

BRIDGELINE HOLDINGS, L.P.

STATEMENT OF OPERATING CONDITIONS

FOR

TRANSPORTATION AND STORAGE SERVICES

OF

F.E.R.C. NGPA GAS TARIFF

EFFECTIVE JUNE 1, 2024

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BRIDGELINE HOLDINGS, L.P.

**STATEMENT OF OPERATING CONDITIONS FOR
TRANSPORTATION AND STORAGE SERVICES**

INTRODUCTORY STATEMENT

Bridgeline Holdings, L.P. (“Bridgeline”), an intrastate pipeline within the meaning of Section 2(16) of the Natural Gas Policy Act of 1978 (“NGPA”), hereby respectfully files this Statement of Operating Conditions (“Operating Statement”) to be effective June 1, 2024, pursuant to the Federal Energy Regulatory Commission’s (“FERC”) Regulations under 18 C.F.R. Section 284.123(e). Bridgeline operates natural gas pipeline and Storage Facilities in the State of Louisiana. The Operating Statement describes the general provisions under which Bridgeline will provide Storage Services, including Firm and Interruptible Storage Services, Firm and Interruptible Parking and Loaning Services, and Title Transfer Services, to eligible Shippers qualified to receive such services pursuant to NGPA § 311(a)(2), as implemented by Part 284, Subpart C of FERC’s regulations, 18 C.F.R. Part 284, at the following facilities:

- (1) Sorrento Storage Facilities located near Sorrento, Louisiana, in Ascension Parish, consisting of two natural gas storage caverns.
- (2) Napoleonville Storage Facilities located near Napoleonville, Louisiana, in Assumption Parish, consisting of one natural gas storage cavern.

The Operating Statement also describes the general provisions under which Bridgeline will provide Firm and Interruptible Transportation Services on behalf of interstate pipelines or local distribution companies served by interstate pipelines, and upon terms and conditions authorized by FERC and accepted by Bridgeline, shall be provided by Bridgeline pursuant to Section 311(a)(2) of the Natural Gas Policy Act of 1978 (“NGPA”), 15 U.S.C. Section 3371(a)(2), and FERC’s implementing Rules, Regulations and Orders, to qualified Shippers who comply with the conditions set forth in this Operating Statement and with the terms and conditions contained in Bridgeline’s Service Agreement with Shippers, through the following facilities:

- (3) Bridgeline pipelines consisting of approximately 1000 miles of intrastate pipeline located in the Parishes of Ascension, Assumption, Cameron, East Baton Rouge, Iberia, Iberville, Jefferson, Lafourche, Orleans, St. Charles, St. James, St. John the Baptist, St. Martin, St. Mary, Terrebonne, Vermilion and West Baton Rouge, including the Floodway System, the Riverlands System, the Luling System, the Chalmette System and the Lafourche System.

ARTICLE 1.
BRIDGELINE'S BASIC FUNCTIONS

- 1.1 **Intrastate Transportation.** Bridgeline owns and operates the transportation Facilities described above. Bridgeline is first and foremost an intrastate pipeline. Bridgeline will provide Firm and Interruptible Transportation Services on behalf of Shippers that are qualified to receive such services under NGPA § 311(a)(2), without undue discrimination or preference within the meaning of 18 C.F.R. § 284.7(b)(1), subject to:
- 1.1.1 the conditions set forth in this Operating Statement;
 - 1.1.2 such other reasonable conditions as may be established from time to time by Bridgeline pursuant to 18 C.F.R. § 284.123(e);
 - 1.1.3 applicable legal and regulatory requirements; and
 - 1.1.4 the execution of a Service Agreement and the terms and conditions contained in such Service Agreement.
- 1.2 **Intrastate Storage, Parking and Loaning, and Title Transfer.** Bridgeline owns and operates the Storage Facilities described above. The primary business of these Storage Facilities is to serve the storage markets within the State of Louisiana. Bridgeline will provide Firm and Interruptible Storage Services, Firm and Interruptible Parking and Loaning Services, and Title Transfer Services on behalf of Shippers that are qualified to receive such services under NGPA § 311(a)(2), without undue discrimination or preference within the meaning of 18 C.F.R. § 284.7(b)(1), subject to:
- 1.2.1 the conditions set forth in this Operating Statement;
 - 1.2.2 such other reasonable conditions as may be established from time to time by Bridgeline pursuant to 18 C.F.R. § 284.123(e);
 - 1.2.3 applicable legal and regulatory requirements; and
 - 1.2.4 the execution of a Service Agreement and the terms and conditions contained in such Service Agreement.
- 1.3 Any Section 311(a)(2) services that Bridgeline provides will be consistent with Natural Gas Policy Act Section 311 and shall not infringe upon its status as a non-jurisdictional pipeline that is exempt from FERC's Natural Gas Act jurisdiction.

ARTICLE 2.
QUALIFIED SHIPPERS

- 2.1 **Shippers Must Qualify.** In addition to other conditions contained in this Operating Statement, services provided by Bridgeline are available only to Shippers who enter into a mutually acceptable Service Agreement with Bridgeline. All Transactions on behalf of interstate pipelines or local distribution companies served by interstate pipelines must qualify under the provisions of Section 311(a)(2) of the NGPA and FERC's implementing

Rules, Regulations and Orders. If, in the opinion of Bridgeline's counsel, the qualified status of a Shipper or its Transaction is in doubt, then such Shipper must apply for and receive a nonappealable, final ruling from FERC, or any successor agency thereto, affirming the qualifying status of Shipper and its Transaction under the provisions of Section 311(a)(2) of the NGPA prior to the commencement of services by Bridgeline.

ARTICLE 3. SERVICES

3.1 General Provisions.

- 3.1.1 A Service Agreement is required for all services hereunder and will be subject to all terms and provisions of this Operating Statement and any applicable Confirmation.
- 3.1.2 Shipper shall be permitted to combine Storage Services with one or more Firm or Interruptible Services available under this Operating Statement or to combine two or more Interruptible Services available under this Operating Statement; provided, however, such combined services shall be subject to Article 20 and provided further that the priority for each service shall be determined by the respective priority of that service as set forth in Article 20.
- 3.1.3 Any and all Transactions under this Operating Statement must be intrastate services or interstate services eligible under, and shall be fully subject to, all the applicable requirements Part 284, Subpart C of FERC's regulations, 18 C.F.R. Part 284, as they may be revised from time to time. A Shipper's request for services shall constitute its warranty that it satisfies those requirements. Bridgeline shall have the right to request information from its Shipper, whether a requesting shipper or a Shipper that has executed a Service Agreement, to verify its eligibility for services under the applicable regulations.
- 3.1.4 Nothing in this Operating Statement shall limit Bridgeline's right to take action as may be required to adjust receipts and deliveries under any Service Agreement to alleviate operating conditions that threaten the operational integrity of its Facilities.
- 3.1.5 Services may not be available to the extent that Bridgeline would be required to construct, modify, expand or acquire any facilities to enable Bridgeline to perform the requested services.
- 3.1.6 Multiple transportation and storage arrangements can be agreed to between the Parties and confirmed by Confirmation under a single Service Agreement.

3.2 Transportation Services.

3.2.1 Firm Transportation Services.

3.2.1.1 Character, Availability and Conditions of Firm Transportation Services.

- (a) Subject to the terms of this Operating Statement and Shipper's Service Agreement, Bridgeline shall provide Firm Transportation Services, which

services shall include the reservation of capacity in the transportation Facilities, for Shipper sufficient to enable Shipper to deliver, transport and receive Gas from Facilities, in quantities up to the maximum quantities set forth in Shipper's Service Agreement.

- (b) Firm Services shall be provided when, and to the extent that Bridgeline determines that capacity is available.
- (c) Firm Transportation Services shall consist of the receipt of Gas at the Receipt Point(s) up to Shipper's Maximum Daily Quantity ("MDQ"), the transportation of Gas not to exceed the MDQ, and the redelivery by Bridgeline to Shipper at the Delivery Point(s) up to Shipper's MDQ.
- (d) Notwithstanding anything in this Operating Statement or the Service Agreement to the contrary, Bridgeline shall not in any event whatsoever be obligated to receive, transport or deliver for Shipper's account quantities of Gas in excess of Shipper's MDQ.
- (e) Bridgeline will schedule Gas at Receipt Point(s) based upon the capacity and priority determinations set forth in Article 20. Receipt Point(s) will be specified in Shipper's Service Agreement.
- (f) Bridgeline will schedule Gas at Delivery Point(s) based upon the capacity and priority determinations set forth in Article 20. Delivery Point(s) will be specified in Shipper's Service Agreement.
- (g) Bridgeline, within its discretion and under terms acceptable to it, which discretion shall be exercised without undue discrimination or preference within the meaning of 18 C.F.R. § 284.7(b)(1), may receive, transport and/or deliver Gas in excess of Shipper's MDQ.
- (h) Shipper will be responsible for making all necessary transportation arrangements into and away from Bridgeline's Facilities, including without limitation, nomination and scheduling of Gas with upstream/downstream pipelines in quantities necessary for the performance of the Firm Transportation Services provided under this Operating Statement and Shipper's Service Agreement. All receipts and deliveries of Gas shall be at a uniform hourly and daily rate of flow over the course of the Day, unless otherwise agreed.
- (i) Firm Services may not be available to the extent that Bridgeline would be required to construct, modify, expand or acquire any facilities to enable Bridgeline to perform the requested services.

3.2.1.2 **Firm Transportation Services Charges.** A Firm Transportation Services Shipper shall pay Bridgeline the following charges:

- (a) A charge for transportation which is the product of the transportation rate set forth in Shipper's Service Agreement multiplied by the actual quantities of

Gas, measured in MMBtus, nominated and delivered to the Delivery Point(s) through the Facilities for the account of Shipper during such Month.

- (b) A monthly Capacity Reservation Fee based on Shipper's MDQ, which shall be as set forth in the Shipper's Service Agreement.
- (c) A charge for fuel and loss consisting of a quantity of Gas in-kind, measured in MMBtus, as set forth in Shipper's Service Agreement multiplied by the gross quantities of Gas tendered at the Receipt Point(s) for transportation through the Facilities for the account of Shipper during such Month. This quantity of Gas and title thereto shall transfer to Bridgeline at the downstream flange of Bridgeline's inlet meter at the Receipt Point(s). The net quantity of Gas to be transported for Shipper shall be determined by multiplying the result of 1 minus Fuel, multiplied by the gross quantity of Gas delivered by Shipper at the downstream flange of inlet meter at the Receipt Point(s).
- (d) All penalties and other charges described in this Operating Statement, to the extent applicable to any Firm Transportation Services.
- (e) Each and every delivery to be transported for Shipper shall constitute a separate Transportation Service rendered for Shipper and Shipper will be charged accordingly.

3.2.2 Interruptible Transportation Services.

3.2.2.1 Availability and Other Conditions Applicable to Interruptible Transportation Services.

- (a) Subject to the terms of this Operating Statement and Shipper's Service Agreement, Bridgeline shall provide Interruptible Transportation Services for Shipper, as may be requested by Shipper and confirmed by Bridgeline. Bridgeline shall perform these services on a not unduly discriminatory basis.
- (b) Interruptible Transportation Services shall be provided when, and to the extent that, Bridgeline determines that capacity is available for such Interruptible Services.
- (c) Bridgeline retains all rights at any and all times during the term of an executed Service Agreement for Interruptible Services to decrease or temporarily suspend receipt and/or delivery of Gas if such capacity is required to render services of a higher priority, as set forth in Article 20. IF BRIDGELINE EXERCISES SUCH RIGHTS, SHIPPER SHALL HOLD BRIDGELINE HARMLESS FROM ANY LOSS, CLAIM, DAMAGE OR EXPENSE THAT SUCH SHIPPER OR OTHER PARTY MAY INCUR BY REASON OF SUCH DECREASE OR SUSPENSION.
- (d) Shipper will be responsible for making all necessary transportation arrangements into and away from Bridgeline's Facilities, including without

limitation, nomination and scheduling of Gas with upstream/downstream pipelines in quantities necessary for the performance of the Interruptible Transportation Services provided under this Operating Statement and Shipper's Service Agreement. All receipts and deliveries of Gas shall be at a uniform hourly and daily rate of flow over the course of the Day, unless otherwise agreed.

- (e) Interruptible Transportation Services may not be available to the extent that Bridgeline would be required to construct, modify, expand or acquire any facilities to enable Bridgeline to perform the requested services.

3.2.2.2 **Interruptible Transportation Services Charges.**

- (a) **Rates for Interruptible Transportation Services.** The rates for Interruptible Transportation Services performed under this Operating Statement and Shipper's Service Agreement shall be as set forth in the individually agreed upon Confirmation.
- (b) **Fuel.** Subject to applicable maximum charges, the charge for Fuel for Interruptible Services shall be as set forth in the individually agreed upon interruptible Transaction.
- (c) **Penalties and Other Charges.** In addition to the rates for Interruptible Services as set forth above, the penalties and other charges described in this Operating Statement shall apply according to their terms to any interruptible Transaction.

3.3 **Storage Services.**

3.3.1 **General Terms for Storage Services.**

- 3.3.1.1 Subject to the terms of this Operating Statement and Shipper's Service Agreement, Bridgeline shall provide Storage Services at the Storage Facilities as may be requested by Shipper and confirmed by Bridgeline. Bridgeline shall perform these services on a not unduly discriminatory basis.
- 3.3.1.2 Storage Services shall be provided when, and to the extent that Bridgeline determines that capacity is available, as applicable.
- 3.3.1.3 The rates for Storage Services performed under this Operating Statement and Shipper's Service Agreement shall be as set forth herein and in the individually agreed upon Confirmations.
- 3.3.1.4 The charge for Fuel for Storage Services shall be as set forth herein and in the individually agreed upon Confirmation.
- 3.3.1.5 In addition to the rates for Storage Services as set forth herein and in Article 4 below, the penalties and other charges described in this Operating Statement shall apply according to their terms to any Storage Services.

- 3.3.1.6 Shipper will be responsible for making all necessary transportation arrangements into and away from the Storage Facilities, including without limitation, nomination and scheduling of Gas with Bridgeline and upstream/downstream pipelines in quantities necessary for the performance of the Storage Services provided under this Operating Statement and Shipper's Service Agreement. All receipts and deliveries of Gas shall be at a uniform hourly and daily rate of flow over the course of the Day, unless otherwise agreed.
- 3.3.1.7 Storage Services may not be available to the extent that Bridgeline would be required to construct, modify, expand or acquire any facilities to enable Bridgeline to perform the requested services.
- 3.3.1.8 Each and every injection and/or delivery for Shipper's account shall constitute a separate Storage Service rendered for Shipper's account and Shipper's account will be charged accordingly.
- 3.3.1.9 **Injection and Delivery Procedures.**
- (a) Bridgeline shall receive from Shipper at the Storage Facilities properly nominated Working Gas for injection up to Shipper's MDIQ, plus Fuel; provided, however, that Bridgeline shall not be obligated to receive and inject into the Storage Facilities on any Day any quantities of Gas greater than the difference between Shipper's MSQ or MPQ (as applicable) and the balance of Working Gas (as applicable) that Shipper has in storage at that time; and provided, further, that Shipper's MDIQ may be less from time to time depending upon the amount of Gas and operational pressures existing from time to time in the Storage Facilities. Bridgeline's obligation to receive Gas for injection into the Storage Facilities shall be subject to all provisions of this Operating Statement and Shipper's Service Agreement.
- (b) Bridgeline shall deliver to Shipper properly nominated Working Gas from the Storage Facilities up to the MDWQ, provided, Bridgeline is not obligated at any time to deliver any quantity of Gas to Shipper in excess of the balance of Working Gas that Shipper has in storage at that time. Bridgeline's obligation to deliver quantities of Working Gas up to the MDWQ shall be subject to all provisions of this Operating Statement and Shipper's Service Agreement.
- 3.3.1.10 If upon expiration of the term of any Confirmation hereunder, Shipper's Storage Inventory is greater than zero for any reason other than Bridgeline's failure to make properly nominated quantities available for delivery, then Bridgeline shall have the option, at its discretion, to either (i) extend the term of such Confirmation for up to thirty (30) Days to allow Shipper to withdraw from storage such remaining Storage Inventory at quantities and conditions of delivery determined by Bridgeline and at a rate equal to the fees and charges provided in Article 4, plus an additional twenty-five percent (25%) of any applicable Capacity Reservation Fee or other usage fee for each Month or Day, or portion thereof, during any extended term; or, (ii) purchase each

MMBtu of Shipper's Storage Inventory at a price per MMBtu equal to seventy-five percent (75%) of the monthly index published in the first-of-the-month issue of Inside F.E.R.C.'s Gas Market Report, Market Center Spot Gas Prices, for South Louisiana – Henry Hub, for the Month in which such Gas is purchased by Bridgeline. In the event Bridgeline purchases Shipper's Storage Inventory pursuant to (ii) above, Shipper shall remain responsible for normal delivery charges that would have been applicable had Shipper accepted such balance for delivery.

3.3.1.11 Notwithstanding anything in this Operating Statement or Shipper's Service Agreement to the contrary, and in the event Bridgeline elects to extend the term of Shipper's Service Agreement for thirty (30) Days as permitted above, if after such thirty (30) Day extension period, Shipper still has Working Gas remaining in the Storage Facilities for any reason other than Bridgeline's failure to make properly nominated quantities available for delivery, title to all said Working Gas remaining in the Storage Facilities shall automatically be transferred to Bridgeline at the expiration of such extension period as compensation for Shipper's failure to properly nominate and accept delivery of such Working Gas and Shipper will have no further rights with regard thereto. To the extent that the foregoing title transfer provision may be deemed to constitute liquidated damages, the Parties agree that Bridgeline's damages from Shipper's failure to nominate and accept delivery of Gas, which may include but not be limited to lost opportunity costs, are difficult or impossible to determine and that such title transfer constitutes a reasonable approximation of such damages.

3.3.1.12 In the event Bridgeline's failure to make properly nominated quantities available for delivery causes Shipper's Storage Inventory to be greater than zero at the expiration of the term of the Confirmation, the term of the Confirmation will be extended for up to thirty (30) days to allow Shipper to withdraw from storage such remaining Storage Inventory at quantities and conditions of delivery as outlined in the Confirmation and at a rate equal to the fees and charges provided in the Confirmation including Capacity Reservation Fee or usage fees for each Month or Day, or portion thereof, during any extended term and subject to the provisions of any injection or delivery procedures described in these Operating Conditions for the applicable type of Storage Services.

3.3.2 Firm Storage Services.

3.3.2.1 Character, Availability and Conditions of Firm Storage Services.

- (a) Firm Storage Services shall consist of the receipt of Gas at the Storage Facilities up to Shipper's Maximum Daily Injection Quantity ("MDIQ"), the storage of Gas not to exceed Shipper's Maximum Storage Quantity ("MSQ"), and the tender for redelivery by Bridgeline to Shipper at the Storage Facilities up to Shipper's Maximum Daily Withdrawal Quantity ("MDWQ").
- (b) Notwithstanding anything in this Operating Statement or the Service

Agreement to the contrary, Bridgeline shall not in any event whatsoever be obligated to receive or deliver for Shipper's account quantities of Gas in excess of (i) Shipper's MDIQ or MDWQ, respectively, or (ii) Shipper's MSQ.

