

OPEN SEASON PROCEDURES For Trunkline Gas Company North Texas Expansion Project

Trunkline Gas Company, LLC (“Trunkline”) will conduct a binding Open Season for its proposed North Texas Expansion Project beginning at 9:00 a.m. Central Time (“CT”) on **May 23, 2005** and ending at 3:00 p.m. on **July 28, 2005**. Precedent Agreements executed by Shippers as a result of this Open Season shall be binding upon execution by Trunkline.

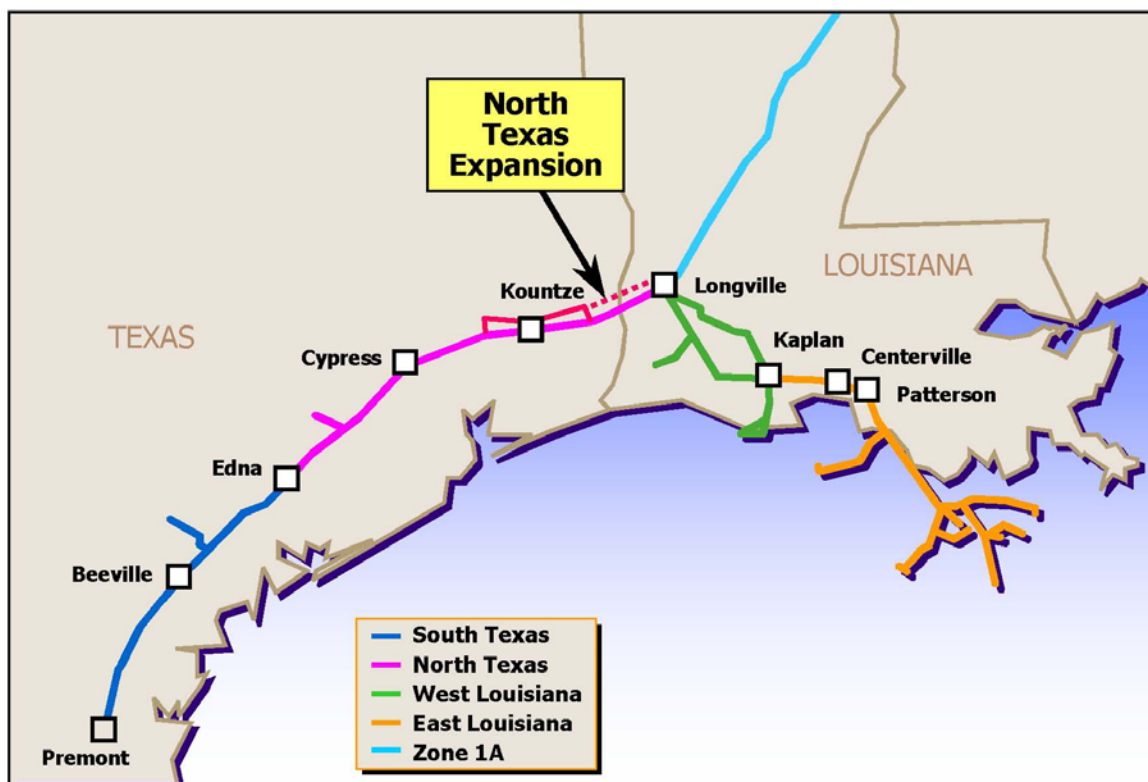
Currently, all of Trunkline’s existing Firm Transportation capacity through the Longville compressor station with receipts in Texas (“Texas System”) is fully subscribed. The North Texas Expansion Project will increase Trunkline’s capacity for deliveries to Longville by approximately 400,000 Dt/day.

This Open Season will help determine the optimal size of the expansion as well as Shippers’ preferred receipt and delivery points. Based on requests received during this Open Season, Trunkline may revise the design parameters of its North Texas Expansion Project.

Facilities

The North Texas Expansion Project creates incremental capacity by looping 45 miles of Trunkline’s North Texas system between the Kountze and Longville compressor stations and potentially adding compression at one or both stations.

Facilities may include new or expanded connections with Energy Transfer Partners, L.P. (Houston Pipe Line Company – Texoma), Kinder Morgan Intrastate Pipeline, Centana Intrastate Pipeline, Inc–Spindletop Storage (a subsidiary of Duke Energy Field Services, LP), Enstor’s proposed Houston Storage Hub and other supply sources to provide access to gas supply into this expansion project.



In-Service Date:

The North Texas Expansion Project's planned in-service date is **May 1, 2007** ("In-Service Date"). However, the timing is subject to approval by the Federal Energy Regulatory Commission ("FERC"), the Board of Directors of Southern Union Company and actual construction of the new facilities.

Open Season Receipt Points

Shippers may request any existing or proposed receipt point between Mile Post 369.41 (33 miles upstream of Kountze Compressor Station) and ending at Mile Post 476.17 (Longville Compressor Station).

Open Season Delivery Points

The new facilities contemplated in this expansion project will create incremental capacity for re-delivery to Trunkline's Longville compressor station (Zone 1A), but Shippers may request deliveries to any point on the Trunkline system where path and meter capacity is available.

