

PRECEDENT AGREEMENT
Between
TRUNKLINE GAS COMPANY, LLC
And
[Shipper]

This Precedent Agreement for Firm Transportation or Enhanced Firm Transportation Service (Agreement) is made and entered on _____, by and between Trunkline Gas Company, LLC (Trunkline) and _____ (Shipper) (collectively, Parties).

The Parties represent as follows:

- A. Trunkline owns and operates an interstate natural gas transmission system subject to the jurisdiction of the Federal Energy Regulatory Commission (FERC).
- B. Trunkline initiated an Open Season on **May 23, 2005** for Shippers desiring new or additional firm transportation service on Trunkline's North Texas Expansion Project.
- C. Trunkline and Shipper are willing to execute a Firm or Enhanced Firm Transportation Agreement (FTA) for firm transportation service subject to the terms and conditions of this Agreement.

The Parties agree as Follows:

ARTICLE 1
FIRM TRANSPORTATION SERVICE COMMITMENT

- 1.1 In response to the Open Season, Shipper has requested an FTA for the service described on Exhibit A.
- 1.2 The availability of capacity for the requested service is subject to Trunkline's ability to construct the required expansion facilities to accommodate an anticipated in-service date of **May 1, 2007**. The term and payment of the monthly Reservation Rate will begin coincident with the date that such expansion facilities are available for service.
- 1.3 Shipper agrees that it will execute the FTA, described herein, within five (5) business days after tender by Trunkline provided that the conditions precedent set forth in Article 2 below have been satisfied or waived;
- 1.4 If, by **December 31, 2005** the expansion capacity is not fully subscribed, or if Trunkline has been unable to finalize contracts necessary for Trunkline to construct the expansion facilities or provide service under the FTA on a basis that is economically viable to Trunkline, in Trunkline's sole discretion, Trunkline has the option to terminate this

Agreement by providing written notice to Shipper not later than **January 31, 2006** or alternatively will provide its best estimate of an in-service date.

- 1.5 If from time to time during the Primary Term of the Agreement, the Monthly Reservation Rate exceeds the applicable maximum tariff rate, Shipper shall pay the Monthly Reservation Rate as a Negotiated Rate pursuant to the General Terms and Conditions of the Trunkline tariff.

ARTICLE 2 CONDITIONS PRECEDENT

2.0 Trunkline Obligations

Trunkline shall perform the duties and obligations assumed in this Precedent Agreement expressly subject to the following conditions precedent:

- (a) All applicable provisions of Trunkline's FERC Gas Tariff must be complied with;
- (b) All requisite and final government approvals and decisions must be obtained on terms acceptable to Trunkline, in Trunkline's sole discretion, including approval of construction, rates and terms and conditions of service;
- (c) All right-of-way and other surface rights required to site and maintain the expansion facilities must be obtained on terms and conditions acceptable to Trunkline in its sole discretion;
- (d) Sufficient firm capacity subscription must exist at acceptable rates, as determined in Trunkline's sole discretion, to proceed with the North Texas Expansion;
- (e) The North Texas Expansion project must remain economically viable, in Trunkline's sole discretion.

2.1 Shipper Obligations

By executing this Precedent Agreement, Shipper submits a binding request for an FTA and further agrees to undertake the following acts in addition to those otherwise contained in this Precedent Agreement:

- (a) Shipper shall possess and maintain such credit as is required by Trunkline, in its reasonable discretion, to satisfy Shipper's financial and contractual obligations under this Precedent Agreement and under any FTA entered into pursuant to this Precedent Agreement. Such credit assurances shall be in accordance with Section 2.3 of Trunkline's FERC Gas Tariff. Such assurances shall be provided by Shipper within fifteen (15) days of written notice by Trunkline, which request may be made by Trunkline at any time subsequent to the execution of this Precedent Agreement.