- (c) Bridgeline will schedule Gas to be injected at the Storage Facilities as specified in Shipper's Service Agreement.
- (d) Bridgeline will schedule Gas to be withdrawn at the Storage Facilities as specified in Shipper's Service Agreement.
- (e) Shipper shall make available and tender any Gas to be injected hereunder and receive and accept delivery, upon tender by Bridgeline, of any Gas requested to be withdrawn from storage. Shipper's Storage Inventory shall be increased or decreased upon injection or withdrawal of Gas from storage, as applicable. Shipper shall not (unless otherwise agreed by Bridgeline) tender for injection, nor shall Bridgeline be obligated to receive Gas for injection or to withdraw and deliver Gas from storage, on an hourly basis at rates of flow in excess of 1/24 of Shipper's MDIQ or MDWQ, respectively.

3.3.2.2 Firm Storage Services Charges. A Firm Storage Services Shipper shall pay Bridgeline the following charges:

- (a) A charge for injection, which is the product of the injection rate set forth in Shipper's Service Agreement multiplied by the quantities of Working Gas, measured in MMBtus, nominated to and injected into the Storage Facilities for the account of Shipper during such Month.
- (b) A charge for withdrawal, which is the product of the deliverability rate set forth in Shipper's Service Agreement multiplied by the quantities of Working Gas, measured in MMBtus, nominated to and withdrawn from the Storage Facilities for the account of Shipper during such Month.
- (c) A monthly Capacity Reservation Fee based on Shipper's MSQ, MDIQ, and MDWQ, which shall be as set forth in the Shipper's Service Agreement and Confirmations.
- (d) A charge for fuel and loss consisting of a quantity of Gas in-kind, measured in MMBtus, as set forth in Shipper's Service Agreement multiplied by the gross quantities of Gas nominated for injection and confirmed by Bridgeline for the account of Shipper during such Month. This quantity of Gas and title thereto shall transfer to Bridgeline at the downstream flange of Bridgeline's inlet meter at the Storage Facilities. The net quantity of Working Gas to be injected for Shipper's account shall be determined by multiplying the result of 1 minus Fuel, multiplied by the gross quantity of Gas nominated by Shipper and confirmed by Bridgeline at the downstream flange of the inlet meter at the Storage Facilities.
- (e) A charge for fuel and loss consisting of a quantity of Gas in-kind, measured in MMBtus, as set forth in Shipper's Service Agreement multiplied by the

gross quantities of Gas nominated for withdrawal and confirmed by Bridgeline for the account of Shipper during such Month. This quantity of Gas and title thereto shall transfer to Bridgeline at the downstream flange of Bridgeline's outlet meter at the Storage Facilities. The net quantity of Working Gas to be withdrawn for Shipper's account shall be determined by multiplying the result of 1 minus Fuel, multiplied by the gross quantity of Gas nominated by Shipper and confirmed by Bridgeline at the downstream flange of the outlet meter at the Storage Facilities.

3.3.3 Interruptible Storage Services.

3.3.3.1 Character, Availability and Conditions of Interruptible Storage Services.

- (a) Subject to Bridgeline having available capacity and Shipper meeting the eligibility requirements set forth in this Operating Conditions, Bridgeline shall offer Interruptible Storage Service to shippers on a non-discriminatory basis in accordance with these Operating Conditions. Bridgeline retains all rights at any and all times during the term of an executed Service Agreement for Interruptible Storage Services to decrease or temporarily suspend receipt and/or delivery of Gas if such capacity is required to render services of a higher priority, as set forth in Article 20. IF BRIDGELINE EXERCISES SUCH RIGHTS, SHIPPER SHALL HOLD BRIDGELINE HARMLESS FROM ANY LOSS, CLAIM, DAMAGE OR EXPENSE THAT SUCH SHIPPER OR OTHER PARTY MAY INCUR BY REASON OF SUCH DECREASE OR SUSPENSION.
- (b) Interruptible Storage Services shall consist of the receipt of Gas at the Storage Facilities up to Shipper's Maximum Daily Injection Quantity ("MDIQ"), the storage of Gas not to exceed Shipper's Maximum Storage Quantity ("MSQ"), and the tender for redelivery by Bridgeline to Shipper at the Storage Facilities up to Shipper's Maximum Daily Withdrawal Quantity ("MDWQ").
- (c) Notwithstanding anything in this Operating Statement or the Service Agreement to the contrary, Bridgeline shall not in any event whatsoever be obligated to receive or deliver for Shipper's account quantities of Gas in excess of (i) Shipper's MDIQ or MDWQ, respectively, or (ii) Shipper's MSQ.
- (d) Bridgeline will schedule Gas to be injected at the Storage Facilities as specified in Shipper's Service Agreement.
- (e) Bridgeline will schedule Gas to be withdrawn at the Storage Facilities as specified in Shipper's Service Agreement.
- (f) Shipper shall make available and tender any Gas to be injected hereunder and receive and accept delivery, upon tender by Bridgeline, of any Gas requested to be withdrawn from storage. Shipper's Storage Inventory shall be increased or decreased upon injection or withdrawal of Gas from storage, as applicable. Shipper shall not (unless otherwise agreed by Bridgeline) tender for injection,

nor shall Bridgeline be obligated to receive Gas for injection or to withdraw and deliver Gas from storage, on an hourly basis at rates of flow in excess of 1/24 of Shipper's MDIQ or MDWQ, respectively.

3.3.3.2 Interruptible Storage Services Charges. An Interruptible Storage Services Shipper shall pay Bridgeline the following charges:

- (a) A charge for injection, which is the product of the injection rate set forth in Shipper's Service Agreement multiplied by the quantities of Working Gas, measured in MMBtus, nominated to and injected into the Storage Facilities for the account of Shipper during such Month.
- (b) A charge for withdrawal, which is the product of the deliverability rate set forth in Shipper's Service Agreement multiplied by the quantities of Working Gas, measured in MMBtus, nominated to and withdrawn from the Storage Facilities for the account of Shipper during such Month.
- (c) A usage charge based on Shipper's MSQ, MDIQ, and MDWQ, which shall be as set forth in the Shipper's Service Agreement and Confirmations.
- (d) A charge for fuel and loss consisting of a quantity of Gas in-kind, measured in MMBtus, as set forth in Shipper's Service Agreement multiplied by the gross quantities of Gas nominated for injection and confirmed by Bridgeline for the account of Shipper during such Month. This quantity of Gas and title thereto shall transfer to Bridgeline at the downstream flange of Bridgeline's inlet meter at the Storage Facilities. The net quantity of Working Gas to be injected for Shipper's account shall be determined by multiplying the result of 1 minus Fuel, multiplied by the gross quantity of Gas nominated by Shipper and confirmed by Bridgeline at the downstream flange of the inlet meter at the Storage Facilities.
- (e) A charge for fuel and loss consisting of a quantity of Gas in-kind, measured in MMBtus, as set forth in Shipper's Service Agreement multiplied by the gross quantities of Gas nominated for withdrawal and confirmed by Bridgeline for the account of Shipper during such Month. This quantity of Gas and title thereto shall transfer to Bridgeline at the downstream flange of Bridgeline's outlet meter at the Storage Facilities. The net quantity of Working Gas to be withdrawn for Shipper's account shall be determined by multiplying the result of 1 minus Fuel, multiplied by the gross quantity of Gas nominated by Shipper and confirmed by Bridgeline at the downstream flange of the outlet meter at the Storage Facilities.

3.3.4 Firm Parking Services.

3.3.4.1 Character, Availability and Conditions of Firm Parking Services.

- (a) Firm Parking Services shall consist of the injection of Gas into Bridgeline's Storage Facilities for Shipper at daily quantities up to Shipper's MDIQ, the parking of Gas in storage by Bridgeline for Shipper not to exceed Shipper's

Maximum Parked Quantity ("MPQ"), and the withdrawal of parked Gas from storage by Bridgeline for delivery to Shipper at quantities up to the MDWQ.

- (b) Notwithstanding anything in this Operating Statement or the Service Agreement to the contrary, Bridgeline shall not in any event whatsoever be obligated to receive or deliver for Shipper's account quantities of Gas in excess of (i) Shipper's MDIQ or MDWQ, respectively, or (ii) Shipper's MPQ.
- (c) Bridgeline will schedule Gas to be injected at Bridgeline's Storage Facilities as specified in Shipper's Service Agreement.
- (d) Bridgeline will schedule Gas to be withdrawn at Bridgeline's Storage Facilities as specified in Shipper's Service Agreement.
- (e) Shipper shall make available and tender any Gas to be injected hereunder and receive and accept delivery, upon tender by Bridgeline, of any Gas requested to be withdrawn from storage. Shipper's parking account shall be increased or decreased upon injection or withdrawal of Gas from storage, as applicable. Shipper shall not (unless otherwise agreed by Bridgeline) tender for injection, nor shall Bridgeline be obligated to receive Gas for injection or to withdraw and deliver Gas from storage, on an hourly basis at rates of flow in excess of 1/24 of Shipper's MDIQ or MDWQ, respectively.

3.3.4.2 **Firm Parking Service Charges.** A Firm Parking Services Shipper shall pay Bridgeline the following charges:

- (a) A charge for injection, which is the product of the injection rate set forth in Shipper's Service Agreement multiplied by the quantities of Gas, measured in MMBtus, nominated to the Parking Point and confirmed by Bridgeline for the account of Shipper during such Month.
- (b) A charge for withdrawal, which is the product of the deliverability rate set forth in Shipper's Service Agreement multiplied by the quantities of Gas, measured in MMBtus, nominated to the Loaning Point and confirmed by Bridgeline for the account of Shipper during such Month.
- (c) A charge for each MMBtu of Gas parked based on Shipper's MPQ, MDIQ, and MDWQ, which shall be as set forth in Shipper's Service Agreement and Confirmations.
- (d) A charge for fuel and loss consisting of a quantity of Gas in-kind, measured in MMBtus, as set forth in Shipper's Service Agreement multiplied by the gross quantities of Gas nominated to the Parking Point by Shipper and confirmed by Bridgeline for the account of Shipper during such Month. This quantity of Gas and title thereto shall transfer to Bridgeline at the downstream flange of Bridgeline's inlet meter at the Storage Facilities. The net quantity of Working Gas to be injected for Shipper's account shall be determined by multiplying the result of 1 minus Fuel, by the gross quantities

of Gas nominated to the Parking Point by Shipper and confirmed by Bridgeline for the account of Shipper during such Month at the downstream flange of the inlet meter at the Storage Facilities.

- (e) A charge for fuel and loss consisting of a quantity of Gas in-kind, measured in MMBtus, as set forth in Shipper's Service Agreement multiplied by the gross quantities of Gas nominated to the Loaning Point by Shipper and confirmed by Bridgeline for the account of Shipper during such Month. This quantity of Gas and title thereto shall transfer to Bridgeline at the downstream flange of Bridgeline's outlet meter at the Storage Facilities. The net quantity of Working Gas to be withdrawn for Shipper's account shall be determined by multiplying the result of 1 minus Fuel, by the gross quantities of Gas nominated to the Loaning Point by Shipper and confirmed by Bridgeline for the account of Shipper during such Month at the downstream flange of the outlet meter at the Storage Facilities.
- (f) If at the end of the term of Shipper's Firm Parking Service Agreement, Shipper has a negative account balance, Bridgeline may, at its option: (1) seize quantities of Gas held by Shipper in any Storage Services or Loaning Services account up to the equivalent of such balance, in which event those seized quantities shall become the property of Bridgeline, at no cost to Bridgeline, free and clear of any adverse claims; or (2) Bridgeline may sell to Shipper, and if Bridgeline so desires to sell Shipper agrees to purchase, a quantity of Gas up to the equivalent of such balance at 150% of the monthly index published in the first-of-the-month issue of Inside F.E.R.C.'s Gas Market Report, Market Center Spot Gas Prices, for South Louisiana – Henry Hub or an acceptable successor publication during the Month of termination; or (3) elect any combination of (1) and (2) above. If Bridgeline elects to seize Gas as described in (1) or (3) above, then Bridgeline must inform Shipper as to: (a) the specific Storage Services account from which Gas will be seized, (b) the specific quantity of Gas to be seized from that account; and (c) the effective Day that such Gas will be seized by Bridgeline. The effective Day on which Bridgeline proposes to seize Gas must be at least two (2) Business Days after Bridgeline first notifies Shipper that Bridgeline has elected to seize Gas.

3.3.5 Firm Loaning Service.

3.3.5.1 Character, Availability and Conditions of Firm Loaning Services.

- (a) Firm Loaning Services shall consist of the withdrawal from the Storage Facilities of Gas by Bridgeline for delivery to Shipper at daily quantities up to the MDWQ, the loan of Gas by Bridgeline to Shipper at daily quantities not to exceed Shipper's Maximum Loaned Quantity ("MLQ"), and the return of loaned Gas by Shipper to Bridgeline and the injection into storage of such Gas at daily quantities up to the MDIQ. Shipper agrees to replace the borrowed quantities of Gas to Bridgeline at a time to be agreed upon and consistent with other terms and conditions as set forth in the Confirmation under Shipper's Service Agreement.

- (b) Notwithstanding anything in this Operating Statement or the Service Agreement to the contrary, Bridgeline shall not in any event whatsoever be obligated to receive or deliver for Shipper's account quantities of Gas in excess of (i) Shipper's MDIQ or MDWQ, respectively, or (ii) Shipper's MLQ.
- (c) Bridgeline will schedule Gas to be injected at Bridgeline's Storage Facilities as specified in Shipper's Service Agreement.
- (d) Bridgeline will schedule Gas to be withdrawn at Bridgeline's Storage Facilities as specified in Shipper's Service Agreement.
- (e) Shipper shall make available and tender any Gas to be injected hereunder and receive and accept delivery, upon tender by Bridgeline, of any Gas requested to be withdrawn from storage. Shipper's loan account shall be increased or decreased upon injection or withdrawal of Gas from storage, as applicable. Shipper shall not (unless otherwise agreed by Bridgeline) tender for injection, nor shall Bridgeline be obligated to receive Gas for injection or to withdraw and deliver Gas from storage, on an hourly basis at rates of flow in excess of 1/24 of Shipper's MDIQ or MDWQ, respectively.
- (f) Notwithstanding any other terms of this Operating Statement, title to Gas loaned under Firm Loaning Service shall pass from Bridgeline to Shipper when Gas is delivered for Shipper's account to the Storage Facilities and title shall pass from Shipper to Bridgeline when loaned Gas is returned by Shipper to the Storage Facilities.

3.3.5.2 **Firm Loaning Service Charges.** A Firm Loaning Services Shipper shall pay Bridgeline the following charges:

- (a) A charge for injection, which is the product of the injection rate set forth in Shipper's Service Agreement multiplied by the quantities of Gas, measured in MMBtus, nominated to the Parking Point and confirmed by Bridgeline for the account of Shipper during such Month.
- (b) A charge for withdrawal, which is the product of the deliverability rate set forth in Shipper's Service Agreement multiplied by the quantities of Gas, measured in MMBtus, nominated to the Loaning Point and confirmed by Bridgeline for the account of Shipper during such Month.
- (c) A charge for each MMBtu of Gas loaned based on Shipper's MLQ, MDIQ, and MDWQ, which shall be as set forth in Shipper's Service Agreement and Confirmations.
- (d) A charge for fuel and loss consisting of a quantity of Gas in-kind, measured in MMBtus, as set forth in Shipper's Service Agreement multiplied by the gross quantities of Gas nominated to the Parking Point by Shipper and confirmed by Bridgeline for the account of Shipper during such Month. This

quantity of Gas and title thereto shall transfer to Bridgeline at the downstream flange of Bridgeline's inlet meter at the Storage Facilities. The net quantity of Working Gas to be injected for Shipper's account shall be determined by multiplying the result of 1 minus Fuel, by the gross quantities of Gas nominated to the Parking Point by Shipper and confirmed by Bridgeline for the account of Shipper during such Month at the downstream flange of the inlet meter at the Storage Facilities.

- (e) A charge for fuel and loss consisting of a quantity of Gas in-kind, measured in MMBtus, as set forth in Shipper's Service Agreement multiplied by the gross quantities of Gas nominated to the Loaning Point by Shipper and confirmed by Bridgeline for the account of Shipper during such Month. This quantity of Gas and title thereto shall transfer to Bridgeline at the downstream flange of Bridgeline's outlet meter at the Storage Facilities. The net quantity of Working Gas to be withdrawn for Shipper's account shall be determined by multiplying the result of 1 minus Fuel, by the gross quantities of Gas nominated to the Loaning Point by Shipper and confirmed by Bridgeline for the account of Shipper during such Month at the downstream flange of the outlet meter at the Storage Facilities.
- (f) If at the end of the term of Shipper's Firm Loaning Service Agreement, Shipper has a negative account balance, Bridgeline may, at its option: (1) seize quantities of Gas held by Shipper in any Storage Services account or up to the equivalent of such balance, in which event those seized quantities shall become the property of Bridgeline, at no cost to Bridgeline, free and clear of any adverse claims; or (2) Bridgeline may sell to Shipper, and if Bridgeline so desires to sell Shipper agrees to purchase, a quantity of Gas up to the equivalent of such balance at 150% of the monthly index published in the first-of-the-month issue of Inside F.E.R.C.'s Gas Market Report, Market Center Spot Gas Prices, for South Louisiana – Henry Hub or an acceptable successor publication during the Month of termination; or (3) elect any combination of (1) and (2) above. If Bridgeline elects to seize Gas as described in (1) or (3) above, then Bridgeline must inform Shipper as to: (a) the specific Storage Services account from which Gas will be seized, (b) the specific quantity of Gas to be seized from that account; and (c) the effective Day that such Gas will be seized by Bridgeline. The effective Day on which Bridgeline proposes to seize Gas must be at least two (2) Business Days after Bridgeline first notifies Shipper that Bridgeline has elected to seize Gas.

3.3.6 Interruptible Parking Service.

3.3.6.1 Character, Availability and Conditions of Interruptible Parking Services.

- (a) Subject to Bridgeline having available capacity and Shipper meeting the eligibility requirements set forth in this Operating Conditions, Bridgeline shall offer Interruptible Parking Service to shippers on a non-discriminatory basis in accordance with these Operating Conditions. Bridgeline retains all rights at any and all times during the term of an executed Service Agreement

for Interruptible Storage Services to decrease or temporarily suspend receipt and/or delivery of Gas if such capacity is required to render services of a higher priority, as set forth in Article 20. IF BRIDGELINE EXERCISES SUCH RIGHTS, SHIPPER SHALL HOLD BRIDGELINE HARMLESS FROM ANY LOSS, CLAIM, DAMAGE OR EXPENSE THAT SUCH SHIPPER OR OTHER PARTY MAY INCUR BY REASON OF SUCH DECREASE OR SUSPENSION.

- (b) Interruptible Parking Services shall consist of the injection of Gas into Bridgeline's Storage Facilities for Shipper at daily quantities up to Shipper's MDIQ, the parking of Gas in storage by Bridgeline for Shipper not to exceed Shipper's Maximum Parked Quantity ("MPQ"), and the withdrawal of parked Gas from storage by Bridgeline for delivery to Shipper at quantities up to the MDWQ.
- (c) Notwithstanding anything in this Operating Statement or the Service Agreement to the contrary, Bridgeline shall not in any event whatsoever be obligated to receive or deliver for Shipper's account quantities of Gas in excess of (i) Shipper's MDIQ or MDWQ, respectively, or (ii) Shipper's MPQ.
- (d) Bridgeline will schedule Gas to be injected at Bridgeline's Storage Facilities as specified in Shipper's Service Agreement.
- (e) Bridgeline will schedule Gas to be withdrawn at Bridgeline's Storage Facilities as specified in Shipper's Service Agreement.
- (f) Shipper shall make available and tender any Gas to be injected hereunder and receive and accept delivery, upon tender by Bridgeline, of any Gas requested to be withdrawn from storage. Shipper's parking account shall be increased or decreased upon injection or withdrawal of Gas from storage, as applicable. Shipper shall not (unless otherwise agreed by Bridgeline) tender for injection, nor shall Bridgeline be obligated to receive Gas for injection or to withdraw and deliver Gas from storage, on an hourly basis at rates of flow in excess of 1/24 of Shipper's MDIQ or MDWQ, respectively.

