) and minimum measurable quantities at requested receipt and delivery points.

4.2 Delivery Points: The Delivery Point(s) for all gas transported by Norteño under this Rate Schedule shall be at a mutually agreeable interconnection between Norteño's facilities and the facilities of Shipper or Shipper's designee.

5. RATES:

5.1 The applicable rates for service under this Rate Schedule are set forth on the currently effective Sheet No. 10 of this Tariff and are hereby incorporated herein.

Effective Date: 04/01/1996 Status: Effective
FERC Docket: CP96- 81-007

Original Sheet No. 115 Original Sheet No. 115 : Superseded

RATE SCHEDULE FT-S
FIRM TRANSPORTATION SERVICE - SOUTHERN DIVISION
(Continued)

5. RATES:

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

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

(a) Reservation Charge: An amount determined as the unit amount identified as the Reservation rate in dollars per MMBTU set forth from time to time on the currently effective Sheet No. 10 of this First Volume No. 1, which sheet is incorporated herein by reference, multiplied by Shipper's Maximum Daily Transportation Quantity, as stated in Shipper's FT-S Service Agreement.

(b) Commodity Charge: An amount determined as the Commodity rate in dollars per MMBTU set forth from time to time on the currently effective sheet No. 10 of this First Volume No. 1 multiplied by the quantity of gas transported to or for the account of Shipper by Norteño during the applicable Billing Month.

Effective Date: 04/01/1996 Status: Effective

FERC Docket: CP96- 81-007

Original Sheet No. 116 Original Sheet No. 116 : Superseded

RATE SCHEDULE FT-S
FIRM TRANSPORTATION SERVICE - SOUTHERN DIVISION
(Continued)

5. RATES:

- (c) Annual Charge Adjustment: The Annual Charge Adjustment Surcharge rate multiplied by the quantity of gas delivered to or for the account of Shipper by Norteño during the applicable Billing Month.
- (d) The Gas Research Institute (GRI) Surcharge: The GRI Surcharge, if applicable, multiplied by the quantity of gas delivered to or for the account of Shipper by Norteño during the applicable Billing Month.
- (e) Penalty Charges: Any Daily Scheduling Charges, Daily Balancing Charges, Unauthorized Receipt Charges, or Cumulative Monthly Balancing Charges, as defined in Section 19 of the General Terms and Conditions, or any Curtailment Over-Run Penalty, and defined in Section 15.5 of the General Terms & Conditions, applicable to Shipper during the applicable Billing Month.
- (f) Incidental Charges: Shipper shall reimburse Norteño for any incidental charges incurred by Norteño in providing this service. Such charges may include filing fees and, subject to agreement and approval by Shipper, costs of construction or acquisition of new facilities necessary to render service or such other charges as may be authorized by any regulatory agency having jurisdiction.

Effective Date: 04/01/1996 Status: Effective

FERC Docket: CP96- 81-007

Original Sheet No. 117 Original Sheet No. 117 : Superseded

RATE SCHEDULE FT-S
FIRM TRANSPORTATION SERVICE - SOUTHERN DIVISION
(Continued)

5. RATES:

5.4 For purposes of Section 5.3(f), the term "new facilities" is defined as facilities required for Norteño to either receive or deliver gas under this Rate Schedule and which facilities are not existing on the date Shipper executes an FT-S Service Agreement for service hereunder. Section 5.3(f) pertains to facilities at receipt and delivery points only. It is not intended to limit which party may own, operate, install, or pay for facilities upstream of a receipt point or downstream of a delivery point.

(a) New facilities may be installed by either Norteño or Shipper as follows:

- (1) Norteño will install, at its own expense, any new facilities which, based on Norteño's estimates, will generate annual revenues equal to or greater than the annual cost of service associated with such facilities. Revenues will be based on projected annual incremental volumes of throughput and peak usage for each year for the depreciable life of the facilities to be built or for the number of years under the initial term of the operable service agreement, whichever is shorter, and the currently effective rate for the service contemplated.
- (2) In calculating the incremental cost of service, Norteño shall utilize the methodologies for calculating cost of service which underlies its currently effective transportation rates.

RATE SCHEDULE FT-S
FIRM TRANSPORTATION SERVICE - SOUTHERN DIVISION
(Continued)

- (3) The projected costs and revenues in nominal dollars will be evaluated using a standard discounted cash flow analysis, with a discount rate equal to the most recently approved overall rate of return for Norteño. Norteño will undertake projects for which the internal rate of return is positive by greater than 3%.
 - (4) When Norteño has previously paid for all or a portion of delivery point facilities under this facilities reimbursement policy, Shipper shall, nevertheless, within thirty days after receipt of invoice prepared by Norteño, pay Norteño for Norteño's net book value of such facilities when either of the following events occurs: (1) When Norteño's ability to fully recover such costs is denied in any Section 4 or Section 5 rate proceeding, or (2) when Shipper ceases operations at the delivery point where the facilities were installed.
- (b) Any new facilities contemplated by Section 5.3(f) which do not meet the economic test of Section 5.4(a)(3) shall be installed by Norteño at Shipper's expense.
- (1) Norteño shall install, own, operate, and maintain all such equipment at Shipper's expense unless otherwise agreed to in writing by Norteño and Shipper. All such facilities owned and operated by Norteño must include any rights-of-way necessary to access facilities for inspection and maintenance. Any such facilities constructed by Shipper or Shipper's agent must be in accordance with Norteño's specifications. Norteño must approve design drawings and bills

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Original Sheet No. 119 Original Sheet No. 119 : Superseded

RATE SCHEDULE FT-S
FIRM TRANSPORTATION SERVICE - SOUTHERN DIVISION
(Continued)

of materials, and construction shall be subject to approval by Norteno's inspectors.

- (2) Shipper shall coordinate the construction of such facilities with Norteno so that Norteno may reasonably have inspectors at the site during construction. Shippers assume full responsibility and liability and agree to hold Norteno harmless from any liability of any nature arising from the installation of such facilities by Shipper, or Shipper's agents. It is the Shipper's responsibility to assure that all facilities installed and owned by Shipper or any other party upstream of a receipt point or downstream of a delivery point comply with all applicable governmental regulations and design requirements for their intended use (i.e., pressure, control, etc.).

- 5.5 Norteno may from time to time and at any time at its sole discretion charge any individual Shipper for transportation service under Rate Schedule FT-S a rate which is lower than the charge that would apply based on the maximum rates set forth on Sheet No. 10 or provided for in Section 5 herein; provided, however that such total charge may not be less than the charge based on the Minimum Rate set forth on Sheet No. 10 for Rate Schedule FT-S. If Norteno charges any Shipper a rate which is less than the Maximum Rate, Norteno shall file with the Commission any and all reports as required by the Commission's Regulations setting forth the applicable charge, the individual Shippers affected, the volume transported and any other information which may be required.

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FERC Docket: CP96- 81-007

Original Sheet No. 120 Original Sheet No. 120 : Superseded

RATE SCHEDULE FT-S
FIRM TRANSPORTATION SERVICE - SOUTHERN DIVISION
(Continued)

5.6 The Minimum Monthly Bill shall be the Reservation Charge applicable for the Billing Month.

6. GENERAL TERMS AND CONDITIONS:

Shipper shall provide Norteño with such information as is needed to meet the requirements placed on Norteño pursuant to 18 CFR Part 284. Except as otherwise expressly indicated in this Rate Schedule, all of Norteño's General Terms and Conditions contained in this FERC Gas Tariff, including any modifications, additions or deletions thereto, are incorporated as part of this Rate Schedule, and made applicable to all service rendered under this Rate Schedule.

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FERC Docket: CP96- 81-007

Original Sheet No. 121 Original Sheet No. 121 : Superseded

SHEET NUMBER 121
IS RESERVED FOR FUTURE USE.

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FERC Docket: CP96- 81-007

Original Sheet No. 122 Original Sheet No. 122 : Superseded

RATE SCHEDULE FT-DN
FIRM TRANSPORTATION SERVICE - DEL NORTE DIVISION

1. AVAILABILITY:

- 1.1 This Rate Schedule is available for transportation of natural gas on a firm basis by Norteño Pipeline Company (hereinafter called "Norteño") in Norteño's Del Norte Division for any party (hereinafter called "Shipper"), under the following conditions:
- (a) Norteño determines that sufficient capacity is available on its system to provide requested firm transportation service;
 - (b) Shipper makes a valid request for service under Section 3.1 of this Rate Schedule;
 - (c) Shipper has executed an FT-DN Service Agreement for firm transportation service under this Rate Schedule;
 - (d) Shipper has title to, or the good right to deliver the gas to Norteño for transportation under this Rate Schedule.
- 1.2 Norteño will make transportation available on a first-come, first-served basis to any Shipper willing to pay the maximum rates hereunder and in accordance with the General Terms and Conditions governing service hereunder as set forth from time to time in Norteño's FERC Gas Tariff.

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FERC Docket: CP96- 81-007

Original Sheet No. 123 Original Sheet No. 123 : Superseded

RATE SCHEDULE FT-DN
FIRM TRANSPORTATION SERVICE - DEL NORTE DIVISION
(Continued)

2. APPLICABILITY AND CHARACTER OF SERVICE:

- 2.1 This Rate Schedule shall apply to the firm transportation of natural gas by Norteño pursuant to an FT-DN Service Agreement executed by Norteño and Shipper providing for transportation service up to a Maximum Annual Transportation Quantity ("MATQ") and a Maximum Daily Transportation Quantity ("MDTQ"), and subject to the terms of this Rate Schedule, the FT-DN Service Agreement and the General Terms and Conditions of Norteño's FERC Gas Tariff. Except for the adjustments to the General Terms and Conditions under Article IX of the Service Agreement, if there is any inconsistency between this Rate Schedule, the Service Agreement, and the General Terms and Conditions, the General Terms and Conditions shall prevail.
- 2.2 Service hereunder is provided pursuant to Part 284 of the Commission's Regulations.
- 2.3 Service hereunder shall consist of:
- (a) delivery by Shipper and receipt by Norteño of natural gas for Shipper's account at the Receipt Point(s) set forth in the FT-DN Service Agreement;
 - (b) the transportation of said gas by Norteño;
and
 - (c) the redelivery by Norteño to Shipper or for Shipper's account of quantities of natural gas at the Delivery Point(s) set forth in the FT-DN Service Agreement.

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Original Sheet No. 124 Original Sheet No. 124 : Superseded

RATE SCHEDULE FT-DN
FIRM TRANSPORTATION SERVICE - DEL NORTE DIVISION
(Continued)

2. APPLICABILITY AND CHARACTER OF SERVICE: (Continued)
 - 2.4 Norteño shall also receive at the Receipt Point(s), and retain, a portion of the volumes delivered by Shipper for transportation to reimburse Norteño for fuel usage and losses ("Retention Quantity"). Such volumes shall be equal to the quantity of gas delivered for transportation multiplied by the applicable Retention Quantity percentage set forth at Sheet No. 10 of Norteño's FERC Gas Tariff.
 - 2.5 Gas subject to transportation under this Rate Schedule shall not be subject to curtailment or interruption or discontinuance except such caused by Force Majeure or in accord with Section 14 of the General Terms and Conditions of Norteño's FERC Gas Tariff, and shall have priority of service over all deliveries made on an interruptible service basis.
 - 2.6 Priority of service and the allocation of capacity for service under this Rate Schedule are pursuant to Section 15 of the General Terms and Conditions of Norteño's FERC Gas Tariff.

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FERC Docket: CP96- 81-007

Original Sheet No. 125 Original Sheet No. 125 : Superseded

RATE SCHEDULE FT-DN
FIRM TRANSPORTATION SERVICE - DEL NORTE DIVISION
(Continued)

3. REQUESTS FOR TRANSPORTATION SERVICE:

3.1 All Shippers requesting firm transportation service must provide the information required on Norteño's Transportation Service Request Form which appears beginning at Tariff Sheet No. 378, in order to qualify for firm transportation service. No request for firm service will be entered on Norteño's log, as required by Section 284.13 of the Commission's Regulations, or scheduled for receipt and delivery until a completed Transportation Request Form has been provided to Norteño. A request for service shall be made no earlier than ninety days prior to the proposed commencement date of service and shall not be accepted unless firm capacity to render the service is available; provided, however, if facilities are required, the request may be made at an earlier date. All completed Transportation Request Forms are to be sent to:

Transportation and Exchange Services
Norteño Pipeline Company
504 Lavaca, Suite 950
Austin, TX 78701-2939

For Shipper's convenience, copies of the Transportation Request Form are available upon request from Norteño.

3.2 An FT-DN Service Agreement shall be executed by Shipper and Norteño following Norteño's acceptance in writing of Shipper's request for service. In the event the FT-DN Service Agreement is not executed by Shipper and returned within thirty days after Norteño tenders the Service Agreement, Norteño shall consider the request for service invalid.

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FERC Docket: CP96- 81-007

Original Sheet No. 126 Original Sheet No. 126 : Superseded

RATE SCHEDULE FT-DN
FIRM TRANSPORTATION SERVICE - DEL NORTE DIVISION
(Continued)

4. DELIVERY AND RECEIPT POINTS:

4.1 Receipt Points: The Receipt Point(s) for all gas transported by Norteño under this Rate Schedule shall be at a mutually agreeable interconnection between Norteño's facilities and the facilities of Shipper or Shipper's designee.

Norteño shall not be required under any circumstances to receive gas at any Receipt Point where the total quantity of gas for Norteño's system supply and for transportation scheduled for receipt on any day is less than that required for the accurate measurement of quantities to be received. Norteño shall notify Shipper of the minimum volumes that can be metered at requested receipt and delivery points when service agreements are executed. Norteño will notify Shipper if quantities of gas tendered are too small to be metered at the requested receipt or delivery points.

The minimum volumes that can be measured at requested receipt and delivery points shall be the minimum volumes nominated at such receipt and delivery points; and the provisions of Section 19 of the General Terms and Conditions shall apply to imbalances arising as the result of the difference between unmeasurable quantities (which shall be considered zero quantities) and minimum measurable quantities at requested receipt and delivery points.

4.2 Delivery Points: The Delivery Point(s) for all gas transported by Norteño under this Rate Schedule shall be at a mutually agreeable interconnection between Norteño's facilities and the facilities of Shipper or Shipper's designee.

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Original Sheet No. 127 Original Sheet No. 127 : Superseded

RATE SCHEDULE FT-DN
FIRM TRANSPORTATION SERVICE - DEL NORTE DIVISION
(Continued)

5. RATES:

- 5.1 The applicable rates for service under this Rate Schedule are set forth on the currently effective Sheet No. 11 of this Tariff and are hereby incorporated herein.
- 5.2 Norteño shall have the unilateral right to file with the appropriate regulatory authority and make changes authorized by such authority in (a) the rates and charges applicable to its Rate Schedule FT-DN, (b) Rate Schedule FT-DN pursuant to which this service is rendered; provided, however that the firm character of service shall not be subject to change hereunder, or (c) any provisions of the General Terms and Conditions applicable to Rate Schedule FT-DN . Norteño agrees that Shipper may protest or contest the aforementioned filings, or seek authorization from duly constituted regulatory authorities for such adjustment of Norteño's existing FERC Gas Tariff as may be found necessary in order to assure that the provisions in (a), (b) or (c) above are just and reasonable.
- 5.3 For all natural gas service rendered hereunder, Shipper shall pay Norteño each month the sum of the charges listed below, if applicable:
 - (a) Reservation Charge: An amount determined as the unit amount identified as the Reservation rate in dollars per MMBTU set forth from time to time on the currently effective Sheet No. 10 of this First Volume No. 1, or superseding tariff, which sheet is incorporated hereinby reference, multiplied by Shipper's Maximum Daily Transportation Quantity, as stated in Shipper's FT-DN Service Agreement.

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Original Sheet No. 128 Original Sheet No. 128 : Superseded

RATE SCHEDULE FT-DN
FIRM TRANSPORTATION SERVICE - DEL NORTE DIVISION
(Continued)

5. RATES:

- (b) Commodity Charge: multiplied by the quantity of gas transported to or for the account of Shipper by Norteño during the applicable Billing Month.
- (c) Annual Charge Adjustment: The Annual Charge Adjustment unit rate multiplied by the quantity of gas delivered to or for the account of Shipper of Norteño during the applicable Billing Month.
- (d) The Gas Research Institute (GRI) Surcharge: The GRI Surcharge, if applicable, multiplied by the quantity of gas delivered to or for the account of Shipper by Norteño during the applicable Billing Month.
- (e) Penalty Charges: Any Daily Scheduling Charges, Daily Balancing Charges, Unauthorized Receipt Charges, or Cumulative Monthly Balancing Charges, as defined in Section 19 of the General Terms and Conditions, or any Curtailment Over-Run Penalty, and defined in Section 15.5 of the General Terms & Conditions, applicable to Shipper during the applicable Billing Month.
- (f) Incidental Charges: Shipper shall reimburse Norteño for any incidental charges incurred by Norteño in providing this service. Such charges may include filing fees and, subject to agreement and approval by Shipper, costs of construction or acquisition of new facilities necessary to render service or such other charges as may be authorized by any regulatory agency having jurisdiction.

RATE SCHEDULE FT-DN
FIRM TRANSPORTATION SERVICE - DEL NORTE DIVISION
(Continued)

5. RATES:

5.4 For purposes of Section 5.3(f), the term "new facilities" is defined as facilities required for Norteño to either receive or deliver gas under this Rate Schedule and which facilities are not existing on the date Shipper executes an FT-DN Service Agreement for service hereunder. Section 5.3(f) pertains to facilities at receipt and delivery points only. It is not intended to limit which party may own, operate, install, or pay for facilities upstream of a receipt point or downstream of a delivery point.

(a) New facilities may be installed by either Norteño or Shipper as follows:

- (1) Norteño will install, at its own expense, any new facilities which, based on Norteño's estimates, will generate annual revenues equal to or greater than the annual cost of service associated with such facilities. Revenues will be based on projected annual incremental volumes of throughput and peak usage for each year for the depreciable life of the facilities to be built or for the number of years under the initial term of the operable service agreement, whichever is shorter, and the currently effective rate for the service contemplated.
- (2) In calculating the incremental cost of service, Norteño shall utilize the methodologies for calculating cost of service which underlies its currently effective transportation rates.

RATE SCHEDULE FT-DN
FIRM TRANSPORTATION SERVICE - DEL NORTE DIVISION
(Continued)

- (3) The projected costs and revenues in nominal dollars will be evaluated using a standard discounted cash flow analysis, with a discount rate equal to the most recently approved overall rate of return for Norteño. Norteño will undertake projects for which the internal rate of return is positive by greater than 3%.
 - (4) When Norteño has previously paid for all or a portion of delivery point facilities under this facilities reimbursement policy, Shipper shall, nevertheless, within thirty days after receipt of invoice prepared by Norteño, pay Norteño for Norteño's net book value of such facilities when either of the following events occurs: (1) When Norteño's ability to fully recover such costs is denied in any Section 4 or Section 5 rate proceeding, or (2) when Shipper ceases operations at the delivery point where the facilities were installed.
- (b) Any new facilities contemplated by Section 5.3(f) which do not meet the economic test of Section 5.4(a)(3) shall be installed by Norteño at Shipper's expense.
- (1) Norteño shall install, own, operate, and maintain all such equipment at Shipper's expense unless otherwise agreed to in writing by Norteño and Shipper. All such facilities owned and operated by Norteño must include any rights-of-way necessary to access facilities for inspection and maintenance. Any such facilities constructed by Shipper or Shipper's agent must be in accordance

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Original Sheet No. 131 Original Sheet No. 131 : Superseded

RATE SCHEDULE FT-DN
FIRM TRANSPORTATION SERVICE - DEL NORTE DIVISION
(Continued)

with Norte's specifications. Norte must approve design drawings and bills of materials, and construction shall be subject to approval by Norte's inspectors.

- (2) Shipper shall coordinate the construction of such facilities with Norte so that Norte may reasonably have inspectors at the site during construction. Shippers assume full responsibility and liability and agree to hold Norte harmless from any liability of any nature arising from the installation of such facilities by Shipper, or Shipper's agents. It is the Shipper's responsibility to assure that all facilities installed and owned by Shipper or any other party upstream of a receipt point or downstream of a delivery point comply with all applicable governmental regulations and design requirements for their intended use (i.e., pressure, control, etc.).

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Original Sheet No. 132 Original Sheet No. 132 : Superseded

RATE SCHEDULE FT-DN
FIRM TRANSPORTATION SERVICE - DEL NORTE DIVISION
(Continued)

- 5.5 Norteño may from time to time and at any time at its sole discretion charge any individual Shipper for transportation service under Rate Schedule FT-S a rate which is lower than the charge that would apply based on the maximum rates set forth on Sheet No. 10 or provided for in Section 5 herein; provided, however that such total charge may not be less than the charge based on the Minimum Rate set forth on Sheet No. 10 for Rate Schedule FT-DN. If Norteño charges any Shipper a rate which is less than the Maximum Rate, Norteño shall file with the Commission any and all reports as required by the Commission's Regulations setting forth the applicable charge, the individual Shippers affected, the volume transported and any other information which may be required.
- 5.6 The Minimum Monthly Bill shall be the Reservation Charge applicable for the Billing Month.

6. GENERAL TERMS AND CONDITIONS:

Shipper shall provide Norteño with such information as is needed to meet the requirements placed on Norteño pursuant to 18 CFR Part 284. Except as otherwise expressly indicated in this Rate Schedule, all of Norteño's General terms and conditions contained in this FERC Gas Tariff, including any modifications, additions or deletions thereto, are incorporated as part of this Rate Schedule, and made applicable to all service rendered under this Rate Schedule.

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Original Sheet No. 133 Original Sheet No. 133 : Superseded

SHEET NUMBERS 133 THROUGH 154
ARE RESERVED FOR FUTURE USE

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Original Sheet No. 155 Original Sheet No. 155 : Superseded

RATE SCHEDULE RCS
FIRM TRANSPORTATION SERVICE - RELEASED CAPACITY

1. PURPOSE:

This Rate Schedule sets forth the terms and conditions applicable to the implementation of a Capacity Release Program hereinafter referred to as "Released Capacity Service" by Norteño on its system.

2. APPLICABILITY:

This Released Capacity Service is applicable to any Shipper who has an executed Part 284 firm transportation Service Agreement pursuant to Norteño's Transportation Rate Schedules FT-S, or FT-DN contained in this First Volume No. 1 Tariff or a Released Capacity Service Agreement pursuant to this Rate Schedule, who elects to release, subject to the terms of this Rate Schedule, all or a portion of its firm transportation rights. Any firm Shipper shall have the right to release all or any portion of its firm capacity rights held under a firm transportation Service Agreement or a Released Capacity Service Agreement; provided, however, that the capacity released is acquired by a Replacement Shipper pursuant to the provisions of this Rate Schedule.

3. DEFINITIONS:

For purposes of this Released Capacity Service Rate Schedule RCS, the following definitions shall apply:

- (a) Releasing Shipper - any Shipper holding firm capacity rights under a Part 284 firm transportation Service Agreement pursuant to Rate Schedules FT-S, or FT-DN or a Released Capacity Service Agreement, who elects to release all or some portion of its firm capacity rights to another Shipper pursuant to this Rate Schedule.
- (b) Bidding Shipper - any Shipper who is approved by Norteño to bid for released capacity, or who is a party to a pre-arranged release, pursuant to this Rate Schedule.