Minimum Reservation Rates

In order for Trunkline to move forward with the planned North Texas Expansion Project, a minimum reservation rate of \$.114 per Dt is required for transportation from any Open Season Receipt Point.

Precedent Agreements containing bids with rates above Maximum Tariff Rate will be considered Negotiated Rate Agreements.

Variable Costs of Transportation

Usage Charges, ACA, Fuel Reimbursement and any other applicable charges will be in addition to the Reservation Rate. Current variable costs for Firm Transportation from the proposed receipt points will not be used by Trunkline for evaluation purposes but are provided for consideration by Shippers when submitting bids:

Transportation Path	Current Usage Charge (\$/Dt)	Current ACA Charge (\$/Dt)	Current Fuel Reimbursement¹
Field Zone Only	\$0.0024	\$0.0019	0.96%
Field Zone to Zone 1A	\$0.0079	\$0.0019	2.10%
Field Zone to Zone 1B	\$0.0130	\$0.0019	2.44%
Field Zone to Zone 2	\$0.0141	\$0.0019	2.74%

¹ Trunkline's effective Fuel Reimbursement percentage is adjusted semi-annually to reflect changes in fuel usage.

Contact Information

Any questions should be directed your Trunkline representative or:

	Position	Phone	E-Mail
Jim Van Matre	Director, Market Development	713 989-7625	jwvanmatre@panhandleenergy.com
Allen Tate	Director, Supply Area Development	713 989-7633	atate@panhandleenergy.com

Solicitation of Turn Back Capacity

Any Shipper currently holding primary receipt point capacity on the Texas System with an expiration date on or after **May 1, 2007** should notify Trunkline if they wish to “turn back” their receipt point capacity through permanent release. Any party interested in releasing their Texas receipt point capacity should notify Trunkline of the amount, term and any other conditions. Such requests must be submitted to Trunkline in writing prior to the expiration of the Open Season.

Open Season Procedures

During this Open Season, any Shipper interested in contracting for the North Texas Expansion Project capacity must execute and return the following documents:

- Precedent Agreement
- Appendix A to Precedent Agreement
- Credit Application or evidence of credit worthiness consistent with Trunkline’s FERC Gas Tariff.

Appendix A to the Precedent Agreement must include the following information:

- Contract Maximum Daily Quantity (“MDQ”)
- Rate Schedule requested (FT or EFT)
- Receipt and Delivery points
- Reservation Rate per Dt
- Primary Term

In order to be a conforming bid, the bid submitted must be for a minimum term of five (5) years and must meet or exceed the Minimum Reservation Rates set out above. Trunkline may, in its sole discretion and in a not unduly discriminatory manner, accept non-conforming bids.

Execution of Precedent Agreement

All bid(s) pertaining to the project shall be binding. All bids will be evaluated on an individual basis, and therefore Shippers who submit multiple bids could have all bids accepted by Trunkline up to the maximum capacity being offered in this open season.

Shippers desiring to submit bids should submit all required documents in duplicate, by registered or certified mail, courier or fax at anytime during the Open Season to:

Trunkline Gas Company, LLC
5444 Westheimer Road
Houston, TX 77056-5306
Attn: Keith Riebe

Telephone: (713) 989-7696
Fax: (713) 989-1121

All material received will be time and date stamped by Trunkline. Any executed Precedent Agreement received in Trunkline's office after the close of the Open Season will be considered only at Trunkline's election. Trunkline may, in its sole discretion, at any time during the Open Season and upon two (2) business days notice extend the closing date of the Open Season, or modify the terms of the Open Season. Trunkline has no obligation to accept bids that contain Precedent Agreements with terms that deviate from the terms of the form of Precedent Agreement contained in these materials and, in its sole discretion, may accept any such deviation in whole or in part, in a not unduly discriminatory manner.

These Open Season materials are provided for informational purposes to enable Shippers to obtain firm transportation services through the North Texas Expansion Project. However, the information contained herein or that is provided in response to questions or a request for information about these procedures or the enclosed materials establishes no contractual or other relationship between Trunkline and any party. The Precedent Agreement will set forth the parties' contractual relationship.

Awarding of Capacity

Awards of capacity will be final and will bind those Shippers who executed a Precedent Agreement. The total capacity offered and to be awarded in this Open Season is anticipated to be 400,000 Dt/day, but final determination of available capacity will be based on facilities required to provide requested capacity.

Capacity will be awarded in such a manner to maximize the Net Present Value ("NPV") of the project. However, Trunkline may give priority in a not unduly discriminatory manner to those bids that maximize the use of available system-wide pipeline capacity, optimize pipeline operating efficiencies and provide the highest overall value to Trunkline.

Trunkline shall have no obligation to consider non-conforming bids in the allocation of capacity in the Open Season.

If Trunkline receives conforming bids, or determines in its sole discretion to accept non-conforming bids on a not unduly discriminatory basis for sufficient quantities to continue to develop the Project, Shippers will be notified of their awarded capacity. One original Precedent Agreement signed by Trunkline will be returned to the successful bidder(s) not later than two weeks after the award of capacity.

Based on the number and characteristics of the bids received, Trunkline reserves the right, in its sole discretion, to forego pursuit of the Project entirely or to limit the scope of the Project in order to render the overall Project or any portion thereof economic.