3.3.6.2 **Interruptible Parking Service Charges.** An Interruptible Parking Services Shipper shall pay Bridgeline the following charges:

- (a) A charge for injection, which is the product of the injection rate set forth in Shipper's Service Agreement multiplied by the quantities of Gas, measured in MMBtus, nominated to the Parking Point and confirmed by Bridgeline for the account of Shipper during such Month.
- (b) A charge for withdrawal, which is the product of the deliverability rate set forth in Shipper's Service Agreement multiplied by the quantities of Gas, measured in MMBtus, nominated to the Loaning Point and confirmed by Bridgeline for the account of Shipper during such Month.

- (c) A charge for each MMBtu of Gas parked based on Shipper's MPQ, MDIQ, and MDWQ, which shall be as set forth in Shipper's Service Agreement and Confirmations.
- (d) A charge for fuel and loss consisting of a quantity of Gas in-kind, measured in MMBtus, as set forth in Shipper's Service Agreement multiplied by the gross quantities of Gas nominated to the Parking Point by Shipper and confirmed by Bridgeline for the account of Shipper during such Month. This quantity of Gas and title thereto shall transfer to Bridgeline at the downstream flange of Bridgeline's inlet meter at the Storage Facilities. The net quantity of Working Gas to be injected for Shipper's account shall be determined by multiplying the result of 1 minus Fuel, by the gross quantities of Gas nominated to the Parking Point by Shipper and confirmed by Bridgeline for the account of Shipper during such Month at the downstream flange of the inlet meter at the Storage Facilities.
- (e) A charge for fuel and loss consisting of a quantity of Gas in-kind, measured in MMBtus, as set forth in Shipper's Service Agreement multiplied by the gross quantities of Gas nominated to the Loaning Point by Shipper and confirmed by Bridgeline for the account of Shipper during such Month. This quantity of Gas and title thereto shall transfer to Bridgeline at the downstream flange of Bridgeline's outlet meter at the Storage Facilities. The net quantity of Working Gas to be withdrawn for Shipper's account shall be determined by multiplying the result of 1 minus Fuel, by the gross quantities of Gas nominated to the Loaning Point by Shipper and confirmed by Bridgeline for the account of Shipper during such Month at the downstream flange of the outlet meter at the Storage Facilities.
- (f) If at the end of the term of Shipper's Interruptible Parking Service Agreement, Shipper has a negative account balance, Bridgeline may, at its option: (1) seize quantities of Gas held by Shipper in any Storage Services or Loaning Services account or up to the equivalent of such balance, in which event those seized quantities shall become the property of Bridgeline, at no cost to Bridgeline, free and clear of any adverse claims; or (2) Bridgeline may sell to Shipper, and if Bridgeline so desires to sell Shipper agrees to purchase, a quantity of Gas up to the equivalent of such balance at 150% of the monthly index published in the first-of-the-month issue of Inside F.E.R.C.'s Gas Market Report, Market Center Spot Gas Prices, for South Louisiana – Henry Hub or an acceptable successor publication during the Month of termination; or (3) elect any combination of (1) and (2) above. If Bridgeline elects to seize Gas as described in (1) or (3) above, then Bridgeline must inform Shipper as to: (a) the specific Storage Services account from which Gas will be seized, (b) the specific quantity of Gas to be seized from that account; and (c) the effective Day that such Gas will be seized by Bridgeline. The effective Day on which Bridgeline proposes to seize Gas must be at least two (2) Business Days after Bridgeline first notifies Shipper that Bridgeline has elected to seize Gas.

3.3.7 Interruptible Loaning Service.

3.3.7.1 Character, Availability and Conditions of Interruptible Loaning Services.

- (a) Bridgeline retains all rights at any and all times during the term of an executed Service Agreement for Interruptible Loaning Services to decrease or temporarily suspend receipt and/or delivery of Gas if such capacity is required to render services of a higher priority, as set forth in Article 20. IF BRIDGELINE EXERCISES SUCH RIGHTS, SHIPPER SHALL HOLD BRIDGELINE HARMLESS FROM ANY LOSS, CLAIM, DAMAGE OR EXPENSE THAT SUCH SHIPPER OR OTHER PARTY MAY INCUR BY REASON OF SUCH DECREASE OR SUSPENSION.
- (b) Interruptible Loaning Services shall consist of the withdrawal from the Storage Facilities of Gas by Bridgeline for delivery to Shipper at daily quantities up to the MDWQ, the loan of Gas by Bridgeline to Shipper at daily quantities not to exceed Shipper's Maximum Loaned Quantity ("MLQ"), and the return of loaned Gas by Shipper to Bridgeline and the injection into storage of such Gas at daily quantities up to the MDIQ. Shipper agrees to replace the borrowed quantities of Gas to Bridgeline at a time to be agreed upon and consistent with other terms and conditions as set forth in the Confirmation under Shipper's Service Agreement.
- (c) Notwithstanding anything in this Operating Statement or the Service Agreement to the contrary, Bridgeline shall not in any event whatsoever be obligated to receive or deliver for Shipper's account quantities of Gas in excess of (i) Shipper's MDIQ or MDWQ, respectively, or (ii) Shipper's MLQ.
- (d) Bridgeline will schedule Gas to be injected at Bridgeline's Storage Facilities as specified in Shipper's Service Agreement.
- (e) Bridgeline will schedule Gas to be withdrawn at Bridgeline's Storage Facilities as specified in Shipper's Service Agreement.
- (f) Shipper shall make available and tender any Gas to be injected hereunder and receive and accept delivery, upon tender by Bridgeline, of any Gas requested to be withdrawn from storage. Shipper's loan account shall be increased or decreased upon injection or withdrawal of Gas from storage, as applicable. Shipper shall not (unless otherwise agreed by Bridgeline) tender for injection, nor shall Bridgeline be obligated to receive Gas for injection or to withdraw and deliver Gas from storage, on an hourly basis at rates of flow in excess of 1/24 of Shipper's MDIQ or MDWQ, respectively.
- (g) Notwithstanding any other terms of this Operating Statement, title to Gas loaned under Firm Loaning Service shall pass from Bridgeline to Shipper when Gas is delivered for Shipper's account to the Storage Facilities and title shall pass from Shipper to Bridgeline when loaned Gas is returned by Shipper to the Storage Facilities.

- 3.3.7.2 **Interruptible Loaning Service Charges.** An Interruptible Loaning Services Shipper shall pay Bridgeline the following charges:
- (a) A charge for injection, which is the product of the injection rate set forth in Shipper's Service Agreement multiplied by the quantities of Gas, measured in MMBtus, nominated to the Parking Point and confirmed by Bridgeline for the account of Shipper during such Month.
 - (b) A charge for withdrawal, which is the product of the deliverability rate set forth in Shipper's Service Agreement multiplied by the quantities of Gas, measured in MMBtus, nominated to the Loaning Point and confirmed by Bridgeline for the account of Shipper during such Month.
 - (c) A charge for each MMBtu of Gas loaned based on Shipper's MLQ, MDIQ, and MDWQ, which shall be as set forth in Shipper's Service Agreement and Confirmations.
 - (d) A charge for fuel and loss consisting of a quantity of Gas in-kind, measured in MMBtus, as set forth in Shipper's Service Agreement multiplied by the gross quantities of Gas nominated to the Parking Point by Shipper and confirmed by Bridgeline for the account of Shipper during such Month. This quantity of Gas and title thereto shall transfer to Bridgeline at the downstream flange of Bridgeline's inlet meter at the Storage Facilities. The net quantity of Working Gas to be injected for Shipper's account shall be determined by multiplying the result of 1 minus Fuel, by the gross quantities of Gas nominated to the Parking Point by Shipper and confirmed by Bridgeline for the account of Shipper during such Month at the downstream flange of the inlet meter at the Storage Facilities.
 - (e) A charge for fuel and loss consisting of a quantity of Gas in-kind, measured in MMBtus, as set forth in Shipper's Service Agreement multiplied by the gross quantities of Gas nominated to the Loaning Point by Shipper and confirmed by Bridgeline for the account of Shipper during such Month. This quantity of Gas and title thereto shall transfer to Bridgeline at the downstream flange of Bridgeline's outlet meter at the Storage Facilities. The net quantity of Working Gas to be withdrawn for Shipper's account shall be determined by multiplying the result of 1 minus Fuel, by the gross quantities of Gas nominated to the Loaning Point by Shipper and confirmed by Bridgeline for the account of Shipper during such Month at the downstream flange of the outlet meter at the Storage Facilities.
 - (f) If at the end of the term of Shipper's Interruptible Loaning Service Agreement, Shipper has a negative account balance, Bridgeline may, at its option: (1) seize quantities of Gas held by Shipper in any Storage Services or Loaning Services account or up to the equivalent of such balance, in which event those seized quantities shall become the property of Bridgeline, at no cost to Bridgeline, free and clear of any adverse claims; or (2) Bridgeline may sell to Shipper, and if Bridgeline so desires to sell Shipper agrees to

purchase, a quantity of Gas up to the equivalent of such balance at 150% of the monthly index published in the first-of-the-month issue of Inside F.E.R.C.'s Gas Market Report, Market Center Spot Gas Prices, for South Louisiana – Henry Hub or an acceptable successor publication during the Month of termination; or (3) elect any combination of (1) and (2) above. If Bridgeline elects to seize Gas as described in (1) or (3) above, then Bridgeline must inform Shipper as to: (a) the specific Storage Services account from which Gas will be seized, (b) the specific quantity of Gas to be seized from that account; and (c) the effective Day that such Gas will be seized by Bridgeline. The effective Day on which Bridgeline proposes to seize Gas must be at least two (2) Business Days after Bridgeline first notifies Shipper that Bridgeline has elected to seize Gas.

3.3.8 Title Transfer Services.

- 3.3.8.1 A Shipper whose Service Agreement provides for Firm or Interruptible Storage Service may sell Gas the Shipper has in the Shipper's Storage Inventory to any other Shipper whose Service Agreement provides for those services and transfer such title of Gas sold if:
- (a) Shipper selling its Storage Inventory and Shipper purchasing Storage Inventory execute a Title Transfer Form, as such form is posted on Bridgeline's website as amended from time to time, and submit such executed Title Transfer Form to Bridgeline's pipeline scheduling department prior to the nomination deadline(s) set forth in this Operating Statement;
 - (b) the purchase does not cause either Shipper to exceed its MSQ under Firm Storage Service or any other agreed-upon limit applicable to any service Shipper is entitled to receive from Bridgeline under Shipper's Service Agreement and this Operating Statement or cause either Shipper's balance to go below zero; and
 - (c) Bridgeline and Shippers have executed a Confirmation for such title transfer.
- 3.3.8.2 Bridgeline may restrict title transfers when such transfers would result in a change in the service obligations of Bridgeline or cause operational difficulties, in the reasonable judgment of Bridgeline.
- 3.3.8.3 The foregoing procedures in this subarticle 3.3.8 shall also apply to a Shipper desiring to transfer Storage Inventory from one of its Service Agreements to another one of its Service Agreements.
- 3.3.8.4 Bridgeline will recognize the transfer for purposes of computing each Shipper's available Storage Inventory on a prospective basis within one (1) Business Day after receiving the executed Title Transfer Forms and related Confirmations from both Shippers as written verification. In the event the required written verification is not received, the transfer will no longer be recognized and the Storage Inventory for each Shipper will be restated to reflect the reversal of the transfer.

ARTICLE 4.
RATES FOR SECTION 311(A)(2) TRANSPORTATION AND STORAGE SERVICES

- 4.1 **Rates To Be Charged.** Rates charged for Section 311(a)(2) Transportation and Storage Services related services shall be agreed upon between Bridgeline and Shipper, but shall not exceed the applicable maximum rates approved by FERC for the type of Section 311(a)(2) services rendered by Bridgeline as indicated in this Operating Statement, including any market-based rates approved for Storage Services. Bridgeline's maximum rates for Section 311(a)(2) Transportation Services are reviewed and approved by FERC in proceedings filed pursuant to FERC's Regulations at 18 C.F.R. Section 284.123(b)(2). Bridgeline reserves the right to seek authorization from FERC and/or other appropriate agencies, if necessary, to increase, decrease, or restructure the maximum rates in effect at any time as may be found necessary to assure Bridgeline "fair and equitable" maximum rates within the meaning of Section 311(a)(2) of the NGPA and FERC's implementing Rules, Regulations, and Orders. Bridgeline may at any time, on a non-discriminatory basis, provide Section 311(a)(2) services at a discount from the maximum rates approved by FERC. Nothing herein shall obligate or require, or be construed to obligate or require, Bridgeline to offer or continue such discount.
- 4.2 In addition to the rates above, Shipper shall pay in advance at Bridgeline's discretion all applicable state and federal filing, reporting, and application fees incurred by Bridgeline for providing such services.
- 4.3 In addition to the rates above, Shipper shall pay separate charges for fuel and loss in connection with Transportation or Storage Services consisting of a quantity of Gas in-kind, measured in MMBtus, as set forth in Shipper's Service Agreement.
- 4.4 Shipper shall pay or reimburse Bridgeline, as the case may be, any and all *ad valorem*, production, severance, gross receipts, sales, occupation, production, severance, gathering, compression, sales, gross receipts or other taxes (excluding income taxes) levied, assessed or fixed by any authority against Bridgeline in connection with or attributable to Shipper's Gas or in respect of services provided by Bridgeline pursuant to this Operating Statement. Should any new tax or any increase in the rate of the aforesaid taxes be imposed on Bridgeline or on a Transaction under which Bridgeline provides Transportation and Storage Services to Shipper during the term of Shipper's Service Agreement, then Shipper agrees to reimburse Bridgeline one hundred percent (100%) of such new taxes or increase in the rate of the aforesaid taxes actually paid by Bridgeline.
- 4.5 Bridgeline may at any time provide Firm or Interruptible Services at a rate discounted below the maximum rate or rates (including market-based rates), approved by FERC for Bridgeline's services under Subpart C of Part 284 of the FERC's regulations. Nothing herein shall obligate or require, or be construed to obligate or require, Bridgeline to offer or continue such discounted rate. All discounts shall be granted on a not unduly discriminatory basis.

**ARTICLE 5.
RIGHT TO TERMINATE SERVICES**

- 5.1 **Termination.** In the event Bridgeline, for any reason, is not permitted by applicable laws, rules, orders, regulations or decisions of agencies or courts, to provide Transportation or Storage Services pursuant to this Operating Statement or the terms and conditions of a Service Agreement or to collect or retain all of the rates, fees, reimbursements and charges specified in a Service Agreement, then Bridgeline shall have the right to terminate the Service Agreement upon no less than thirty (30) days notice, such termination to be effective at the end of the last day of a month. In addition, Bridgeline reserves the right to terminate any Service Agreement if the Shipper has not nominated to flow, inject or withdraw Gas under the Service Agreement within ninety (90) days after execution of the Service Agreement or within ninety (90) days after the expiration of a Confirmation under a Service Agreement.

**ARTICLE 6.
SUBJECT TO REGULATORY INTERPRETATION**

- 6.1. **Void.** In the event any part of this Operating Statement conflicts with or violates any FERC or other governmental or regulatory body rules, regulations, or orders, such part shall be deemed void, but shall not affect the remaining provisions of this Operating Statement. Bridgeline shall not be liable to any Shipper with a Service Agreement subject to this Operating Statement that loses any rights hereunder enumerated due to issuance by a judicial or administrative body of any regulations, orders, or laws that affect the services provided pursuant to this Operating Statement or a Service Agreement.

**ARTICLE 7. GOVERNMENTAL REGULATION
AND ACTION**

- 7.1 **Regulatory Authorities.** This Operating Statement and all Transportation and Storage Services to be provided pursuant hereto will be subject to all valid existing and future state, local, and federal laws, orders, rules, regulations, or proclamations of duly constituted authorities having jurisdiction or control over the Parties thereto or the subject matter thereof including, but not limited to, the provisions of Subparts C and G of Part 284 of FERC's Regulations and the Louisiana Natural Resources and Energy Act of 1973, as amended, and the regulations promulgated thereunder. Notwithstanding any other provision of this Operating Statement, if at any time any federal or state governmental authority shall take any action which is, with respect to or as a result of the Transportation or Storage Services provided for under this Operating Statement, designed to subject or otherwise subjects either Party or any of Bridgeline's Pipeline, Storage or related Facilities to any greater or different regulation or jurisdiction than that existing on the effective date of the relevant Service Agreement, then upon written notice to the other Party, the Party so affected may at any time thereafter or effective one (1) day prior to the effective date of such action terminate any Transportation or Storage Services rendered pursuant to this Operating Statement without further obligation to the other Party, except in the case of Shipper to make payment for services rendered thereunder and, in the case of either Bridgeline or Shipper, to correct any Gas Imbalance existing on the date of such termination. In the event any governmental or regulatory body exercising jurisdiction over the services hereunder currently charges or later establishes fees for the filing of applications or reports in conjunction with the Service

Agreement or the services provided thereunder, Shipper shall reimburse or cause to be reimbursed Bridgeline upon billing for any fees so paid by Bridgeline.

- 7.2 If a governmental authority having jurisdiction over the terms and conditions of the services provided under the Service Agreement alters, amends, or revokes the authorization that governs the provision of such services in a manner that has a material adverse effect on either Party's ability to comply with its obligations thereunder, as determined solely by the affected Party, or has a material adverse effect on the economic benefits to the affected Party of performance of such obligations, then the Service Agreement may be terminated by the affected Party upon the giving of written notice to the other.

ARTICLE 8. MODIFICATIONS

- 8.1 **Bridgeline May Amend.** Bridgeline reserves the right to add, delete or modify conditions in this Operating Statement at any time in accordance with FERC's Regulations under 18 C.F.R. Section 284.123(e). A copy of the revised Operating Statement will be furnished to Shippers who request it.
- 8.2 Nothing in this Operating Statement shall limit Bridgeline's right to take action as may be required to adjust receipts and deliveries under any Service Agreement to alleviate operating conditions that threaten the operational integrity of its Facilities.

ARTICLE 9. RELATED TRANSACTIONS

- 9.1 **Shipper's Responsibility.** Shipper shall be responsible for all matters arising from or ancillary to the purchase and sale of Gas to be transported or stored by Bridgeline on its behalf and for the transportation of such Gas to the Receipt Point(s) and from the Delivery Point(s) and making all necessary transportation arrangements into and away from the Storage Facilities; including, without limitation, securing and maintaining all necessary transportation services with the Transporting Pipeline, nomination and scheduling of Gas with upstream/downstream pipelines in quantities necessary for the performance of the Storage Service, complying with all reporting requirements and payment obligations arising in respect of Gas sales proceeds, paying or delivering all royalties and other third party interests, securing and maintaining all required permits and authorizations and paying all taxes, levies and charges associated with its purchase of Transportation or Storage Services. Shipper is also responsible for promptly and routinely verifying that gas delivered at the Delivery Point(s) conforms to the quality specifications of Article 11 and promptly reporting to Bridgeline any deviations from those quality specifications. Shipper agrees to defend and indemnify Bridgeline against any claims arising from or related to Shipper's failure to timely or properly verify the quality specifications of gas delivered at Delivery Point(s).
- 9.2 **Insurance.** Shipper shall be responsible for providing its own insurance coverage with respect to Shipper Inventory in the Storage Facility.