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Original Sheet No. 156 Original Sheet No. 156 : Superseded

RATE SCHEDULE RCS
FIRM TRANSPORTATION SERVICE - RELEASED CAPACITY
(continued)

- (c) Replacement Shipper - any Shipper who acquires released firm capacity rights from a Releasing Shipper pursuant to this Rate Schedule.
- (d) Released Capacity - firm capacity rights held under a firm transportation Service Agreement pursuant to Rate Schedules FT-S or FT-DN released by a Releasing Shipper and acquired by a Replacement Shipper pursuant to this Rate Schedule. Released Capacity will be scheduled as firm capacity by Norteño, and is subject to interruption solely by the Releasing Shipper pursuant to the recall terms of the release, if any.
- (e) Released Capacity Service Agreement - a Service Agreement between Norteño and a Replacement Shipper setting forth the rates and the terms and conditions of firm transportation service using the Released Capacity acquired pursuant to this Rate Schedule.

4. NOTICE BY SHIPPER ELECTING TO RELEASE CAPACITY:

A Releasing Shipper shall deliver a Capacity Release Notice to Norteño for posting on the Electronic Bulletin Board that it elects to release firm capacity, setting forth the following:

- (a) Releasing Shipper's legal name, Service Agreement number, and the name, title and telephone number of the individual responsible for authorizing the release of capacity;
- (b) the maximum and minimum quantities of daily firm capacity which the Releasing Shipper elects to release, stated in MMBTUs;
- (c) the Receipt and Delivery Points at which the capacity is being released, and the firm capacity to be released at each such point;
- (d) the effective date and the maximum and minimum period for the capacity to be released;

RATE SCHEDULE RCS
FIRM TRANSPORTATION SERVICE - RELEASED CAPACITY
(continued)

- (e) whether the capacity is subject to recall by the Releasing Shipper, and the terms under which the capacity may be recalled;
- (f) the maximum and minimum rates at which the Releasing Shipper is willing to accept a bid for the Released Capacity;
- (g) the objective criteria under which the bids for the Released Capacity will be evaluated; and
- (h) any other applicable conditions of the release, including whether the Bidding Shipper must comply with the Releasing Shipper's creditworthiness requirements in addition to the Releasing Shipper's requirements.

A Releasing Shipper must specify in its Capacity Release Notice any minimum requirements that a bid must meet to be accepted. Once a valid bid is submitted that satisfies those minimum conditions, if any, the Releasing Shipper may only withdraw its offer to release capacity where it has an unanticipated need for the capacity. However, so long as no valid bid has been submitted that meets its minimum conditions a Releasing Shipper may withdraw its offer to release capacity submitted under the terms of this Rate Schedule at any time prior to the expiration of the posting period as defined in Section 6 of this Rate Schedule. A Releasing Shipper is not obligated to accept any bid that does not meet the minimum requirements of its Capacity Release Notice. A Releasing Shipper may retain the right to recall its capacity under the terms of its Capacity Release Notice.

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Original Sheet No. 158 Original Sheet No. 158 : Superseded

RATE SCHEDULE RCS
FIRM TRANSPORTATION SERVICE - RELEASED CAPACITY
(continued)

5. NOTICE BY SHIPPER OF PRE-ARRANGED RELEASE:

A Releasing Shipper shall deliver a Capacity Release Notice to Norteño for posting on the Electronic Bulletin Board that it has a pre-arranged release, setting forth the following:

- (a) Releasing Shipper's legal name, Service Agreement number, and the name, title and telephone number of the individual responsible for authorizing the release of capacity;
- (b) the legal name of the Bidding Shipper that is party to the pre-arranged release;
- (c) the daily firm capacity to be released, stated in MMBTUs;
- (d) the Receipt and Delivery Points at which the capacity is being released, and the firm capacity to be released at each such point;
- (e) the effective date and the period for the capacity to be released;
- (f) whether the capacity is subject to recall by the Releasing Shipper, and the terms under which the capacity may be recalled;
- (g) the reservation and commodity rates the Bidding Shipper has agreed to pay for the Released Capacity;
- (h) any other applicable conditions of the release, including whether the Bidding Shipper has complied with Norteño's creditworthiness requirements; and
- (i) whether the Bidding Shipper is an affiliate of the Releasing Shipper or of Norteño.

RATE SCHEDULE RCS
FIRM TRANSPORTATION SERVICE - RELEASED CAPACITY
(continued)

6. POSTING OF RELEASED CAPACITY:

Any Capacity Release Notice received by Norteño pursuant to Sections 4 or 5 of this Rate Schedule shall be posted by Norteño on its Electronic Bulletin Board in accordance with the following criteria:

- (a) A pre-arranged release at Norteño's maximum tariff rates applicable to the Transportation Rate Schedule FT-S or FT-DN under which the capacity is being released shall not be posted for bidding; however it shall be posted for information purposes within 48 hours after the effective date of the release.
- (b) A pre-arranged release for a period of less than 31 days shall not be posted for bidding; however it shall be posted for information purposes within 48 hours after the effective date of the release.
- (c) For capacity to be released for a term not exceeding six (6) months, the notice shall be posted at least forty eight (48) hours prior to the effective date of the release for a period of twenty-four (24) hours.
- (d) For capacity to be released for a term longer than six (6) months, the notice shall be posted at least twenty-eight (28) days prior to the effective date of the release for a period of fourteen (14) days.
- (e) With respect to any notice of a pre-arranged release which has been posted for bidding, if the posting results in a better offer than the pre-arranged bidder shall have two (2) business days after notification of such better offer in which to match such better offer. A pre-arranged bidder matching the better offer shall be awarded the Released Capacity.

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RATE SCHEDULE RCS
FIRM TRANSPORTATION SERVICE - RELEASED CAPACITY
(continued)

- (f) With respect to any notice of a pre-arranged release for a period of less than 31 days, a firm shipper may not extend or roll-over such release without posting for bids in accordance with Section 6(c) of this Rate Schedule, and may not re-release to the same replacement shipper until twenty-eight days after the first release period has ended, unless the release is at Norteo's maximum tariff rates applicable to the Transportation Rate Schedule under which the capacity is being released.

7. QUALIFICATION TO PARTICIPATE AS A BIDDING SHIPPER:

Any party wishing to become a Bidding Shipper and participate in Norteo's Released Capacity Service under this Rate Schedule must submit a valid Released Capacity Service Request Form and satisfy the creditworthiness requirements of Norteo's FERC Gas Tariff applicable to transportation service. Such a party may not bid on released capacity without first satisfying the creditworthiness requirements and receiving notice from Norteo of its approval as a Bidding Shipper and its level of creditworthiness. A Bidding Shipper may not bid for quantities of released capacity in excess of its approved creditworthiness. Continued violation by a Bidding Shipper of the terms of this Section 7 or any other terms and conditions of this Rate Schedule after written notice from Norteo will result in suspension of such Shipper's qualification as a Bidding Shipper for a period of one (1) year.

The form to be used for making requests for Released Capacity Service is set forth in these General Terms and Conditions, beginning at Sheet No. 225, and is available from Norteo upon request.

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RATE SCHEDULE RCS
FIRM TRANSPORTATION SERVICE - RELEASED CAPACITY
(continued)

8. BIDS FOR RELEASED CAPACITY:

A bid for Released Capacity may be submitted by a Bidding Shipper to Norteño at any time during the posting period for a release of firm capacity. Each bid for Released Capacity must include the following:

- (a) the Bidding Shipper's legal name, address, and the name, title and telephone number of the individual responsible for authorizing the bid;
- (b) the legal name and Service Agreement number of the Releasing Shipper whose released capacity is being bid for;
- (c) the quantity of daily firm capacity being bid for, stated in MMBTUs;
- (d) the Receipt and Delivery Points, and firm capacity at each such point, being bid for;
- (e) the effective date and period of release being bid for;
- (f) the reservation and commodity rates Bidding Shipper is willing to pay;
- (g) any other applicable conditions of the bid; and
- (h) whether the Bidding Shipper is an affiliate of the Releasing Shipper or of Norteño.

A Bidding Shipper may withdraw its bid at any time prior to the expiration of the bidding period. Any Bidding Shipper that withdraws a bid may not subsequently submit a lower bid for that Released Capacity. Any bid for Released Capacity not withdrawn as provided herein shall be binding on the Bidding Shipper. All qualified bids for Released Capacity, but not the names of Bidding Shippers, will be posted on the Electronic Bulletin Board.

RATE SCHEDULE RCS
FIRM TRANSPORTATION SERVICE - RELEASED CAPACITY
(continued)

9. AWARDING OF RELEASED CAPACITY:

Released Capacity shall be awarded to a Bidding Shipper in accordance with the following:

- (a) If the bid is to acquire all or a portion of the Released Capacity at the maximum rates and term, and upon all of the conditions specified in the Capacity Release Notice, then the quantity of Released Capacity bid for will be awarded to the submitting Bidding Shipper. If more than one such bid is received, and the aggregate capacity bid for is in excess of the capacity to be released, then capacity shall be awarded by lottery until all Released Capacity is awarded to Bidding Shippers. A Bidding Shipper may reject an award of a lesser quality of Released Capacity than it bid for. The Releasing Shipper shall not be entitled to reject any bid selected as set forth herein.
- (b) If bids are at less than the maximum rates or term, or do not meet all of the other conditions specified in the Capacity Release Notice, then the bids shall be subject to meeting the minimum conditions specified in the Capacity Release Notice. Release Capacity will be awarded to the Bidding Shipper(s) submitting the best offer(s) according to the terms specified by the Releasing Shipper in its Notice, or, in the absence of such specified terms, the following:

Net Present Value - the calculation of the net present value of the reservation charge, as follows:

$$NPV = R \times C \frac{1 - (1 + I)^{-n}}{I}$$

where: NPV = Net Present Value
R = Reservation Charge bid
C = Capacity, stated in MMBTU
I = Commission interest rate
n = exponent signifying term of release, in months.

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RATE SCHEDULE RCS
FIRM TRANSPORTATION SERVICE - RELEASED CAPACITY
(continued)

If more than one bid has the same value as determined pursuant to the terms of determining the best offer set forth herein, then Released Capacity shall be awarded to Bidding Shipper(s) on the basis of the tie-breaking method designated by the Releasing Shipper in its Capacity Release Notice, or in the absence of such designation, by means of a lottery, until all the Released Capacity is awarded to Bidding Shippers. A Bidding Shipper may reject an award of a lesser quantity of Released Capacity than it bid for. The Releasing Shipper shall not be entitled to reject any bid selected as set forth herein.

- (c) In no event will an award of Released Capacity be made for a period exceeding the term of the Releasing Shipper's Transportation Service Agreement, or a period of less than one (1) gas flow Day as defined in the General Terms and Conditions.
- (d) Norteño shall select the Bidding Shipper that is to be awarded the Released Capacity in accordance with the criteria set forth in this Section 9. Norteño shall notify the Releasing Shipper of the selection, and the Releasing Shipper shall have one (1) business day from receipt of notice to notify Norteño if the Releasing Shipper has any reason to believe that the selected Replacement Shipper should not be awarded the capacity. Upon receipt of such notice, Norteño shall evaluate the concerns of the Releasing Shipper, selecting another Replacement Shipper that meets the selection criteria. If Norteño receives no notice from the Releasing Shipper within one business day from its receipt of notice of the selection of the Replacement Shipper, Norteño shall award the Released Capacity. Norteño shall not be liable to Releasing Shipper for any damages, liability, lawsuits, or other harmful consequences resulting from the selection of a Replacement Shipper.

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Original Sheet No. 164 Original Sheet No. 164 : Superseded

RATE SCHEDULE RCS
FIRM TRANSPORTATION SERVICE - RELEASED CAPACITY
(continued)

- (e) Within 48 hours of commencing firm transportation service to a Replacement Shipper pursuant to this Rate Schedule, Norteño will post on its Electronic Bulletin Board all of the information applicable to the Released Capacity transaction, and will maintain such posting for the lesser of (i) a period of seven (7) days, or (ii) the term of the release.

10. EXECUTION OF SERVICE AGREEMENTS OR AMENDMENTS:

- (a) The Bidding Shipper obtaining Released Capacity shall execute a Released Capacity Service Agreement with Norteño in the form set forth in this FERC Gas Tariff within seven (7) days of notification of award of the Released Capacity by Norteño. Firm transportation service will not be provided prior to execution of such Service Agreement, and the award of Released Capacity may be terminated if an executed Service Agreement is not submitted by the Bidding Shipper to Norteño as specified hereinabove. Upon Norteño's acceptance of the executed Released Capacity Service Agreement, the Bidding Shipper becomes a Replacement Shipper.

RATE SCHEDULE RCS
FIRM TRANSPORTATION SERVICE - RELEASED CAPACITY
(continued)

- (b) If firm capacity has been released for the entire remaining term of the Releasing Shipper's firm Transportation Service Agreement under Rate Schedules FT-S or FT-DN then the Releasing Shipper may request that Norteño amend its Transportation Service Agreement to reflect the permanent release of capacity. Such amendment may be conditioned on exit fees or other terms and conditions, and, absent the agreement of Norteño to amend the Transportation Service Agreement, the Releasing Shipper shall remain liable for payment of the Reservation Charges applicable to the Released Capacity. In the event that the Releasing Shipper's Transportation Service Agreement is amended to reflect the Released Capacity, Norteño shall enter into a Transportation Service Agreement under Rate Schedules FT-S and/or FT-DN as applicable, with the Replacement Shipper in the form prescribed by this FERC Gas Tariff, but containing the rates and terms and conditions established for the Released Capacity pursuant to this Rate Schedule.

11. NOTICE OF OFFER TO ACQUIRE FIRM CAPACITY:

- (a) In the event a Bidding Shipper elects to make known its desire to acquire firm capacity on Norteño's system, such Bidding Shipper shall deliver notice to Norteño for posting on its Electronic Bulletin Board of such election, setting forth the following:
 - (i) Bidding Shipper's legal name and address, and the name, title and telephone number of the individual responsible for authorizing the offer to acquire capacity;
 - (ii) the quantity of daily firm capacity desired;
 - (iii) the Receipt and Delivery Points at which the capacity is desired, and the amount of firm capacity at each point;

RATE SCHEDULE RCS
FIRM TRANSPORTATION SERVICE - RELEASED CAPACITY
(continued)

- (iv) the effective date and term for the capacity desired;
 - (v) whether the Bidding Shipper is willing to accept the capacity subject to recall, and the terms under which the capacity may be recalled;
 - (vi) the rates which the Bidding Shipper is willing to pay for the desired capacity;
 - (vii) any other applicable conditions of the offer; and
 - (viii) whether the Bidding Shipper is an affiliate of Norteño.
- (b) Any potential Releasing Shipper must communicate directly with the offering Bidding Shipper regarding the rates and terms and conditions of any Released Capacity, and may not rely on Norteño to act as an intermediary. However, any subsequent election to release capacity or pre-arranged release must be submitted to Norteño for posting in accordance with this Rate Schedule.

12. RATES AND FEES:

- (a) Transportation Rates - the Reservation and Commodity Charges for any Released Capacity may not be greater than the maximum nor less than the minimum tariff rates applicable to the Rate Schedule pursuant to which the capacity is being released, inclusive of all applicable reservation and commodity surcharges and fees.

If a Releasing Shipper specifies in its Capacity Release Notice that it will accept volumetric bids, the maximum volumetric rate(s) per MMBtu shall be equal to the maximum tariff reservation rate, inclusive of all applicable surcharges and

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RATE SCHEDULE RCS
FIRM TRANSPORTATION SERVICE - RELEASED CAPACITY
(continued)

fees, under the Rate Schedule applicable to the Releasing Shipper divided by 30.4167 (12 months divided by 365 days).

13. BILLING:

- (a) Norteño shall bill the Replacement Shipper the rate(s) specified in the Released Capacity Service Agreement and any other applicable charges, and such Replacement Shipper shall pay the billed amounts directly to Norteño.
- (b) Norteño shall bill the Releasing Shipper the Reservation Charge, inclusive of any applicable reservation surcharges and fees, associated with the Released Capacity pursuant to its applicable contract or tariff rate(s), with a concurrent credit for any Reservation Charge billed to the Replacement Shipper pursuant to its Released Capacity Service Agreement. In the event that the Replacement Shipper does not make payment to Norteño of the Reservation Charges due as set forth in its Released Capacity Service Agreement in accordance with the General Terms and Conditions of this FERC Gas Tariff and the terms of this Rate Schedule, then Norteño shall notify the Releasing Shipper of the amount due, and such amount shall be paid to Norteño by the Releasing Shipper within five (5) days of such notice. In addition, Norteño shall bill the Releasing Shipper any other charges or fees applicable under this Rate Schedule.

14. TERMS AND CONDITIONS OF SERVICE:

- (a) By executing a Released Capacity Service Agreement, Replacement Shipper agrees that it will comply with all terms and conditions of this FERC Gas Tariff applicable to the Firm Transportation Released Capacity Service provided by Norteño.

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Original Sheet No. 168 Original Sheet No. 168 : Superseded

RATE SCHEDULE RCS
FIRM TRANSPORTATION SERVICE - RELEASED CAPACITY
(continued)

- (b) Service provided pursuant to this Rate Schedule is subject to the General Terms and Conditions of this FERC Gas Tariff including the Transportation Rate Schedules, the terms of the Transportation Service Agreement applicable to the Releasing Shipper, and the Released Capacity Service Agreement. If there is any inconsistency between the Rate Schedules, the Service Agreements and the General Terms and Conditions, the most restrictive terms and conditions will prevail.
- (c) If the Released Capacity Service Agreement includes the right for the Releasing Shipper to recall the Released Capacity, the Releasing Shipper shall give to the Replacement Shipper notice of any recall or return of recalled capacity no less than twenty-four (24) hours prior to the gas-flow Day for which the recall or return of recalled capacity is to take effect.
- (d) The Releasing Shipper shall continue to be responsible and liable for all Reservation Charges, including reservation surcharges and fees, associated with the Released Capacity. Re-release by Replacement Shipper shall not relieve the original Releasing Shipper or any subsequent Releasing Shipper of its obligations under this Rate Schedule. In the event that a re-release occurs and the Replacement Shipper fails to pay all Reservation Charges, the original Releasing Shipper and all subsequent Releasing Shippers shall be liable for the Reservation Charges.

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Original Sheet No. 169 Original Sheet No. 169 : Superseded

RATE SCHEDULE RCS
FIRM TRANSPORTATION SERVICE - RELEASED CAPACITY
(continued)

15. TERMINATION OF SERVICE:

- (a) Notwithstanding the term set forth in a Released Capacity Service Agreement, Norteño shall have the right to terminate service pursuant to this Rate Schedule and terminate the release of capacity, and Releasing Shipper shall have the right to permanently recall Released Capacity irrespective of its recall rights, in the event that a Replacement Shipper fails to comply with the terms and conditions applicable to Released Capacity Service and/or fails to pay Norteño when due amounts owed for service provided pursuant to this Rate Schedule, at any time after Norteño has given written notice to the Releasing Shipper and Replacement Shipper of the Releasing Shipper's failure to comply or pay. If such failure to comply or pay is subject to dispute in good faith, then the provisions applicable to such disputes contained in the General Terms and Conditions of this FERC Gas Tariff shall apply.
- (b) Termination of a Released Capacity Service Agreement shall not relieve the Replacement Shipper of the obligation to pay amounts due to Norteño for services rendered, including surcharges, fees, penalties and amounts related to gas imbalances. Accordingly, the obligation to make payment for services rendered under this Rate Schedule shall survive termination of the Service Agreement until all amounts due hereunder have been paid in full.

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Original Sheet No. 170 Original Sheet No. 170 : Superseded

SHEET NUMBERS 170 THROUGH 177
ARE RESERVED FOR FUTURE USE

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Original Sheet No. 178 Original Sheet No. 178 : Superseded

RATE SCHEDULE IT-S
INTERRUPTIBLE TRANSPORTATION SERVICE - SOUTHERN DIVISION

1. AVAILABILITY:

- 1.1 This Rate Schedule is available for transportation of natural gas on an interruptible basis by Norteño Pipeline Company (hereinafter called "Norteño") in Norteño's Southern Division for any party (hereinafter called "Shipper"), under the following conditions:
 - (a) Shipper makes a valid request for service under Section 3.1 of this Rate Schedule;
 - (b) Shipper has executed an IT-S Service Agreement for interruptible transportation service under this Rate Schedule;
 - (c) Shipper has title to, or the good right to deliver the gas to Norteño for transportation under this Rate Schedule.
- 1.2 Norteño will make transportation hereunder available on a first-come, first-served basis to any Shipper willing and able to pay the maximum rates hereunder in accordance with the General Terms and Conditions governing service hereunder as set forth from time to time in Norteño's FERC Gas Tariff.
- 1.3 Norteño shall in no event be required to grant a request for transportation hereunder if:
 - (a) providing service interferes with the integrity of Norteño's system or with service to firm transportation customers;
 - (b) Norteño is required to construct, modify, expand or acquire facilities to render the service; or
 - (c) Shipper does not provide Norteño with all of the information required by Section 3 of this Rate Schedule and Section 20 of the General Terms and Conditions of Norteño's FERC Gas Tariff.

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Original Sheet No. 179 Original Sheet No. 179 : Superseded

RATE SCHEDULE IT-S
INTERRUPTIBLE TRANSPORTATION SERVICE - SOUTHERN DIVISION
(Continued)

2. APPLICABILITY AND CHARACTER OF SERVICE:

- 2.1 This Rate Schedule shall apply to the interruptible transportation of natural gas by Norteño pursuant to an IT-S Service Agreement executed by Norteño and Shipper providing for transportation service up to a Maximum Daily Transportation Quantity ("MDTQ"), and subject to the terms of this Rate Schedule, the IT-S Service Agreement and the General Terms and Conditions of Norteño's FERC Gas Tariff. Except for the adjustments to the General Terms and Conditions under Article IX of the Service Agreement, if there is any inconsistency between this Rate Schedule, the Service Agreement, and the General Terms and Conditions, the General Terms and Conditions shall prevail.
- 2.2 Service hereunder is provided pursuant to Part 284 of the Commission's Regulations.
- 2.3 Service hereunder shall consist of:
 - (a) delivery by Shipper and receipt by Norteño of natural gas for Shipper's account at the Receipt Point(s) set forth in the IT-S Service Agreement;
 - (b) the transportation of said gas by Norteño; and
 - (c) the redelivery by Norteño to Shipper or for Shipper's account of quantities of natural gas at the Delivery Point(s) set forth in the IT-S Service Agreement.
- 2.4 Norteño shall also receive at the Receipt Point(s), and retain, a portion of the volumes delivered by Shipper for transportation to reimburse Norteño for fuel usage and losses ("Retention Quantity"). Such volumes shall be equal to the quantity of gas delivered for transportation multiplied by the applicable Retention Quantity percentage set forth at Sheet No. 10 of Norteño's FERC Gas Tariff.

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Original Sheet No. 180 Original Sheet No. 180 : Superseded

RATE SCHEDULE IT-S
INTERRUPTIBLE TRANSPORTATION SERVICE - SOUTHERN DIVISION
(Continued)

2.5 Priority of service and the allocation of capacity for service under this Rate Schedule are pursuant to Section 15 of the General Terms and Conditions of Norteño's FERC Gas Tariff.