- (b) Upon request of Trunkline, Shipper agrees to use commercially reasonable efforts to support any notification or certificate filing made to the FERC, or other forums, that would assist Trunkline in obtaining any necessary authorizations to construct facilities or to provide services to Shipper as set out herein. In any event, Shipper will not oppose or file any negative comments in any such proceedings;
- (c) Shipper acknowledges that Trunkline is relying on Shipper's commitments and obligations set forth in this Precedent Agreement in constructing the North Texas Expansion. In the event that Shipper defaults on any of these commitments or obligations, Trunkline may immediately terminate this Precedent Agreement. Shipper and Trunkline agree that the amount of damages incurred by Trunkline in the event of such a default, which damages Shipper agrees to pay Trunkline, shall not be less than Shipper's proportionate share of the non-mitigatable cost to construct the North Texas Expansion. However, Shipper shall not be obligated for that portion of its proportionate share of the cost to construct the North Texas Expansion that is assumed by a replacement shipper within three (3) months from the date of Shipper's default and that provides the same or greater net present economic value to Trunkline as would have been received by Trunkline had the defaulting Shipper performed under its contract; provided, further, that the replacement shipper satisfies all criteria for creditworthiness or the requirements of financial assurances established by Trunkline. Shipper agrees that such damages shall be immediately due and owing to Trunkline upon Shipper's default under this Precedent Agreement and shall not serve as a penalty but rather constitute liquidated damages as agreed between Shipper and Trunkline, it being the expressed mutual intention of Shipper and Trunkline that until the actual in-service date of the North Texas Expansion this liquidated damaged provision controls the Parties' relationship and shall take precedence over any damages provision to the contrary contained in any other agreement between the Parties relating to the North Texas Expansion.

ARTICLE 3

TIMING

Trunkline anticipates that the North Texas Expansion will be ready for service on or about **May 1, 2007**, conditioned upon receipt of all necessary regulatory and other approvals. However, if Trunkline is unable to commence this service as contemplated hereunder by **May 1, 2007**, Trunkline will proceed with due diligence to commence the service for Shipper at the earliest practicable date thereafter. Shipper agrees that it shall have no cause of action against Trunkline for any delays in the in-service date for the North Texas Expansion.

ARTICLE 4

TERMINATION

- 4.0 This Agreement may be terminated by Trunkline pursuant to Section 1.4.
- 4.1 This Agreement will terminate on the in-service date of the North Texas Expansion Project.

- 4.2 Shipper shall have the right to terminate this Agreement prior to the execution of the FTA if (1) Trunkline shall not have filed an application for certification of the North Texas Expansion with the FERC prior to **January 31, 2006** or (2) the construction of the North Texas Expansion shall not have commenced by **January 15, 2007**.
- 4.3 Trunkline shall have the right to terminate this Agreement prior to the execution of the FTA if (1) FERC shall deny the Certificate Application; or (2) FERC shall attach conditions or modifications to any order or certificate which results from the Certificate Application which, in Trunkline's sole judgment, are unacceptable; or (3) FERC fails to issue a certificate in response to the Certificate Application prior to **October 1, 2006** or (4) Trunkline is not able to obtain all the necessary pipeline and pipeline related facilities, permits and rights-of-way on terms acceptable to Trunkline, in Trunkline's sole discretion; or (5) Shipper fails to comply with its obligation stated at Section 2.1 (a) above; or (6) Trunkline determines, in its sole discretion, the Project is not economically viable and therefore elects not to proceed; or (7) Shipper defaults on any of its obligations under this Precedent Agreement.

Any such termination by either Party shall be effected by delivery by the terminating Party of written notice to the other Party within twenty (20) business days after the relied upon occurrence. Notice of termination delivered later than twenty (20) business days after the relied upon occurrence shall not be effective, except in the case stated at clause 4.3 (5) of this Section 4 wherein any ongoing or periodic failure to maintain creditworthiness shall constitute a separate occurrence.

ARTICLE 5 AUTHORITIES

This Precedent Agreement and performance of the obligations hereunder are subject to all present and future applicable valid laws, orders, decisions, rules and regulations of duly constituted governmental authorities having jurisdiction over the provision of natural gas transportation service in the interstate commerce of the United States of America. Nothing contained herein shall be construed as a waiver of any right to question or contest any such law, order, decision, rule or regulation in any forum having jurisdiction. Should Trunkline or Shipper, by force of any such law, order, decision, rule or regulation, at any time during the term of this Precedent Agreement be ordered or required to do any act inconsistent with the provisions hereof, then for the period during which the requirements of such law, order, decision, rule or regulation are applicable, this Precedent Agreement shall be deemed modified to conform with the requirement of such law, order, decision, rule or regulation; provided, however, nothing herein shall alter, modify or otherwise affect the respective rights of Trunkline or Shipper to terminate this Precedent Agreement under the terms and conditions hereof.