**ARTICLE 10.
RECEIPT AND DELIVERY POINTS**

- 10.1 **Receipt Point(s).** The Receipt Point(s) for all Gas tendered by Shipper or the Transporting Pipeline to Bridgeline shall be at the mutually agreeable point or points set forth in the applicable Confirmation or Service Agreement. The MDQ that Bridgeline is obligated to receive from Shipper at each individual Receipt Point shall not exceed the maximum stated in the Confirmation or Service Agreement.
- 10.2 **Delivery Point(s).** The Delivery Point(s) for all Gas delivered by Bridgeline to Shipper or the Transporting Pipeline shall be at the mutually agreeable point or points set forth in the applicable Confirmation or Service Agreement. The MDQ that Bridgeline is obligated to deliver to Shipper at each such Delivery Point shall not exceed the maximum stated in the Confirmation or Service Agreement.
- 10.3 **Allocation at Receipt and Delivery Point(s).** It is recognized that quantities of Gas may be received or delivered through the Receipt Point(s) and/or the Delivery Point(s) from one or more parties other than the Shipper. If that occurs, the receipt or delivery of Gas may involve the allocation of Gas receipts or deliveries as outlined in Article 17.
- 10.4 **Payment of Fees.** Shipper must pay any and all fees or charges imposed by any party on deliveries at any Receipt or Delivery Point. Notwithstanding the foregoing, in the event Bridgeline pays any such fees, Shipper must reimburse Bridgeline for any such fees or charges paid by Bridgeline with respect to Shipper's Gas. If Shipper refuses to reimburse Bridgeline for any such fees, Bridgeline will have no obligation to receive Gas for Shipper at any such Receipt Point or deliver Gas for Shipper at any such Delivery Point that may be subject to the fee.

**ARTICLE 11.
GAS QUALITY**

- 11.1 **Specifications.** All natural gas received or delivered shall be of pipeline quality and shall conform to the quality specifications of this Operating Statement as follows:
- (a) *Water Vapor:* The Gas shall not contain water vapor in excess of seven (7) pounds per one million (1,000,000) cubic feet, measured at fourteen and seventy-three hundredths pounds per square inch absolute (14.73 Psia) at a standard temperature of sixty degrees Fahrenheit (60°F).
 - (b) *Hydrogen Sulfide:* The Gas shall not contain more than one-quarter (1/4) grain of hydrogen sulfide per one hundred (100) cubic feet as determined by quantitative methods generally used within the natural gas industry and as mutually acceptable to the Parties to the Transportation Agreement.
 - (c) *Total Sulfur:* The Gas shall not contain more than five (5) grains of total sulfur per one hundred (100) cubic feet.
 - (d) *Total Inerts (Carbon Dioxide and Nitrogen):* The Gas shall not contain more than three percent (3%) by volume of a combined total of carbon dioxide (CO₂) and nitrogen (N₂) components; however the Gas shall not contain more than two percent

(2%) carbon dioxide (CO₂) by volume.

- (e) *Oxygen:* The Gas shall not contain oxygen (O₂).
 - (f) *Temperature:* The Gas shall have a temperature of not less than forty degrees Fahrenheit (40°F) and not more than one hundred and twenty degrees Fahrenheit (120°F).
 - (g) *Gross Heating Value:* The Gas shall contain a daily average heating content of not less than nine hundred seventy-five (975) Btus per cubic foot and not more than eleven hundred seventy-five (1175) Btus per cubic foot at 14.73 Psia dry.
 - (h) *Liquid Hydrocarbons:* The Gas shall not contain any hydrocarbons, which might condense to free liquids in the Bridgeline's Pipeline or Storage Facilities under Bridgeline's normal pipeline or storage conditions.
 - (i) *Isopentane and Heavier Liquefiable Hydrocarbons:* The Gas shall contain not more than a total of twenty-hundredths (0.20) gallons of isopentane, normal pentane, and heavier liquefiable hydrocarbons per 1000 cubic feet.
 - (j) *Hydrogen:* The Gas shall not contain more than four hundred parts per million (400 ppm) of hydrogen.
 - (k) *Other gases:* The Gas shall contain no carbon monoxide, halogens, or unsaturated hydrocarbons.
 - (l) *Gums, Dust, Etc:* The Gas shall be commercially free from dust, gum, gum-forming constituents, or other objectionable liquid or solid matter that might become separate from the Gas in Bridgeline's Pipeline or Storage Facilities under normal pipeline or storage operating conditions.
 - (m) *Deleterious Substances:* The Gas shall not contain deleterious substances in concentrations that are hazardous to health, injurious to pipeline Facilities or adversely affect merchantability.
- 11.2 In the event that the Gas being received does not conform to the standards outlined above, Bridgeline reserves the right to restrict or refuse any volumes that are non-conforming or deficient.
- 11.3 Bridgeline, at its option, may agree on a not unduly discriminatory basis to accept natural gas that differs from the quality specifications set forth above. The acceptance of non-conforming natural gas shall not act as a continuing or future waiver of the quality specifications in subarticle 11.1, nor require Bridgeline to receive natural gas of similar non-conforming quality in the future. In the event Bridgeline does agree to accept such natural gas which differs from the quality specifications, Bridgeline will have the continuing right to notify Shipper and/or Shipper's Transporting Pipeline that, within a specified period of time, as determined in Bridgeline's discretion, all prospective volumes of natural gas to be delivered must comply with the quality specifications set forth above or the provisions of subarticle 11.2 shall be applicable to all natural gas delivered to Bridgeline which does not so comply. Shipper and/or Shipper's Transporter shall be liable for and indemnify

Bridgeline against and reimburse Bridgeline for all losses, damages and liabilities of any nature (including consequential damages) incurred by Bridgeline and rising from Shipper's delivery of natural gas not in conformance with the above specifications.

- 11.4 **Odorization.** Other than Regulatory requirements, Bridgeline shall have no obligation to odorize gas. Shipper shall be responsible for odorizing any part of the Gas delivered hereunder to or for Shipper's account that is used by Shipper or any other party for any purpose for which odorization is required.
- 11.5 A Pipeline Receiving Gas from Bridgeline with More Stringent Quality Specifications. Notwithstanding the foregoing provisions of subarticle 11.1, in the event the quality specifications of the Transporting Pipeline at the Delivery Point(s) are more stringent than those defined above, Bridgeline shall not be required to accept at the Receipt Point(s) nor redeliver at the Delivery Point(s) any Gas for transportation hereunder to such points.
- 11.6 Notwithstanding the foregoing, Bridgeline expressly reserves the right, at any time in the future, upon at least sixty (60) days prior written notice to Shipper, to institute new quality specifications or revise from time to time the quality specifications set forth above. Upon such modification of any such quality specifications by Bridgeline, Shipper will have the right to terminate the Service Agreement on the effective date of the modification by giving sixty (60) days prior written notice to Bridgeline. If accepted by Shipper, upon the effective date, such new quality specifications will supersede and replace the quality specifications set forth above.

ARTICLE 12. SCHEDULED MAINTENANCE

- 12.1 **Scheduled Maintenance.** Bridgeline will have the right to operate its Facilities and any part thereof free from any control by Shipper in such a manner as Bridgeline, in its discretion and acting as a reasonable and prudent operator, may deem advisable, including, without limitation, the right to determine when, where or whether to repair, maintain, and replace the Facilities or their composite parts.
- 12.2 During any period that Scheduled Maintenance is conducted, the MDQ, MDIQ and/or MDWQ of the effected Shipper's Firm Services may be adjusted downward and/or suspended to the extent deemed reasonably necessary by Bridgeline. The MDQ, MDIQ and/or MDWQ of Shipper's Interruptible Services may be adjusted downward or interrupted in whatever manner Bridgeline deems necessary.
- 12.3 Bridgeline, acting as a reasonable and prudent operator, may restrict operations for necessary maintenance. Bridgeline may partially or entirely interrupt its performance hereunder for the purpose of making necessary or desirable inspections, alterations and repairs which are described as a maintenance event, but only for such time as may be reasonable and unavoidable; and Bridgeline shall give Shipper at least five (5) Business Days notice of its intention to suspend its performance hereunder, except in cases of emergency where such notice is impracticable and shall endeavor to arrange such interruption so as to inconvenience Shipper as little as possible.
- 12.4 In the event of urgently necessary maintenance or repair, Bridgeline is entitled to restrict the

use of or to shut down its Facilities concerned and to do the necessary maintenance or repair. In determining timing and duration of the period of restricted use or shutdown, Bridgeline will act as a reasonable and prudent operator.

- 12.5 Nothing in this Operating Statement shall limit Bridgeline's right to take action as may be required to adjust receipts and deliveries under any Service Agreement to alleviate operating condition that threaten the operational integrity of its Facilities.

ARTICLE 13. MEASUREMENT AND METERING

- 13.1 **Measurement.** Except as otherwise agreed by Bridgeline, the metering Facilities to measure the volumes of Gas received at the Receipt Point(s) and delivered at the Delivery Point(s) shall be maintained and operated by Bridgeline or its agent. Measurement for custody transfer meters shall be conducted in accordance with this Article as such standards may, from time to time, be modified or updated. Bridgeline shall permit the inspection of the metering Facilities by Shipper at all reasonable times. Bridgeline shall have no obligation to construct or install facilities in order to perform any services requested hereunder.
- 13.2 **Standards.** The measuring Facilities shall be designed, installed and operated to measure quantities of Gas so that the mass flow rate uncertainty shall not exceed $\pm 2\%$ (95% confidence limits) at any point over the operating flow range as calculated in accordance with the applicable standard. Bridgeline or its agent shall perform the following measurements and calculations with respect to the measuring Facilities in the manner set forth below unless otherwise agreed or required by government rule or regulation:
- (a) Bridgeline or its agent will perform the measurement of Gas received into and delivered out of the system, unless otherwise agreed. Such measurement shall include but not limited to metering, sampling, sample analysis, calibrations, inspections, calculations, tests, and reporting of measurement data.
 - (b) Quantities of Gas received into or delivered out of the Bridgeline's system shall be measured according to Boyles and Charles' Laws for gas measurement.
 - (c) The unit of volume measurement shall be one standard cubic foot of gas at a base temperature of sixty degrees Fahrenheit (60°F) and a pressure of 14.73 Psia.
 - (d) The unit of billing shall be one Dekatherm at a base temperature of sixty degrees Fahrenheit (60°F) and a pressure of 14.73 Psia.
 - (e) The average absolute atmospheric pressure will be 14.73 Psia, or as agreed upon by both Parties, for all sites in southern Louisiana. For sites outside of this area, the average absolute atmospheric pressure shall be determined for each point of receipt or delivery in accordance with the Manual of Petroleum Measurement Standards Chapter 14 - Natural Gas Fluids Measurement - Section 3 - Part 3.
 - (f) Gas quantity volumetric flow rate measurement shall be made by circular concentric flange tapped orifice plate, turbine, ultrasonic, or displacement meters with required associated equipment which are manufactured, designed, installed and operated in

accordance with appropriate industry standards or reports.

- (1) Orifice meters shall be constructed, installed and operated in accordance with American Petroleum Institute (API) Manual of Petroleum Measurement Standards – Chapter 14, Section 3 – Natural Gas Fluids Measurement (American Gas Association Report No. 3), Third edition, dated 1990, 1991 and 1992, and any subsequent modification and amendment thereof.
- (2) Turbine meters shall be constructed, installed and operated in accordance with the specifications and recommendations of the American Gas Association (AGA) Committee report No. 7 – Measurement of Gas by Turbine Meters, dated 1996, and any subsequent modification and amendment thereof.
- (3) Displacement meters shall be constructed, installed and operated in accordance with the specifications and recommendations of the American National Standards Institute (ANSI) report B109, and any subsequent modification and amendment thereof.
- (4) Ultrasonic meters shall be constructed, installed and operated in accordance with the specifications and recommendations of the American Gas Association (AGA) Committee report No. 9 – Measurement of Gas by Multipath Ultrasonic Meters, and any subsequent modification and amendment thereof.
- (g) With reference to the above standards, all design, fabrication and operation will comply with the requirements of the above standards, such that the minimum possible uncertainty in measurement thereunder is achieved. Flow conditioning devices shall be installed on all new installations to minimize the effects of upstream piping and Gas flow disturbances unless otherwise agreed upon by Shipper and Bridgeline.
- (h) If total pulsation-induced errors are found to exceed five tenths of one percent (0.5%), Bridgeline or its agent shall take all actions reasonably necessary to eliminate such pulsation-induced errors. If Bridgeline or its agent is unable through such actions to eliminate such errors, then, subject to agreement between the Parties, adjustments to all measurement and allocation data and any invoices affected by such errors shall be made to eliminate such effect. The method for determining the level of errors shall be agreed between the affected Parties.

13.3 Measurement Practices.

- (a) Measurement Facilities shall be orifice meters, turbine, ultrasonic, or displacement meters or any other method that is mutually agreeable to Operator and Bridgeline or its agent.
- (b) Electronic Flow Measurement (EFM), when used, shall be installed and operated in accordance with American Petroleum Institute (API) Manual of Petroleum measurement Standards - Chapter 21.1 – Electronic Flow Measurement, unless otherwise agreed.

- (c) Each Party shall have the right to be present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with the measuring equipment used in measuring receipts or deliveries hereunder. Reasonable notice shall be given in advance such that appropriate representation can be scheduled. Electronic data will be provided for audit, upon request, for a period not to exceed two years after the date of the data in question. Visual inspection and witness of any of the measurement processes may occur upon request.
- (d) Turbine and displacement meters shall be proved with a master meter, electronic prover, sonic nozzle, or by another mutually agreed upon method. A replacement meter may be installed and the existing meter may be proved remotely if calibrated under conditions that simulate actual flowing parameters.
- (e) If at any time any of the measuring or testing equipment is found to be out of service or registering inaccurately by an amount exceeding two percent (2%) at a reading corresponding to the average rate of flow for the period since the last preceding test, the inaccuracy shall be corrected for any period definitely known or agreed upon, or if not so known or agreed upon, for a period one-half of the time elapsed since the last test not to exceed: sixteen (16) days in the case of monthly calibrated meters, or forty-five (45) days in the case of quarterly calibrated meters. The volume of Gas delivered during such period shall be estimated:
 - (1) By using the data recorded by any check measuring equipment, if installed and accurately registering, or, if not installed or registering accurately,
 - (2) By correcting the error if the percentage of error is ascertainable by calibration, test or mathematical calculation, or, if neither such method is feasible,
 - (3) By estimating the quantity or quality delivered, based upon previous deliveries for similar conditions during a period when the equipment was registering accurately.
- (f) If the meter is registering inaccurately by less than two percent (2%), the previous readings will be deemed accurate for billing purposes, but equipment shall be adjusted immediately to record correctly.
- (g) The accuracy of the measurement Facilities shall be verified by or on behalf of Bridgeline or its agent at least once each Month or at such other frequency as may be agreed between Parties.
- (h) The measuring Party shall give the other Party sufficient previous notice of the date, time, and purpose of each verification to enable a representative of the other Party to be present.
- (i) Either Party may request a test at any time, but if the test results reflect an error of less than two percent (2%), the requesting Party must pay the cost of the test.

13.4 **Sampling.**

- (a) Samples of the flowing Gas shall be used for determining the density, gross Heating Value, and compressibility factors. Sampling of the flowing stream shall be by a properly designed and installed sampling system used to deliver a representative sample to:
 - (1) an “on line” gas chromatograph (required for meters > 10,000 MMBtu/Day),
 - (2) a continuous sampler designed and installed to sample proportionally to the flow rate,
 - (3) or a spot sample.
- (b) Gas samples shall be obtained in accordance with American Petroleum Institute (API), Standard 14.1 - Methods of obtaining Natural gas Samples for Gas Chromatography or by other mutually agreeable methods.
- (c) Gas samples will be conducted on the same schedule and at the time of calibration and testing of the metering equipment.

13.5 **Gas Analysis.**

- (a) The determination of the chemical composition of the sample shall be in accordance with the Gas Processors Association Standard 2261 - Analysis for Natural Gas and Similar Gaseous Mixtures by Gas Chromatography or by other mutually agreeable methods. The end point of each chromatographic analysis shall be Hexanes+, the values used for this fraction shall be mutually agreed upon, and or based on an extended chromatographic analysis taken at least once each year or more often as found necessary in practice. All other component values shall be in accordance with the latest edition of Gas Processors Association Standard 2145 – Table of Physical Constants of Paraffin Hydrocarbons and Other Components of Natural Gas.
- (b) The relative density (specific gravity) of a representative sample of the gas is determined in accordance with the Gas Processors Association Standard 2172 - Calculation of Gross Heating Value, Relative Density, and Compressibility Factors for Natural Gas Mixtures from Compositional Analysis.
- (c) The gross real Heating Value of the Gas shall, if mutually agreed, be determined from fractional analysis of such samples in accordance with Gas Processors Association 2172 - Calculation of Gross Heating Value, Relative Density and Compressibility Factor for Natural Gas Mixtures from Compositional Analysis. The gross real Heating Value shall be corrected from the conditions of testing to the actual water vapor content of the Gas as delivered; however, if actual water vapor content of the Gas delivered is not more than seven (7) pounds per one thousand (1,000) Mcf, the Gas shall be assumed to be dry. The gross real Heating Value of the Gas covered hereunder shall be determined at a base temperature of sixty degrees Fahrenheit (60°F) and a base pressure of fourteen and seventy-three hundredths

pounds per square inch absolute (14.73 Psia).

- (d) When continuous samples are taken, the analysis results determined will be used commencing from the date the sample was installed if the date is within the current business Month or the 1st Day of the current business Month if the sample was installed prior to the current business Month, and each Day thereafter until a new analysis is determined. If a spot sample is taken, analysis results shall be used for the Day on which the sample was taken and each Day thereafter until a new sample is collected. Parties may mutually agree to use an on-line chromatograph in place of a spot or accumulated gas samples. In each case, the type of instrument and procedure for its use will be mutually agreed by both Parties.
- (e) Gas Compressibility factors shall be determined by use of the American Gas Association Transmission Measurement Committee Report No. 8 - Compressibility and Super Compressibility for Natural Gas and Other Hydrocarbon Gases as amended, supplemented or revised from time to time. Determinations of the molecular percentage of components in the gas shall be made within thirty (30) days after commencement of deliveries in accordance with item (a) above.

ARTICLE 14. ASSIGNMENTS

- 14.1 **No Assignment.** Neither Shipper nor Bridgeline shall assign any Service Agreement for Gas services rendered pursuant to this Operating Statement or its obligations thereunder without the prior written consent of the other Party, which consent shall not be unreasonably withheld, and any purported assignment of the Service Agreement not in compliance with this Article shall have no legal effect as between the Parties. Upon any assignment made in compliance with this Article, the Service Agreement shall inure to and be binding upon the successors and assigns of the Parties. Notwithstanding the foregoing, either Shipper or Bridgeline may assign the Service Agreement to an Affiliate with a credit rating at least equal to or greater than the transferring Party without the prior consent of the other; and Bridgeline, its Affiliate, or Shipper shall have the right to pledge or mortgage its rights under the Service Agreement for security of its indebtedness without the prior written consent of the other.