3. REQUESTS FOR TRANSPORTATION SERVICE:

3.1 All Shippers requesting interruptible transportation service must provide the information required on Norteño's Transportation Request Form which appears beginning at Tariff Sheet No. 378, in order to qualify for interruptible transportation service. No request for interruptible service will be entered on Norteño's log, as required by Section 284.13 of the Commission's Regulations, or scheduled for receipt and delivery until a completed Transportation Service Request Form has been provided to Norteño. A request for service shall be made no earlier than ninety (90) days prior to the proposed commencement date of service; provided, however, if facilities are required, the request may be made at an earlier date. All completed Transportation Request Forms are to be sent to:

Transportation and Exchange Services
Norteño Pipeline Company
504 Lavaca, Suite 950
Austin, TX 78701-2939

For Shipper's convenience, copies of the Transportation Request Form are available upon request from Norteño.

3.2 An IT-S Service Agreement shall be executed by Shipper and Norteño following Norteño's acceptance in writing of Shipper's request for service. In the event the IT-S Service Agreement is not executed by Shipper and returned within thirty (30) days after Norteño tenders the Service Agreement, Norteño shall consider the request for service invalid.

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Original Sheet No. 181 Original Sheet No. 181 : Superseded

RATE SCHEDULE IT-S
INTERRUPTIBLE TRANSPORTATION SERVICE - SOUTHERN DIVISION
(Continued)

4. DELIVERY AND RECEIPT POINTS:

- 4.1 Receipt Points: The Receipt Point(s) for all gas transported by Norteño under this Rate Schedule shall be at a mutually agreeable interconnection between Norteño's facilities and the facilities of Shipper or Shipper's designee.

Norteño shall not be required under any circumstances to receive gas at any Receipt Point where the total quantity of gas for transportation scheduled for receipt on any day is less than required for the accurate measurement of quantities to be received. Norteño shall notify Shipper of the minimum volumes that can be metered at requested receipt and delivery points when service agreements are executed. Norteño will notify Shipper if quantities of gas tendered are too small to be metered at the requested receipt or delivery points.

The minimum volumes that may be nominated at the requested receipt and delivery points shall be the minimum volumes that can be measured at such receipt and delivery points; and the provisions of Section 19 of the General Terms and Conditions shall apply to imbalances arising as the result of the difference between unmeasurable quantities (which shall be considered zero quantities) and minimum measurable quantities at requested receipt and delivery points.

- 4.2 Delivery Points: The Delivery Point(s) for all gas transported by Norteño under this Rate Schedule shall be at a mutually agreeable interconnection between Norteño's facilities and the facilities of Shipper or Shipper's designee.

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Original Sheet No. 182 Original Sheet No. 182 : Superseded

RATE SCHEDULE IT-S
INTERRUPTIBLE TRANSPORTATION SERVICE - SOUTHERN DIVISION
(Continued)

5. RATES:

- 5.1 The applicable rates for service under this Rate Schedule are set forth on the currently effective Sheet No. 10 of this FERC Gas Tariff and are hereby incorporated herein.
- 5.2 Norteño shall have the unilateral right to file with the appropriate regulatory authority and make changes authorized by such authority in (a) the rates and charges applicable to its Rate Schedule IT-S, (b) Rate Schedule IT-S pursuant to which this service is rendered; provided, however, that the interruptible character of service shall not be subject to change hereunder, or (c) any provisions of the General Terms and Conditions applicable to Rate Schedule IT-S. Norteño agrees that Shipper may protest or contest the aforementioned filings, or seek authorization from duly constituted regulatory authorities for such adjustment of Norteño's existing FERC Gas Tariff as may be found necessary in order to assure that the provisions in (a), (b) or (c) above are just and reasonable.
- 5.3 For all natural gas service rendered hereunder, Shipper shall pay Norteño each month the sum of the applicable charges listed below, if applicable:
 - (a) Commodity Charge: An amount determined as the Commodity rate in dollars per MMBTU set forth from time to time on the currently effective Sheet No. 10 of this First Volume No. 1 multiplied by the quantity of gas transported to or for the account of Shipper by Norteño during the applicable Billing Month.
 - (b) Annual Charge Adjustment: The ACA Surcharge rate multiplied by the quantity of gas delivered to or for the account of Shipper by Norteño during the applicable Billing Month.

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Original Sheet No. 183 Original Sheet No. 183 : Superseded

RATE SCHEDULE IT-S
INTERRUPTIBLE TRANSPORTATION SERVICE - SOUTHERN DIVISION
(Continued)

5.3 RATES: (Continued)

- (c) The Gas Research Institute (GRI) Surcharge:
The GRI Surcharge, if applicable, multiplied by the quantity of gas delivered to or for the account of Shipper by Norteño during the applicable Billing Month.
- (d) Penalty Charges: Any Daily Scheduling Charges, Daily Balancing Charges, Unauthorized Receipt Charges, or Cumulative Monthly Balancing Charges, as defined in Section 19 of the General Terms and Conditions, or any Curtailment Over-Run Penalty, as defined in Section 15.5 of the General Terms and Conditions, applicable to Shipper during the applicable Billing Month.
- (e) Incidental Charges: Shipper shall reimburse Norteño for any incidental charges incurred by Norteño in providing this service. Such charges may include filing fees and, subject to agreement and approval of Shipper, costs of construction or acquisition of new facilities necessary to render service or such other charges as may be authorized by any regulatory agency having jurisdiction.

5.4 For purposes of Section 5.3(e), the term "new facilities" is defined as facilities required for Norteño to either receive or deliver gas under this Rate Schedule and which facilities are not existing on the date Shipper executes an IT-S Service Agreement for service hereunder. Section 5.3(e) pertains to facilities at receipt and delivery points only. It is not intended to limit which party may own, operate, install, or pay for facilities upstream of a receipt point or downstream of a delivery point.

- (a) New facilities may be installed by either Norteño or Shipper as follows:

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RATE SCHEDULE IT-S
INTERRUPTIBLE TRANSPORTATION SERVICE - SOUTHERN DIVISION
(Continued)

5.4 RATES: (Continued)

- (1) Norteño will install, at its own expense, any new facilities which, based on Norteño's estimates, will generate annual revenues equal to or greater than the annual cost of service associated with such facilities. Revenues will be based on projected annual incremental volumes of throughput and peak usage for each year for the depreciable life of the facilities to be built or for the number of years under the initial term of the operable service agreement, whichever is shorter, and the currently effective rate for the service contemplated.
- (2) In calculating the incremental cost of service, Norteño shall utilize the methodologies for calculating cost of service which underlies its currently effective transportation rates.
- (3) The projected costs and revenues in nominal dollars will be evaluated using a standard discounted cash flow analysis, with a discount rate equal to the most recently approved overall rate of return for Norteño or the FERC generic rate of return for utilities, whichever is greater. Norteño will undertake projects for which the internal rate of return is positive by greater than 3%.
- (4) When Norteño has previously paid for all or a portion of delivery point facilities under this facilities reimbursement policy, Shipper shall, nevertheless, within thirty (30) days after receipt of invoice prepared by Norteño, pay Norteño for Norteño's net book value of such facilities when

RATE SCHEDULE IT-S
INTERRUPTIBLE TRANSPORTATION SERVICE - SOUTHERN DIVISION
(Continued)

either of the following events occurs:

(1) When Norteño's ability to fully recover such costs is denied in any Section 4 or Section 5 rate proceeding, or (2) when Shipper ceases operations at the delivery point where the facilities were installed.

(b) Any new facilities contemplated by Section 5.3(e) which do not meet the economic test of Section 5.4(a) (3) shall be installed by Norteño at Shipper's expense.

(1) Norteño shall install, own, operate, and maintain all such equipment at Shipper's expense unless otherwise agreed to in writing by Norteño and Shipper. All such facilities owned and operated by Norteño must include any rights-of-way necessary to access facilities for inspection and maintenance. Any such facilities constructed by Shipper or Shipper's agent must be in accordance with Norteño's specifications. Norteño must approve design drawings and bills of materials, and construction shall be subject to approval by Norteño's inspectors.

(2) Shipper shall coordinate the construction of such facilities with Norteño so that Norteño may reasonably have inspectors at the site during construction. Shippers assume full responsibility and liability and agree to hold Norteño harmless from any liability of any nature arising from the installation of such facilities by Shipper, or Shipper's agents. It is the Shipper's responsibility to assure that all facilities installed and owned by Shipper or any other party upstream of a

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INTERRUPTIBLE TRANSPORTATION SERVICE - SOUTHERN DIVISION
(Continued)

receipt point or downstream of a
delivery point comply with all
applicable governmental regulations and
design requirements for their intended
use (i.e., pressure, control, etc.).

- 5.5 Norteño may from time to time and at any time at its sole discretion charge any individual Shipper for transportation service under Rate Schedule IT-S a rate which is lower than the charge that would apply based on the maximum rates set forth on Sheet No. 10 or provided for in Section 5 herein; provided, however that such total charge may not be less than the charge based on the Minimum Rate set forth on Sheet No. 10 for Rate Schedule IT-S. If Norteño charges any Shipper a rate which is less than the Maximum Rate, Norteño shall file with the Commission any and all reports as required by the Commission's Regulations setting forth the applicable charge, the individual Shippers affected, the volume transported and any other information which may be required.

6. GENERAL TERMS AND CONDITIONS:

Shipper shall provide Norteño with such information as is needed to meet the requirements placed on Norteño pursuant to 18 CFR Part 284. Except as otherwise expressly indicated in this Rate Schedule, all of Norteño's General Terms and Conditions contained in this FERC Gas Tariff, including any modifications, additions or deletions thereto, are incorporated as part of this Rate Schedule, and made applicable to service rendered under this Rate Schedule.

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Original Sheet No. 187 Original Sheet No. 187 : Superseded

SHEET NUMBERS 187 THROUGH 189
ARE RESERVED FOR FUTURE USE.

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Original Sheet No. 190 Original Sheet No. 190 : Superseded

RATE SCHEDULE IT-DN
INTERRUPTIBLE TRANSPORTATION SERVICE - DEL NORTE DIVISION

1. AVAILABILITY:

- 1.1 This Rate Schedule is available for transportation of natural gas on an interruptible basis by Norte Pipeline Company (hereinafter called "Norte") in Norte's Del Norte Division for any party (hereinafter called "Shipper"), under the following conditions:
- (a) Shipper makes a valid request for service under Section 3.1 of this Rate Schedule;
 - (b) Shipper has executed an IT-DN Service Agreement for interruptible transportation service under this Rate Schedule;
 - (c) Shipper has title to, or the good right to deliver the gas to Norte for transportation under this Rate Schedule.
- 1.2 Norte will make transportation hereunder available on a first-come, first-served basis to any Shipper willing and able to pay the maximum rates hereunder in accordance with the General Terms and Conditions governing service hereunder as set forth from time to time in Norte's FERC Gas Tariff.
- 1.3 Norte shall in no event be required to grant a request for transportation hereunder if:
- (a) providing service interferes with the integrity of Norte's system or with service to firm transportation customers;
 - (b) Norte is required to construct, modify, expand or acquire facilities to render the service; or

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RATE SCHEDULE IT-DN
INTERRUPTIBLE TRANSPORTATION SERVICE - DEL NORTE DIVISION
(Continued)

- (c) Shipper does not provide Norteño with all of the information required by Section 3 of this Rate Schedule and Section 20 of the General Terms and Conditions of Norteño's FERC Gas Tariff.

2. APPLICABILITY AND CHARACTER OF SERVICE:

- 2.1 This Rate Schedule shall apply to the interruptible transportation of natural gas by Norteño pursuant to an IT-DN Service Agreement executed by Norteño and Shipper providing for transportation service up to a Maximum Daily Transportation Quantity ("MDTQ"), and subject to the terms of this Rate Schedule, the IT-DN Service Agreement and the General Terms and Conditions of Norteño's FERC Gas Tariff. Except for the adjustments to the General Terms and Conditions under Article IX of the Service Agreement, if there is any inconsistency between this Rate Schedule, the Service Agreement, and the General Terms and Conditions, the General Terms and Conditions shall prevail.
- 2.2 Service hereunder is provided pursuant to Part 284 of the Commission's Regulations.
- 2.3 Service hereunder shall consist of:
 - (a) delivery by Shipper and receipt by Norteño of natural gas for Shipper's account at the Receipt Point(s) set forth in the IT-DN Service Agreement;
 - (b) the transportation of said gas by Norteño;
and
 - (c) the redelivery by Norteño to Shipper or for Shipper's account of quantities of natural gas at the Delivery Point(s) set forth in the IT-DN Service Agreement.

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Original Sheet No. 192 Original Sheet No. 192 : Superseded

RATE SCHEDULE IT-DN

INTERRUPTIBLE TRANSPORTATION SERVICE - DEL NORTE DIVISION
(Continued)

- 2.4 Norteño shall also receive at the Receipt Point(s), and retain, a portion of the volumes delivered by Shipper for transportation to reimburse Norteño for fuel usage and losses ("Retention Quantity"). Such volumes shall be equal to the quantity of gas delivered for transportation multiplied by the applicable Retention Quantity percentage set forth at Sheet No. 10 of Norteño's FERC Gas Tariff.
- 2.5 Priority of service and the allocation of capacity for service under this Rate Schedule are pursuant to Section 15 of the General Terms and Conditions of Norteño's FERC Gas Tariff.

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Original Sheet No. 193 Original Sheet No. 193 : Superseded

RATE SCHEDULE IT-DN
INTERRUPTIBLE TRANSPORTATION SERVICE - DEL NORTE DIVISION
(Continued)

3. REQUESTS FOR TRANSPORTATION SERVICE:

- 3.1 All Shippers requesting interruptible transportation service must provide the information required on Norteño's Transportation Request Form which appears beginning at Tariff Sheet No. 378, in order to qualify for interruptible transportation service. No request for interruptible service will be entered on Norteño's log, as required by Section 284.13 of the Commission's Regulations, or scheduled for receipt and delivery until a completed Transportation Service Request Form has been provided to Norteño. A request for service shall be made no earlier than ninety (90) days prior to the proposed commencement date of service; provided, however, if facilities are required, the request may be made at an earlier date. All completed Transportation Request Forms are to be sent to:

Transportation and Exchange Services
Norteño Pipeline Company
504 Lavaca, Suite 950
Austin, TX 78701-2939

For Shipper's convenience, copies of the Transportation Request Form are available upon request from Norteño.

- 3.2 An IT-DN Service Agreement shall be executed by Shipper and Norteño following Norteño's acceptance in writing of Shipper's request for service. In the event the IT-DN Service Agreement is not executed by Shipper and returned within thirty (30) days after Norteño tenders the Service Agreement, Norteño shall consider the request for service invalid.

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RATE SCHEDULE IT-DN
INTERRUPTIBLE TRANSPORTATION SERVICE - DEL NORTE DIVISION
(Continued)

4. DELIVERY AND RECEIPT POINTS:

- 4.1 Receipt Points: The Receipt Point(s) for all gas transported by Norteño under this Rate Schedule shall be at a mutually agreeable interconnection between Norteño's facilities and the facilities of Shipper or Shipper's designee.

Norteño shall not be required under any circumstances to receive gas at any Receipt Point where the total quantity of gas for transportation scheduled for receipt on any day is less than that required for the accurate measurement of quantities to be received. Norteño shall notify Shipper of the minimum volumes that can be metered at requested receipt and delivery points when service agreements are executed. Norteño will notify Shipper if quantities of gas tendered are too small to be metered at the requested receipt or delivery points.

The minimum volumes that may be nominated at the requested receipt and delivery points shall be the minimum volumes that can be measured at such receipt and delivery points; and the provisions of Section 19 of the General Terms and Conditions shall apply to imbalances arising as the result of the difference between unmeasurable quantities (which shall be considered zero quantities) and minimum measurable quantities at requested receipt and delivery points.

- 4.2 Delivery Points: The Delivery Point(s) for all gas transported by Norteño under this Rate Schedule shall be at a mutually agreeable interconnection between Norteño's facilities and the facilities of Shipper or Shipper's designee.

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Original Sheet No. 195 Original Sheet No. 195 : Superseded

RATE SCHEDULE IT-DN
INTERRUPTIBLE TRANSPORTATION SERVICE - DEL NORTE DIVISION
(Continued)

5. RATES:

- 5.1 The applicable rates for service under this Rate Schedule are set forth on the currently effective Sheet No. 11 of this FERC Gas Tariff and are hereby incorporated herein.
- 5.2 Norteño shall have the unilateral right to file with the appropriate regulatory authority and make changes authorized by such authority in (a) the rates and charges applicable to its Rate Schedule IT-DN, (b) Rate Schedule IT-DN pursuant to which this service is rendered; provided, however that the interruptible character of service shall not be subject to change hereunder, or (c) any provisions of the General Terms and Conditions applicable to Rate Schedule IT-DN. Norteño agrees that Shipper may protest or contest the aforementioned filings, or seek authorization from duly constituted regulatory authorities for such adjustment of Norteño's existing FERC Gas Tariff as may be found necessary in order to assure that the provisions in (a), (b) or (c) above are just and reasonable.
- 5.3 For all natural gas service rendered hereunder, Shipper shall pay Norteño each month the sum of the applicable charges listed below, it applicable:
 - (a) Commodity Charge: An amount determined as the Commodity rate in dollars MMBTU set forth from time to time on the currently effective Sheet No. 11 of this First Volume No. 1, multiplied by the quantity of gas transported to or for the account of Shipper by Norteño during the applicable Billing Month.
 - (b) Annual Charge Adjustment: The ACA Surcharge rate multiplied by the quantity of gas delivered to or for the account of Shipper by Norteño during the applicable Billing Month.

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(continued)

5.3 RATES:

- (c) The Gas Research Institute (GRI) Surcharge: The GRI Surcharge, if applicable, multiplied by the quantity of gas delivered to or for the account of Shipper by Norteño during the applicable Billing Month.
- (d) Penalty Charges: Any Daily Scheduling Charges, Daily Balancing Charges, Unauthorized Receipt Charges, or Cumulative Monthly Balancing Charges, as defined in Section 19 of the General Terms and Conditions, or any Curtailment Over-Run Penalty, as defined in Section 15.5 of the General Terms and Conditions, applicable to Shipper during the applicable Billing Month.
- (e) Incidental Charges: Shipper shall reimburse Norteño for any incidental charges incurred by Norteño in providing this service. Such charges may include filing fees and, subject to agreement and approval of Shipper, costs of construction or acquisition of new facilities necessary to render service or such other charges as may be authorized by any regulatory agency having jurisdiction.

5.4 For purposes of Section 5.3(e), the term "new facilities" is defined as facilities required for Norteño to either receive or deliver gas under this Rate Schedule and which facilities are not existing on the date Shipper executes an IT-DN Service Agreement for service hereunder. Section 5.3 pertains to facilities at receipt and delivery points only. It is not intended to limit which party may own, operate, install, or pay for facilities upstream of a receipt point or downstream of a delivery point.

- (a) New facilities may be installed by either Norteño or Shipper as follows:

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RATE SCHEDULE IT-DN

INTERRUPTIBLE TRANSPORTATION SERVICE - DEL NORTE DIVISION
(Continued)

5.4 RATES:

- (1) Norteño will install, at its own expense, any new facilities which, based on Norteño's estimates, will generate annual revenues equal to or greater than the annual cost of service associated with such facilities. Revenues will be based on projected annual incremental volumes of throughput and peak usage for each year for the depreciable life of the facilities to be built or for the number of years under the initial term of the operable service agreement, whichever is shorter, and the currently effective rate for the service contemplated.
- (2) In calculating the incremental cost of service, Norteño shall utilize the methodologies for calculating cost of service which underlies its currently effective transportation rates.
- (3) The projected costs and revenues in nominal dollars will be evaluated using a standard discounted cash flow analysis, with a discount rate equal to the most recently approved overall rate of return for Norteño or the FERC generic rate of return for utilities, whichever is greater. Norteño will undertake projects for which the internal rate of return is positive by greater than 3%.
- (4) When Norteño has previously paid for all or a portion of delivery point facilities under this facilities reimbursement policy, Shipper shall, nevertheless, within thirty (30) days after receipt of invoice prepared by Norteño, pay Norteño for Norteño's net book value of such facilities when

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(Continued)

either of the following events occurs:

(1) When Norteño's ability to fully recover such costs is denied in any Section 4 or Section 5 rate proceeding, or (2) when Shipper ceases operations at the delivery point where the facilities were installed.

- (b) Any new facilities contemplated by Section 5.3(e) which do not meet the economic test of Section 5.4(a)(3) shall be installed by Norteño at Shipper's expense.
- (1) Norteño shall install, own, operate, and maintain all such equipment at Shipper's expense unless otherwise agreed to in writing by Norteño and Shipper. All such facilities owned and operated by Norteño must include any rights-of-way necessary to access facilities for inspection and maintenance. Any such facilities constructed by Shipper or Shipper's agent must be in accordance with Norteño's specifications. Norteño must approve design drawings and bills of materials, and construction shall be subject to approval by Norteño's inspectors.
- (2) Shipper shall coordinate the construction of such facilities with Norteño so that Norteño may reasonably have inspectors at the site during construction. Shippers assume full responsibility and liability and agree to hold Norteño harmless from any liability of any nature arising from the installation of such facilities by Shipper, or Shipper's agents. It is the Shipper's responsibility to assure that all facilities installed and owned by Shipper or any other party upstream of a receipt point or downstream of a

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delivery point comply with all applicable governmental regulations and design requirements for their intended use (i.e., pressure, control, etc.).

- 5.5 Norteño may from time to time and at any time at its sole discretion charge any individual Shipper for transportation service under Rate Schedule IT-DN a rate which is lower than the charge that would apply based on the maximum rates set forth on Sheet No. 11 or provided for in Section 5 herein; provided, however that such total charge may not be less than the charge based on the Minimum Rate set forth on Sheet No. 11 for Rate Schedule IT-DN. If Norteño charges any Shipper a rate which is less than the Maximum Rate, Norteño shall file with the Commission any and all reports as required by the Commission's Regulations setting forth the applicable charge, the individual Shippers affected, the volume transported and any other information which may be required.

6. GENERAL TERMS AND CONDITIONS:

Shipper shall provide Norteño with such information as is needed to meet the requirements placed on Norteño pursuant to 18 CFR Part 284. Except as otherwise expressly indicated in this Rate Schedule, all of Norteño's General Terms and Conditions contained in this FERC Gas Tariff, including any modifications, additions or deletions thereto, are incorporated as part of this Rate Schedule, and made applicable to service rendered under this Rate Schedule.

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SHEET NUMBERS 200 THROUGH 224
ARE RESERVED FOR FUTURE USE

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Original Sheet No. 225 Original Sheet No. 225 : Superseded

GENERAL TERMS AND CONDITIONS

1. DEFINITIONS:

- 1.1 Alternative Receipt and Delivery Points - Those Receipt and Delivery Points specified in Exhibit "C" of a Shipper's Transportation Service Agreement, which a Shipper may request from time to time pursuant to Section 15.6(f) of those General Terms and Conditions.
- 1.2 Billing Month - The term "Billing Month" shall mean the period beginning at 12:01 AM Central Standard Time on the first day of a calendar month and ending at 12:01 AM Central Standard Time on the first day of the next succeeding calendar month.
- 1.3 BTU- The term "BTU" shall mean British Thermal Unit.
- 1.4 Buyer - The term "Buyer" shall mean any of Norteño's customers authorized to receive gas sales service under any of the Sales Rate Schedules pursuant to an executed service agreement.
- 1.5 Commission or FERC - The terms "Commission" or "FERC" shall mean The Federal Energy Regulatory Commission, or successor agency.
- 1.6 Cost of Service - The term "Cost of Service" shall mean the sum of the costs incurred by Norteño in providing the services defined herein, including, but not limited to, operation and maintenance expenses, taxes other than income taxes, depreciation, depletion and amortization, income taxes and a reasonable return on Norteño's net investment in assets utilized to provide the services. Only for sales service will the term "cost of service" include purchased gas costs.
- 1.7 Day - The term "Day" shall mean a period of 24 consecutive hours, beginning at 12:01 AM Central Standard Time.

