

MIDWESTERN GAS TRANSMISSION COMPANY
OPERATIONAL BALANCING AGREEMENT
(For Use at Receipt Points)

This Agreement is entered into this _____, day of _____, 20__ by and between MIDWESTERN GAS TRANSMISSION COMPANY ("Company") and _____ ("Balancing Party"). Company and Balancing Party shall be referred to collectively herein as "Parties."

WITNESSETH:

WHEREAS, Company receives natural gas for transportation at the Receipt Point(s) specified in Exhibit "A" attached hereto (Receipt Point(s));

WHEREAS, the gas actually delivered at the Receipt Point(s) is at times different than the quantities nominated and scheduled to be transported by Company from those points ("Scheduled Quantities");

WHEREAS, Company and Balancing Party desire to allocate the natural gas received at the Receipt Point(s) based upon Scheduled Quantities and to allocate any difference between such Scheduled Quantities and actual receipts at the Receipt Point(s) (Operational Imbalance) to this Agreement;

WHEREAS, Company and Balancing Party desire to resolve the Operational Imbalances in accordance with Company's Rate Schedule LMS-PA; and

WHEREAS, Company and Balancing Party desire to implement operating rules designed to encourage conduct that maintains Company's system balance in a manner that facilitates the movement of gas for transportation purposes.

NOW, THEREFORE, Company and Balancing Party agree as follows:

ARTICLE 1 - DEFINITIONS

The definitions set forth in Section 1 of General Terms and Conditions are incorporated herein by reference.

ARTICLE 2 - NOMINATIONS AND CONFIRMATIONS

2.1 Confirmation of Nominations - Prior to the beginning of each month this Agreement is in effect, Balancing Party shall confirm or cause to be confirmed the quantities nominated to be delivered by Balancing Party or for Balancing Party's account by Company at the Receipt Point(s) commencing on the first day of the month following the confirmation. Absent notice from Company to the contrary, such confirmed nominations shall be scheduled by Company and shall become Scheduled Quantities.

Balancing Party shall reconfirm any modification to such confirmations or cause such modification to be reconfirmed prior to the commencement of the revised service. Company shall notify Balancing Party or Balancing Party's designee of any problems regarding the scheduling of gas in accordance with confirmations hereunder within one Business Day after each daily confirmation and within four Business Days after the end of the calendar month for an aggregate of all confirmations for a calendar month unless mutually agreed to otherwise. Balancing Party shall notify Company or cause Company to be notified of any errors in the Scheduled Quantities within one Business Day of receipt of such information from Company.

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ARTICLE 2 - NOMINATIONS AND CONFIRMATIONS
(Continued)

If Balancing party fails to confirm the quantities to be transported at any Receipt Point(s) in accordance with the above, and such failure continues for two Business Days or more (whether or not such days are consecutive) after 24 hour written notice to the Balancing Party by Company for each occurrence of Balancing Party's failure to confirm, then the affected Receipt Point(s) shall be deleted from Exhibit A upon written notice from Company at the end of that calendar month.

- 2.2 Allocations Based on Scheduled Quantities - The Parties intend that the quantity actually delivered at the Receipt Point(s) will equal the Scheduled Quantities. Balancing Party shall use all reasonable efforts to ensure that the quantities actually received at the Receipt Point(s) equal the Scheduled Quantities. Unless prohibited by applicable law or regulation, all transportation services provided by Company shall be allocated each day in accordance with Rate Schedule LMS-PA of Company's Tariff or by such method as may be mutually agreed to by both Parties.
- 2.3 Allocation of Variances - The difference on any day between the Scheduled Quantities at all Receipt Points and the total actual quantity received at the Receipt Point(s) shall be the Daily Variance and shall be allocated to this Agreement and resolved pursuant to the provisions of Rate Schedule LMS-PA. The difference between the sum of the Scheduled Quantities during a calendar month and the total actual quantity received at the Receipt Point(s), during the calendar month shall be the Monthly Operational Imbalance. Any Monthly Operational Imbalances will be corrected in accordance with Article 3.
- 2.4 Reports on Actual Deliveries - Should Company not have the ability to monitor actual deliveries at any Receipt Point(s) on a daily basis, Balancing Party shall provide to Company the best available information compiled on a daily basis on the actual receipts at such Receipt Point(s) within two Business Days after the date of receipt. Furthermore, the Balancing Party shall provide or have provided to Company meter statements within five (5) Business Days after the close of a calendar month at any Receipt Point(s) where Company does not operate the meter. If the Balancing Party does not provide such information or meter statements at any Receipt Point(s), or the information provided contains significant inaccuracies as reasonably determined by Company, and such conditions continue for fifteen days or more (whether or not such days are consecutive) after the first notice to the Balancing Party, then all affected Receipt Points shall be deleted from this Agreement upon written notice from Company at the end of that calendar month.
- 2.5 Unauthorized Overruns - Balancing Party may not deliver gas at a Receipt Point in excess of the Daily Limit applicable to a Receipt Point, Balancing Party shall be subject to an Unauthorized Overrun Charge of fifteen dollars (\$15.00) for each Dekatherms of excess volumes delivered. The Daily Limit applicable to a Receipt Point shall be stated in an Operational Flow Order issued pursuant to Section 8 of the General Terms and Conditions of Company's Tariff.