ARTICLE 15. FACILITIES

- 15.1 **New Facilities.** Bridgeline shall not be required to provide or continue any requested services, which would require the construction or acquisition by Bridgeline of any new facilities or expansion of Bridgeline's existing Facilities including the addition of compression Facilities or contracting for additional services. Bridgeline, in its discretion, may agree to construct or acquire new facilities, or expand existing Facilities, to provide services requested by any Shipper. In such event, Shipper will reimburse Bridgeline for the total cost (including income tax gross up) of the new facilities or expansion of existing Facilities, unless otherwise mutually agreed in writing. If Bridgeline agrees to construct or acquire any new facilities or expand existing Facilities any such facilities shall be constructed, maintained, owned, and operated by Bridgeline, except as may otherwise be mutually agreed in writing. The design and installation of all facilities shall be in accordance

with the specifications determined by Bridgeline in its reasonable discretion.

ARTICLE 16. OPERATIONAL BALANCING AGREEMENT

- 16.1 Bridgeline will negotiate and execute an OBA with any Operator for the purpose of minimizing operational Imbalances or other matters with respect to the receipt of Gas into or the delivery of Gas from the Facilities; provided, however, that Bridgeline and the Operator can mutually agree on all terms.
- 16.2 Nothing in this Operating Statement or in any executed OBA shall limit Bridgeline's right to take action as may be required to adjust receipts and deliveries under any Service Agreement to alleviate operating conditions that threaten the operational integrity of the Facilities.

ARTICLE 17. PRE-DETERMINED ALLOCATIONS

- 17.1 **Operator PDA.** The Operator of each meter shall provide to Bridgeline a PDA; provided, however, such PDA must be acceptable to and capable of being implemented by Bridgeline. The PDA shall be used to allocate Gas quantities at each meter. The Operator may use one of the following PDA methodologies: ranked, pro rata, percentage, swing, and Operator provided values. All PDAs for the first (1st) service Day of the Month shall be received in accordance with the nomination deadlines specified in Article 21. Meter Operators shall have the right to submit a revised PDA for any Day in accordance with the nomination deadline specified in Article 21. In the event a PDA is not received from the Operator of a meter, the PDA at any Receipt Point(s) will default to a pro rata allocation and the PDA at any Delivery Point(s) will default to an allocation based first on priority of services and second on a pro rata basis within services of the same priority. PDAs received after the referenced deadlines may be accepted at Bridgeline's discretion.
- 17.2 **Shipper PDA.** A Shipper with multiple scheduled nominations at a point shall submit a PDA to Bridgeline for the purpose of further allocation. The Shipper PDA shall specify how any underage or overage from the scheduled quantity is to be allocated to the Shipper's nomination at the point. The Shipper may use one of the following PDA methodologies: ranked, pro rata, percentage, and swing values. All PDAs for the first (1st) service Day of the Month shall be received in accordance with the nomination deadlines specified in Article 21. In the event a PDA is not received from the Shipper, the PDA at any Receipt Point(s) will default to a pro rata allocation and the PDA at any Delivery Point(s) will default to an allocation based first on priority of services and second on a pro rata basis within services of the same priority. PDAs received after the referenced deadlines may be accepted at Bridgeline's discretion.

ARTICLE 18. MINIMUM QUANTITY

- 18.1 **No Obligation.** Bridgeline shall not be obligated to furnish services to any Shipper whose average annual Gas quantity tendered for transportation or storage is less than fifty (50) MMBtu per Day at any Receipt Point on Bridgeline's Facilities. In the event the amount of

Gas subsequently tendered for delivery is less than the aforementioned minimum quantity, Bridgeline shall have the right to delete the Receipt Point that failed to meet the minimum quantity from its Service Agreement with Shipper at any time upon thirty (30) days written notice to Shipper. Bridgeline shall be released from all obligations and liabilities, direct or indirect, related to the continued acceptance of Gas at the deleted Receipt Point under the Service Agreement upon the effective date of such deletion.

ARTICLE 19. RECEIPT AND DELIVERY PRESSURES

- 19.1 **Receipts.** All Gas delivered hereunder by Shipper shall be delivered at pressures sufficient to enter Bridgeline's system at the working pressures maintained at the Receipt Point(s) from time to time. Bridgeline shall not be obligated to receive Gas hereunder at pressures exceeding the maximum allowable operating pressures of its Facilities or the pressures proscribed under any applicable governmental regulations. Bridgeline shall at no time be required, unless otherwise agreed in writing, to construct or modify Facilities currently existing, including compression, or alter pipeline operations to affect such receipt, including but not limited to instances when the upstream Transporting Pipeline changes its operating conditions.
- 19.2 **Deliveries.** All Gas delivered hereunder by Bridgeline shall be delivered at pressures sufficient to enter the downstream Transporting Pipeline at the working pressures maintained at the Delivery Point(s) from time to time. Bridgeline shall not be obligated to deliver Gas hereunder at pressures exceeding the maximum allowable operating pressures of its Facilities or the pressures proscribed under any applicable governmental regulations. Notwithstanding the foregoing, Bridgeline shall at no time be required, unless otherwise agreed in writing, to construct or modify Facilities currently existing, including compression, or alter pipeline operations to effect such delivery, including, but not limited to instances when the downstream Transporting Pipeline changes its operating conditions.

ARTICLE 20. CAPACITY AND PRIORITY DETERMINATION

- 20.1 **Service Request.** Shippers shall submit a valid request for Transportation or Storage Services pursuant to the provisions of this Operating Statement, which request and subsequent services shall be subject to the conditions contained in this Operating Statement, the terms contained in the applicable Service Agreement, the availability of sufficient system capacity and other operational constraints.
- 20.2 **Uniform Flow Rates.** All quantities of Gas shall be received, delivered, transported, injected and withdrawn on a uniform 24-hour flow rate, unless otherwise agreed to by Bridgeline in writing.
- 20.3 **Refusal of Services.** Bridgeline shall not be required to provide or continue Transportation Services if:
- (a) providing such services would cause Bridgeline to have insufficient capacity or operational capability to meet its contractual obligations to provide services to a class level with a higher priority; or

- (b) providing such services would affect or increase operational requirements of Bridgeline, or
- (c) providing such services would require Bridgeline to purchase or increase purchases of Gas, or
- (d) providing such services would, in Bridgeline's reasonable judgment, be detrimental to Bridgeline's system operations; or
- (e) providing such services would impair the services Bridgeline provides to its existing Shippers; or
- (f) all facilities (including those of intermediate Transporters) necessary to effectuate the services are not in existence at the time the request for services is made; or
- (g) an injection nomination that would cause the Shipper Inventory under the applicable Confirmation to exceed Shipper's MSQ; or
- (h) a withdrawal nomination that is greater than the Shipper Inventory at the time of the nomination; or
- (i) a withdrawal or injection nomination that would exceed the MDWQ or the MDIQ or the maximum quantity of Gas for services under an applicable Confirmation; or
- (j) Shipper fails to comply with the terms of this Operating Statement, the terms of its Service Agreement, or applicable legal and regulatory provisions, or
- (k) providing such services would result in Bridgeline obtaining less than the maximum fair and equitable rate applicable for such services

20.4 **Alteration of Operations.** Bridgeline shall not be required to raise or lower its system operating pressure, or to alter the direction of Gas flow, the Gas load, or other operations or utilization of its Facilities in order to receive, transport, deliver, inject or withdraw Gas hereunder.

20.5 **Regulatory Compliance.** In order that Bridgeline may maintain its status as a non-jurisdictional intrastate pipeline, and may be fully cognizant of any acts or events that could impact its status or operations, Bridgeline will not transport, inject, withdraw or store other than under Service Agreements for an interstate pipeline or local distribution company served by an interstate pipeline and will not commence or continue services until all federal and state regulatory authority necessary to commence or continue services has been received.

20.6 Bridgeline's Gas received or delivered for operational purposes will be scheduled before any services. For purposes of this Article, operational purposes shall mean for purposes of maintaining at the Facilities the operational integrity of the physical system and the preservation of physical assets and their performance (including the capability and performance of the storage reservoir), the overall operating performance of the entire

physical system as an entity (or any portion thereof), and the maintenance (on a reliable and operationally sound basis) of total system deliverability and the quality of the Gas delivered.

- 20.7 **Allocation of Capacity.** In the event that the total quantity of Gas nominated by all Shippers to Bridgeline for receipt, transportation, or delivery at any point or through any portion of Bridgeline's system (a "Constrained Point") exceeds the capacity of such Constrained Point (a "Constraint Event"), Bridgeline will suspend services and allocate capacity pursuant to any applicable rules, regulations, orders, adjudications or laws issued by an administrative agency or governmental authority having jurisdiction over Bridgeline and/or based on the following criteria:

**Order of
Curtailment**

Affected Class of Services

First	Interruptible Transportation, Storage, and Parking and Loaning Services.
Second	Firm Transportation, Storage, and Parking and Loaning Services where the Shipper is using alternate or secondary Receipt and/or Delivery Point(s).
Third	Firm Transportation, Storage, and Parking and Loaning Services.
Fourth	Bridgeline's Gas received or delivered for operational purposes will be scheduled before any services.

The Order of curtailment within an affected class of services will be determined by the following rules, applied in the sequence in which they appear below:

- (a) For purposes of this Article, operational purposes shall mean for purposes of maintaining at the Facilities the operational integrity of the physical system and the preservation of physical assets and their performance (including the capability and performance of the storage reservoir), the overall operating performance of the entire physical system as an entity (or any portion thereof), and the maintenance (on a reliable and operationally sound basis) of total system deliverability and the quality of the Gas delivered. Decisions of operational integrity will be made within the discretion of Bridgeline, which shall be exercised without undue discrimination or preference within the meaning of 18 C.F.R. § 284.7(b)(1).
- (b) If sufficient firm capacity is not available at a particular Receipt or Delivery Point, the point shall be scheduled pro rata based upon nominated quantities.
- (c) Bridgeline will schedule Interruptible Services at Receipt and Delivery Point(s) based on economic value and operating conditions, such that Shippers who provide the highest value to Bridgeline for the services in question will be scheduled before those who provide a lower value. In the event more than one Interruptible Services Shipper requests services of an economic value, then Bridgeline will schedule such nominations pro rata for the applicable Receipt or Delivery Point quantities.

- (d) Within any affected class of services, Shippers who have executed the applicable agreement prior to the time of the Constraint Event shall not be subject to suspension until all services for any similarly situated Shipper who had not delivered an executed agreement to Bridgeline prior to the time of the Constraint Event has been suspended.
 - (e) Within any affected class of services, Shippers whose nomination for services through a Constrained Point was received and confirmed pursuant to Article 21 of this Operating Statement shall not be subject to suspension until all services for similarly situated Shippers whose nomination was not so received and confirmed by Bridgeline has been suspended.
 - (f) Within any affected class of services, Shippers whose nomination for services through a Constrained Point were received and confirmed in accordance with Article 21 of this Operating Statement shall not be subject to suspension until all other services for similarly situated Shippers with the affected class of services has been suspended by Bridgeline.
- 20.8 **Interruption Liability.** BRIDGELINE SHALL NOT BE LIABLE FOR ANY LOSS OR DAMAGE TO ANY SHIPPER, PERSON OR PROPERTY CAUSED, IN WHOLE OR IN PART, BY ANY INTERRUPTION OR CURTAILMENT OF SERVICES IN ACCORDANCE WITH THIS ARTICLE. SHIPPER AGREES TO INDEMNIFY AND HOLD HARMLESS BRIDGELINE, ITS OFFICERS, MEMBERS, AGENTS, EMPLOYEES AND CONTRACTORS, FROM AND AGAINST ANY AND ALL SUITS, CLAIMS, LIABILITY, LOSS, DAMAGES, COSTS (INCLUDING ATTORNEYS' FEES AND COURT COSTS) OR ENCUMBRANCES WHATSOEVER BROUGHT BY ANY SHIPPER, PERSON OR ENTITY AGAINST BRIDGELINE AS A RESULT OF, OR ARISING OUT OF, SUCH INTERRUPTION OR CURTAILMENT OF SERVICES.

ARTICLE 21. NOMINATIONS

- 21.1 **Procedures.** Upon a Confirmation becoming effective, Shipper shall be entitled to nominate the requested service(s) in accordance with the terms of such Confirmation. Unless otherwise provided herein or otherwise agreed to by the Parties, Shipper shall submit to Bridgeline its nominations in writing in the form and substance then prescribed by the North American Energy Standards Board (NAESB) and in accordance with the specific provisions of the Service Agreement. All nominations, other than Timely Nominations, will be scheduled within the discretion of Bridgeline, which shall be exercised without undue discrimination or preference within the meaning of 18 C.F.R. § 284.7(b)(1). All Timely Nominations, confirmations and scheduling hereunder ("Nomination Procedures") shall be performed in accordance with this Operating Statement. Bridgeline shall confirm Shipper's nomination in accordance with the Nomination Procedures. A nomination given and confirmed in accordance with the foregoing shall be binding upon the Parties.
- 21.2 **Nomination Form Terms.** Subject to 19.1 above, a nomination must include, to the extent applicable:
- (a) Shipper Name;

- (b) Shipper Contact (Name, Phone No., Mailing Address, E-Mail Address);
- (c) Effective date and time;
- (d) Flow period;
- (e) Receipt and Delivery Point(s);
- (f) Transporting Pipeline;
- (g) Type of services desired;
- (h) Current Nomination in MMBtu; and
- (i) New Nomination in MMBtu.

If nominations do not include all of the aforementioned information or if nominations are not made in the form prescribed by the Nomination Procedures, Bridgeline shall have no obligation to accept such nomination. Requests for changes in flow rate must be made by written nomination in accordance with the foregoing Nomination Procedures.

- 21.3 If Shipper desires to make intraday nominations changes, the Shipper must first receive permission from Bridgeline before the changes can be made. It will be at Bridgeline's discretion to accept an intraday nomination change. In any event, Shipper shall notify Bridgeline at least four (4) hours in advance of any requested change in the daily or hourly rate of flow for receipt, delivery, transportation, injections or withdrawals of Gas.
- 21.4 Bridgeline may waive any part of the four (4) hour notice upon request if, in Bridgeline's judgment, operating conditions permit such waiver and Transporter(s) permit such action. Shipper shall notify Bridgeline immediately of any circumstance that causes or will cause the deliveries to or receipts from Bridgeline to be different from those requested.
- 21.5 Notwithstanding the above, a nomination shall not become effective until such nomination is confirmed by Bridgeline and, as applicable, the Transporting Pipeline. Bridgeline will confirm nominations as soon as reasonably possible after receipt of such and advise Shipper of scheduled services and effective time of such services. If Shipper fails to nominate deliveries or receipts as required herein for any Delivery or Receipt Point on any Day, then Shipper will be deemed to have nominated zero quantities for such point for that Day.
- 21.6 Notwithstanding the above, no Gas shall flow under any nomination until Bridgeline has confirmed the nomination, awarded capacity and scheduled the applicable quantities.
- 21.7 Bridgeline reserves the right to reject any nomination(s) or decline to provide all or a portion of the services set forth in any Confirmation(s) if the aggregate amounts payable by Shipper for the requested services, when added to all other amounts owed by Shipper to Bridgeline under this Operating Statement or any other Agreement, would exceed the credit limit established for Shipper.

- 21.8 Bridgeline shall not be obligated to receive any Gas at any Receipt Point(s) or to deliver any Gas at any Delivery Point(s) if such receipt or delivery shall, in Bridgeline's reasonable discretion, be detrimental to the operations of the Facilities.
- 21.9 Bridgeline reserves the right to pro-rate a Shipper's MDQ, MDIQ or MDWQ for a nomination that takes effect after the beginning of the Day (9:00 a.m. Central Prevailing Time). The Shipper's partial Day MDQ, MDIQ or MDWQ as applicable will be calculated by multiplying the original MDQ, MDIQ or MDWQ by a fraction whose numerator is the number of hours remaining in the Day as of the effective time of the confirmed nomination and whose denominator is twenty-four (24).
- 21.10 **Modification of Procedures.** Modification of the Nomination Procedures set forth in this Article 21 may be made from time to time by Bridgeline in its discretion to ensure compliance with newly-enacted regulatory requirements or then-prevailing Transporting Pipeline standards.
- 21.11 Nothing in this Operating Statement shall limit Bridgeline's right to take action as may be required to adjust receipts and deliveries under any Service Agreement to alleviate operating conditions that threaten the operational integrity of its Facilities.
- 21.12 Services may not be available to the extent that Bridgeline would be required to construct, modify, expand or acquire any facilities to enable Bridgeline to perform the requested services.

ARTICLE 22.

IMBALANCE RESOLUTION PROCEDURES

- 22.1 **Scheduling.** Quantities of Gas will be scheduled for services each Day as nominated and confirmed pursuant to Article 21. It is Bridgeline's intention that daily deliveries to Shipper or its designee at the Delivery Point(s) will be equal on a Heating Value basis to daily receipts by Bridgeline for Shipper's account at the Receipt Point(s). However, due to variations in operating conditions, actual daily and monthly deliveries by Bridgeline may be greater or less than the corresponding receipts of Gas by Bridgeline. Any such excess or deficiency (an "Imbalance") which is not governed by an Operational Balancing Agreement at the relevant Receipt and Delivery Point(s) shall be corrected in the following manner:
- (a) **Daily Imbalances.** Bridgeline shall notify Shipper of any net daily Imbalance, including the amount thereof stated in MMBtus. If such Imbalance exceeds the Tolerance Range, Shipper shall take action to ensure that, within twenty-four (24) hours after receipt of notice thereof, its actual deliveries and receipts thereafter are within the Tolerance Range. If and to the extent Shipper fails to timely ensure that its receipts and deliveries are within the Tolerance Range, Bridgeline shall have the right to adjust Shipper's receipts and/or deliveries at any point or to cause Shipper's receipts and deliveries to be balanced within the Tolerance Range.

In the event Bridgeline elects to adjust Shipper's deliveries at any point, Shipper will fully defend, protect, indemnify and hold harmless Bridgeline from and against each and every claim, demand or cause of action, and any liability, cost, expense, damage or loss of whatever character arising out of or in connection with such action or with

Shipper's failure to deliver to Bridgeline amounts scheduled hereunder.

- (b) **Monthly Imbalances.** Unless otherwise agreed to by Bridgeline and notwithstanding subarticle (a) above, at the end of each Month Shipper shall be fully balanced without regard to the Tolerance Range. If, as of the end of the Month, Shipper's actual deliveries to Bridgeline are less than the quantities scheduled hereunder or Shipper's actual receipts from Bridgeline exceed the quantities scheduled hereunder, Bridgeline shall promptly notify Shipper of such Imbalance and the amount thereof stated in MMBtus. If the Service Agreement provides for in-kind Imbalance resolution, Shipper shall deliver the Gas to Bridgeline within 10 days after receipt of monthly transportation Imbalance notification, but no later than the last Day of the following Month after the Imbalance was created. If there is not an in-kind agreement in place, Shipper shall pay to Bridgeline an Imbalance charge for each MMBtu of Imbalance for such Month. The Imbalance charge for each MMBtu shall be equal to the Sales Spot Price for the Month multiplied by the applicable factor as follows:

<u>Imbalance Level</u>	<u>Factor</u>
0-5%	1.00
>5-10%	1.10
>10-20%	1.20
>20%	1.30

The "Imbalance Level" shall be calculated by dividing the Imbalance quantity by the sum of the total quantities scheduled for delivery or receipt for such Month.