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- 1.8 Delivery Point - The term "Delivery Point" shall mean the point on Norteño's system where it delivers gas to a Buyer or for the account of a Shipper.
- 1.9 Division - The term "Division" shall mean either Norteño's, Southern Division or Del Norte Division, as defined in this Tariff.
- 1.10 Force Majeure - The term "Force Majeure" shall mean any of the events or conditions described in Section 14 of the General Terms and Conditions.
- 1.11 Heat Content - The term "Heat Content" shall mean the number of BTUs produced by the combustion in a calorimeter at constant pressure, of the amount of gas which would occupy one cubic foot at an absolute pressure of 14.73 pounds per square inch and 60 degrees Fahrenheit, on a dry basis, 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.
- 1.12 MCF - The term "MCF" shall mean 1000 cubic feet at a pressure of 14.73 psia and a temperature of 60 degrees Fahrenheit (degrees F).
- 1.13 MDCQ - The Term "MDCQ" shall mean the maximum daily contract quantity that Buyer is entitled to purchase under any of Norteño's Sales Rate Schedules.
- 1.14 MDTQ - The term "MDTQ" shall mean the maximum daily transportation quantity that Shipper is entitled to receive under any of Norteño's Transportation Rate Schedules.
- 1.15 MDQ - The term "MDQ" shall mean the maximum daily quantity, measured in MMBTU's, at any Receipt Point or Delivery Point that Norteño is obligated to receive or deliver, and that Shipper and/or Buyer may request for delivery to Norteño or receipt from Norteño.

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- 1.16 MMBTU - The term "MMBTU" shall mean the quantity of heat energy which is 1,000,000 BTUs.
- 1.17 Nomination - The term "Nomination" shall mean any Buyer's or Shipper's request for Norteño to schedule the receipt and/or delivery of natural gas for the account of that Buyer or Shipper. Each Nomination shall contain (a) the Buyer's or Shipper's name, (b) the Buyer's or Shipper's Service Agreement Number, (c) the telephone number and name of Buyer's or Shipper's contact person, (d) the date the Nomination is submitted, (e) the Meter Number, or name of each Delivery Point to be used, (f) the quantity of gas requested to be scheduled to be delivered by Norteño at each Delivery Point, (g) the name and telephone number of the operator immediately downstream of each Delivery Point, (h) the signature of a person authorized to Nominate for Buyer or Shipper; and additionally, in the case of transportation quantities, (i) the name and meter number of each Receipt Point to be used, (j) the quantity of gas requested to be scheduled to be received by Norteño at each Receipt Point, (k) a Receipt Point, Delivery Point allocation of the gas to be received and delivered, (l) the name and telephone number of the operator of the facilities immediately upstream of each Receipt Point, (m) the Seller of the gas to be received, and (n) if the gas is not for a local distribution company's or interstate pipeline's system supply, the ultimate end-user of the gas.
- 1.18 Norteño - The term "Norteño shall mean Norteño Pipeline Company.
- 1.19 Operator - The term "Operator" shall mean the entity which owns or controls the facilities connected to Norteño's facilities at a given Receipt Point or Delivery Point and which schedules and allocates the receipts from or deliveries to that Delivery Point or Receipt Point.

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- 1.20 Primary Receipt and Delivery Points - Those Receipt and Delivery Points specified in Exhibits "A" and "B" of a Shipper's transportation Service Agreement, which a Shipper may change from time to time pursuant to Section 15.6(c) of these General Terms and Conditions.
- 1.21 psia - The term "psia" shall mean pounds per square inch absolute.
- 1.22 psig - The term "psig" shall means pounds per square inch gauge.
- 1.23 Receipt Point - The term "Receipt Point" shall mean the point on Norteño's system where it receives gas for the account of a Shipper.
- 1.24 Retention Quantity - The term "Retention Quantity" shall mean that portion of the volumes tendered for transportation to Norteño at a Receipt Point that Norteño shall retain as compensation for fuel use, lost gas, and unaccounted for gas.
- 1.25 Sales Rate Schedules - The term "Sales Rate Schedules" shall mean Norteño's GSS Rate Schedules, as contained in this Tariff. All gas sales service provided by Norteño pursuant to these Sales Rate Schedules shall be unbundled sales service as required by Part 284 of the Commission's Regulations.
- 1.26 Service Agreement - The term "Service Agreement" shall mean a fully executed service agreement, pursuant to the forms of service agreements included in this Tariff, for service under any of the Sales Rate Schedules or Transportation Rate Schedules.
- 1.27 Service Year - The term "Service Year" shall mean a 12 month period beginning at 12:01 AM on January 1 and continuing to 12:01 A.M. on January 1 of the succeeding year.

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1.28 Shipper - The term "Shipper" shall mean any of Norteño's customers authorized to receive transportation service under any of the Transportation Rate Schedules pursuant to an Executed Service Agreement.

1.29 Tariff - The term "Tariff" shall mean Norteño's currently effective FERC Gas Tariff, which is comprised of First Volume No. 1.

1.30 Transportation Rate Schedules - The term "Transportation Rate Schedules" shall mean Norteño's FT-S, FT-DN, RCS, IT-S and IT-DN Rate Schedules.

2. ACCOUNTING:

2.1 Norteño shall maintain books of account in accordance with the requirements of the Commission applicable to Norteño and, to the extent not inconsistent with such requirements, in accordance with generally accepted accounting principles.

2.2 Account numbers specified herein are those provided for in the Uniform System of Accounts Prescribed for Natural Gas Companies by the Commission, as in effect at January 1, 1984 ("Uniform System of Accounts"). In the event that the Uniform System of Accounts is, after such date, renumbered, replaced, supplemented, amended, modified or revised, the accounts, categories of such accounts, and the description thereof referred to herein shall be deemed to refer to the corresponding accounts in such renumbered, replaced, supplemented, amended, modified or revised Uniform System of Accounts.

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3. MEASUREMENT:

3.1 Unit - The unit of gas for all purposes hereunder shall be one MMBTU of gas measured as provided below.

3.2 Quantity and Heating Value Determination - The quantity and heating value of gas delivered and received pursuant to executed service agreements under any rate schedules shall be determined as follows:

- (a) The unit of volume for the purpose of measurement shall be one cubic foot of gas at 60 degrees Fahrenheit and an absolute pressure of 14.73 pounds per square inch.
- (b) The average absolute atmospheric pressure shall be assumed to be thirteen (13.0) pounds to the square inch, irrespective of actual elevation or location of the Delivery Point or Receipt Point above sea level or variations in such atmospheric pressure from time to time.
- (c) The temperature of the gas passing the meters when necessary for computing gas quantities, shall be determined for any day by the continuous use of a recording thermometer so installed that it may properly record the temperature of the gas flowing through the meters.

The arithmetic average of the temperature recorded each day shall be used in computing gas quantity, or instantaneous temperature measurements may be applied to metering instruments for quantity computation, or an assumed temperature of 60 degrees Fahrenheit may be used.

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- (d) The specific gravity of the gas delivered shall, be determined by the use of spot tests with an instrument of standard manufacture acceptable in the industry. The specific gravity of the gas delivered shall be determined with such reasonable frequency as is found expedient in practice but not less frequently than once each six months.
- (e) The deviation of the gas from Ideal Gas Laws shall be calculated according to the recommendations of the American Gas Association in the Measurement Committee Report, No. 3 entitled "Orifice Metering of Natural Gas, April 1955," as may be amended or modified from time to time, or any other method or methods mutually agreed upon.
- (f) The heating value shall be determined by using a suitably located acceptable calorimeter, or calculation from fractional analysis, or methods outlined in A.G.A. Gas Measurement Committee Report No. 5, as may be amended or modified from time to time, or other mutually accepted methods.
- (g) The MMBTU delivered shall be calculated either by multiplying the Mcf Delivered by a fraction the numerator of which is the Heat Content and the denominator of which is 1,000.

3.3 Each test provided in this section shall be used in the computation for the measurement of receipts and deliveries until the next succeeding test.

4. MEASUREMENT EQUIPMENT:

4.1 Installation and Operation by Norteño - Norteño shall install, maintain and operate, at its own expense, at or near each Delivery Point and Receipt Point, a measuring station properly equipped with meters and other necessary equipment by which the quantity of gas delivered to Norteño

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or to Buyer or Shipper, as the case may be, shall be measured. The quantity of gas received or delivered hereunder shall be measured in accordance with Section 3.2 and with the published recommendations of the American Gas Association as amended or superseded from time to time. Where Buyer and Norteño so agree, Buyer, at the request of Norteño, will change the charts on the meters at the Receipt Point(s) and Delivery Point(s) daily or so frequently as requested and send them promptly by mail to Norteño without charges or cost to Norteño.

4.2 Calibration, Test of and Access to Meters - Buyer or Shipper shall have the right to have representatives present at the time of any installing, cleaning, changing, repairing, inspecting, testing, calibrating or adjusting done in connection with Norteño's measuring equipment used in the measurement of receipts or deliveries of gas. The accuracy of Norteño's measuring equipment may be verified by Norteño at reasonable intervals but not more frequently than once in any thirty (30) day period. In the event either party shall notify the other that it desires a special test of Norteño's measuring equipment or Buyer or Shipper's check measuring equipment, as the case may be, the parties shall cooperate to secure prompt verification of the accuracy of such equipment. Each party shall give to the other party sufficient advance notice of the time of all such special tests so that the other party may conveniently have its representatives present.

4.3 Check Measuring Equipment - Buyer or Shipper may install, maintain and operate at its own expense, at or near each Receipt Point and Delivery Point, such check measuring equipment as desired, provided that such equipment is installed so as not to interfere with the operation of any of Norteño's measuring equipment. Whenever any point of delivery provided for is on the premises of Norteño, Norteño grants to Buyer or Shipper the right of free use and ingress removal of such check measuring equipment. In the event check measuring equipment is installed by Buyer or

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Shipper Norteño shall have access to the same at all reasonable times, but the reading, calibration and adjusting thereof and the changing of charts shall be the responsibility of Buyer's or Shipper. Norteño shall have the right to have representatives present at the time Buyer or Shipper installs, repairs, test or calibrates any such check measuring equipment.

5. RECORDS:

5.1 Charts and Records - Upon request of either party, the other shall submit the records and charts from Norteño's or Buyer's or Shipper's measuring equipment, as the case may be, used in the measurement and billing of gas hereunder, together with calculations therefrom, for inspection and verification, subject to return within ninety (90) days after receipt.

5.2 Retention of Records - Buyer or Shipper and Norteño respectively, shall preserve all test data, charts and other required data pertaining to the measurement of gas by their respective measurement equipment for a period of three (3) years or such other period or periods as may be prescribed with respect to them by regulatory bodies having jurisdiction.

6. METERING ERRORS:

6.1 Correction of Metering Errors - If, upon test, Norteño's measuring equipment is found to be in error by not more than two percent (2%), previous recordings of such equipment shall be considered accurate in computing deliveries, but such equipment shall be adjusted at once to record accurately. Errors exceeding two percent (2%) at a recording corresponding to the average hourly rate of flow for the period since the last preceding test will be corrected. Previous recordings of such equipment shall be corrected to zero error for any period which is known

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definitely or agreed upon. If the period is not known or agreed upon, the correction shall be made for a period of one-half of the time elapsed since the last test but shall not exceed sixteen (16) days.

6.2 Failure of Meters - In the event a meter is out of service or registering inaccurately, the volume of gas delivered shall be determined:

- (a) By using the registration of any check meter or meters, if installed and accurately registering; or, in the absence of (a)
- (b) By correcting the error if the percentage of error is ascertainable by calibration, tests, or mathematical calculations; or in the absence of both (a) and (b), then
- (c) By estimating the quantity of delivery during a period under similar conditions when the meter was registering accurately.

7. QUALITY:

7.1 The provisions set forth in this Section 7.1, shall apply to all gas delivered by Norteño under this Tariff.

- (a) Heat Content - The natural gas shall have a Heat Content of not less than nine hundred and fifty (950) BTUs per cubic foot.
- (b) Freedom from Objectionable Matter - The natural gas delivered by Norteño under this Tariff shall be commercially free (at prevailing pressure and temperature in Norteño's pipeline) from dust, or other solid or liquid matters which might interfere with its merchantability or cause injury to or interference with proper operation of the lines, regulators, meters or other facilities through which it flows; and shall not contain more than twenty grains of total sulphur nor more than one grain of hydrogen sulphide per one hundred cubic feet.

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- 7.2 Failure to Conform to Quality Specifications - If the gas offered for delivery by Norteño shall fail at any time to conform to any of the specifications set forth in Section 7.1, then Buyer or Shipper shall notify Norteño of such deficiency and thereupon may at Buyer's or Shipper's option refuse to accept delivery pending correction by Norteño.
- 7.3 Unless otherwise provided in the Service Agreement or applicable Rate Schedule, the provisions set forth in this Section 7.3 shall apply to all gas delivered to Norteño by Shipper.
- (a) all gas shall have a total heating value of not less than one thousand (1,000) BTUs per cubic foot, and not more than eleven hundred BTUs per cubic foot;
 - (b) all gas shall be commercially free (at prevailing pressure and temperature in Norteño's pipeline) from, dust, hydrocarbon liquids, water, any other substance that might become separated from the gas in Norteño's facilities, and Shipper shall furnish, install, maintain and operate such drips, separators, heaters, and other mechanical devices as may be necessary to effect compliance with such requirements (after having secured the prior approval of Norteño as to the design and construction of such facilities, which approval shall not be unreasonably withheld);
 - (c) all gas shall not contain more than five grains of total sulphur, nor more than one fourth (1/4) of one grain of hydrogen sulphide per one hundred (100) cubic feet;
 - (d) not contain more than two-tenths of one percent (0.2%) by volume of oxygen, and Shipper shall make every reasonable effort to keep the gas free of oxygen;

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- (e) not contain more than four percent (4%) by volume of a combined total of carbon dioxide and nitrogen components; provided, however, that the total carbon dioxide content shall not exceed three percent (3%) by volume;
 - (f) have a temperature of not more than one hundred twenty degrees (120 degrees) Fahrenheit, and not less than fifty (50 degrees) Fahrenheit, and
 - (g) have been dehydrated by Shipper for removal of entrained water present therein in a vapor state, and in no event contain more than seven (7) pounds of entrained water per million cubic feet, at a pressure base of fourteen and seventy three hundredths (14.73) pounds per square inch and a temperature of sixty degrees (60 degrees) Fahrenheit as determined by dew-point apparatus approved by the Bureau of Mines or such other apparatus as may be mutually agreed upon.
- 7.4 The design and construction of any facilities to be installed by Shipper in order to comply with the quality specifications in Section 7.3 shall be approved by Norteño prior to such facilities being placed in service.
- 7.5 Tests to determine sulphur, hydrogen sulphide, oxygen, carbon dioxide and nitrogen content shall be made by approved standard methods in general use in the gas industry.
- 7.6 As to gas which fails to meet the quality specifications set out in Section 7.3, or, if applicable, the quality specifications set out in the Service Agreement or applicable Rate Schedule, Norteño shall have the right to refuse to accept delivery of such gas, and in the event Shipper does not correct the quality deficiency within a reasonable period of time, Norteño may terminate the applicable Service Agreement as to the deficient gas.

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- 7.7 Notwithstanding the exercise by Norteño of the options in Section 7.6 above, Shipper shall use its best efforts to correct any quality deficiency in the gas tendered for transportation. Further, notwithstanding Norteño's election under Section 7.6 above, Shipper shall reimburse Norteño for all expenses incurred in repairing damages to Norteño's facilities resulting from deliveries of gas which do not conform to the quality specifications set forth in Section 7.3.
- 7.8 Norteño shall have the right to collect from all Shippers delivering gas to Norteño at a common Receipt Point their pro rata share, based on each Shipper's MDQ at such Receipt Point, of the cost of any additional gas analysis and quality control equipment which Norteño, and the Shipper agree is required to be installed at such Receipt Point to monitor the quality of gas delivered.
- 7.9 Separation, Dehydration and Processing - Norteño at its reasonable discretion may require that some of or all of the gas to be transported be processed to remove liquid and liquefiable hydrocarbons necessary to bring the gas to the quality specifications contained in Section 7.3 prior to delivery to Norteño or may require evidence that satisfactory arrangements have been made for the removal of liquid and liquefiable hydrocarbons at a separation and dehydration and/or processing plant on or connected to Norteño's system. In the event separation and dehydration and/or processing is to occur after delivery of transportation gas to Norteño, Norteño and Shipper shall determine a mutually agreeable charge for the transportation of liquid and liquefiable hydrocarbons.
- 7.10 Odorization - As between Norteño, Buyer, and Shipper, Norteño shall have no obligation whatsoever to odorize the natural gas delivered, nor to maintain any odorant levels in such natural gas. Notwithstanding Section 25 herein Buyer and Shipper agree to indemnify and hold harmless Norteño, its officers, agents, employees, and contractors against any liability, loss or damage

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arises out of any demand, claim, action, cause of action, and/or suit brought by Buyer, Shipper or by any person, association, or entity, public or private, that is not a party to the Service Agreement, where such liability, loss, or damage is suffered by Norteño, its officers, agents, employers, and/or contractors as a direct or indirect result of any actual or alleged act or omission of any nature by Buyer or shipper to odorize the natural gas delivered under the Service Agreement or to monitor any odorant levels in such natural gas.

8. BILLING:

- 8.1 Billing - On or before the twentieth day of each month, Norteño shall mail, first class postage prepaid, to Buyer or Shipper a bill for all natural gas delivered and gas service furnished to Buyer or Shipper during the Billing Month or any other such billing period agreed to by the parties. When information necessary for billing purposes is in control of Buyer or Shipper or others acting on behalf of Buyer or Shipper, Buyer or Shipper shall furnish such information to Norteño on or before the fifth day of the month following service.
- 8.2 Examination of Records - Both Norteño and Buyer or Shipper or their authorized representatives shall have the right to examine, at reasonable times, in Norteño's general office, books, records and charts of the other to the extent necessary to verify the accuracy of any statement, charge or computation made under or pursuant to any of the provisions hereof. Norteño, Buyer and Shipper shall preserve all such books, records, and charts or copies thereof for a period of at least three (3) years.

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- 8.3 Correction of Billing Errors - In the event an error is discovered in the amount billed in any statement rendered by Norteño, such error shall be adjusted within thirty days of the claim therefore, provided that claim therefore shall have been made within twelve (12) months from the date of such statement.
- 8.4 Billing Disputes - If Buyer or Shipper disputes the amount due under any bill, the Buyer or Shipper shall provide notice to Norteño of such disagreement by providing detailed calculations supporting the disputed amount and the amount paid on or before the twenty-fifth (25th) day of the month during which the bill is due.

9. PAYMENT:

- 9.1 Payment - In U.S. funds, on or before the twenty-fifth day of each month, Buyer or Shipper shall pay Norteño, at Norteño's general office, or at Norteño's option, by wire transfer or to a bank designated by Norteño, the amount due from Buyer or Shipper for the preceding month as billed by Norteño.
- 9.2 Unpaid Amounts - Should Buyer or Shipper fail to pay the amount of any bill for gas delivered, as herein provided, when such amount is due, interest on the unpaid amount shall accrue at the rate and in the manner provided by the Commission's Regulations, Section 154.67(c)(2)(iii)(A) and (B) from the due date until the date of payment. If such failure to pay continues for thirty days after payment is due, Norteño, in addition to any other remedy it may have, may, after obtaining any requisite authorization, suspend further delivery of gas until such amount is paid; provided, however, that if Buyer or Shipper, in good faith, shall dispute the amount of such bill or part thereof and shall pay to Norteño such amount not in dispute and at any time thereafter, within thirty days of a demand made by Norteño, shall furnish a good and sufficient surety bond, in amount and with sureties satisfactory to Norteño,

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conditional upon the payment of any amount ultimately found due upon such bill after a final determination which may be reached either by agreement or judgment of the courts, as may be the case, then Norteño shall not be entitled to suspend further delivery of gas for reason of nonpayment unless and until default be made in the conditions of such bond.

- 9.3 Extension of Time of Payment - If mailing of a bill by Norteño is delayed after the twentieth day of the month, then the time of payment shall be extended by one (1) day for each day that the mailing is delayed unless Buyer or Shipper is responsible for such delay.

10. CREDITWORTHINESS:

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

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affairs, with said order or decree continuing unstayed and in effect for a period of sixty (60) consecutive days.

For purposes herein the creditworthiness of Buyer or Shipper shall be determined by Norteño upon its review of Buyer's or Shipper's most recent financial statement, annual report, or Form 10-K. Buyer or Shipper must as a minimum, meet the following criteria for purposes of this Section 10:

- (a) Buyer or Shipper must not be operating under any chapter of the bankruptcy laws, and must not be subject to liquidation or debt reduction procedures under state laws; and
- (b) Buyer or Shipper must be able to provide Norteño with at least one acceptable bank reference and two acceptable trade references or an acceptable report from a national credit bureau, which, upon verification by Norteño, will demonstrate that Buyer's or Shipper's obligations are being paid on a current or reasonably prompt basis.

11. RECEIPT AND DELIVERY:

11.1 Sales Delivery - The delivery points for sales service to Buyer shall be at the wellhead, mainline receipt point, or any other point upstream of Norteño's mainline receipt points as set forth in the executed Service Agreement; and as required by Part 284 of the Commission's Regulations.

11.2 Pressure - Deliveries to Norteño and deliveries to Buyer or Shipper shall be made by Buyer or Shipper and Norteño respectively, at the point or points where Norteño's facilities, or the facilities of Norteño's agent, interconnect with Buyer or Shipper's facilities at the delivery pressure obligation at such point stated in the executed Service Agreement.

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- 11.3 Transportation Receipt and Delivery - The Receipt Points and Delivery Points at which Norteño shall receive and deliver transportation gas shall be those set forth in the executed Service Agreement for transportation service hereunder. For each Receipt Point and Delivery Point identified in the Service Agreement there shall be identified a Maximum Daily Quantity (MDQ) which shall be the maximum quantity that Norteño is obligated to receive or deliver.
- 11.4 Third Party Facilities - Shipper shall make any necessary arrangements with other parties so as to be able to deliver gas to Norteño at the Receipt Point(s) and to receive gas at the Delivery Point(s) where Norteño delivers gas after transportation; provided, however, that such arrangements shall be compatible with the operating conditions of Norteño's pipeline system and shall provide for coordinated dispatching and balancing with Norteño including confirmation of scheduled deliveries and receipts to or for the account of Shipper.
- 11.5 Determination of Receipts and Deliveries - Unless Shipper and Norteño mutually agree otherwise, the quantities of gas delivered by Norteño to or for the account of Shipper during each month under the Rate Schedules FT-S, FT-DN and RCS shall be considered the first gas through the meter; deliveries under Rate Schedules IT-S and IT-DN shall be considered the second gas through the meter. In the event that gas tendered by Shipper to Norteño for transportation, or gas delivered by Norteño to or for the account of Shipper after transportation, is commingled with other gas at the Receipt Point(s) or Delivery Point(s), then the transportation quantities of gas received or delivered to or for the account of Shipper shall be that quantity of gas scheduled by Norteño for delivery.