ARTICLE 3 - CORRECTION OF OPERATIONAL IMBALANCES

- 3.1 Corrections During the Month - Estimated metered quantities, or actual metered quantities where available, shall be used by Company for purposes of adjustments under this Section on a daily basis during the calendar month to determine the estimated Operational Imbalance at (all of) the Receipt Point(s). Company shall make

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ARTICLE 3 - CORRECTION OF OPERATIONAL IMBALANCES
(Continued)

the estimated Daily Variances and Monthly Operational Imbalance available to Balancing Party by the end of the third Business Day after each production day. Company may make or Balancing Party may make or cause to be made adjustments in nominations and actual deliveries upon 24 hours notice by making imbalance make up nominations pursuant to this Agreement and in accordance with Company's Tariff. Any adjustments will offset pre-existing imbalances accrued during that month.

- 3.2 Corrections in Subsequent Periods - As soon as practical following the close of each month, Company will send Balancing Party a statement setting forth the accrued Daily Variance Charges and the Monthly Operational Imbalance existing at the end of the prior month. Any Monthly Operational Imbalance shall be resolved in cash in accordance with Rate Schedule LMS-PA of Company's FERC Gas Tariff Volume No. 1, unless the Parties mutually agree otherwise.
- 3.3 Measurement of Operational Imbalance - Any gas received or delivered pursuant to this Agreement shall be adjusted for variation in Btu content. Measurement of gas for all purposes shall be in accordance with Company's FERC Gas Tariff.
- 3.4 Mutual Assistance Provision - In recognition that Balancing Party has a significant amount of control over the flow of gas onto Company's system and can assist in alleviating balancing problems or remedying supply deficiencies, upon mutual agreement, Balancing Party will increase or decrease flows independent from nominations. This agreement is subordinate to Balancing Party's contractual obligations (as well as subject to operational constraints placed on the producers behind the point by geological or equipment conditions). In any month such assistance is provided to Company, Company will waive all Daily Variance Charges amassed by Balancing Party in the month during periods when an OFO is not in effect. The agreement to provide mutual assistance shall be at the sole discretion of the Balancing Party and subordinate to the right of the Balancing Party to operate its properties in a manner that constitutes prudent and efficient operation. Any daily variance resulting from a Balancing Party's assistance pursuant hereto shall not be considered in the calculation of such Balancing Party's Monthly Operational Imbalance.
- 3.5 Operational Integrity - Nothing in this Article 3 shall limit Company's right to take action as may be required to adjust receipts of gas in order to alleviate conditions that threaten the integrity of its system.

ARTICLE 4 - TERM

- 4.1 Duration of Agreement - Subject to the other termination rights provided herein, this Agreement shall be in full force and effect from the date hereof for a primary term of _____ year(s) and shall continue thereafter on a month-to-month basis unless terminated by either Party giving thirty days prior written notice, with the termination to be effective at the end of a calendar month. Notwithstanding the above, if any material problems arise as a result of the provisions of this Agreement, then the Parties will enter into good faith negotiations to amend this Agreement to resolve such problems. If the Parties are unable to resolve such problems as a result of such negotiations, then either Party may terminate this Agreement upon forty-eight (48) hours prior written notice with the termination to be effective at the end of a calendar month.

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ARTICLE 4 - TERM
(Continued)

- 4.2 Continuing Obligations - Following the termination of this Agreement, any remaining Operational Imbalance shall be resolved in cash in accordance with Rate Schedule LMS-PA of Company's FERC Gas Tariff Volume No. 1, unless the Parties mutually agree otherwise.
- 4.3 This Agreement will terminate automatically in the event that Balancing Party fails to pay the entire amount of any bill for service rendered by Company in accordance with Company's General Terms and Conditions.

ARTICLE 5 - CHARGES

- 5.1 Current Charges - Commencing upon the date of execution, the rates, charges, and surcharges to be paid by Balancing Party to Company for the service provided herein shall be in accordance with Company's Rate Schedule LMS-PA and the General Terms and Conditions of Company's FERC Gas Tariff.
- 5.2 Incidental Charges - Balancing Party agrees to reimburse Company for any filing or similar fees, which have not been previously paid for by Balancing Party that Company incurs in rendering service hereunder.
- 5.3 Changes in Rates and Charges - Balancing Party agrees that Company shall have the unilateral right to file with the appropriate regulatory authority and make effective changes in (a) the rates and charges applicable to service pursuant to Company's Rate Schedule LMS-PA, (b) the rate schedule(s) pursuant to which service hereunder is rendered, or (c) any provision of the General Terms and Conditions applicable to those rate schedules. Company agrees that Balancing Party may protest or contest the aforementioned filings, or may seek authorization from duly constituted regulatory authorities for such adjustment of Company's existing FERC Gas Tariff as may be found necessary to assure Company just and reasonable rates.