If, as of the end of the Month, Shipper's actual deliveries to Bridgeline exceed the quantities scheduled hereunder or Shipper's actual receipts from Bridgeline are less than the quantities scheduled hereunder, Bridgeline shall promptly notify Shipper of such Imbalance and the amount thereof stated in MMBtus. The Imbalance may be resolved by Bridgeline delivering to Shipper an equivalent thermal quantity of Gas. If Bridgeline elects to provide an in-kind Imbalance resolution, Bridgeline shall deliver the Gas to Shipper no later than the last Day of the following Month after the Imbalance was created. If Bridgeline does not opt for an in-kind Imbalance resolution, Bridgeline shall pay to Shipper an Imbalance charge for each MMBtu of Imbalance for such Month. The Imbalance charge for each MMBtu shall be equal to the Purchase Spot Price for the Month multiplied by the applicable factor as follows:

<u>Imbalance Level</u>	<u>Factor</u>
0-5%	1.00
>5-10%	.90
>10-20%	.80
>20%	.70

The "Imbalance Level" shall be calculated by dividing the Imbalance quantity by the sum of the total quantities scheduled for delivery or receipt for such Month.

- 22.2 **Unauthorized Gas.** Notwithstanding the provisions of subarticle 22.1, Bridgeline is entitled to purchase Unauthorized Gas tendered to it from the delivering party at a price equal to 50% of the Purchase Spot Price unless otherwise mutually agreed upon.
- 22.3 **Unauthorized Takes.** Notwithstanding the provisions of subarticle 22.1, Bridgeline is entitled to sell the Unauthorized Takes to the receiving party at a price equal to one hundred fifty percent (150%) of the Sales Spot Price unless otherwise mutually agreed upon.
- 22.4 Nothing in this Operating Statement shall limit Bridgeline's right to take action as may be required to adjust receipts and deliveries under any Service Agreement to alleviate operating conditions that threaten the operational integrity of its Facilities.

ARTICLE 23. OPERATIONAL FLOW ORDER

- 23.1 **Operational Flow Order.** Bridgeline shall have the right to issue Operational Flow Order (OFO) as specified in this Article that require actions by Shipper in order (a) to alleviate conditions that threaten the integrity of Bridgeline's system, (b) to maintain Bridgeline's system operations at the pressures required to provide efficient and reliable services, (c) to have adequate Gas supplies in the system to deliver on demand, (d) to maintain services to all Bridgeline firm Shippers and for all services, or (e) to maintain the Bridgeline system in balance for the foregoing purposes.
- (a) **Preliminary Notifications/Follow-up Reports:** Bridgeline shall provide, via fax or electronic-mail, prior notice to all Shippers of upcoming system events such as anticipated weather patterns and operational problems that may necessitate the issuance of an OFO.
- (b) **Applicability of OFO:** Bridgeline shall make an OFO as localized as is reasonably practicable based on Bridgeline's good faith and reasonable judgment concerning the situations requiring remediation. An OFO will be directed (a) first to Shippers appearing to Bridgeline to be causing the problem necessitating the OFO or transporting or storing Gas in the area of the system where there is an operational problem and (b) second to those Shippers transporting or storing Gas in the area of the system where action is required to correct the problem necessitating the OFO. Bridgeline will attempt to tailor the OFO to match the severity of the known or anticipated operational problem requiring remediation.
- (c) **Notice:** All OFO's will be issued by a fax or electronic mail to the affected Shipper. The OFO will set forth (a) the time and date of issuance, (b) the actions Shipper is required to take, (c) the time by which Shipper must be in compliance with the OFO (d) the anticipated duration of the OFO, and (e) any other terms that Bridgeline may reasonably require to ensure the effectiveness of the OFO. If Bridgeline cannot contact any Shipper because that Shipper has failed to designate a contact person or Shipper's contact person is unavailable, such Shipper shall be solely responsible for any consequences that could have been prevented by communication and shall indemnify Bridgeline and hold Bridgeline harmless for any damages by Bridgeline as a result thereof.

- (d) **Shipper Compliance:** A Shipper must comply with an OFO within the time period set forth therein unless the Shipper is able to demonstrate that such compliance (i) is not within the Shipper's physical control or capability; (ii) is prevented by operating conditions on a third party system that are beyond the Shipper's physical control; and/or (iii) is prevented due to a *Force Majeure* event as defined in Article 29 of this Operating Statement. Even if any of (i) through (iii) of this section are applicable the Shipper shall make a good faith effort to comply with any such OFO, including seeking waivers of any contractual limits with third parties or modifications of operating conditions on third party systems. Shipper shall notify Bridgeline immediately if it believes that it is excused from compliance with the OFO for any of the above stated reasons, and shall provide Bridgeline with documentation sufficient to support its basis for non-compliance. The foregoing will not prevent Bridgeline from reducing or otherwise limiting deliveries, receipts, injections or withdrawals in order to effectuate the purposes of an OFO nor will it excuse Shipper from the Imbalance settlement provisions provided in Article 22 applicable to Imbalances created during an OFO.
- (e) **Penalties:** If a Shipper/Operator fails to comply with an OFO it shall be subject to a charge of five (5) times the Spot Price for each MMBtu of Gas by which it deviates from the requirements of the OFO. The deviations shall be determined by Bridgeline using either telemetry or actual measured volume data, in its opinion as to which provides the most accurate volume, and Bridgeline shall inform Shipper as promptly as reasonably practical of the deviation volume. A Shipper shall not incur any charges or penalties if such charges or penalties would not have been incurred but for Shipper's compliance with an OFO, including any preliminary action taken by a Shipper in response to a warning issued in Bridgeline's discretion in anticipation of circumstances that might require issuance of an OFO.
- (f) **Liability of Bridgeline:** Bridgeline shall not be liable for any costs incurred by any Shipper in complying with an OFO. Bridgeline shall not be responsible for any damages that result from any interruption in Shipper's services that are a result of Shipper's failure to comply promptly and fully with an OFO and the non-complying Shipper shall indemnify Bridgeline against any claims of responsibility.
- (g) **Unilateral Action:** In the event that (a) Shipper does not respond to an OFO, or (b) the actions taken thereunder are insufficient to correct the system problem for which it was issued, or (c) there is insufficient time to carry out the procedures with respect to the OFO, Bridgeline may unilaterally take all action Bridgeline considers, in its discretion, necessary and appropriate to maintain the operational integrity of Bridgeline's system (or any portion thereof), including but not limited to physically restricting the flow of Gas to a Shipper. For purposes of this Article, the operational integrity of Bridgeline's system shall encompass the integrity of the physical system and the preservation of physical assets and their performance, the overall operating performance of the entire physical system as an entity (or any portion thereof) and the maintenance (on a reliable and operationally sound basis) of total system deliverability and the quality of Gas delivered.

**ARTICLE 24.
CREDITWORTHINESS**

- 24.1 **Bridgeline's Requirements.** A Shipper shall demonstrate creditworthiness prior to commencement of services pursuant to a Service Agreement. To allow Bridgeline to evaluate Shipper's creditworthiness, Shipper must provide the last two (2) fiscal years of annual audited financial statements and if required, the most recent interim quarterly financial statements. If Shipper provides financial statements that are not audited, then Bridgeline will require that Shipper provide a signed statement by an officer of the company purporting that the financial statements are correct and presented fairly. If Shipper fails to demonstrate creditworthiness, Bridgeline may rely on a credit support provider, provided that the credit support provider shall comply with the same financial requirements as set forth herein for the Shipper. Such credit support provider shall issue a guaranty in a form and amount acceptable to Bridgeline. Alternatively, the Shipper may provide a Letter of Credit issued by a bank and in a form and amount acceptable to Bridgeline; a cash deposit in an amount acceptable to Bridgeline; or other security as reasonably determined by Bridgeline.
- 24.2 Shipper shall represent and warrant to Bridgeline, which representations and warranties shall continue throughout the term of this Operating Statement and any Service Agreement, the following:
- (a) there are no suits, proceedings, judgments, rulings or orders by or before any court or any governmental authority that materially and adversely affect its ability to perform this Operating Statement and any Service Agreement or the rights of the other Party under this of Operating Statement and any Service Agreement;
 - (b) it is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation, and it has the legal right, power and authority and is qualified to conduct its business, and to execute and deliver this Operating Statement and any Service Agreement and perform its obligations under the same, and all regulatory authorizations have been maintained as necessary for it to legally perform its obligations hereunder;
 - (c) the making of this Operating Statement and any Service Agreement and performance by it hereunder is within its powers, has been duly authorized by all necessary action on its part, and does not and will not violate any provision of law or any rule, regulation, order, writ, judgment, decree or other determination presently in effect applicable to it or its governing documents;
 - (d) this Operating Statement and any Service Agreement when entered into constitutes a legal, valid and binding act and obligation of it, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, reorganization and other laws affecting creditor's rights generally, and with regard to equitable remedies, to the discretion of the court before which proceedings to obtain same may be pending;
 - (e) there are no bankruptcy, insolvency, reorganization, receivership or other arrangement proceedings pending or being contemplated by it, or to its knowledge threatened against it;

- (f) it has assets of \$10,000,000 or more according to its most recent financial statements prepared in accordance with generally accepted accounting principles, consistently applied, and is knowledgeable and experienced in financial matters that enable it to evaluate the merits and risks of this Operating Statement and any Service Agreement; and
 - (g) it is not in a disparate bargaining position with Bridgeline.
- 24.3 Bridgeline shall not be required to continue to provide services under a Service Agreement where the Shipper or its credit support provider shall have (i) made an assignment or any general arrangement for the benefit of creditors; (ii) filed a petition or otherwise commence, authorize, or acquiesce in the commencement of a proceeding or case under any bankruptcy or similar law for the protection of creditors or have such petition filed or proceeding commenced against it; (iii) otherwise become bankrupt or insolvent (however evidenced); (iv) been unable to pay its debts as they fall due; or (v) a receiver, provisional liquidator, conservator, custodian, trustee or other similar official appointed with respect to it or substantially all of its assets.
- 24.4 In addition to requiring sufficient security to secure the Service Agreement and/or transactions thereunder, Bridgeline may require additional or alternate security from Shipper if Bridgeline's service to Shipper is contingent upon Bridgeline's construction of facilities. This provision shall also apply to any assignment of a Service Agreement that was initially subject to this provision.

ARTICLE 25.

ALTERATIONS, MAINTENANCE AND REPAIRS

- 25.1 **Interruption.** Bridgeline shall have the right, without liability to Shipper, to interrupt services for Shipper's account that is rendered pursuant to this Operating Statement when necessary to test, alter, modify, enlarge, maintain or repair any facility or property comprising part of, or appurtenant to, Bridgeline's transmission or storage systems, or otherwise related to the operation thereof. Bridgeline shall endeavor to cause a minimum of inconvenience to Shipper. Except in cases of unforeseen emergency, Bridgeline shall give Shipper advance notice of its intention to curtail the transportation, injection or withdrawal of Gas for Shipper's account and of the expected magnitude of such curtailments.
- 25.2 BRIDGELINE SHALL NOT BE LIABLE FOR ANY LOSS OR DAMAGE TO ANY SHIPPER, PERSON OR PROPERTY CAUSED, IN WHOLE OR IN PART, BY ANY INTERRUPTION OR CURTAILMENT OF SERVICES IN ACCORDANCE WITH THIS ARTICLE. SHIPPER AGREES TO INDEMNIFY AND HOLD HARMLESS BRIDGELINE, ITS OFFICERS, MEMBERS, AGENTS, EMPLOYEES AND CONTRACTORS, FROM AND AGAINST ANY AND ALL SUITS, CLAIMS, LIABILITY, LOSS, DAMAGES, COSTS (INCLUDING ATTORNEYS' FEES AND COURT COSTS) OR ENCUMBRANCES WHATSOEVER BROUGHT BY ANY SHIPPER, PERSON OR ENTITY AGAINST BRIDGELINE AS A RESULT OF, OR ARISING OUT OF, SUCH INTERRUPTION OR CURTAILMENT OF SERVICES.

ARTICLE 26.
TITLE

- 26.1 **Shipper's Warranty.** Title to and ownership of Shipper's Gas shall at all times be and remain with Shipper. Shipper shall represent and warrant to Bridgeline that Shipper has title to or the right to deliver all Gas delivered to Bridgeline hereunder, that Shipper has the authority to deliver such Gas to Bridgeline, and that such Gas is free from any and all liens, charges, adverse claims and encumbrances. In addition to any other rights, remedies or indemnities herein contained, Shipper shall fully indemnify, defend and hold harmless Bridgeline from and against any and all suits, actions, claims, demands, damages, costs, losses and expenses, including reasonable attorney's fees and related expenses arising from or out of any adverse claims to or against such Gas or any interest therein or in the value thereof.
- 26.2 Shipper shall be deemed to be in control and in possession of the Gas prior to such Gas being received by Bridgeline and shall be responsible for any damages, losses or injuries caused thereby until the same shall have been received by Bridgeline at the Receipt Point(s). Bridgeline shall be in control and in possession of the Gas subsequent to such Gas being received by Bridgeline and shall only be responsible for any damages, losses or injuries caused by its gross negligence and/or wanton and reckless disregard thereby until the same shall have been redelivered to Shipper or its designee at the Delivery Point(s), except for injuries and damages that have been occasioned proximately by the negligence of Shipper or its designee. Bridgeline shall have no liability for damages, losses or injuries caused to or by Shipper's Gas based solely on principles of negligence or strict liability or where Shipper or its designee contribute or are at least partially at fault for such damage, loss or injury.
- 26.3 The risk of loss for all Gas injected into, stored in, and withdrawn from the Facilities shall be and remain with the Party having ownership of the Gas as provided herein.
- 26.4 THE SHIPPER, WHILE THE GAS IS IN ITS CONTROL AND POSSESSION, SHALL INDEMNIFY AND HOLD BRIDGELINE HARMLESS WITH RESPECT TO ANY LOSSES, INJURIES, CLAIMS, LIABILITIES OR DAMAGES CAUSED THEREBY OR ON ACCOUNT OF TAXES, PAYMENTS OR OTHER CHARGES APPLICABLE AND OCCURRING WHILE THE GAS IS IN ITS POSSESSION. BRIDGELINE SHALL INDEMNIFY AND HOLD SHIPPER HARMLESS WHILE THE GAS IS IN BRIDGELINE'S POSSESSION ONLY WITH RESPECT TO LOSSES, INJURIES, CLAIMS, LIABILITIES OR DAMAGES CAUSED BY BRIDGELINE'S GROSS NEGLIGENCE AND/OR WANTON AND RECKLESS DISREGARD. BRIDGELINE SHALL HAVE NO LIABILITY FOR DAMAGES, LOSSES OR INJURIES CAUSED TO OR BY SHIPPER'S GAS BASED SOLELY ON PRINCIPLES OF NEGLIGENCE OR STRICT LIABILITY OR WHERE SHIPPER OR ITS DESIGNEE CONTRIBUTE OR ARE AT LEAST PARTIALLY AT FAULT FOR SUCH DAMAGE, LOSS OR INJURY. EACH PARTY HERETO COVENANTS THAT WITH RESPECT TO THE GAS DELIVERED OR REDELIVERED BY IT HEREUNDER, IT WILL INDEMNIFY AND SAVE THE OTHER PARTY HARMLESS FROM AND AGAINST ANY AND ALL SUITS, ACTIONS, CAUSES OF ACTION, CLAIMS AND DEMANDS ARISING FROM OR OUT OF ANY ADVERSE CLAIMS BY THIRD PARTIES CLAIMING OWNERSHIP OF OR AN INTEREST IN THE GAS SO DELIVERED OR REDELIVERED.

NOTWITHSTANDING THE FOREGOING, NEITHER PARTY SHALL BE INDEMNIFIED FOR ITS OWN NEGLIGENCE, AND THE PARTIES ACKNOWLEDGE AND AGREE THAT SHIPPER SHALL AT ALL TIMES HAVE TITLE TO ALL GAS STORED HEREUNDER.

- 26.5 Subject to the other terms and conditions of this Operating Statement and the Service Agreement, each Party has the right to treat, process, and/or dehydrate the Gas prior to delivering said Gas to the other Party.
- 26.6 **Insurance.** Shipper shall be responsible for providing its own insurance coverage with respect to its Gas in the Storage Facility. Shipper's failure to obtain insurance as required hereunder shall void in their entirety Bridgeline's indemnity obligations under this Operating Statement and any Service Agreement.

ARTICLE 27. BILLING AND PAYMENT

- 27.1 **Invoice.** Bridgeline shall on or before the fifteenth (15th) Day of each Month, prepare an invoice or other mutually-agreeable statement showing the following information with regard to Transportation and Storage Services provided in the prior Month (the "Billed Month"):
- (a) the specific services rendered by Bridgeline on behalf of Shipper;
 - (b) the number of MMBtu of Gas delivered by or on behalf of Shipper at the Receipt Point(s) during the Billed Month;
 - (c) the number of MMBtu of Gas redelivered to or on behalf of Shipper at the Delivery Point(s) during the Billed Month;
 - (d) the amount of Shipper's Gas held in the Storage Facilities as of the close of such Month;
 - (e) the amount of Gas Parked or Loaned to Shipper as of the close of the Month;
 - (f) the amount of any adjustment applicable to any Month prior to the Billed Month; and
 - (g) the amount payable by Shipper to Bridgeline for services rendered hereunder, and for the various taxes, penalties and charges that are payable by Shipper but that have been charged to Bridgeline.

If actual quantities are not known at the time of billing, then billing shall be based upon confirmed nominations, subject to adjustments when actual quantities are available.

- 27.2 **Payment.** Shipper shall pay, or cause to be paid, to Bridgeline pursuant to the terms of and the amount shown as due by the statement or invoice described in subarticle 27.1 above, in immediately available funds, on or before ten (10) days after receipt thereof by Shipper. If the 10th day falls upon a weekend or legal holiday, then such payment shall be made on the last regular Business Day prior to the 10th day.