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12. POSSESSION OF GAS AND RESPONSIBILITY:

12.1 Gas Sales Service - As between Norteño and Buyer, Norteño shall be in control and possession of the gas and responsible for any damage or injury caused thereby until the same shall have been delivered to Buyer at the Delivery Points, after which Buyer or Shipper shall be deemed to be in control and possession thereof and responsible for any injury or damage caused thereby.

12.2 Transportation Service - As between Norteño and Shipper, Norteño shall be deemed to be in control and possession of the gas from the time it is delivered to Norteño at the Receipt Point(s) until it is redelivered to Shipper at the Delivery Point(s), and Shipper shall be deemed to be in control and possession of the gas at all other times. The party which is in possession and control of the gas shall be responsible for all injury or damage caused thereby.

13. WARRANTY OF TITLE:

13.1 Gas Sales Service - Norteño warrants that it will at the time of delivery have good title to all gas delivered by it pursuant to the Sales Rate Schedules, free and clear of all liens, encumbrances and claims whatsoever, that it will at such time of delivery have good right and title to sell said gas as aforesaid, and that it will indemnify Buyer and save it harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of adverse claims of any or all persons to said gas or to royalties, taxes, license fees or charges thereon, which are applicable before the title to the gas passes to Buyer or Shipper. In the event any adverse claim of any character whatsoever is asserted against Buyer in respect to any of said gas, Buyer or Shipper may retain the purchase price thereof up to the amount of such claim against it without interest until such claim has been finally determined, as security for the

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performance of Norteño's obligations with respect to such claims under this Section 13.1, or until Norteño shall have furnished bond to Buyer, in the amount of such claim and with sureties satisfactory to Buyer conditioned for the protection of Buyer or Shipper with respect to such claim.

- 13.2 Transportation Service - This Section 13.2 shall apply to all transportation service unless otherwise provided in the applicable Rate Schedule or transportation Service Agreement. Shipper warrants for itself, its successors and assigns, that it will have, at the time of delivery of gas for transportation hereunder, good title or the good right to deliver the gas. Norteño warrants for itself, its successors and assigns, that the gas it delivers hereunder shall be free and clear of all liens, encumbrances and claims whatsoever, that it will have at such time of delivery good title or the good right to deliver the gas. Buyer or Shipper and Norteño represent and warrant that each will indemnify the other and save it harmless from all suits, actions, debts, accounts, damages, costs, losses, and expenses arising from or out of any adverse claims of any and all persons to said gas and/or to royalties, taxes, license fees, or charges thereon which are applicable for such delivery of gas and that each will indemnify the other and save it harmless from all taxes or assessments which may be levied and assessed upon such delivery and which are by law payable by and the obligation of the party making such delivery. If Shipper's title or right to deliver gas to be transported is questioned or involved in any action Shipper shall not qualify for or shall be ineligible to continue to receive service until such time as Shipper's title or right to deliver is free from question; provided, however, Norteño shall allow Shipper to qualify for or continue receiving service under this Tariff if Shipper furnishes a bond in such amount and with sureties satisfactory to Norteño conditioned for the protection of Norteño with respect to such question or action. Title to gas delivered for

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Retention Quantities shall pass to Norteño at the Receipt Point(s) and title to all other gas received by Norteño at the Receipt Point(s) shall not pass to Norteño.

14. FORCE MAJEURE:

- 14.1 Neither Norteño nor Buyer nor Shipper shall be liable in damages to the other for any act, omission or circumstances occasioned by or in consequence of any acts of God, strikes, lockouts, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of rulers and peoples, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, temporary failure of gas supply, failure or refusal of third-party transporters to transport, the binding order of any court or governmental authority, and any other cause, whether of the kind herein enumerated or otherwise, not within the control of the one claiming suspension and which by the exercise of due diligence it is unable to prevent or overcome. Failure to prevent or settle any strike or strikes shall not be considered a matter within the control of the party claiming suspension.
- 14.2 Such causes or contingencies affecting performance shall not relieve Norteño or Buyer or Shipper of liability in the event of failure of either to use due diligence to remedy the situation and to remove the cause in an adequate manner and with all reasonable dispatch, nor shall such causes and contingencies relieve either from its obligation to make payments of amounts then due hereunder.

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15. PRIORITY OF SERVICE, CAPACITY ALLOCATION AND
CURTAILMENT:

- 15.1 Right of Norteño to Serve Others - Nothing in these General Terms and Conditions, this FERC Gas Tariff, any Rate Schedule, or any Service Agreement executed by Norteño and Buyer or Shipper shall in any way abridge the right of Norteño to sell, receive, transport or deliver natural gas to or for others. In providing service to others, Norteño shall not unreasonably discriminate against existing or future Buyers or Shippers.
- 15.2 General - It is recognized that Norteño's capacity may be limited on a system-wide basis or on a segment-by-segment basis. The allocation procedures and priorities set forth in Section 15 shall apply to both system-wide and segment-by-segment limitations or curtailments, insofar as is possible.
- 15.3 Notice of Curtailment - Norteño shall give Buyer or Shipper a minimum of two hours notice of curtailment except in the case of an emergency. In case of emergency, Norteño shall give Buyer or Shipper such notice as circumstances permit.
- 15.4 Operations Curtailment - Norteño may discontinue or curtail receipts or deliveries of gas at any time if required in Norteño's judgment by weather or the necessity for repairs, operating changes or events of Force Majeure, as hereinabove defined, other than capacity shortages as specified in Section 15.6, upon such notice as is reasonable under the circumstances. In any such curtailment, quantities of gas deliverable under the Sales Rate Schedules or Transportation Rate Schedules by Norteño to Buyer or Shipper on a firm basis shall take priority over quantities of gas deliverable by Norteño to Buyer or Shipper on an interruptible basis. Firm transportation service will be curtailed on a pro rata basis regardless of whether the shipper is using primary alternate points. Norteño and Buyer or Shipper shall operate their systems so as to provide protection to domestic and commercial consumers being served

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on a firm basis under Sales Rate Schedules or Transportation Rate Schedules. So far as operating conditions will permit, available natural gas shall be dispatched in accordance with the aforementioned priority and operating guideline, in as equitable a manner as possible.

- 15.5 Curtailment Over-Run Penalty - If, during any curtailment which Norteño does not terminate prior to its originally announced expiration date, Buyer or Shipper takes, without Norteño's advance approval, a quantity of natural gas in excess of the curtailment quantity allocated to such Buyer or Shipper, said quantity shall constitute a Curtailment Over-Run quantity; provided however, that no gas delivered at any point where Norteño has complete and unrestricted control of gas deliveries shall be considered a Curtailment Over-Run quantity. If Shipper or Buyer does not correct the excess takes within 48 hours of notice by Norteño thereto of such excess takes, for each MMBTU of such Curtailment Over-Run quantity taken by such Buyer or Shipper, that Buyer or Shipper shall pay to Norteño a penalty of ten dollars (\$10.00); provided, however, that Norteño shall have the right, without the obligation, to waive any penalty for a Curtailment Over-Run quantity under this Section 15.5, to the extent that such a waiver is not unduly discriminatory if for the period for which the penalty was incurred, deliveries to Norteño's other Buyers or Shippers were not adversely affected by the taking of such Curtailment Over-Run quantity and if Norteño's pipeline operations were not impaired thereby. The payment of a penalty for a Curtailment Over-Run shall not under any circumstances be considered as giving any such customer the right to take any Curtailment Over-Run quantity; nor shall such payment be considered as a substitute for any other remedies available to Norteño or other Buyer or Shipper against the offending Buyer or Shipper for failure to adhere to its obligations under the provisions of this Section 15.

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15.6 Allocation of Capacity

- (a) Firm Capacity - Shippers receiving firm transportation services, when operating within the primary receipt and delivery limitations of their executed Service Agreements, shall have superior right to service over all interruptible services.
 - (1) Primary Receipt and Delivery Point Capacity - When capacity available to be scheduled for use among firm Shippers is less than the quantity nominated and confirmed at a Primary Receipt Point or Delivery Point, the capacity available for such firm services at the each affected Point shall be prorated among firm Shippers of firm services scheduled:
 - (i) on the first of a month such that the quantity available to be scheduled for a given Shipper is the lesser of (I) that Shipper's confirmed nomination or (II) the operational capacity of the Point multiplied by the quotient of that Shipper's MDTQ and the sum of the MDTQs of each Shipper who nominated firm service at the affected Point; and
 - (ii) after commencement of a month, based upon flowing gas quantities at the affected Receipt Point(s) and Delivery Point(s) scheduled for firm service over the previous Day and nominated for the ensuing Day(s).
 - (2) Alternate Receipt and Delivery Point Capacity - When capacity available to be scheduled for use among firm Shippers is less than the quantity nominated and confirmed at an Alternate Receipt Point

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- or Delivery Point, the capacity available for such firm service at each affected Point shall be prorated among firm Shippers based upon quantities nominated for firm service at the affected Receipt Point(s) and Delivery Point(s) for that Day.
- (3) Mainline Capacity - When mainline capacity available to be scheduled for use among firm Shippers is less than the quantity nominated and confirmed, the mainline capacity available for such firm service shall be prorated among firm Shippers such that the quantity available to be scheduled for a given Shipper is the lesser of (i) that Shipper's confirmed nomination and (ii) the operational mainline capacity multiplied by the quotient of that Shipper's MDTQ, and the sum of the MDTQs of each Shipper who nominated affected firm service. No one agrees to offer to enter into contracts to provide firm service on a first-come, first-served basis but only up to the prudent operating limits of its system.
- (4) Production and Gathering Capacity - When production and gathering line capacity available to be scheduled for use among firm Buyers and Shippers is less than the quantity nominated and confirmed, the production and gathering line capacity available for such firm services shall be prorated among firm Buyers and Shippers such that the quantity available to be scheduled for a given Buyer or Shipper is the lesser of (i) that Buyer's or Shipper's confirmed nomination and (ii) the operational production and gathering line capacity multiplied by the quotient of that Buyer's or Shipper's MDTQ or MDCQ, as

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the case may be, and the sum of the MDTQs and MDCQs of each Buyer and Shipper who nominated affected firm service.

- (b) Interruptible Capacity - Interruptible transportation shall be offered on the basis of price. When capacity available to be scheduled for use by interruptible shippers is less than the quantity nominated and confirmed, capacity available for such interruptible transportation shall be scheduled first for the Shipper paying the highest rate. Capacity will be prorated among interruptible Shippers that are paying equal rates based on quantities nominated at the affected Receipt Point(s) and Delivery Point(s), or mainline segment, or production and gathering line, as the case may be.
- (c) Discounted Interruptible Capacity - Norteño reserves the right, on five days notice, to interrupt service to an interruptible Shipper paying less than the maximum rate Norteño is entitled to charge for such service in order to enable Norteño to provide service to another Shipper if such service would result in a higher unit rate, excluding Retention Quantities, to Norteño. The Shipper so affected may avoid such interruption by immediately agreeing to pay such higher rate.
- (d) Extension of Service - A Shipper receiving service under the Transportation Rate Schedules shall not lose its capacity priority for purposes of this Section 15 by the renewal or extension of the term of that service; provided, however any renewal or extension must be pursuant to a rollover or evergreen provision of the executed Service Agreement.

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- (e) Addition of Receipt and Delivery Points - A Shipper receiving service under the Transportation Rate Schedules shall not lose its priority in utilization of Norteño's mainline capacity for that service by adding or changing Receipt Points or Delivery Points applicable to that service; provided, however, a Shipper receiving firm transportation service shall not have priority for service from a new Receipt Point or Delivery Point over a pre-existing firm transportation Shipper receiving service from that point, and a Shipper receiving interruptible service shall not have priority for service at a new Receipt Point or Delivery Point over a pre-existing interruptible transportation Shipper receiving service from that point. At all times, a Shipper receiving firm transportation has priority over a Shipper receiving interruptible transportation at new Receipt or Delivery Points. A Shipper's pre-existing priority shall not apply, however, to any increase in that Shipper's transportation quantity.

- (f) Flexible Receipt and Delivery Points - Any Shipper that has a firm transportation Service Agreement pursuant to the firm Transportation Rate Schedules FT-S, FT-DN and RCS has the right to add Alternate Receipt and Delivery Points to such Service Agreement, subject to the following conditions:
 - (i) the Alternate Receipt and Delivery Points are located in the same Division to which the existing Service Agreement applies;

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- (ii) service at the Alternate Receipt and Delivery Points shall not reduce service to any other firm Shipper receiving service at those points as Primary Receipt and Delivery Points, or reduce service to any firm Shipper receiving service at its Primary Delivery Point(s) downstream from the Alternate Delivery Point(s);
- (iii) Shipper has submitted a request to Norteño to add the Alternate Receipt and Delivery Points in accordance with the procedures set forth in this FERC Gas Tariff;
- (iv) Shipper's utilization of Alternate Receipt and Delivery Points shall not work to increase Shipper's MDQ or MDT as specified in the Service Agreement; and
- (v) Shipper shall be billed and pay the applicable Reservation Charge and Usage Charge based on the higher of the Shipper's Primary Receipt and Delivery Points or Alternate Receipt and Delivery Points.

16. RIGHT-OF-WAY AND RURAL MAIN LINE TAP CONSUMERS:

For measurement of gas delivered by Norteño to Shipper for resale or redelivery to right-of-way consumers and rural main line tap consumers, Shipper shall install, maintain and operate at Shipper's own expense, adjacent to Norteño's pipeline, the meters, high and low pressure regulators and other equipment required.

Notwithstanding the other provisions of these General Terms and Conditions and unless other operating arrangements mutually agreeable to Shipper and Norteño are employed, the following arrangements shall apply to deliveries of gas by Norteño to Shipper for resale or redelivery to right-of-way consumers as well as to deliveries of gas by Norteño to Shipper for resale or

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redelivery to rural main line tap consumers where, pursuant to the immediately preceding paragraph, Shipper installs meters, high and low pressure regulators and other equipment.

Shipper will service all equipment installed by it and the consumers served by use thereof including handling of all complaints and/or service calls. The reading of said meters shall be performed by the party most conveniently able to do so as mutually agreed upon by Norteño and Shipper. If the meters are read by Shipper, then Shipper shall furnish a copy of the meter readings to the Norteño, all without expense to the Norteño; provided, however, that Norteño shall have the right to read said meters at any reasonable time upon giving notice to Shipper. All pipe, meters and other equipment shall remain the property of the person or entity paying for same. Shipper at its own expense will from time to time check the accuracy of the meters measuring said gas and shall give the Norteño reasonable notice in writing of its intention to do so. The provisions of Sections 3 and 4 of these General Terms and Conditions shall apply to the accuracy of Shipper's measuring equipment. Norteño may at its option have a representative present at such test.

17. SCHEDULING OF RECEIPTS AND DELIVERIES:

17.1 Shipper shall nominate transportation on Norteño's system by advising Norteño's gas dispatchers each day, if necessary, of the quantity of natural gas Shipper would like transported from each specific Receipt Point and to each specific Delivery Point to which that gas is to be delivered. Shipper will be advised by Norteño of the available capacity on Norteño's system and, if necessary, a revised nominated quantity will be established. Shipper shall then cause the operator controlling the delivery and receipt of the nominated gas at each Receipt Point and Delivery Point, respectively, to confirm to Norteño's dispatchers the availability of the nominated gas, or portion thereof, and Norteño's gas dispatchers will then schedule the such confirmed quantity of natural

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gas for receipt and delivery. Shipper shall cause the operator(s) to deliver and receive the confirmed quantity of natural gas, as may be adjusted, and Norteño shall receive and deliver the appropriate quantity of natural gas, after reductions, as identified in the applicable rate schedule and/or executed Service Agreement.

17.2 Operating conditions may, from time to time, cause a temporary and unintentional imbalance between the total MMBTU of natural gas that Norteño is scheduled to receive under the executed Service Agreement and the quantities of natural gas that Norteño delivers under the executed Service Agreement. Shipper shall schedule make-up gas attributable to imbalances when Norteño, in its reasonable discretion, determines that it can practicably receive or deliver such imbalance.

17.3 Norteño shall schedule all quantities of gas in sequence as follows:

- (a) First, among Norteño's firm Shippers utilizing Primary Receipt and Delivery Points unless curtailment is required, as provided by Section 15 of these General Terms and Conditions; then,
- (b) Second, among Norteño's firm Shippers utilizing Alternate Receipt and/or Delivery Points, unless curtailment is required as provided by Section 15 of these General Terms and Conditions; and
- (c) Third, among Norteño's interruptible Shippers on the basis of price. The interruptible Shipper paying the highest rate, no exceeding the maximum applicable rate, will receive the highest priority. Interruptible Shippers paying the same rate will be given equal priority, unless curtailment is required as set forth in Section 15 of these General Terms and conditions.

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- 17.4 If, on any Day, Norteño determines that the capacity of its mainline system, or any portion thereof, is insufficient to serve all transportation requirements which are or would otherwise be scheduled to receive service on such Day, capacity which requires allocation shall be allocated in a manner which results in curtailment of capacity as provided in Section 15 of the General Terms and Conditions.
- 17.5 If, after the commencement of service in any given month, Norteño finds that there exists on its system, or any portion thereof, capacity in excess of that required for gas scheduled, Norteño may announce on its Electronic Bulletin Board or other means the availability of such capacity. Upon such announcement, Norteño shall allocate such excess capacity to Shippers that submit a request in sequence as follows:
- (a) First, among firm transportation Shippers;
 - (b) Second, among interruptible transportation Shippers who nominated natural gas for transportation in accordance with Section 19.1 and 19.2, and who failed to receive their nominated quantities because of capacity constraints on Norteño's system. Capacity shall be allocated first-come, first-served to any such Shippers based on the date that Norteño receives a revised Nomination; and
 - (c) Third, to and among all other interruptible transportation Shippers who submit a Nomination on the basis of price.
- 17.6 Norteño shall have the right not to accept, for the account of Shipper, from any Receipt Point, a quantity of gas that is less than fifteen (15) MMBTU per day, so as to avoid measurement problems relative to small volumes and disproportionate administrative burdens.

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18. SALES OPERATING PROVISIONS AND NOMINATIONS:

18.1 Nominations and Other Information - Upon request of Norteño, a Buyer shall submit Nominations of the daily, monthly and annual quantities of gas required hereunder, including peak day requirements, together with such other operating data as Norteño may require in order to schedule its daily, monthly and seasonal operations including its deliveries to Buyer, and to meet its system requirements and obligations.

19. TRANSPORTATION OPERATING PROVISIONS AND NOMINATIONS:

19.1 Nominating Initial or First of the Month Service - For purposes of scheduling commencement of transportation service initially or for the first of a month, five business days prior to the first of the month in which service is to commence, or such lesser period of time mutually agreed upon by Shipper and Norteño, Shipper will provide Norteño a Nomination. No transportation service will commence unless or until Norteño has received the Nomination and the Shipper has been advised by Norteño's gas dispatchers that the upstream and downstream operators controlling delivery and receipt, respectively, of the gas nominated have confirmed its availability, or portion thereof, for delivery and receipt, respectively, and that service is scheduled to commence.

19.2 Nominating a Change In Service - For purposes of scheduling any change in transportation service, Shipper will provide a Nomination indicating the changes to be made to the service and the date the revised service is to commence.

For all proposed changes, the Nomination must be received at least 24 hours prior to the requested commencement of the revised service, unless a lesser period of time is mutually agreed upon by Norteño and Shipper. Except in instances of Force Majeure or change in service necessitated by an inaccurate weather forecast, no change in service will commence unless or until Norteño has received the Nomination and the Shipper has been advised by

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Norteño's gas dispatchers that the revised service, as in Section 19.1, is scheduled to commence. Shipper shall advise Norteño as soon as possible with respect to any Force Majeure or adverse weather conditions affecting its service.

- 19.3 Balancing Charges - Nothing in this Section 19.3 shall limit Norteño's right to take actions as may be required to adjust receipts and deliveries of gas in order to alleviate conditions which threaten the integrity of its system, including maintenance of service to higher priority customers.

If Shipper fails to maintain a balance of receipts and deliveries, Norteño shall impose one or more of the balancing charges as applicable. Except with respect to the balancing charge provided in (d) below, however, no balancing charge shall be assessed unless Norteño has notified Shipper that an imbalance has occurred or will occur without corrective action and Shipper has failed to take action in coordination with Norteño's gas dispatchers. However, Norteño will not assess balancing charges in the event Shipper's failure to take corrective action is due to Force Majeure, curtailment, or other unavailability of capacity; and any period for such corrective action shall be extended accordingly when Shipper is prevented by such Force Majeure, curtailment or other unavailability of capacity to take such corrective action.

In calculating quantities for the determination of charges herein, Norteño shall take into consideration (1) Retention Quantities, (2) make-up quantities delivered pursuant to Norteño's notification to correct any excess or deficiency in receipts and deliveries and (3) for purposes of assessing balancing charges, any offsetting excess or deficiency in receipts and deliveries at the affected Receipt Point(s) and Delivery Point(s) under other Service Agreements between Norteño and Shipper.

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- (a) Daily Scheduling Charges - If on any day Shipper delivers to Norteño at the Receipt Point(s) quantities which are in excess of ("Excess Deliveries") or deficient by ("Deficient Deliveries") the greater of 50 MMBTU or 10 percent of the transportation quantities scheduled by Norteño, Shipper shall have forty eight hours after notification by Norteño, or such other period of time as reasonably required by Norteño to protect the integrity of its system, to initiate corrective action at the affected Receipt Point(s) and Delivery Point(s). In the event Shipper fails to initiate the corrective action mutually agreed upon by Shipper and Norteño's gas dispatchers within the period agreed upon, Norteño shall charge Shipper a Daily Scheduling charge of \$0.10 per day per MMBTU of Excess Deliveries or Deficient Deliveries, for each day as long as the Excess Deliveries or Deficient Deliveries exist, until Shipper brings its cumulative imbalance within the 10 percent tolerance.
- (b) Daily Balancing Charges - If on any day Shipper delivers to Norteño at the Receipt Point(s) quantities which are in excess of ("Positive Imbalance") or deficient by ("Negative Imbalance") the greater of 50 MMBTU or 10 percent of the transportation quantities taken by Shipper at the Delivery Points, Shipper shall have forty eight hours after notification by Norteño, or such other period of time as reasonably required by Norteño to protect the integrity of its system, to initiate corrective action mutually agreed upon by Shipper's and Norteño's gas dispatchers, at each affected Receipt Point and Delivery Point. In the event Shipper fails to initiate the corrective action mutually agreed upon by Shipper's and Norteño's gas dispatchers within the period agreed upon, Norteño shall charge Shipper a Daily Imbalance Charge of \$0.10 per day per MMBTU of Positive Imbalance or Negative Imbalance, for each day as long

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as the Positive Imbalance or Negative Imbalance exists, until Shipper brings its cumulative imbalance within the 10 percent tolerance level.