ARTICLE 6 - MISCELLANEOUS

- 6.1 Warranties - Balancing Party warrants (i) that as to any gas that it delivers or causes to be delivered to Company hereunder to correct an Operational Imbalance that such gas will be free and clear of all liens, encumbrances and claims whatsoever; (ii) that it will at the time of delivery have the right to deliver or cause to be delivered such gas; (iii) that it has the right to allocate all (of its) deliveries from the Receipt Points in accordance with this Agreement; and (iv) that it will indemnify and save Company harmless from 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, overriding royalties, taxes, or other charges thereon or with regard to the allocation of gas hereunder. Balancing Party will pay or cause to be paid, all royalties, overriding royalties, taxes or other charges due on the gas delivered to Company and will file all necessary reports with federal or state agencies associated with the gas delivered to Company. If the federal or state law or taxing agency requires Company to pay such charges directly to the agency or other person and to file any reports on such deliveries, Balancing Party will act as

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ARTICLE 6 - MISCELLANEOUS
(Continued)

Company's agent in paying the necessary charges and filing the necessary reports. Balancing Party represents and warrants to Company that all requisite authorizations, if any, have been obtained as to any gas that Balancing Party delivers or causes to be delivered hereunder. The Balancing Party or Balancing Party's designee agrees to take the necessary corrective action requested by Company in accordance with this Agreement and shall perform all acts and duties required to nominate, confirm and deliver gas hereunder. If the Balancing Party fails to take such corrective action, then this Agreement shall terminate upon written notice from Company at the end of that calendar month. Company may act, and shall be fully protected in acting, in reliance upon any and all acts performed by Balancing Party to nominate, confirm and deliver gas hereunder and to allocate deliveries on behalf of any producers covered by this Operational Balancing Agreement as though they were done or executed by the Producers.

- 6.2 Governing Bodies - This Agreement shall be subject to all applicable laws, federal or state, and to all applicable rules and regulations of any duly authorized federal, state or other government agency having jurisdiction. THE INTERPRETATION AND PERFORMANCE OF THIS CONTRACT SHALL BE IN ACCORDANCE WITH AND CONTROLLED BY THE LAWS OF THE STATE OF OKLAHOMA WITHOUT REGARD TO DOCTRINES GOVERNING CHOICE OF LAW.
- 6.3 Waivers - No waiver by either Party of any one or more defaults by the other in the performance of this Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or of different character.
- 6.4 Invoicing and Payments - Company shall bill and Balancing Party shall pay for the resolution of Operational Imbalances and any charges assessed under Rate Schedule LMS-PA in cash in accordance with Sections 5 and 6, respectively, of the General Terms and Conditions of Company's FERC Gas Tariff.
- 6.5 Incorporation of Tariff - Unless otherwise stated herein, Rate Schedule LMS-PA and the General Terms and Conditions specified in Company's FERC Gas Tariff are incorporated as part of this Agreement.
- 6.6 Notices - Except as otherwise provided in the General Terms and Conditions applicable to this Agreement, any notice under this Agreement shall be in writing and mailed to the Party's address shown on Exhibit A hereto or such other address as either Party may designate by written notice to the other.
- 6.7 Receipt Points - Subject to the provisions of Company's FERC Gas Tariff and the other provisions of this Agreement, Balancing Party may add or delete Receipt Points to Exhibit A upon notice to Company and Balancing Party unless such Receipt Points has previously been deleted from Exhibit A pursuant to Articles 2.1 or 2.4, in which case Company's consent will be required.
- 6.8 Conflicts - If there is any conflict or discrepancy between this Agreement and any other agreement between Company and Balancing Party with regard to allocations of receipts at Receipt Points, the terms of this Agreement shall govern and control. If there is any conflict or discrepancy between this Agreement and Rate Schedule LMS-PA, the terms of Rate Schedule LMS-PA shall govern. If there is any conflict or discrepancy between this agreement and the General Terms and Conditions specified in Company's FERC Gas Tariff, the General Terms and Conditions shall govern.

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ARTICLE 6 - MISCELLANEOUS
(Continued)

6.9 Except for changes specifically authorized pursuant to this Agreement, no modification of or supplement to the terms and conditions hereof shall be or become effective until Shipper has submitted a request for change and Balancing Party has been notified of Company's agreement to such change.

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

BY: _____

TITLE: _____

MIDWESTERN GAS TRANSMISSION COMPANY

BY: _____

TITLE: _____