- 27.3 **Interest.** In addition to all other remedies available to Bridgeline, should Shipper fail to pay any amount due Bridgeline when due, interest thereon shall accrue at the rate of the prime interest rate from time to time for commercial loans by Citibank, N.A., its successors or assigns, plus two percent (2%) per annum, not to exceed the maximum legal rate, from the date when such amount is due until the same is paid.
- 27.4 If Shipper, in good faith, disputes the amount of any such statement or any part thereof, Shipper shall pay to Bridgeline such amount as it concedes to be correct. In addition, Bridgeline shall have the right, at its discretion, to require Shipper to provide sufficient security in a form satisfactory to Bridgeline to guarantee the unpaid balance and one hundred eighty (180) days of interest on the unpaid balance, calculated at the rates specified in subarticle 27.3. Bridgeline agrees not to terminate the Shipper's Service Agreement or suspend deliveries and/or receipts of Gas because of nonpayment unless the Shipper fails to pay all outstanding undisputed amounts, or Shipper ends or does not extend or increase the security as reasonably requested by Bridgeline. Upon resolution of the disputed amount, any moneys due and payable to Bridgeline shall be paid within ten (10) days and shall include interest as described in subarticle 27.3.
- 27.5 **Defaults and Mutual Setoff Rights.** If Shipper fails to pay in full any amount owed Bridgeline within twenty-five (25) days of when such amount became payable (other than amounts disputed in good faith, as provided in subarticle 27.4 above, then, in addition to all other remedies available to it at law or in equity, Bridgeline may refuse to accept any further deliveries of Gas from Shipper or the Transporting Pipeline at the Receipt Point(s), refuse to redeliver Gas to Shipper or the Transporting Pipeline at the Delivery Point(s), or both, until Shipper corrects such default in full; provided that before Bridgeline may exercise its remedies under this subarticle, it must first have provided Shipper with written notice, effective upon receipt, of its intention to effect such suspension. Shipper, by its nonpayment in full of all amounts then due within two (2) days after such notice, shall be deemed to have consented to any and all such suspensions and/or such terminations. Suspension of injections and/or withdrawals under this Operating Statement and Service Agreement will not relieve Shipper of liability for charges or fees as specified in the Service Agreement that accrue after any such suspension or termination. Such suspension or termination shall not prejudice Bridgeline's right to recover from Shipper such past due amounts, together with interest as provided above, nor Bridgeline's right to recover and Shipper's obligation to provide any Gas due Bridgeline from Shipper.
- 27.6 Bridgeline will not suspend services or terminate this Operating Statement and Service Agreement as provided in subarticle 27.5 above if Shipper disputes an invoiced amount in good faith and furnishes to Bridgeline, within two (2) days after Bridgeline's termination/suspension notice, (i) prompt notice of the basis for Shipper's dispute as set forth in subarticle 27.4 above, and (ii) a surety bond or other form of security in an amount and with a surety satisfactory to Bridgeline, in Bridgeline's reasonable discretion, guaranteeing payment of the disputed amount.
- 27.7 **Accounting Adjustment of Billing Errors.** The Parties shall have the right, at their own expense, upon reasonable notice and at reasonable times, to examine the books and records of the other Party only to the extent reasonably necessary to verify the accuracy of any statement, charge, payment, or computation made under the Service Agreement, provided,

however, such examination shall not be available beyond a period of two (2) years after the date such statement, charge or computation in question. This examination right shall not be available with respect to proprietary information not directly relevant to the Transactions under this Operating Statement and the Service Agreement. If the Parties discover any overcharge (other than as a result of measurement or allocation adjustments arising pursuant to Article 13) and the invoice therefore has been paid, the Party which received the overpayment shall pay to the other within thirty (30) days after the final determination thereof, the amount which it was overpaid, along with interest from the date of such overpayment calculated in accordance with this Article; provided, however, that no retroactive adjustment shall be made beyond a period of twenty-four (24) months following the date of such overpayment unless a retroactive adjustment is made necessary by measurement or allocation adjustments instigated by a Transporting Pipeline or Bridgeline, in which case the twenty-four (24) month limitation shall not apply.

ARTICLE 28.

SECURITY AND RIGHT OF SET-OFF

- 28.1 Bridgeline shall have the right to satisfy any and all amounts due and payable to Bridgeline in a manner consistent with applicable law, including, without limitation, by asserting and enforcing its rights under all applicable liens and security interests held by Bridgeline in Shipper's Gas.
- 28.2 If any bill remains unpaid after the due date thereof, Bridgeline hereby reserves a lien on Gas that Shipper may have from time to time in the Facilities pursuant to Vernon's Texas Code Annotated ("VTCA"), Business and Commerce Code § 7.209. If Shipper fails to pay an amount invoiced pursuant to subarticle 27.1 and the failure to pay continues for thirty (30) days after payment is due, Bridgeline, in addition to any other remedy it has at law, in equity and under this Operating Statement and any Service Agreement shall also have the right to sell an amount of Gas held in Shipper Inventory to enable Bridgeline to recover the monies owing to it by Shipper. Bridgeline shall set off the sum of money it receives for the Gas sold, plus any and all related costs and expenses that Bridgeline incurs in effecting the sale, against any and all monies owed to it by the Shipper, including interest.
- 28.3 Shipper and Bridgeline both acknowledge and agree that Gas which is delivered to the Facilities pursuant to this Operating Statement and any Service Agreement is a fungible good as that term is defined in VTCA Business & Commerce Code §1.201, and that the unit of Gas is one (1) MMBtu in determining any quantity of natural gas. Shipper understands and agrees that any Gas delivered shall be commingled with the other Gas already or subsequently delivered into the Facilities and "receipts" (as that term is used in VTCA Business & Commerce Code §7.207(b)) shall be based on confirmations of Delivery by the interconnecting pipeline receiving or Delivering Gas from the Facilities. Shipper acknowledges that the Confirmations, nominations, invoices or any other document issued pursuant to this Operating Statement and any Service Agreement are non-negotiable instruments under VTCA Business & Commerce Code §7.104(b).
- 28.4 Bridgeline will not be obligated to provide services and may suspend and/or terminate ongoing services to any Shipper that fails, in Bridgeline's judgment, to demonstrate creditworthiness as set for in Article 24.

- 28.5 If at any time Shipper fails to demonstrate creditworthiness as set forth in Article 24 or if the aggregate amounts expected to become due for services requested by Shipper under existing and/or requested Service Agreements, together with any other amounts then owed by Shipper to Bridgeline, exceed Shipper's credit limit as established by Bridgeline, Bridgeline shall be entitled to require in addition to all liens and security interests already claimed by or granted in favor of Bridgeline, as a condition of providing or continuing to provide services under new or existing Service Agreements, that such Shipper provide one or more of the following forms of "Performance Assurance":
- (a) prepayment in cash (U.S. dollars) for services on terms satisfactory to Bridgeline, with such cash being placed in a segregated, interest-bearing escrow account at a Qualified Institution in the name of Shipper and pledged to Bridgeline pursuant to an account control agreement, with interest and expenses on such account accruing to the account of Shipper;
 - (b) delivery of an irrevocable standby letter of credit issued by a Qualified Institution;
 - (c) grant of a first priority security interest in collateral satisfactory to Bridgeline; and/or
 - (d) delivery of a guarantee by a credit support provider that satisfies Bridgeline's creditworthiness requirements as set forth in Article 24.

For the avoidance of doubt, the Performance Assurance in subsection (a) – (c) above shall be for an amount equal to (i) no more than three (3) Months of service at the full MDQ, MSQ, MPQ, and/or MLQ, as applicable, (the number of Months to be determined by Bridgeline at its discretion but in no event more than three (3) Months), plus (ii) the amount to cover the current Gas Imbalance, if any, plus (iii) an amount equal to the three (3) highest Imbalance payments, if any, incurred during the previous twelve (12) Month period.

- 28.6 Should Shipper fail to provide Performance Assurance(s) to Bridgeline within two (2) Business Days after receipt of written demand for such assurance, then Bridgeline shall have the right to suspend performance under the Operating Statement and Service Agreement until such time as Shipper furnishes Performance Assurance(s). If Shipper does not provide such assurance within two (2) Business Days from written demand, Bridgeline may terminate Shipper's Service Agreement in addition to having any and all other remedies available hereunder.
- 28.7 If Shipper fails to pay in full any amount owing to Bridgeline under the Operating Statement and Service Agreement within five (5) days after such amount became due, then, in addition to all other remedies available to it under this Operating Statement and Service Agreement, at law, in equity or otherwise, Bridgeline may set off the overdue amount against amounts otherwise owing by Bridgeline to Shipper under the Operating Statement and Service Agreement or any other agreement between the Parties.

ARTICLE 29.

FORCE MAJEURE

- 29.1 Definition. The term "Force Majeure" as employed herein means acts of God; strikes, lockouts

or other industrial disturbances; acts of the public enemy; wars; blockades; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; storms; hurricane or threat thereof; floods; washouts; or other natural disasters; threat of physical harm or damage resulting in the evacuation or shutdown of the Facilities and/or facilities necessary for the production, delivery or receipt of gas; arrests and restraints of the government, either federal or state, civil or military; civil disturbance; explosions, breakage, breakdown or accident to machinery, equipment, lines of pipe or the Facilities; the necessity or desirability of repairing, altering, maintaining, inspecting, replacing, changing the size of, substituting or removing machinery, equipment, pipelines or appurtenant facilities; failure of equipment or materials; an unscheduled shutdown of plants, Facilities or facilities, or the partial or entire suspension of the operation of plants, Facilities or facilities caused by an event of the character herein defined as constituting Force Majeure; the failure or inability of the Transporting Pipeline to provide transportation services due to an event of Force Majeure or to the curtailment of firm transportation; and any other causes, whether of the kind herein enumerated or otherwise (but not including economic hardship), not reasonably within the control of the party claiming suspension (including, but not limited to, acts of negligence or willful misconduct of third parties, whether or not under the control, employ or supervision of the Party claiming suspension), and which by the exercise of due diligence such party is unable, wholly or in part, to prevent or overcome. “*Force Majeure*” includes (i) in those instances where either party hereto is required to obtain or maintain servitudes, right-of-way grants, permits, exceptions or licenses to enable such party to fulfill its obligation under any gas Service Agreement, the inability of such party to acquire or maintain, or the delays on the part of such party in acquiring, at reasonable cost and after the exercise of reasonable diligence, such servitudes, right-of-way grants, permits, exceptions or licenses, and (ii) in those instances where either party hereto is required to furnish materials and supplies for the purpose of constructing or maintaining the Facilities and/or facilities or is required to secure permits or permissions from any governmental agency (federal, state or municipal, civil or military) to enable such party to fulfill its obligations under any gas Service Agreement, the inability of such party to acquire or maintain, or the delays on the part of such party in acquiring, at reasonable cost and after the exercise of reasonable diligence, such material and supplies, permits and permissions. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the party having the difficulty and that the above requirement that any *Force Majeure* shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of the opposing party when such course is inadvisable in the discretion of the party having the difficulty.

- 29.2 Bridgeline will have the right to operate its Facilities and any part thereof free from any control by Shipper in such a manner as Bridgeline, in its discretion and acting as a reasonable and prudent operator, may deem advisable, including, without limitation, the right to determine when, where or whether to repair and maintain its Facilities or its composite parts.
- 29.3 Bridgeline, acting as a reasonable and prudent operator, may restrict operations annually for necessary maintenance. Bridgeline may partially or entirely interrupt its performance hereunder for the purpose of making necessary or desirable inspections, alterations and repairs which are described as a maintenance event, but only for such time as may be reasonable and unavoidable; and Bridgeline shall give to the other Party at least five (5) Business Days notice of its intention to suspend its performance hereunder, except in cases of emergency where such notice is impracticable and shall endeavor to arrange such

- interruption so as to inconvenience Shipper as little as possible. Should a *Force Majeure* or maintenance event occur, the volumes to be delivered and/or received at the Receipt Point(s) and Delivery Point(s) by Bridgeline must be balanced with the hourly and daily nominated quantities.
- 29.4 In the event of urgently necessary maintenance or repair, Bridgeline is entitled to restrict the use of or to shut down the Facilities concerned and to do the necessary maintenance or repair. In determining timing and duration of the period of restricted use or shutdown, Bridgeline will act as a reasonable and prudent operator.
- 29.5 **General.** If either Party hereto is unable, wholly or in part, by *Force Majeure* or other causes herein specified, to carry out its obligations under any Service Agreement, other than the obligation to make payments of amounts due hereunder, then upon such Party giving notice and reasonably full particulars of such *Force Majeure* in writing or by fax to the other Party within a reasonable time after the occurrence of the cause relied on, the obligations of the Party giving such notice, so far as they are affected by such *Force Majeure* or other causes herein specified, shall be suspended during the continuance of such cause, but for no longer period, and such cause shall be remedied so far as possible with all reasonable dispatch. The Party claiming such inability shall promptly correct such inability to the extent it may be corrected through the exercise of reasonable diligence. The Parties agree that changes in economic or market conditions that make performance more economically burdensome do not constitute *Force Majeure* events.
- 29.6 Nothing in this Operating Statement shall limit Bridgeline's right to take action as may be required to adjust receipts and deliveries under any Service Agreement to alleviate operating conditions that threaten the operational integrity of its Facilities.
- 29.7 Neither Shipper nor Bridgeline shall be liable to the other for any losses or damages, regardless of the nature thereof and howsoever occurring, whether such losses or damages be direct or indirect, immediate or remote, by reason of, caused by, arising out of, or in any way attributable to the suspension of performance of any obligation of either Party when such suspension occurs because a Party is rendered unable, wholly or in part, by *Force Majeure* or other causes herein specified to perform its obligations.

ARTICLE 30.

TAXES, INSURANCE, LIABILITY AND SECURITY

- 30.1 **Taxes.** Shipper will render, negotiate and pay directly to the taxing authorities all *ad valorem* taxes assessed on Shipper's Gas. Additionally, Shipper will reimburse Bridgeline promptly upon invoice for the full amount of any new, increased, additional or subsequently applicable occupation, production, severance, franchise, gross receipts or other taxes levied, assessed or fixed by any authority against, in connection with or attributable to the services provided under any Service Agreement between them to the extent such new, increased, additional or subsequently applicable taxes or charges exceed those in effect and being imposed on Bridgeline as of the effective date of the Service Agreement between Shipper and Bridgeline.
- 30.2 **Bridgeline Liability.** Bridgeline shall be liable for and shall indemnify and save Shipper harmless from and against all claims, demands, suits, actions, debts, accounts, damages, costs,

losses, liabilities and expenses of any kind and however made or incurred, arising out of any material misrepresentation by Bridgeline or the failure by Bridgeline to perform any covenant or requirement under the applicable Service Agreement (“claims”); PROVIDED, HOWEVER, THAT IN NO EVENT SHALL BRIDGELINE BE LIABLE TO SHIPPER FOR ANY SPECIAL, INDIRECT, INCIDENTAL, OR CONSEQUENTIAL CLAIMS OF ANY CHARACTER, INCLUDING WITHOUT LIMITATION, LOSS OF USE, LOST PROFITS OR REVENUES, COST OF CAPITAL, CANCELLATION OF PERMITS, UNABSORBED TRANSPORTATION CHARGES OR TERMINATION OF CONTRACTS, ADDITIONAL OUT-OF-POCKET EXPENSES INCURRED BY SHIPPER, TORT OR CONTRACT CLAIMS EXCEPT FOR CONTRACT CLAIMS ARISING OUT OF THIS OPERATING STATEMENT AND SERVICE AGREEMENT, LOST PRODUCTION OR CONSEQUENTIAL PROPERTY DAMAGES SUFFERED BY SHIPPER, AND IRRESPECTIVE OF WHETHER CLAIMS FOR SUCH DAMAGES ARE BASED UPON CONTRACT, WARRANTY, NEGLIGENCE, STRICT LIABILITY OR OTHERWISE.

- 30.3 **Shipper Liability.** Shipper shall be liable for and shall indemnify and save Bridgeline harmless from and against any and all claims, demands, suits, actions, debts, accounts, damages, costs, losses, liabilities and expenses of any kind and however made or incurred, arising out of any misrepresentation by Shipper or the failure by Shipper to perform any covenant or requirement under the applicable Service Agreement (“claims”); PROVIDED, HOWEVER, THAT IN NO EVENT SHALL SHIPPER BE LIABLE TO BRIDGELINE FOR ANY SPECIAL, INDIRECT, INCIDENTAL, OR CONSEQUENTIAL CLAIMS OF ANY CHARACTER INCLUDING WITHOUT LIMITATION, LOSS OF USE, LOST PROFITS OR REVENUES, COST OF CAPITAL, CANCELLATION OF PERMITS, UNABSORBED TRANSPORTATION CHARGES OR TERMINATION OF CONTRACTS, ADDITIONAL OUT-OF-POCKET EXPENSES INCURRED BY BRIDGELINE, TORT OR CONTRACT CLAIMS EXCEPT FOR CONTRACT CLAIMS ARISING OUT OF THIS OPERATING STATEMENT AND SERVICE AGREEMENT, LOST PRODUCTION OR CONSEQUENTIAL PROPERTY DAMAGES SUFFERED BY BRIDGELINE, AND IRRESPECTIVE OF WHETHER CLAIMS FOR SUCH DAMAGES ARE BASED UPON CONTROL, WARRANTY, NEGLIGENCE, STRICT LIABILITY OR OTHERWISE.

ARTICLE 31. DEFAULT

- 31.1 Except as otherwise expressly provided herein or in the Service Agreement, if either Party fails to perform any of the covenants or obligations imposed on it under the Service Agreement (except when such failure is excused by the terms of the Operating Statement and/or the Service Agreement) then the other Party may at its option (without waiving any other remedy available) proceed as follows: The Party alleging the other to be in default shall give written notice to the Party alleged to be in default, stating the specific cause for terminating the Service Agreement and the intention of the Party giving notice to terminate the same. The other Party shall have five (5) days after receipt of such notice to remedy the cause(s) stated in the notice. If the Party receiving the notice does remedy said cause(s) and, consistent with the provisions of this Operating Statement and/or the Service Agreement, fully indemnify the Party not in default for the damages resulting from such breach, then the notice shall be withdrawn and the Service Agreement shall continue in full force and effect. If the Party receiving the notice does not so remedy the cause(s) and indemnify the Party not

in default within said five (5) day period, then the Service Agreement shall terminate effective as of the end of said period.