- (c) Cumulative Monthly Balancing Charges - Subsequent to the close of each Billing Month, Norteño shall notify Shipper of its cumulative imbalance quantity, measured as the difference between cumulative receipts and deliveries by Norteño under the transportation Service Agreement. If the absolute value of the cumulative imbalance is more than 10 percent of the volumes scheduled by Norteño for Shipper under the Service Agreement in the Billing Month, then Shipper and Norteño's dispatchers shall agree on appropriate corrective action within ten days and Shipper shall bring its cumulative imbalance within this 10 percent limit within 45 days after such agreement.

If Shipper fails to bring its cumulative imbalance within the 10 percent limit within the 45 day period, then Norteño shall charge Shipper \$0.01 per MMBTU per day for each MMBTU of cumulative imbalance over the 10 percent limit until the cumulative imbalance is brought within the limit.

If after 90 days any cumulative imbalance in excess of the ten percent limit remains, Norteño shall either:

- (i) charge Shipper for a Negative Imbalance, including applicable Retention Quantities, at a rate equal to 150% of the spot market commodity rate applicable for that Division, as required to bring the cumulative imbalance to within the 10 percent limit.

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- (ii) purchase the Positive Imbalance from Shipper, free and clear of any adverse claims by any party, at a rate equal to 75% of the spot market commodity charge hereinabove referenced, as required to bring the cumulative imbalance to within the 10 percent limit.

Imbalances for any month that become apparent after the time for notice has expired shall be considered as an imbalance for the month following the month in which the imbalance became apparent.

- (d) Unauthorized Receipts Charge - Unauthorized receipts are takes of transportation gas by Shipper at the Delivery Point(s) prior to execution of a Service Agreement or submission and scheduling of a Nomination as provided in Sections 17, 19.1 and 19.2 above. For any unauthorized receipts, Norteño shall assess a charge equal to two times the maximum interruptible transportation commodity charge that would have been applicable to Shipper's service were it a firm sales customer under Norteño's Sales Rate Schedules. Further, such unauthorized receipts shall be considered a Negative Imbalance pursuant to this Section 19.
- (e) Balancing at Contract Termination - Following the termination of the Transportation Service Agreement, Shipper shall be required to correct any remaining excess or deficiency in receipts and deliveries at the affected Receipt Point(s) and Delivery Point(s) within forty-five days after the determination by Norteño that an excess or deficiency exists, or within such longer period of time mutually agreed upon by Shipper and Norteño. If after the forty-five day period, Norteño determines that Shipper received transportation quantities in excess of the quantities delivered to Norteño at the Receipt Point(s), Norteño shall charge Shipper an amount calculated in the same manner as applicable

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to a Negative Imbalance. If after the forty-five (45) day balancing period, Norteño determines that Shipper delivered to Norteño quantities in excess of the quantities received at the Delivery Point(s), Norteño shall purchase the excess transportation quantities free and clear of any adverse claims by any party for an amount calculated in the same manner as applicable to a Positive Imbalance.

- 19.4 Balancing of Transportation Quantities - It shall be responsibility of the Shipper to control and, if necessary, adjust deliveries of gas to Norteño for transportation and receipts of transportation gas from Norteño in order to maintain a daily balance of receipts and deliveries. Norteño shall not be obligated to receive or deliver gas in excess of the transportation quantities scheduled by Norteño's dispatchers, nor shall Norteño be obligated to deliver to Shipper at the Delivery Point(s) transportation quantities in excess of transportation quantities received for Shipper at the Receipt Point(s) less Retention Quantities. Norteño will monitor, to the best of its ability, receipts and deliveries for each transportation transaction and, based upon information available, advise the Shipper of any imbalance situation which has occurred or may occur unless corrective action is taken. Upon notification, Shipper shall be obligated to adjust receipts and deliveries of transportation gas to correct or avoid any imbalance. Any adjustment to receipts and deliveries by Shipper, whether or not pursuant to notification from Norteño, shall be coordinated with Norteño's gas dispatchers and in accord with the procedures set forth in this Sections 15, 17 and 19.

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19.5 Waiver of Imbalance Charges

- (a) If Norteño determines that due to operational constraints or otherwise it cannot reasonably apply any or all of the provisions set forth in Section 19.3 and 19.4 it may, at its discretion, waive any or all such provisions; provided, however, any such waiver shall be on a non-discriminatory basis.
- (b) The imbalance charge provisions set forth in Section 19.3 of the General Terms and Conditions shall not apply if the excess or deficiency quantities were caused by Norteño's actions.
- (c) Norteño shall have the right, entirely without the obligation, upon determining that deficiency or excess quantities were not willfully received or delivered by Shipper to partially or completely waive any charge for such imbalance to the extent that such waiver is not unduly discriminatory, if in Norteño's judgment for the period for which the charge was incurred: (a) authorized deliveries to Norteño's other Shipper's were not reduced or otherwise adversely affected by the taking of such quantities and (b) western's operations were not adversely affected.

19.6 Rights of Parties - The payment of an imbalance charge or a waiver shall not give the Shipper the right to take unauthorized quantities, nor prevent Norteño from seeking additional remedies.

19.7 Failure to Nominate - If any Shipper under Rate Schedules IT-S or IT-DN that has executed a Service Agreement fails to nominate any volumes for transportation within 60 days of such execution, Shipper's Service Agreement shall be terminated and Shipper's request for service shall be considered null and void.

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20. REQUESTS FOR SERVICE; UNBUNDLING OF SERVICE:

- 20.1 Requests for Sales Service - Norteño shall accept written requests for new sales service on a first-come, first-served basis, subject to the availability of supply on Norteño's system.
- 20.2 Requests for Firm Transportation Service - Norteño shall accept written requests for new firm transportation service on a first-come, first-served basis, subject to the availability of capacity on Norteño's system.
- 20.3 Requests for Interruptible Transportation Service - Norteño shall accept written requests for new interruptible transportation service on a first-come, first-served basis.
- 20.4 Requests for Transportation Service - The specific information required from a Shipper for a valid request for transportation service is set forth on the Transportation Request Form which is set forth following these General Terms and Conditions, beginning on Sheet No. 378. The completed Transportation Request Form must be delivered to:

Transportation and Exchange Services
Norteño Pipeline Company
504 Lavaca, Suite 950
Austin, TX 78701-2939

The form to be used for making requests for transportation service is available from Norteño upon request. Requests for new service shall be reviewed expeditiously in accordance with this FERC Gas Tariff and the Commission's Regulations.

Requests for firm transportation service hereunder must be accompanied by a prepayment in the amount of \$5,000.00, applicable to the reservation charges designated by the firm transportation Rate Schedules in this FERC Gas Tariff. In the event that a firm transportation Service Agreement is not tendered by Norteño to Shipper within ninety (90) days after Norteño receives the

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Transportation Request Form, and Shipper requests refund, Norteño will return the prepayment and cancel the effectiveness of Shipper's request for firm transportation service.

- 20.5 Limited Right to Purchase Firm Capacity - At any time after the effectiveness of Norteño's restructuring pursuant to Docket No. RS92-53-000, any creditworthy party may offer in writing to pay Norteño higher rate(s) for firm transportation service than the rate(s) being paid by an existing firm Shipper, not to exceed the maximum rates applicable to such service pursuant to this FERC Gas Tariff. If the existing firm Shipper is paying less than the maximum rate(s) applicable pursuant to its Service Agreement, and if the existing firm Shipper's Service Agreement permits Norteño to renegotiate or make adjustments to the applicable rate(s) or discount(s), Norteño will so notify in writing the existing firm Shipper, who will then have fourteen (14) days to respond to Norteño in writing that it agrees to match the higher offer. Absent such response or an agreement to pay the higher rate(s) from the existing Shipper, Norteño will abandon firm service to the existing Shipper when and to the extent that it executes a new Service Agreement with the Shipper that offered to pay the higher rate(s) for firm transportation service.
- 20.6 Expiration of Interruptible and Short-Term Firm Transportation Service Agreements - Any short-term firm transportation Service Agreement (a term of less than one year) or any interruptible transportation Service Agreement will automatically terminate upon expiration of such Service Agreement pursuant to its terms and conditions, with pre-granted abandonment of the service pursuant to the Commission's Regulations.
- 20.7 Expiration of Long-Term Firm Transportation Service Agreements - In the event of the expiration of any long-term firm transportation Service agreement (a term of one year or longer) pursuant to its terms and conditions, the Shipper shall have a right of first refusal to extend the

GENERAL TERMS AND CONDITIONS
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term of its Service Agreement, as specified herein. Norteño will automatically extend the term of a Shipper's long-term firm transportation Service Agreement pursuant to the terms of any evergreen or rollover provision contained therein, unless such Shipper provides a written request to Norteño to terminate the Service Agreement.

- (a) At least three (3) months prior to the expiration of the Service Agreement, Shipper shall provide written notice to Norteño of its election to exercise its right of first refusal to extend the term of its Service Agreement.
- (b) Within 48 hours of receipt of such notice, Norteño will post on its Electronic Bulletin Board for a period of fourteen (14) days such information related to the firm capacity under the expiring Service Agreement as would be required for a Capacity Release Notice.
- (c) Creditworthy parties may submit written, binding offers for all or part of the posted firm capacity during the posting period, specifying the maximum quantity(ies), rate(s) and term of the offer. Such an offer must be accompanied by a valid request for firm transportation service pursuant to Section 20 of these General Terms and Conditions.
- (d) The best offer will be determined by calculating the net present value of the reservation charge as follows:

$$NPV = R \times C \\ (1 + I)^n$$

where: NPV = Net Present Value
R = Reservation Charge bid
C = Capacity, stated in MMBTU
I = Commission interest rate
n = exponent signifying term of release, in months.

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In the event of a tie, a lottery will be used.

- (e) Within 48 hours of the end of the posting period, Norteño will notify the existing firm Shipper of the quantity(ies), rate(s) and term of the best offer received, if any. Shipper shall have seven days to notify Norteño in writing that it agrees to match the rate(s) and term of the best offer, but in no case more than Norteño's maximum applicable tariff rate(s) and a term of 20 years.
- (f) If the Shipper matches the best offer as provided herein, Norteño shall execute a firm transportation Service Agreement for the quantity(ies) and term, and at the rate(s) as agreed. If the Shipper does not notify Norteño, or does not agree to match the best offer as specified herein, such Shipper's Service Agreement shall expire pursuant to its terms and conditions, with pre-granted abandonment of the service pursuant to the Commission's Regulations, and Norteño shall execute a new Service Agreement with the Shipper that submitted the best offer.

21. ORDER 497 COMPLIANCE:

- 21.1 Shared Operating Personnel and Facilities - Norteño does not share any personnel or facilities with its marketing affiliate, Mercado Gas Services, Inc.

Norteño does share the following policy makers with its marketing affiliate:

Peter H. Kelley
President, MERCADO GAS SERVICES INC.

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Norteño shares personnel and facilities between its own transportation gas sales functions. The following persons have both sales and transportation responsibilities:

Thomas C. Robillard	Shanna E. Cawthon
Executive Vice President	Gas Supply Representative
Norteño Pipeline Co.	Norteño Pipeline Co.

21.2 Procedures Regarding Complaints:

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

Transportation and Exchange Services
Norteño Pipeline Company
504 Lavaca, Suite 950
Austin, TX 78701-2939

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

- b) The receipt of the complaint will enter in the complaint log:
1. Name of Complainant.
 2. Date complaint received by Norteño.
 3. Specific nature of complaint, i.e., allocation of capacity, pending request, etc.
- (c) The recipient of the complaint will forward it to the appropriate party for further review/resolution. Upon ascertaining of the facts, Norteño will respond in writing to the complainant. The response shall indicate the validity of the complaint and what corrective actions, if any, should be taken.

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(d) The complaint log will then be updated to reflect that the response has been issued.

21.3 Communication of Pricing and Capacity Information
Norteo will establish and shall maintain a contemporaneous information method to comply with the Order No. 497 requirement of contemporaneous communication of certain information covered by the Order to all "potential shippers" in the event Norteo provides such information to a marketing affiliate.

To access this information, potential shippers should contact:

Transportation and Exchange Services
Norteo Pipeline Company
504 Lavaca, Suite 950
Austin, Texas 78701-2939

21.4 Norteo was granted waiver of Section 161.3(e), (f), and (g) of the Commission's Regulations as they apply to its Sales Division. However, Norteo shall implement the following procedures to ensure that any advantages to its Sales Division are minimized:

- (a) Norteo shall post on its EEB all capacity and transportation related information that it provides to its Sales Division.
- (b) Norteo shall maintain its accounting information so that reports of its sales related activities can be generated and confirmed by its customers and the Commission.

22. DULY CONSTITUTED AUTHORITIES:

These General Terms and Conditions, the rate schedules to which they apply, and any executed Service Agreement for service hereunder are subject to valid laws, orders, rules and regulations of duly constituted authorities having jurisdiction.

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23. SERVICE AGREEMENT:

23.1 Form of Agreement - Buyer or Shipper shall enter into a contract with Norteño for service in the form contained in this tariff.

23.2 Term of Agreement - The period of time to be covered by the executed Service Agreement shall be determined by agreement between the parties but shall not be longer than twenty years; provided, however, that where the Service Agreement supersedes or cancels an existing contract, the term of the Service Agreement shall not be less than the unexpired portion of the term contained in the contract to be superseded or cancelled, unless Buyer or Shipper and Norteño mutually agree otherwise.

24. NOTICES:

Any communication, notice, request, demand statement, or bill provided for in the Tariff or in a Service Agreement or any notice which either Seller or Buyer may desire to give to the other, shall be in writing and shall be considered as duly presented, rendered, or delivered when mailed by either postage-paid registered or ordinary mail or when sent by telegram, cable, telecopy (facsimile or Fax), telex, express mail service, or such other method mutually agreed upon between the parties. The material so sent shall be addressed to the pertinent party at its last known address, or at such other address as either party may designate in the Service Agreement.

25. INDEMNIFICATION:

Each party shall bear responsibility for all its own breaches, tortious acts, or tortious omissions connected in any way with the Service Agreement causing damages or injuries to the other party or to any third party, unless otherwise expressly agreed in writing between the parties. Therefore, the offending party as a result of such offense shall hold harmless and indemnify the non-offending party against any claim,

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liability, loss, or damage whatsoever suffered by the non-offending party or by any third party. As used herein the term "party" shall mean a corporation, or partnership entity or individual and its officers, agents, employees, and contractors; the phrase "damages or injuries of any kind" shall include without limitation litigation expenses, court costs, and attorney's fees; and the phrase "tortious acts or tortious omissions" shall include without limitation sole or concurrent simple negligence, gross negligence, recklessness, and intentional acts or omissions.

26. LATERAL LINE POLICY:

Nothing herein shall require Norteño to extend its lines laterally or file an application for a certificate of public convenience and necessity under Section 7(c) of the Natural Gas Act. Further, nothing herein shall prevent Norteño from contesting an application for service filed pursuant to Section 7(a) of the Natural Gas Act. Norteño reserves the right to seek a waiver of the policy set forth herein, for good cause shown, during an proceeding before the Commission instituted under Section 7 of the Natural Gas Act.

27. ASSIGNMENT:

All of the rights and duties herein contained shall inure to and be binding upon the successors and assigns of the parties hereto, provided that no conveyance or transfer of any interest of either party shall be binding upon the other party until such other party has been furnished with written notice thereof and a true copy of such conveyance or transfer.

28. ANNUAL CHARGE ADJUSTMENT CLAUSE:

28.1 Purpose - The purpose of this clause is to permit Norteño to recover the annual charges assessed by the Commission under Section 382.202 of the Commission's Regulations pursuant to the provisions of the Commission's Order No. 472. For purposes of recovering annual charges assessed Norteño by the Commission, this Section

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establishes, pursuant to Section 154.38(d)(6) of the Commission's Regulations, an "ACA Surcharge" to be applicable to quantities of gas sold or transported under all of Norteño's Rate Schedules contained in Volume Nos. 1 and 2 of Norteño's FERC Gas Tariff. This amount is in addition to any amounts otherwise payable to Norteño under said Rate Schedules.

- 28.2 Basis for the Annual Charge Adjustment Charge - The Rate Schedules specified in Section 29.1 hereof shall include an Annual Charge Adjustment unit charge (ACA unit charge) applicable to each MMBTU of gas sold or transported thereunder, and the unit charge rate shall be reflected on Sheets No. 10 and 11 of Second Revised Volume No. 1 and Sheet No. 1A of Original Volume No. 2 of this FERC Gas Tariff. The ACA unit charge shall be included in the commodity component of any rate schedule with two-part rates.
- 28.3 Filing Procedure - Changes to the ACA unit charge must be filed annually to reflect the annual charge unit rate authorized by the Commission each fiscal year and are subject to the notice requirements of Section 154.22 of the Commission's Regulations. In the event, however, the Commission's establishment of such annual charge unit rate for a particular fiscal year prohibits Norteño from making a timely filing for a change to its ACA Charge, then the FERC's 30 day notice requirements under Section 154.22 shall be deemed waived for purposes of this Section 29.
- 28.4 Payment by Customer - The amount applicable to each customer under its respective rate schedule shall be due and payable with the bill for the month to each customer.
29. ELECTRONIC BULLETIN BOARD:
- 29.1 Norteño shall maintain an interactive Electronic Bulletin board (EB) system, which it will make available to all Buyers and Shippers and other

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parties on a non-discriminatory basis, that shall provide such data as required by the Commission's Regulations:

- (a) The means for a Releasing Shipper to post its election to release all or a portion of its firm capacity rights.
- (b) Information regarding the availability of capacity on Norteño's system at Receipt and Delivery Points and on the mainline, and whether the capacity is available directly from Norteño or through its Released Capacity Service.
- (c) Information regarding uncommitted firm mainline capacity.
- (d) Information regarding offers to purchase capacity.

29.2 Norteño will provide a method for any shipper that has qualified to bid for Released Capacity pursuant to Section 7 of Rate Schedule RCS of this FERC Gas Tariff, to post directly to the EBB its bid for Released Capacity.

29.3 Norteño will provide a method to download information contained in its EBB files, will maintain such archived historical information for a three (3) year period, and will provide reasonable terms for access to archived historical information. Norteño will keep daily back-up records of information displayed on the EBB and will periodically purge completed transactions and expired information.

29.4 Norteño will include the cost of establishing and maintaining its EBB in its cost of service, and reserves the right to request authority to assess charges to EBB users to recover the variable cost of maintaining its EBB, or to pass through any costs charged to Norteño by a third-party provider of EBB services.

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SHEET NUMBERS 273 THROUGH 274
ARE RESERVED FOR FUTURE USE.

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Regulatory Commission, Docket No. RS92-53-000 and 001, dated June 18, 1993, and Letter Order in Docket Nos. CP96-81-000 et al., dated January 18, 1996.

FORM OF SERVICE AGREEMENT
FOR FIRM TRANSPORTATION SERVICE

THIS AGREEMENT entered into this ___ day of _____, 19___, by and between Norteño Pipeline Company, a Delaware corporation (herein called "Norteño"), and _____ (herein called "Shipper").

W I T N E S S E T H :

WHEREAS, Shipper wishes to purchase firm natural gas transportation service from Norteño in Norteño's _____ Division and Norteño wishes to provide such firm natural gas transportation service to Shipper; and

WHEREAS, Shipper has completed and submitted to Norteño a valid request for transportation service under Rate Schedule FT-___ ("Request"); and

WHEREAS, in accordance with such Request, such service will be provided by Norteño for Shipper in accordance with the terms hereof.

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FORM OF SERVICE AGREEMENT
FOR FIRM TRANSPORTATION SERVICE
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NOW THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the sufficiency of which is hereby acknowledged, Norteño and Shipper do covenant and agree as follows:

ARTICLE I

Quantity

- 1.1 The Maximum Daily Transportation Quantity (the "MDTQ") shall be _____ MMBTU per day, which shall be Shipper's Reservation Charge billing determinant, as specified in Section 5 of Norteño's Rate Schedule FT-____. The MDTQ shall be the largest daily quantity of gas Shipper may tender for transportation in the aggregate to all Primary Receipt Points, exclusive of Retention Quantities if applicable, and receive at all Primary Delivery Points as specified on Exhibits A and B hereto, and/or Alternate Receipt and Delivery Points as specified on Exhibit C hereto, on any Day.
- 1.2 The Maximum Annual Transportation Quantity ("MATQ") shall be _____ MMBTU per Service Year, which is the product of 365 days (or 366 days in a leap year) and the MDTQ, as specified in Section 1.1.

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In the case of a fractional Service Year, the MATQ shall equal the MDTQ times the number of days in the fractional Service Year. The MATQ shall be the largest quantity of gas delivered to Shipper for transportation under this Agreement during any Service Year.

- 1.3 Shipper may tender natural gas for transportation to Norteño up to the MATQ, and on any day, up to the MDTQ plus Retention Quantities, if applicable. Norteño agrees to receive the aggregate of the quantities of natural gas that Shipper tenders for transportation at the Primary and Alternate Receipt Points, up to the Maximum Daily Quantity specified for each such point on Exhibits A and C hereto, and to transport and deliver to Shipper at each Primary Delivery Point specified on Exhibit B and each Alternate Delivery Point specified on Exhibit C, up to the Maximum Daily Quantity specified for each such point on Exhibits B and C, respectively, the amount tendered by Shipper less Retention Quantities, if applicable (as provided in Rate Schedule FT-___), provided, however, that Norteño shall never be required to transport and deliver in any

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Service Year more than the MATQ or on any Day more than the MDTQ. Norteño and Shipper's obligations hereunder shall be subject to the provisions of any final FERC order determining an allocation of capacity of Norteño's gas pipeline transmission system.

ARTICLE II

Rate Schedule

- 2.1 Upon the commencement of service hereunder, Shipper shall pay Norteño, for all service rendered hereunder, the rates established under Norteño's Rate Schedule FT-___ as filed with the FERC and as said Rate Schedule may hereafter be legally amended or superseded.
- 2.2 This Agreement in all respects shall be and remain subject to the provisions of said Rate Schedule and of the applicable provisions of the General Terms and Conditions of Norteño on file with the FERC (as the same may hereafter be legally amended or superseded), all of which are made a part hereof by this reference. Certain of the General Terms and Conditions are to be adjusted for the purpose of this Agreement, and the

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FOR FIRM TRANSPORTATION SERVICE
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adjustments are set forth in Article IX of this Agreement. [This last sentence is included only if applicable.]

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

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ARTICLE III

Term of Agreement and
Commencement of Service

- 3.1 This Agreement shall be effective on the date first written above. This Agreement shall continue in full force and effect for a term ending _____, and from year to year thereafter until terminated either by Norteño or Shipper upon 180 days prior written notice to the other specifying a termination date at the end of such period or any yearly period thereafter.

ARTICLE IV

Receipt Point(s) and Delivery Point(s)
and Maximum Daily Quantities

- 4.1 The Receipt Point(s) and Maximum Daily Quantity for each point, for all gas delivered by Shipper into Norteño's pipeline system under this Agreement shall be at the Primary Receipt Point(s) on Norteño's pipeline system as set forth in Exhibit A and the Alternate Receipt Point(s) as set forth in Exhibit C attached hereto. The aggregate of the Maximum Daily Quantities for all Primary Receipt Point(s) set forth on Exhibit A

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may exceed Shipper's MDTQ but such aggregate together with the Maximum Daily Quantities for all Alternate Receipt Point(s) shall not operate to increase Shipper's MDTQ or Norteño's delivery obligation as set forth in Article I of this Agreement.