**ARTICLE 6
SUCCESSION AND ASSIGNMENT**

- 6.1 Any entity which shall become a successor to this Agreement by purchase, merger or consolidation shall be entitled to the rights and shall be subject to the obligations of its predecessor in interest under this Agreement.
- 6.2 Either Trunkline or Shipper may, without relieving itself of its obligations under this Agreement, assign this Agreement to any entity or entities with which it is affiliated, including without limitation any wholly owned subsidiary subject to satisfying Trunkline creditworthiness standards. Otherwise, no assignment of this Agreement nor of any of the rights or obligations hereunder shall be effective without the express prior written consent of the other party, which shall not be unreasonably withheld. Shipper acknowledges and agrees that Trunkline may decline to consent to an assignment by Shipper to a party that does not or cannot demonstrate satisfaction of Trunkline's creditworthiness tariff provisions.
- 6.3 Trunkline shall have the right to pledge this Agreement, or any or all of Trunkline's rights hereunder, as security for any indebtedness incurred by Trunkline in connection with the financing or refinancing of Trunkline and to assign this Agreement in accordance with the terms and conditions of any agreement with third parties pertaining to any such indebtedness.

**ARTICLE 7
NO THIRD PARTY BENEFICIARIES**

This Agreement shall not create any rights in any third parties, and no provision shall be construed as creating any obligations for the benefit of, or right in favor of, any person or entity other than Trunkline or Shipper.

**ARTICLE 8
NOTIFICATIONS AND COMMUNICATIONS**

Except as otherwise provided herein, any notice contemplated or required by this Agreement shall be in writing, and shall be considered duly delivered when sent by registered or certified mail, or by telefacsimile, to the appropriate address set forth below, or at such other address as Trunkline or Shipper may from time to time designate by express written notice.

Trunkline Gas Company, LLC
Attn: Keith Riebe
5444 Westheimer Road
Houston, TX 77056
(713) 989.7625
Fax (713) 989.1121

Shipper: _____
Attn: _____
Address: _____
Address: _____
Phone: _____
Fax: _____

**ARTICLE 9
ENTIRE AGREEMENT**

- 9.1 This Agreement contains the entire agreement between Trunkline and Shipper with respect to the subject matter hereof, and supersedes any and all prior agreements, understandings and commitments, whether oral or written, concerning the subject matter hereof, and any and all such prior agreements, understandings and commitments are hereby deemed to be void and of no effect.
- 9.2 No amendments to or modifications of this Agreement shall be effective unless agreed upon in a written instrument executed by Trunkline and Shipper which expressly refers to this Agreement.

**ARTICLE 10
GOVERNING LAW**

The construction, interpretation, and enforcement of this Agreement shall be governed by the laws of Texas, excluding any conflict of law rule which would refer any matter to the laws of a jurisdiction other than Texas.

IN WITNESS WHEREOF, the Parties have executed this Agreement to be effective as of the day and year first above written.

Shipper:

TRUNKLINE GAS COMPANY, LLC

By _____

By _____

Title _____

Title _____

(Please type name and Title)

EXHIBIT A

**To
Precedent Agreement
North Texas Expansion Project**

Company Name: _____

Requested Maximum Daily Quantity (MDQ) _____ Dth/day

Service Type _____ FT _____ EFT

Primary Term: 05/01/2007 through _____

Primary Receipt Point: _____
Alternate Receipt Point(s): _____

Primary Delivery Point: _____
Alternate Receipt Point(s): _____

Monthly Reservation Rate¹: _____

Request Form Submitted By:

Shipper Signature: _____

Name (Please Print): _____

Title: _____

Date: _____

Telephone Number: _____

Email Address: _____

¹ If from time to time during the Primary Term of the Agreement, the Monthly Reservation Rate exceeds the applicable maximum tariff, Shipper will pay the Monthly Reservation Rate as a Negotiated Rate pursuant to the General Terms and Conditions of the Trunkline tariff.