- 4.2 The Delivery Point(s) and Maximum Daily Quantity for each point for all gas delivered by Norteño to Shipper or for the account of Shipper, under this Agreement shall be at the Primary Delivery Point(s) as set forth in Exhibit B and the Alternate Delivery Point(s) as set forth in Exhibit C. The aggregate of the Maximum Daily Quantities for all Delivery Point(s) set forth on Exhibit B and Exhibit C may exceed Shipper's MDTQ, but shall not operate to increase Shipper's MDTQ or Norteño's delivery obligation as set forth in Article I of this Agreement.

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ARTICLE V

Notices

5.1 All notices, payments and communications with respect to this Agreement shall be in writing and sent to the addresses stated below or at any other such address as may hereafter be designated in writing:

ADMINISTRATIVE MATTERS:

Norteño: Norteño Pipeline Company

Shipper:

504 Lavaca, Suite 950
Austin, TX 78701-2939
Attention: Transportation and Exchange
Services

PAYMENT BY WIRE TRANSFER:

Norteño: Norteño Pipeline Company

_____ Bank

Account No. _____

_____, Texas

Effective Date: 04/01/1996 Status: Effective
FERC Docket: CP96- 81-007

Original Sheet No. 283 Original Sheet No. 283 : Superseded

FORM OF SERVICE AGREEMENT
FOR FIRM TRANSPORTATION SERVICE
(continued)

ARTICLE VI
Facilities

6.1 Norteño shall not be obligated to, but may, at its reasonable discretion and to the extent that such decisions are nondiscriminatory, construct or acquire new facilities, or expand existing facilities, in order to perform service under this Agreement. For purposes of this Agreement and Section 5 of Rate Schedule FT-____, an expanded facility shall be deemed to be a new facility. If in Norteño's reasonable judgment it is necessary to construct or acquire new facilities, or to expand existing facilities, in order to enable Norteño to receive or deliver Shipper's MDTQ at the Receipt Point(s) and Delivery Point(s), and Norteño determines as provided herein to construct, acquire, or expand such facilities, then Norteño shall notify Shipper of the additional costs required. Subject to agreement and approval by Norteño and Shipper of the cost to be reimbursed by Shipper and subject to receipt and acceptance by Norteño of any necessary authorization, permits and approvals, such facilities shall be constructed, acquired or expanded to permit the receipt

Effective Date: 04/01/1996 Status: Effective
FERC Docket: CP96- 81-007

Original Sheet No. 284 Original Sheet No. 284 : Superseded

FORM OF SERVICE AGREEMENT
FOR FIRM TRANSPORTATION SERVICE
(continued)

and delivery of gas as provided for herein. The parties agree that the term "cost", as used herein, refers to the same costs as are set forth in Section 5.3(f) of Rate Schedule FT-____, as the same may be changed from time to time. Norteño shall have title to and the exclusive right to operate and maintain all such facilities.

ARTICLE VII

Regulatory Authorizations and Approvals

- 7.1 Norteño's obligation to provide service is conditioned upon receipt and acceptance of any necessary regulatory authorization(s) to provide Firm Transportation Service to Shipper in accordance with the terms of Rate Schedule FT-____ and this Service Agreement. Shipper agrees to reimburse Norteño for all reporting and/or filing fees incurred by Norteño in providing service under this Service Agreement.

Effective Date: 04/01/1996 Status: Effective
FERC Docket: CP96- 81-007

Original Sheet No. 285 Original Sheet No. 285 : Superseded

FORM OF SERVICE AGREEMENT
FOR FIRM TRANSPORTATION SERVICE
(continued)

ARTICLE VIII

Pressure

- 8.1 The quantities of gas delivered or caused to be delivered by Shipper to Norteño hereunder shall be delivered into Norteño's pipeline system at a pressure sufficient to enter Norteño's system, but in no event shall such gas be delivered at a pressure exceeding the maximum authorized operating pressure or such other pressure as Norteño permits at the Receipt Point(s).
- 8.2 Norteño shall deliver to Shipper at the Delivery Point(s) at the pressure as it exists from time to time in Norteño's or Norteño's agent's pipeline system. Norteño shall have no obligation to provide compression and/or alter its system operation to effectuate deliveries at the Delivery Point(s) hereunder.

ARTICLE IX

Other Provisions

Effective Date: 04/01/1996 Status: Effective
FERC Docket: CP96- 81-007

Original Sheet No. 286 Original Sheet No. 286 : Superseded

FORM OF SERVICE AGREEMENT
FOR FIRM TRANSPORTATION SERVICE
(continued)

ARTICLE X

Miscellaneous

- 10.1 This Agreement shall bind and benefit the successors and assigns of the respective parties hereto; provided, however, neither party shall assign this Agreement or any of its rights or obligations hereunder without first obtaining the written consent of the other party.
- 10.2 No waiver by either party of any one or more defaults by the other in the performance of any provisions of this Agreement shall operate or be construed as a waiver of any future defaults of a like or different character.
- 10.3 This Agreement contains Exhibits A, B and C which are incorporated fully herein, and made a part hereof.
- 10.4 Except for regulatory approvals, this Agreement shall be governed by and interpreted in accordance with the laws of the State of Texas.

Effective Date: 04/01/1996 Status: Effective
FERC Docket: CP96- 81-007

Original Sheet No. 287 Original Sheet No. 287 : Superseded

FORM OF SERVICE AGREEMENT
FOR FIRM TRANSPORTATION SERVICE
(continued)

IN WITNESS WHEREOF, the parties hereto have executed this Agreement by their duly authorized officers effective as of the date first written above.

NORTEYO PIPELINE COMPANY:

SHIPPER:

By _____

By _____

Title _____

Title _____

Attest:

Attest:

Effective Date: 04/01/1996 Status: Effective
FERC Docket: CP96- 81-007

Original Sheet No. 288 Original Sheet No. 288 : Superseded

FORM OF SERVICE AGREEMENT
FOR FIRM TRANSPORTATION SERVICE
(continued)

EXHIBIT A
TO
FIRM GAS TRANSPORTATION AGREEMENT
BETWEEN
NORTEYO PIPELINE COMPANY
AND

DATED
_____, 19__

Primary Receipt Point(s):

Description of Primary Receipt Point	Maximum Daily Quantity (MMBTU)	Maximum Delivery Pressure	Date Added To Agreement
--	--------------------------------------	---------------------------------	-------------------------------

Date of this Exhibit A: _____

Accepted By:

Norteyo Pipeline Company:

Shipper:

By: _____

By: _____

Date: _____

Date: _____

Effective Date: 04/01/1996 Status: Effective
FERC Docket: CP96- 81-007

Original Sheet No. 289 Original Sheet No. 289 : Superseded

FORM OF SERVICE AGREEMENT
FOR FIRM TRANSPORTATION SERVICE
(continued)

EXHIBIT B
TO
FIRM GAS TRANSPORTATION AGREEMENT
BETWEEN
NORTEÑO PIPELINE COMPANY
AND

DATED
_____, 19__

Primary Delivery Point(s):

Description of Primary Delivery Point	Maximum Daily Quantity (MMBTU)	Maximum Delivery Pressure	Date Added To Agreement
---	--------------------------------------	---------------------------------	-------------------------------

Date of this Exhibit B: _____

Accepted By:

Norteño Pipeline Company:	Shipper:
By: _____	By: _____
Date: _____	Date: _____

Effective Date: 04/01/1996 Status: Effective
FERC Docket: CP96- 81-007

Original Sheet No. 290 Original Sheet No. 290 : Superseded

FORM OF SERVICE AGREEMENT
FOR FIRM TRANSPORTATION SERVICE
(continued)

EXHIBIT C
TO
FIRM GAS TRANSPORTATION AGREEMENT
BETWEEN
NORTEÑO PIPELINE COMPANY
AND

DATED _____, 19__

Alternate Receipt Point(s):

Description of Alternate Receipt Point	Maximum Daily Quantity (MMBTU)	Maximum Delivery Pressure	Date Added To Agreement
--	--------------------------------------	---------------------------------	-------------------------------

Alternate Delivery Point(s):

Description of Alternate Delivery Point	Maximum Daily Quantity (MMBTU)	Maximum Delivery Pressure	Date Added To Agreement
---	--------------------------------------	---------------------------------	-------------------------------

Date of this Exhibit C: _____

Accepted By:

Norteño Pipeline Company: Shipper:
By: _____ By: _____
Date: _____ Date: _____

Effective Date: 04/01/1996 Status: Effective

FERC Docket: CP96- 81-007

Original Sheet No. 291 Original Sheet No. 291 : Superseded

SHEET NUMBERS 291 THROUGH 295
ARE RESERVED FOR FUTURE USE.

Effective Date: 04/01/1996 Status: Effective
FERC Docket: CP96- 81-007

Original Sheet No. 296 Original Sheet No. 296 : Superseded

FORM OF SERVICE AGREEMENT
FOR RELEASED CAPACITY FIRM TRANSPORTATION SERVICE

THIS AGREEMENT entered into this _____ day of _____,
of 19____, by and between Norteño Pipeline Company, a
Delaware corporation (herein called "Norteño"), and _____
_____ (herein called "Replacement
Shipper").

W I T N E S S E T H :

WHEREAS, Replacement Shipper wishes to purchase firm natural
gas transportation service from Norteño pursuant to
Norteño's Released Capacity Service in Norteño's _____
_____ Division and Norteño wishes to provide such firm
natural gas transportation service to Replacement Shipper;
and

WHEREAS, Replacement Shipper has completed and submitted to
Norteño a valid request for Released Capacity Service
("Request") and has been awarded Released Capacity pursuant
to Rate Schedule RCS ("Award"); and

WHEREAS, in accordance with such Request and Award, such
service will be provided by Norteño for Replacement Shipper
in accordance with the terms hereof.

Effective Date: 04/01/1996 Status: Effective
FERC Docket: CP96- 81-007

Original Sheet No. 297 Original Sheet No. 297 : Superseded

FORM OF SERVICE AGREEMENT
FOR RELEASED CAPACITY FIRM TRANSPORTATION SERVICE
(continued)

NOW THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the sufficiency of which is hereby acknowledged, Norteño and Replacement Shipper do covenant and agree as follows:

ARTICLE I

Quantity

- 1.1 The Maximum Daily Transportation Quantity (the "MDTQ") shall be _____ MMBTU per day, which shall be Replacement Shipper's Reservation Charge billing determinant, as specified in Section 12 of Norteño's Rate Schedule RCS. The MDTQ shall be the largest daily quantity of gas Replacement Shipper may tender for transportation in the aggregate to all Receipt Points as specified on Exhibit A hereto, exclusive of Retention Quantities if applicable, and receive at all Primary Delivery Points as specified on Exhibit B hereto, and/or at all Alternate Delivery Points as specified on Exhibit C hereto, on any Day.

Effective Date: 04/01/1996 Status: Effective
FERC Docket: CP96- 81-007

Original Sheet No. 298 Original Sheet No. 298 : Superseded

FORM OF SERVICE AGREEMENT
FOR RELEASED CAPACITY FIRM TRANSPORTATION SERVICE
(continued)

- 1.2 The Maximum Annual Transportation Quantity ("MATQ") shall be _____ MMBTU per Service Year, which is the product of 365 days (or 366 days in a leap year) and the MDTQ, as specified in Section 1.1.

In the case of a fractional Service Year, the MATQ shall equal the MDTQ times the number of days in the fractional Service Year. The MATQ shall be the largest quantity of gas delivered to Replacement Shipper for transportation under this Agreement during any Service Year.

- 1.3 Replacement Shipper may tender natural gas to Norteño for transportation up to the MATQ, and on any Day, up to the MDTQ plus Retention Quantities, if applicable. Norteño agrees to receive the aggregate of the quantities of natural gas that Replacement Shipper tenders for transportation at the Receipt Points, up to the Maximum Daily Quantity ("MDQ") specified for each such point on Exhibit A hereto, and to transport and deliver to Replacement Shipper at each Primary Delivery

Effective Date: 04/01/1996 Status: Effective
FERC Docket: CP96- 81-007

Original Sheet No. 299 Original Sheet No. 299 : Superseded

FORM OF SERVICE AGREEMENT
FOR RELEASED CAPACITY FIRM TRANSPORTATION SERVICE
(continued)

Point specified on Exhibit B and each Alternate Delivery Point specified on Exhibit C, up to the MDQ specified for each such point on Exhibit B and Exhibit C, respectively, the amount tendered by Replacement Shipper less Retention Quantities as provided in Rate Schedule RCS, provided, however, that Norteño shall never be required to transport and deliver in any Service Year more than the MATQ or on any Day more than the MDTQ. Norteño's and Replacement Shipper's obligations hereunder shall be subject to the provisions of any final FERC order determining an allocation of capacity of Norteño's gas pipeline transmission system.

ARTICLE II

Rate Schedule

- 2.1 Upon the commencement of service hereunder, Replacement Shipper shall pay Norteño, for all service rendered hereunder, the rates established under Norteño's Rate Schedule RCS as filed with the FERC and as said Rate Schedule may hereafter be legally amended or superseded.

Effective Date: 04/01/1996 Status: Effective

FERC Docket: CP96- 81-007

Original Sheet No. 300 Original Sheet No. 300 : Superseded

FORM OF SERVICE AGREEMENT
FOR RELEASED CAPACITY FIRM TRANSPORTATION SERVICE
(continued)

- 2.2 This Agreement in all respects shall be and remain subject to the provisions of said Rate Schedule RCS, of the provisions of the Transportation Service Agreement of the Releasing Shipper, and of the applicable provisions of the General Terms and Conditions of Norteño on file with the FERC (as the same may hereafter be legally amended or superseded), all of which are made a part hereof by this reference. Certain of the General Terms and Conditions are to be adjusted for the purpose of this Agreement, and the adjustments are set forth in Article IX of this Agreement. [This last sentence is included only if applicable.]

Effective Date: 04/01/1996 Status: Effective
FERC Docket: CP96- 81-007

Original Sheet No. 301 Original Sheet No. 301 : Superseded

FORM OF SERVICE AGREEMENT
FOR RELEASED CAPACITY FIRM TRANSPORTATION SERVICE
(continued)

ARTICLE III

Term of Agreement and
Commencement of Service

3.1 This Agreement shall be effective on the date first written above; provided, however, that service hereunder shall commence on the _____ day of _____, 19____. This Agreement shall continue in full force and effect for a term ending the _____ day of _____, 19____, unless terminated sooner by Norteño upon prior written notice pursuant to the terms of Rate Schedule RCS.

ARTICLE IV

Receipt Point(s) and Delivery Point(s)
and Maximum Daily Quantities

4.1 The Receipt Point(s) and MDQ for each point, for all gas delivered by Replacement Shipper into Norteño's pipeline system under this Agreement shall be at the Receipt Point(s) on Norteño's pipeline system as set forth in Exhibit A attached hereto. The aggregate of the MDQs for all Receipt Point(s) set forth on Exhibit A may exceed Replacement Shipper's MDTQ, but shall not

Effective Date: 04/01/1996 Status: Effective

FERC Docket: CP96- 81-007

Original Sheet No. 302 Original Sheet No. 302 : Superseded

FORM OF SERVICE AGREEMENT
FOR RELEASED CAPACITY FIRM TRANSPORTATION SERVICE
(continued)

operate to increase Replacement Shipper's MDTQ or Norteño's delivery obligation as set forth in Article I of this Agreement.

- 4.2 The Delivery Point(s) and MDQ for each point for all gas delivered by Norteño to Replacement Shipper or for the account of Replacement Shipper, under this Agreement shall be at the Primary Delivery Point(s) as set forth in Exhibit B and the Alternate Delivery Point(s) as set forth in Exhibit C. The aggregate of the MDQs for all Delivery Points set forth on Exhibit B and Exhibit C may exceed Replacement Shipper's MDTQ, but shall not operate to increase Replacement Shipper's MDTQ or Norteño's delivery obligation as set forth in Article I of this Agreement.

Effective Date: 04/01/1996 Status: Effective
FERC Docket: CP96- 81-007

Original Sheet No. 303 Original Sheet No. 303 : Superseded

FORM OF SERVICE AGREEMENT
FOR RELEASED CAPACITY FIRM TRANSPORTATION SERVICE
(continued)

ARTICLE V

Notices

5.1 All notices, payments and communications with respect to this Agreement shall be in writing and sent to the addresses stated below or at any other such addresses as may hereafter be designated in writing:

ADMINISTRATIVE MATTERS:

Norteko Pipeline Company
504 Lavaca, Suite 950
Austin, TX 78701-2939
Attention: Transportation and Exchange Services

Replacement Shipper:

PAYMENT BY WIRE TRANSFER:

Norteko:

Norteko Pipeline Company
_____ Bank
Account No. _____
_____, Texas

Effective Date: 04/01/1996 Status: Effective
FERC Docket: CP96- 81-007

Original Sheet No. 304 Original Sheet No. 304 : Superseded

FORM OF SERVICE AGREEMENT
FOR RELEASED CAPACITY FIRM TRANSPORTATION SERVICE
(continued)

ARTICLE VI

Facilities

- 6.1 Norteño shall not be obligated to construct or acquire new facilities, or expand existing facilities, in order to perform service under this Service Agreement.

ARTICLE VII

Regulatory Authorizations and Approvals

- 7.1 Norteño's obligations to provide service is conditioned upon receipt and acceptance of any necessary regulatory authorization(s) to provide Released Capacity Service to Replacement Shipper in accordance with the terms of Rate Schedule RCS and this Service Agreement. Replacement Shipper agrees to reimburse Norteño for all reporting and/or filing fees incurred by Norteño in providing service under this Service Agreement.

ARTICLE VIII

Pressure

- 8.1 The quantities of gas delivered or caused to be delivered by Replacement Shipper to Norteño hereunder shall be delivered into Norteño's pipeline system at a

Effective Date: 04/01/1996 Status: Effective

FERC Docket: CP96- 81-007

Original Sheet No. 305 Original Sheet No. 305 : Superseded

FORM OF SERVICE AGREEMENT
FOR RELEASED CAPACITY FIRM TRANSPORTATION SERVICE
(continued)

pressure sufficient to enter Norteño's system, but in no event shall such gas be delivered at a pressure exceeding the maximum authorized operating pressure or such other pressure as Norteño permits at the Receipt Point(s).

- 8.2 Norteño shall deliver to Replacement Shipper at the Delivery Point(s) at the pressure as it exists from time to time in Norteño's or Norteño's agent's pipeline system. Norteño shall have no obligation to provide compression and/or alter its system operation to effectuate deliveries at the Delivery Point(s) hereunder.

Effective Date: 04/01/1996 Status: Effective

FERC Docket: CP96- 81-007

Original Sheet No. 306 Original Sheet No. 306 : Superseded

FORM OF SERVICE AGREEMENT
FOR RELEASED CAPACITY FIRM TRANSPORTATION SERVICE
(continued)

ARTICLE IX

Other Provisions

ARTICLE X

Miscellaneous

- 10.1 This Agreement shall bind and benefit the successors and assigns of the respective parties hereto; provided, however, neither party shall assign this Agreement or any of its rights or obligations hereunder without first obtaining the written consent of the other party.
- 10.2 No waiver by either party of any one or more defaults by the other in the performance of any provisions of this Agreement shall operate or be construed as a waiver of any future defaults of a like or different character.
- 10.3 This Agreement contains Exhibits A, B and C which are incorporated fully herein, and made a part hereof.

Effective Date: 04/01/1996 Status: Effective

FERC Docket: CP96- 81-007

Original Sheet No. 307 Original Sheet No. 307 : Superseded

FORM OF SERVICE AGREEMENT
FOR RELEASED CAPACITY FIRM TRANSPORTATION SERVICE
(continued)

10.4 Except for regulatory approvals, this Agreement shall be governed by their duly authorized officers effective as of the date first written above.

NORTEYO PIPELINE COMPANY:

REPLACEMENT SHIPPER:

By _____

By _____

Title _____

Title _____

Effective Date: 04/01/1996 Status: Effective
FERC Docket: CP96- 81-007

Original Sheet No. 308 Original Sheet No. 308 : Superseded

FORM OF SERVICE AGREEMENT
FOR RELEASED CAPACITY FIRM TRANSPORTATION SERVICE
(continued)

EXHIBIT A
TO
RELEASED CAPACITY SERVICE AGREEMENT
BETWEEN
NORTEYO PIPELINE COMPANY
AND

DATED
_____, 19____

Receipt Point(s) :

Description of Receipt Point	Maximum Daily Quantity (MBTU)	Maximum Delivery Pressure	Date Added to Agreement
---------------------------------	-------------------------------------	---------------------------------	-------------------------------

Date of this Exhibit A: _____

Accepted By:

NORTEYO PIPELINE COMPANY: REPLACEMENT SHIPPER:

By: _____ By: _____

Date: _____ Date: _____

Effective Date: 04/01/1996 Status: Effective
FERC Docket: CP96- 81-007

Original Sheet No. 309 Original Sheet No. 309 : Superseded

FORM OF SERVICE AGREEMENT
FOR RELEASED CAPACITY FIRM TRANSPORTATION SERVICE
(continued)

EXHIBIT B
TO
RELEASED CAPACITY SERVICE AGREEMENT
BETWEEN
NORTEYO PIPELINE COMPANY
AND

DATED
_____, 19____

Primary Delivery Point(s):

Description of Primary Delivery Point	Maximum Daily Quantity (MMBTU)	Date Added To Agreement
---	--------------------------------------	-------------------------------

Date of this Exhibit B: _____

Accepted By:

NORTEYO PIPELINE COMPANY: REPLACEMENT SHIPPER:

By: _____ By: _____

Date: _____ Date: _____

Effective Date: 04/01/1996 Status: Effective

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Original Sheet No. 310 Original Sheet No. 310 : Superseded

FORM OF SERVICE AGREEMENT
FOR RELEASED CAPACITY FIRM TRANSPORTATION SERVICE
(continued)

EXHIBIT C
TO
RELEASED CAPACITY SERVICE AGREEMENT
BETWEEN
NORTEYO PIPELINE COMPANY
AND

DATED
_____, 19____

Alternate Delivery Point(s) :

Description of Alternate Delivery Point	Maximum Daily Quantity (MMBTU)	Date Added To Agreement
---	--------------------------------------	-------------------------------

Date of this Exhibit C: _____

Accepted By:

NORTEYO PIPELINE COMPANY: REPLACEMENT SHIPPER:

By: _____ By: _____

Date: _____ Date: _____

Effective Date: 04/01/1996 Status: Effective

FERC Docket: CP96- 81-007

Original Sheet No. 311 Original Sheet No. 311 : Superseded

SHEET NUMBERS 311 THROUGH 315
ARE RESERVED FOR FUTURE USE.

Effective Date: 04/01/1996 Status: Effective
FERC Docket: CP96- 81-007

Original Sheet No. 316 Original Sheet No. 316 : Superseded

FORM OF SERVICE AGREEMENT
FOR INTERRUPTIBLE TRANSPORTATION SERVICE

THIS AGREEMENT entered into this ____ day of _____,
19____, by and between Norteo Pipeline Company, a Delaware
corporation (herein called "Norteo"), and
_____ (herein called "Shipper").

W I T N E S S E T H :

WHEREAS, Shipper wishes to purchase interruptible natural
gas transportation service from Norteo in Norteo's
_____ Division and Norteo wishes to provide such
interruptible natural gas transportation service to Shipper;
and

WHEREAS, Shipper has completed and submitted to Norteo a
valid request for transportation service under Rate Schedule
IT-____ ("Request"); and

WHEREAS, in accordance with such Request, such service will
be provided by Norteo for Shipper in accordance with the
terms hereof.

Effective Date: 04/01/1996 Status: Effective
FERC Docket: CP96- 81-007

Original Sheet No. 317 Original Sheet No. 317 : Superseded

FORM OF SERVICE AGREEMENT
FOR INTERRUPTIBLE TRANSPORTATION SERVICE
(continued)

NOW THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the sufficiency of which is hereby acknowledged, Norteño and Shipper do covenant and agree as follows:

ARTICLE I

Quantity

- 1.1 The Maximum Daily Transportation Quantity (the "MDTQ") shall be _____ MMBTU per day. The MDTQ shall be the largest daily quantity of gas Shipper may tender for transportation in this aggregate to all Primary Receipt Points, exclusive of Retention Quantities if applicable, and receive at all Primary Delivery Points as specified on Exhibits A and B hereto on any Day.
- 1.2 Shipper may tender natural gas for transportation to Norteño up to the MDTQ plus Retention Quantities, if applicable. Subject to the terms, conditions and limitations of Rate Schedule IT-___ and the General

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FERC Docket: CP96- 81-007

Original Sheet No. 318 Original Sheet No. 318 : Superseded

FORM OF SERVICE AGREEMENT
FOR INTERRUPTIBLE TRANSPORTATION SERVICE
(continued)

Terms and Conditions, Norteño agrees to receive the aggregate of the quantities of natural gas that Shipper tenders for transportation at the Receipt Points, up to the Maximum Daily Quantity specified for each such Point on Exhibit A hereto, and to transport and deliver on an interruptible basis to Shipper at each Delivery Point specified on Exhibit B, up to the Maximum Daily Quantity specified for each such point on Exhibit B, the amount tendered by Shipper less Retention Quantities, if applicable, (as provided in Rate Schedule IT-___); provided, however, that Norteño shall never be required to transport and deliver on any day more than the MDTQ.

ARTICLE II

Rate Schedule

- 2.1 Upon the commencement of service hereunder, Shipper shall pay Norteño, for all service rendered hereunder, the rates established under Norteño's Rate Schedule IT-___ as filed with the FERC and as said Rate Schedule may hereafter be legally amended or superseded.

Effective Date: 04/01/1996 Status: Effective

FERC Docket: CP96- 81-007

Original Sheet No. 319 Original Sheet No. 319 : Superseded

FORM OF SERVICE AGREEMENT
FOR INTERRUPTIBLE TRANSPORTATION SERVICE
(continued)

- 2.2 This Agreement in all respects shall be and remain subject to the provisions of said Rate Schedule and of the applicable provisions of the General Terms and Conditions of Norteño on file with the FERC (as the same may hereafter be legally amended or superseded), all of which are made a part hereof by this reference. Certain of the General Terms and Conditions are to be adjusted for the purpose of this Agreement, and the adjustments are set forth in Article IX of this Agreement. [This last sentence is only included if applicable.]
- 2.3 Norteño shall have the unilateral right to file with the appropriate regulatory authority and make changes authorized by such authority in (a) the rates and charges applicable to its Rate Schedule IT-___; (b) Rate schedule IT-___ pursuant to which this service is rendered; provided, however, that the interruptible character of service shall not be subject to change hereunder; or (c) any provisions of the General Terms and Conditions applicable to Rate Schedule IT-___. Norteño agrees that Shipper may protest or contest the

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Original Sheet No. 320 Original Sheet No. 320 : Superseded

FORM OF SERVICE AGREEMENT
FOR INTERRUPTIBLE TRANSPORTATION SERVICE
(continued)

aforementioned filings, or seek authorization from duly constituted regulatory authorities for such adjustment of Norteño's existing FERC Gas Tariff as may be found necessary in order to assure that the provisions in (a), (b) or (c) above are just and reasonable.

ARTICLE III

Term of Agreement and
Commencement of Service

- 3.1 This Agreement shall be effective on the date first written above. This Agreement shall continue in full force and effect for a term ending _____, and shall continue from month to month thereafter until terminated either by Norteño or by Shipper upon 60 days prior written notice to the other.

Effective Date: 04/01/1996 Status: Effective
FERC Docket: CP96- 81-007

Original Sheet No. 321 Original Sheet No. 321 : Superseded

FORM OF SERVICE AGREEMENT
FOR INTERRUPTIBLE TRANSPORTATION SERVICE
(continued)

ARTICLE IV

Receipt Point(s) and Delivery Point(s)
and Maximum Daily Quantities

- 4.1 The Receipt Point(s) and Maximum Daily Quantity for each point, for all gas delivered by Shipper into Norteño's pipeline system under this Agreement shall be at the Primary Receipt Point(s) on Norteño's pipeline system as set forth in Exhibit A and the Alternate Receipt Point(s) as set forth in Exhibit C, attached hereto. The aggregate of the Maximum Daily Quantities for all Receipt Point(s) set forth on Exhibit A and Exhibit C may exceed Shipper's MDTQ, but shall not operate to increase Shipper's MDTQ or Norteño's delivery obligation as set forth in Article I of this Agreement.
- 4.2 The Delivery Point(s) and Maximum Daily Quantity for each point for all gas delivered by Norteño to Shipper or for the account of Shipper, under this Agreement shall be at the Primary Delivery Point(s) as set forth in Exhibit B and the Alternate Delivery Point(s) as set forth in Exhibit C attached hereto. The aggregate of

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FERC Docket: CP96- 81-007

Original Sheet No. 322 Original Sheet No. 322 : Superseded

FORM OF SERVICE AGREEMENT
FOR INTERRUPTIBLE TRANSPORTATION SERVICE
(continued)

the Maximum Daily Quantities for all Delivery Point(s) set forth on Exhibits B and C may exceed Shipper's MDTQ, but shall not operate to increase Shipper's MDTQ or Norteño's delivery obligation as set forth in Article I of this Agreement.

ARTICLE V

Notices

- 5.1 All notices, payments and communications with respect to this Agreement shall be in writing and sent to the addresses stated below or at any other such address as may hereafter be designated in writing:

ADMINISTRATIVE MATTERS:

Norteño: Norteño Pipeline Company
504 Lavaca, Suite 950
Austin, TX 7870-2939
Attention: Transportation and Exchange Services

Shipper: _____

Effective Date: 04/01/1996 Status: Effective

FERC Docket: CP96- 81-007

Original Sheet No. 323 Original Sheet No. 323 : Superseded

FORM OF SERVICE AGREEMENT
FOR INTERRUPTIBLE TRANSPORTATION SERVICE
(continued)

PAYMENT BY WIRE TRANSFER:

Norteño: Norteño Pipeline Company

_____ Bank

Account No. _____

_____, Texas

ARTICLE VI

Facilities

- 6.1 Norteño shall not be obligated to, but may, at its reasonable discretion and to the extent that such decisions are nondiscriminatory, construct or acquire new facilities, or expand existing facilities, in order to perform service under this Agreement. For purposes of this Agreement and Section 5 of Rate Schedule IT-____, an expanded facility shall be deemed to be a new facility. If in Norteño's reasonable judgement it is necessary to construct or acquire new facilities, or to expand existing facilities, in order to enable Norteño

Effective Date: 04/01/1996 Status: Effective

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Original Sheet No. 324 Original Sheet No. 324 : Superseded

FORM OF SERVICE AGREEMENT
FOR INTERRUPTIBLE TRANSPORTATION SERVICE
(continued)

to receive or deliver Shipper's MDTQ at the Receipt Point(s) and Delivery Point(s), and Norteño determines as provided herein to construct, acquire, or expand such facilities, then Norteño shall notify Shipper of the additional costs required. Subject to agreement and approval by Norteño and Shipper of the cost to be reimbursed by Shipper and subject to receipt and acceptance by Norteño of any necessary authorization, permits and approvals, such facilities shall be constructed, acquired or expanded to permit the receipt and delivery of gas as provided for herein. The parties agree that the term "cost", as used herein, refers to the same costs as are set forth in Section 5.3(e) of Rate Schedule IT-____, as the same may be changed from time to time. Norteño shall have title to and the exclusive right to operate and maintain all such facilities.

Effective Date: 04/01/1996 Status: Effective

FERC Docket: CP96- 81-007

Original Sheet No. 325 Original Sheet No. 325 : Superseded

FORM OF SERVICE AGREEMENT
FOR INTERRUPTIBLE TRANSPORTATION SERVICE
(continued)

ARTICLE VII

Regulatory Authorizations and Approvals

- 7.1 Norteño's obligations to provide service is conditioned upon receipt and acceptance of any necessary regulatory authorization(s) to provide Interruptible Transportation Service to Shipper in accordance with the terms of Rate Schedule IT-___ and this Service Agreement. Shipper agrees to reimburse Norteño for all reporting and/or filing fees incurred by Norteño in providing service under this Service Agreement.

ARTICLE VIII

Pressure

- 8.1 The quantities of gas delivered or caused to be delivered by Shipper to Norteño hereunder shall be delivered into Norteño's pipeline system at a pressure sufficient to enter Norteño's system, but in no event shall such gas be delivered at a pressure exceeding the maximum authorized operating pressure or such other pressure as Norteño permits at the Receipt Point(s).

Effective Date: 04/01/1996 Status: Effective
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Original Sheet No. 326 Original Sheet No. 326 : Superseded

FORM OF SERVICE AGREEMENT
FOR INTERRUPTIBLE TRANSPORTATION SERVICE
(continued)

8.2 Norteño shall deliver to Shipper at the Delivery Point(s) at the pressure as it exists from time to time in Norteño's or Norteño's agent's pipeline system. Norteño shall have no obligation to provide compression and/or alter its system operation to effectuate deliveries at the Delivery Point(s) hereunder.

ARTICLE IX

Other Provisions

ARTICLE X

Miscellaneous

10.1 This Agreement shall bind and benefit the successors and assigns of the respective parties hereto; provided, however, neither party shall assign this Agreement or any of its rights or obligations hereunder without first obtaining the written consent of the other party.

Effective Date: 04/01/1996 Status: Effective
FERC Docket: CP96- 81-007

Original Sheet No. 327 Original Sheet No. 327 : Superseded

FORM OF SERVICE AGREEMENT
FOR INTERRUPTIBLE TRANSPORTATION SERVICE
(continued)

10.2 No waiver by either party of any one or more defaults by the other in the performance of any provisions of this Agreement shall operate or be construed as a waiver of any future defaults of a like or different character.

10.3 This Agreement contains Exhibits A, B and C which are incorporated fully herein, and made a part hereof.

10.4 Except for regulatory approvals, this Agreement shall be governed by and interpreted in accordance with the laws of the State of Texas.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement by their duly authorized officers effective as of the date first written above.

NORTEYO PIPELINE COMPANY:	SHIPPER:
By _____	By _____
Title _____	Title _____
Attest:	Attest:
_____	_____

Effective Date: 04/01/1996 Status: Effective
FERC Docket: CP96- 81-007

Original Sheet No. 328 Original Sheet No. 328 : Superseded

FORM OF SERVICE AGREEMENT
FOR INTERRUPTIBLE TRANSPORTATION SERVICE
(continued)

EXHIBIT A
TO
INTERRUPTIBLE GAS TRANSPORTATION AGREEMENT
BETWEEN
NORTEYO PIPELINE COMPANY
AND

DATED
_____, 19____

Primary Receipt Points(s):

Description of Primary Receipt Point	Maximum Daily Quantity (MMBTU)	Maximum Delivery Pressure	Date Added To Agreement
--	--------------------------------------	---------------------------------	-------------------------------

Date of this Exhibit A: _____

Accepted By:

NORTEYO PIPELINE COMPANY: SHIPPER:

By: _____ By: _____

Date: _____ Date: _____

Effective Date: 04/01/1996 Status: Effective
FERC Docket: CP96- 81-007

Original Sheet No. 329 Original Sheet No. 329 : Superseded

FORM OF SERVICE AGREEMENT
FOR INTERRUPTIBLE TRANSPORTATION SERVICE
(continued)

EXHIBIT B
TO
INTERRUPTIBLE GAS TRANSPORTATION AGREEMENT
BETWEEN
NORTEYO PIPELINE COMPANY
AND

DATED
_____, 19____

Primary Delivery Point(s):

Description to Primary Delivery Point	Maximum Daily Quantity (MMBTU)	Date Added To Agreement
---	--------------------------------------	-------------------------------

Date of this Exhibit B: _____

Accepted By:

NORTEYO PIPELINE COMPANY: SHIPPER:

By _____ By _____

Date _____ Date _____

Effective Date: 04/01/1996 Status: Effective
FERC Docket: CP96- 81-007

Original Sheet No. 330 Original Sheet No. 330 : Superseded

FORM OF SERVICE AGREEMENT
FOR INTERRUPTIBLE TRANSPORTATION SERVICE
(continued)

EXHIBIT C
TO
INTERRUPTIBLE GAS TRANSPORTATION AGREEMENT
BETWEEN
NORTEYO PIPELINE COMPANY
AND

DATED _____, 19____

Alternate Receipt Point(s) :

Description of Alternate Receipt Point	Maximum Daily Quantity (MMBTU)	Maximum Delivery Pressure	Date Added to Agreement
--	--------------------------------------	---------------------------------	-------------------------------

Alternate Delivery Point(s) :

Description of Alternate Receipt Point	Maximum Daily Quantity (MMBTU)	Maximum Delivery Pressure	Date Added to Agreement
--	--------------------------------------	---------------------------------	-------------------------------

Date of this Exhibit C: _____

Accepted By:

NORTEYO PIPELINE COMPANY:

SHIPPER:

By: _____

By: _____

Date: _____

Date: _____

Effective Date: 04/01/1996 Status: Effective

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SHEET NUMBERS 331 THROUGH 377
ARE RESERVED FOR FUTURE USE.

Effective Date: 04/01/1996 Status: Effective

FERC Docket: CP96- 81-007

Original Sheet No. 378 Original Sheet No. 378 : Superseded

TRANSPORTATION REQUEST FORM

Nortem Pipeline Company
504 Lavaca, Suite 950
Austin, Texas 78701-2939

Attention: Transportation and Exchange Services

Re: _____ New Service:

Interruptible Service:

_____ IT-S

_____ IT-DN

Firm Service:

_____ FT-S

_____ FT-DN

or:

_____ Modification of Existing Service:

Description of existing service to be
modified:

Effective Date: 04/01/1996 Status: Effective
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Original Sheet No. 379 Original Sheet No. 379 : Superseded

TRANSPORTATION REQUEST FORM
(continued)

Gentlemen:

_____ ("Shipper") hereby
requests transportation service from Norteo Pipeline
Company ("Norteo") and concurrently provides the following
information in connection with this request:

1. Complete legal name of Shipper:

2. Type of legal entity and state of incorporation:

3. Type of company:

- _____ Local Distribution Company
- _____ Intrastate/Interstate Pipeline
- _____ Producer
- _____ End-User
- _____ Marketer/Broker
- _____ Other (fill in) _____

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TRANSPORTATION REQUEST FORM
(continued)

4. Name of Shipper's contact, address and telephone number through which correspondence for the following should be directed:

Contact for Request:

Contact for Notices:

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TRANSPORTATION REQUEST FORM
(continued)

Contact for Invoices:

5. Shipper is seeking transportation by Norteño pursuant to (check one):

- A. Subpart G of the Commission's Regulations, on behalf of an interstate pipeline.
- B. Subpart G of the Commission's Regulations, on behalf of Shipper(s) other than an interstate pipeline.
- C. Other. Specify what Commission authorization is being requested.

6. If shipper is requesting service be performed by Norteño for Shipper acting as agent for another entity, please specify the full legal name and address of such entity.

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TRANSPORTATION REQUEST FORM
(continued)

7.* The intended use of the gas is:

- _____ system supply
 - _____ end use by industry or commerce
 - _____ other (fill in)
-

8. Date service is proposed to commence:

9. Expiration Date:

10. If additional or new facilities are required to receive or deliver gas for the transportation service requested herein, please provide description of facilities required, location, and requested in-service date.

11. The Maximum Daily Transportation Quantity to be transported is _____ MMBTU.

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TRANSPORTATION REQUEST FORM
(continued)

12. Name and description of Receipt Point(s) into Norteño's system and the Maximum Daily Quantities expressed in MMBTU to be delivered by Shipper for each point:

13. Name and description of Delivery Point(s) where Norteño will redeliver the gas and the Maximum Daily Quantities expressed in MMBTU to be redelivered by Norteño for each point:

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TRANSPORTATION REQUEST FORM
(continued)

14. The name of the entity delivering gas into Norteño's system and the name of the entity taking gas off Norteño's system;

Norteño Receipt Point	Name/Delivering Entity
_____	_____
_____	_____
_____	_____

Norteño Delivery Point	Name/Taking Entity
_____	_____
_____	_____
_____	_____

Effective Date: 04/01/1996 Status: Effective

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TRANSPORTATION REQUEST FORM
(continued)

15.* If Shipper is purchasing gas, provide the name of producer(s) of the gas, seller (if different from producer), location (FERC Geographic Area) of the source(s) of supply, contract quantity, and the effective and termination date(s) of executed Agreement(s) between Shipper and Seller(s):

16.* If Shipper is selling gas, provide the name of purchaser(s) of the gas, contract quantity, and the effective and termination date(s) of executed Agreement(s) between Shipper and purchaser(s):

TRANSPORTATION REQUEST FORM
(continued)

17. Credit Evaluation - Please provide a copy of Shipper's most recent quarterly financial statement, most recent annual report and Form 10-K and a complete list of all affiliates including parent and subsidiary companies.
18. Is any party to the transaction affiliated with Norte~~o~~ or Southern Union Company? Yes No

If yes, which party or parties?

If yes, what is the percentage of affiliation?
_____ %

19. Is any of the gas to be transported subject to take-or-pay crediting? Yes No

If yes, what percentage of total contract quantity to be transported is subject to take-or-pay crediting? _____ %

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TRANSPORTATION REQUEST FORM
(continued)

20. For marketing affiliates of Norteño Pipeline Company only, does the cost of gas exceed the sales price, less associated costs including transportation, i.e., is the gas being sold at a loss?

Yes No Unknown

If so, by how much? \$_____ per MMBTU.

Shipper understands that this request form, complete and unrevised as to format, must be received by Norteño before the transportation request will be accepted and processed.

Shipper, by its signature, certifies to Norteño (1) that the information above is correct and accurate and that all necessary transportation arrangements with the upstream and downstream Transporters and/or Operators have been or will be secured prior to the commencement of the requested transportation service (2) that Shipper will have good title

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TRANSPORTATION REQUEST FORM
(continued)

to, or the good right to deliver the gas that is to be delivered to Norteño and (3) that Shipper will advise Norteño of any material changes in the information provided five business days prior to the end of any month in which a change occurs.

Very truly yours,

By _____

Note:

*This information is not required at the time of the request but is required before Norteño will Schedule any volumes for transportation.

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SHEET NUMBERS 389 THROUGH 401
ARE RESERVED FOR FUTURE USE

Effective Date: 04/01/1996 Status: Effective
FERC Docket: CP96- 81-007

Original Sheet No. 402 Original Sheet No. 402 : Superseded

RELEASED CAPACITY SERVICE
REQUEST FORM

Norteño Pipeline Company
504 Lavaca, Suite 950
Austin, TX 78759-78701

Attention: Transportation and Exchange Services

Re: Released Capacity Service - Rate Schedule RCS

Gentlemen:

_____ ("Bidding Shipper") hereby requests approval from Norteño Pipeline Company (Norteño) to participate as a Bidding Shipper pursuant to Norteño's Released Capacity Service and any firm transportation service resulting therefrom, and concurrently provides the following information in connection with this request:

1. Complete legal name and address of Bidding Shipper:

2. Type of legal entity and state of incorporation:

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RELEASED CAPACITY SERVICE
REQUEST FORM
(continued)

3. Type of company:

- _____ Local Distribution Company
- _____ Intrastate Pipeline
- _____ Interstate Pipeline
- _____ Producer
- _____ End-User
- _____ Marketer/Broker
- _____ Other (fill in)

4. Name of individual authorized by Bidding Shipper to submit this Request, and the address and telephone number through which correspondence for the following should be directed:
Contact for Request:

Contact for Notices:

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RELEASED CAPACITY SERVICE
REQUEST FORM
(continued)

Contact for Invoices:

5. Bidding Shipper is seeking firm transportation by Norteño pursuant to Part 284 of the Commission's Regulations and Norteño's Rate Schedule RCS Released Capacity Service.
6. Bidding Shipper agrees to abide by and conform its actions to the terms and conditions governing its participation in Norteño's Released Capacity Service contained in Norteño's FERC Gas Tariff.
7. Bidding Shipper is not acting as agent for any other entity.
8. Bidding Shipper is providing herewith a copy of Bidding Shipper's most recent quarterly financial statement and SEC Form 10-Q, most recent annual report and SEC Form 10-K, and a complete list of all affiliates including parent and subsidiary companies.

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RELEASED CAPACITY SERVICE
REQUEST FORM
(continued)

9. Bidding Shipper is providing herewith its bank reference, two (2) trade references, and a report from a recognized national credit reporting agency, and hereby authorizes Norteño to verify such references and credit reports.
10. Bidding Shipper is not financially insolvent or operating under a petition of bankruptcy, reorganization or debt reduction, or operating under receivership, liquidation, assignment or trust.
11. Bidding Shipper is not in default, arrears or past due in payment for transportation services rendered by any interstate natural gas pipeline operating under the jurisdiction of the FERC.

Bidding Shipper, by its signature, acknowledges that Norteño shall select the Replacement Shipper from all Bidding Shippers who have bid on a particular capacity release in accordance with the methods set forth in Norteño's tariff. Bidding Shipper acknowledges that the Releasing Shipper

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RELEASED CAPACITY SERVICE
REQUEST FORM
(continued)

shall have an opportunity to view all bids and the final selection, and shall have an opportunity to notify Norteño if, in its opinion, the selection of the Replacement Shipper was not in accordance with the selection criteria. Bidding Shipper, by its signature, agrees that Norteño shall not be liable in any manner for its selection of a Replacement Shipper.

Bidding Shipper understands that this Request Form, complete and unrevised as to format, must be received by Norteño before the Request will be accepted and processed. In addition, Bidding Shipper agrees that it may not bid for Released Capacity until notified by Norteño that it has approved a specific level of creditworthiness and a transportation quantity that will limit the amount of firm capacity that Bidding Shipper may bid for pursuant to the Released Capacity Serve. Bidding Shipper also understands that it may be required to provide any additional information required by Norteño's Transportation Request Form set forth in this FERC Gas Tariff prior to executing a Service Agreement.

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RELEASED CAPACITY SERVICE
REQUEST FORM
(continued)

Bidding Shipper, by its signature, certifies to Norteño (1) that the information above is correct and accurate and that all necessary transportation arrangements with the upstream and downstream Transporters and/or Operators have been or will be secured prior to the commencement of the requested transportation service (2) that Bidding Shipper will have good title to, or the good right to deliver the gas that is to be delivered to Norteño and (3) that Bidding Shipper will advise Norteño of any material changes in the information provided five business days prior to the end of any month in which a change occurs.

Very truly yours,

By _____

Dated: _____