- 31.2 Any cancellation of the Service Agreement pursuant to the provisions of this Article shall be without prejudice to the right of either of the Parties to collect any amounts or receive any Gas then due such Party, and without waiver of any other remedy to which the Party not in default may be entitled for breach of this Operating Statement and/or the Service Agreement.
- 31.3 Notwithstanding, and in addition to but not in limitation of, any other provision in this Operating Statement and Service Agreement, if at any time Shipper defaults on any of its covenants or obligations in the Operating Statement or Service Agreement, which default is continuing, Bridgeline shall have the right to take any one or more of the following actions:
- (a) refuse to accept any further deliveries of Gas from Shipper or make any deliveries to Shipper and/or otherwise suspend all services under the Service Agreement;
 - (b) exercise its rights under any lien held by Bridgeline (whether under Chapter 7 of the VTCA Business and Commerce Code or otherwise by law) on Gas stored in the Facilities for Shipper's account, and apply the proceeds of the private sale of such Gas to satisfy any amounts owing by Shipper to Bridgeline under the Service Agreement;
 - (c) exercise any and all rights and remedies in respect of any security interest granted by Shipper to Bridgeline;
 - (d) set-off against any amount owing by Shipper to Bridgeline under the Service Agreement any amount owed by Bridgeline to the Shipper under the Service Agreement or under any other agreement; and
 - (e) exercise any other remedies available to Bridgeline under the Operating Statement and the Service Agreement, at law, in equity or otherwise.
- 31.4 In the event Bridgeline elects to terminate Shipper's Service Agreement pursuant to subarticle 31.1 above, all of Shipper's services rights may be terminated pursuant to subarticle 31.1 above or on such date as Bridgeline shall determine in its discretion (the "Fixed Termination Date") and any payment obligations relating to the provision of services not rendered, after the Fixed Termination Date will likewise be terminated unless otherwise agreed to in a Service Agreement; provided however, that a Firm Transportation Service Shipper and/or a Firm Storage Services Shipper shall remain liable for all Capacity Reservation Fees, whether accruing before or to be accrued after the Fixed Termination Date. Bridgeline will have the right to sell such Firm Transportation Services and Firm Storage Services to a third party as of the Fixed Termination Date and, if possible, Bridgeline shall attempt to lessen the terminated Shipper's Capacity Reservation Fees by using commercially reasonable efforts to enter into a replacement Service Agreement for Firm Transportation Services or Firm Storage Services with a third party. However, notwithstanding anything in any Service Agreement to the contrary, if Bridgeline is unable to enter into a third party replacement Service Agreement on terms satisfactory to Bridgeline in its reasonable discretion, Bridgeline shall be entitled to accelerate all Firm Transportation

Service and Firm Storage Service Capacity Reservation Fees that are scheduled to become due after the Fixed Termination Date and such Capacity Reservation Fees so accelerated shall become due and payable immediately upon Bridgeline's notice of such acceleration to Shipper. With regard to obligations accruing before the Fixed Termination Date, Shipper will remain liable for all obligations accruing under each terminated Service Agreement up to and including the Fixed Termination Date, including, but not limited to, all unbilled (or billed but unpaid) Capacity Reservation Fees, Commodity Charges, Fuel, excess nomination charges, overrun charges and all applicable taxes for all services rendered up to and on the Fixed Termination Date. Termination of Service Agreements thereunder shall be effected as follows:

- (a) The Fixed Termination Date will occur on the date designated, regardless of whether the Shipper event of default is then continuing. All Transactions then outstanding will be terminated as of the Fixed Termination Date and no further injections or withdrawals of Gas shall thereafter be made under such terminated Service Agreement.
- (b) With regard to Shipper's Net Termination Balance in the Facility on the Fixed Termination Date (with "Net Termination Balance" defined as Shipper's Inventory):
 - (1) Shipper shall not have any nomination rights for the withdrawal of the Net Termination Balance from the Facility;
 - (2) Bridgeline shall, subject to subarticle (3) below, deliver to Shipper the Net Termination Balance on such Days and in such quantities as, in Bridgeline's determination, there exists interruptible withdrawal capacity to accommodate such deliveries; and
 - (3) Bridgeline shall not be obligated to deliver any portion of the Net Termination Balance unless and until Shipper has paid to Bridgeline:
 - a. an amount equal to Bridgeline's then applicable Commodity Charge for withdrawal multiplied by the Net Termination Balance; and
 - b. the Net Termination Amount determined pursuant to subarticle (d) below, if payable by Shipper.
- (c) All Transactions shall be cancelled and closed out, each at its Current Value (as defined below) as of the Fixed Termination Date, and a settlement payment in an amount equal to the Current Value of each such Transaction shall be payable (i) by Bridgeline to Shipper if the Current Value is negative (except if such negative Current Value is a result of Bridgeline's terminating, liquidating, obtaining, or re-establishing a hedge), or (ii) by Shipper to Bridgeline if the Current Value is positive, as applicable.
- (d) The Current Values of all terminated Transactions shall be set off or aggregated, as appropriate, so that all such amounts are aggregated and/or netted to a single liquidated amount (the "Termination Amount") payable by one Party to the other. Bridgeline shall give Shipper notice (the "Termination Amount Notice") of the

amount of the Termination Amount, including a statement showing its calculation, together with the following additional amounts, if any (such Termination Amount, together with the following additional amounts, the “Net Termination Amount”):

- (1) the aggregate charges (whether or not invoiced or yet overdue) owing by Shipper for services provided by Bridgeline to Shipper under all Transactions hereunder and under any other agreements prior to the Fixed Termination Date;
 - (2) any other amounts outstanding under any other agreements; and
 - (3) all reasonable out-of-pocket expenses including, without limitation, legal fees incurred by Bridgeline by reason of the enforcement and protection of its rights under the Service Agreement by reason of early termination of the Service Agreement.
- (e) No further payments, deliveries, or services under the cancelled Service Agreement will thereafter be required, except with regard to obligations accruing before the Fixed Termination Date and provided, however, that the cancellation of the Service Agreement thereunder shall not prejudice any other right or obligation under the Operating Statement and/or Service Agreement.
- (f) The Net Termination Amount (and, if applicable, all other amounts set off against or aggregated therewith) shall be paid by the close of business on the second Business Day following the Fixed Termination Date.
- (g) “*Current Value*” means, with respect to one or more cancelled Service Agreements, the amount of Bridgeline’s total losses and costs (or gain, which shall be expressed as a negative number) in connection with the cancellation of the Transactions thereunder, including, without limitation, any loss of bargain, cost of funding and/or, at the election of Bridgeline but without duplication, loss or cost incurred as a result of terminating, liquidating, obtaining, or re-establishing any hedge (or any gain resulting from any of them, which shall be expressed as a negative number), as determined by Bridgeline acting reasonably and in good faith.
- 31.5 To the extent that any Shipper Inventory exists on the Fixed Termination Date for a Storage Services Shipper, Bridgeline shall have the right to satisfy any and all amounts due and payable to Bridgeline in a manner consistent with applicable law, including, without limitation, by asserting and enforcing its rights under all applicable liens and security interests held by Bridgeline in Shipper’s Storage Inventory. Bridgeline’s termination notice rendered in accordance with this Article 31 shall be deemed sufficient notice for all purposes, including, without limitation, under Chapters 7 and 9 of the VTCA Business and Commerce Code.
- 31.6 In the event that a Storage Services Shipper’s Storage Inventory is liquidated and the proceeds therefrom are insufficient to satisfy all outstanding payment obligations due to Bridgeline under the terminated Service Agreement, Shipper will remain liable for all such outstanding and unsatisfied obligations that exceed the proceeds of such liquidation, including interest thereon, and Bridgeline shall be entitled to pursue all other remedies

available to it at law or in equity to secure the satisfaction of such obligations.

- 31.7 Each Party's rights under this Article 31 are in addition to, and not in limitation or exclusion of, any and all other rights that a Party may have (whether by agreement, operation of law, or otherwise).

ARTICLE 32. APPLICABLE LAW

- 32.1 THIS OPERATING STATEMENT AND ANY SERVICE AGREEMENTS SHALL BE GOVERNED BY, CONSTRUED, ENFORCED, AND PERFORMED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW OR PRINCIPLE THAT MIGHT REFER SAME TO THE LAWS OF ANOTHER JURISDICTION. FURTHER, THE PARTIES STIPULATE THAT THIS OPERATING STATEMENT AND ANY SERVICE AGREEMENTS ARE DEEMED TO HAVE BEEN MADE AND ENTERED INTO BY THEM IN THE STATE OF TEXAS. This Operating Statement and any Service Agreement and the respective rights and obligations of the Parties hereto are subject to all present and future valid laws, orders, rules and regulations of any competent legislative body, or duly constituted authority now or hereafter having jurisdiction and this Operating Statement and any Service Agreement shall be varied and amended to comply with or conform to any valid order or direction of any board, tribunal or administrative agency which affects any of the provisions of this Operating Statement and any Service Agreement. Notwithstanding the foregoing, in the event that any regulatory authority having jurisdiction should, by rule or order, deny recovery or pass through by Shipper of part or all of any payments made by Shipper to Bridgeline that are required by the terms and conditions of this Operating Statement and any Service Agreement, or in any other way rules adversely to Shipper in any manner whatsoever in respect of Shipper's having entered into this Operating Statement and any Service Agreement with Bridgeline, Shipper's obligations to make all payments to Bridgeline as provided for in this Operating Statement and any Service Agreement shall nevertheless remain unaltered and in full force and effect unless and until this Operating Statement and any Service Agreement is terminated pursuant to the terms and provisions hereof.
- 32.2 **Forum and Jurisdiction.** With respect to any suit, action or proceedings relating to this Operating Statement and any Service Agreement ("Proceeding"), each Party irrevocably submits to the exclusive jurisdiction of the courts of the State of Texas and the United States District Court in Harris County, Texas, and irrevocably waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any other venue to which they may be entitled by virtue of domicile or otherwise, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings, that such court does not have jurisdiction over such Party. Nothing in this Operating Statement and any Service Agreement precludes either Party from enforcing in any jurisdiction any judgment, order or award obtained in any such court.
- 32.3 Bridgeline is an intrastate pipeline company providing services within the meaning of Natural Gas Policy Act of 1978 ("NGPA"), Section 2(16) and Section 284.1(a) of FERC's

regulations and is therefore exempt from the jurisdiction of FERC under the Natural Gas Act of 1978 (“NGA”). If by providing Storage Services under Section 311 of the Natural Gas Policy Act of 1978 (“NGPA”) and the regulations there under, Bridgeline’s status as an intrastate pipeline that is exempt from NGA jurisdiction is impacted, altered or threatened in any way by virtue of any change in statutes, regulations or other applicable law of any kind, then Bridgeline reserves the right to terminate all Storage Services under Section 311 of the NGPA and all Service Agreements related thereto, and to withdraw this Operating Statement, all effective on the day before any such change in statutes, regulations or other applicable law. Shipper warrants that it shall take no action or request Bridgeline to act in any manner which adversely affects Bridgeline’s exemption from Natural Gas Act jurisdiction; however, a Shipper may request Bridgeline to provide services pursuant to Section 311(a)(2) of the Natural Gas Policy Act 15 U.S.C. § 3371(a)(2), in which event Shipper warrants that it is in compliance with all rules and regulations applicable to such services, including, but not limited to, compliance with the “on behalf of” standard as that standard may be changed from time to time. With respect to such warranties, whenever Shipper’s Gas is received from or delivered to a point that is not an interconnection between the Storage Facilities and the facilities of an interstate pipeline company, Shipper shall (unless Shipper shall expressly advise Bridgeline otherwise in writing at the time of submitting its Storage Services request to Bridgeline) be deemed to have represented and warranted to Bridgeline that all of the Gas received by Bridgeline or delivered to Shipper by Bridgeline shall be considered “intrastate services” and shall not subject Bridgeline or its facilities to jurisdiction under the Natural Gas Act. Further, whenever Shipper’s Gas is delivered to or received from a point that is an interconnection between the Storage Facilities and the facilities of an interstate pipeline company, Shipper shall be deemed to have represented and warranted to Bridgeline that the storage of Gas hereunder shall be considered NGPA Section 311 services and shall comply with all rules and regulations applicable to Section 311(a)(2) of the Natural Gas Policy Act, 15 U.S.C. § 3371(a)(2). Notwithstanding the foregoing, Bridgeline will use its best efforts to perform its obligations under any Service Agreement in place.

ARTICLE 33. DISPUTE RESOLUTION

- 33.1 **Negotiation of Disputes and Disagreements.** In the event of any dispute or disagreement arising out of or relating to the Operating Statement and Service Agreement, which dispute the Parties hereto have been unable to settle or agree upon within a period of ten (10) days after the dispute or disagreement arises, each Party shall nominate a senior officer to meet at an agreed time and place not later than ten (10) days after the dispute or disagreement has arisen to attempt to resolve such dispute or disagreement. Should a resolution of such dispute or disagreement not be obtained within fifteen (15) days after the meeting of senior officers for such purpose, either Party may then by notice to the other submit the dispute to litigation in accordance with the provisions of Articles 32 and this Article.
- 33.2 **Litigation Resolution.** If the dispute cannot be resolved pursuant to subarticle 33.1, then either Party may elect to resolve the matter through litigation, which shall be brought in a manner and forum as set forth in subarticle 32.2.
- 33.3 **BRIDGELINE AND SHIPPER HEREBY WAIVE THE RIGHT TO A TRIAL BY JURY IN ANY COURT AND IN ANY ACTION OR PROCEEDING OF ANY TYPE**

WHETHER ARISING UNDER CONTRACT, NEGLIGENT OR INTENTIONAL TORT, OR STATUTE, IN WHICH EITHER PARTY OR ANY OF THEIR AFFILIATES, SUCCESSORS OR ASSIGNS ARE PARTIES, AS TO ALL MATTERS AND THINGS ARISING DIRECTLY OR INDIRECTLY OUT OF THIS AGREEMENT, THE WORK, THE FACILITIES BEING CONSTRUCTED AND THE RELATIONS BETWEEN BRIDGELINE AND SHIPPER.

- 33.4 **Continuation of Performance.** Performance of the Operating Statement and Service Agreement shall continue during any other dispute resolution proceedings, including litigation. No payment due or payable by Shipper or services to be performed by Bridgeline shall be withheld on account of a pending reference to litigation or other dispute resolution mechanism; provided that in the event Shipper disputes the amount or content of any invoice, Shipper shall not be responsible for payment of such invoice or portion of such invoice that is pending reference to litigation or other dispute resolution mechanism until such dispute is resolved. Any disputed amount which is ultimately determined to have been payable shall accrue interest for failure to pay. The amount not in dispute shall be promptly paid as described in Article 27.
- 33.5 The Parties agree that the prevailing Party shall be entitled to its costs and attorneys' fees. It is understood that the Uniform Commercial Code shall prevail as the basis for contractual obligations between Bridgeline and Shipper with respect to goods provided under the Operating Statement and Service Agreement in the event that such obligations are not otherwise addressed in the Operating Statement and Service Agreement.
- 33.6 Notwithstanding anything to the contrary contained herein, Bridgeline's decisions on all discretionary matters will be final if consistent with the intent expressed in the Operating Statement and Service Agreement.

ARTICLE 34. CONDITIONS PRECEDENT

- 34.1 Bridgeline shall not be obligated to commence any services under a Service Agreement, or continue any services after it has commenced, unless and until (a) all facilities, of whatever nature, as are required to permit the receipt, measurement, transportation, storage, and delivery of Gas thereunder have been installed by the Party deemed responsible in that Service Agreement, and are in operating condition, (b) Bridgeline has received all necessary regulatory authorizations to perform the services, and such authorizations are satisfactory to Bridgeline, in its discretion, (c) Shipper has arranged for the delivery and receipt by any necessary third party Transporter of volumes to be transported and/or stored thereunder by Bridgeline, and (d) Shipper has satisfied the creditworthiness requirements, if applicable, pursuant to Section 24.4 above.

ARTICLE 35. TERM

- 35.1 The term of any services performed under this Operating Statement shall be governed by the Service Agreement entered into between the Shipper and Bridgeline.

ARTICLE 36.

INDEMNIFICATION

- 36.1 SUBJECT TO THE OTHER PROVISIONS HEREOF, SHIPPER AGREES TO FULLY DEFEND, PROTECT, INDEMNIFY AND HOLD HARMLESS BRIDGELINE FROM AND AGAINST EACH AND EVERY CLAIM, DEMAND OR CAUSE OF ACTION, AND ANY LIABILITY, COST, EXPENSE (INCLUDING COURT COSTS AND REASONABLE ATTORNEYS' FEES), DAMAGE OR LOSS OF WHATEVER CHARACTER ARISING OUT OF OR IN CONNECTION WITH (A) SHIPPER'S FAILURE TO DELIVER TO BRIDGELINE SUFFICIENT GAS TO SATISFY THE COMMITMENT WHICH SHIPPER HAS UNDERTAKEN TO FULFILL OR (B) SHIPPER'S FAILURE TO ARRANGE FOR RECEIPT OF GAS IN ACCORDANCE WITH THE SERVICES BY ANY NECESSARY THIRD-PARTY TRANSPORTER, EXCEPT TO THE EXTENT OF ANY BRIDGELINE NEGLIGENCE OR WILLFUL MISCONDUCT.
- 36.2 SUBJECT TO THE OTHER PROVISIONS OF THIS OPERATING STATEMENT, BRIDGELINE AGREES TO FULLY DEFEND, PROTECT, INDEMNIFY AND HOLD HARMLESS SHIPPER FROM AND AGAINST EACH AND EVERY CLAIM, DEMAND, OR CAUSE OF ACTION AND ANY LIABILITY, COST, EXPENSE (INCLUDING COURT COSTS AND REASONABLE ATTORNEYS' FEES), DAMAGE OR LOSS OF WHATEVER CHARACTER ARISING OUT OF OR IN CONNECTION WITH (A) BRIDGELINE'S FAILURE TO DELIVER TO SHIPPER SUFFICIENT GAS TO SATISFY THE COMMITMENT WHICH BRIDGELINE HAS UNDERTAKEN TO FULFILL OR (B) BRIDGELINE'S FAILURE TO ARRANGE FOR RECEIPT OF GAS IN ACCORDANCE WITH THE SERVICES BY ANY NECESSARY THIRD-PARTY TRANSPORTER, EXCEPT TO THE EXTENT OF ANY SHIPPER NEGLIGENCE OR WILLFUL MISCONDUCT.

ARTICLE 37. NOTICES

- 37.1 Unless otherwise provided in this Operating Statement or any Service Agreement, any notice, request, demand or other communication under this Operating Statement or any Service Agreement must be in writing and will be deemed to have been duly given (a) when delivered by hand, (b) when sent by facsimile (with receipt confirmed), or (c) when received by the addressee, if sent by Express Mail, Federal Express, or other express delivery services (receipt requested), or by first class postage prepaid, registered or certified mail, return receipt requested, in each case to the appropriate addresses and facsimile numbers set forth below (or to such other addresses and facsimile numbers as a Party may designate as to itself by fifteen (15) days prior written notice to the other Party):

- (a) To Bridgeline:

NOTICES

1722 Routh Street, Suite 1300
Dallas, Texas 75201
Attention: Commercial Development
cc: Regulatory Affairs

(b) To Shipper: As set forth in the Service Agreement.

- 37.2 The date of services by mail or by hand delivery is the date on which the addressee receives such notice. The date of services by facsimile is the date the notice is sent, unless such facsimile is sent after 5:00 P.M. Central Prevailing Time or on a weekend or a Federal Bank Holiday at which point the date of services is the next Business Day.
- 37.3 The Parties hereto agree that Confirmations, nominations and any other notice may be transmitted by facsimile or other similar technology and hereby waive any objection to the validity of signatures transmitted by such means.

ARTICLE 38. MISCELLANEOUS

- 38.1 Shipper agrees that Bridgeline shall have the unilateral right to file with the appropriate state or federal regulatory agency and make changes effective in (a) any applicable maximum or minimum rates for services rendered by Bridgeline, and (b) any provision of the Operating Statement applicable to services provided hereunder. Bridgeline shall provide written notice to Shipper of any such changes. Notwithstanding the foregoing, subsequent to execution of a Service Agreement, Bridgeline does not have the unilateral right without consent of the Shipper to change any of the specific rates, quantity, type of services selection, or Delivery/Receipt Point(s) terms included in any individual Service Agreement. Bridgeline agrees that Shipper may contest any of the above-mentioned filings by Bridgeline, and that Shipper reserves whatever rights it may have with respect to such filings.
- 38.2 **Limitation of Liability.** THE PARTIES AGREE THAT LIABILITY FOR ANY DAMAGES OR LOSS INCURRED BY A PARTY RESULTING FROM A PARTY'S PERFORMANCE OF, OR FAILURE TO PERFORM, THE OBLIGATIONS HEREUNDER SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY, AND THAT SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. UNLESS EXPRESSLY HEREIN PROVIDED, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE.
- 38.3 The descriptive headings of the provisions of this Operating Statement are formulated and used for convenience only and shall not be deemed to affect the meaning or construction of any such provisions.
- 38.4 **No Third Party Beneficiary:** This Operating Statement and any Service Agreement, Confirmations and/or nominations are not intended to and do not create rights, remedies, or benefits of any character whatsoever in favor of any persons or entities other than the Parties

and the obligations herein assumed are solely for the use and benefit of the Parties, their successors in interest and where permitted, their assigns.

- 38.5 Waiver of any breach or failure to enforce any of the terms and conditions of this Operating Statement and/or Service Agreement at any time shall not in any way affect, limit or waive either Party's right thereafter to enforce and compel compliance with every term and condition hereof.
- 38.6 Bridgeline shall have the right to waive any one or more specific defaults by Shipper of any provision of this Operating Statement and/or Service Agreement; provided, however, that no such waiver shall operate or be construed as a waiver of any other existing or future default or defaults, whether of a like or different character. In no event will waivers be granted or denied in an unduly discriminatory manner.
- 38.7 Bridgeline reserves the right to waive the provisions of this Operating Statement, provided that any such waivers shall be given on a nondiscriminatory basis to any Shipper similarly situated.
- 38.8 **Compliance with Laws.** The respective obligations of the Parties to this Operating Statement and any Service Agreement are subject to all present and future valid laws, orders, rules and regulations of duly constituted authorities having jurisdiction over the Parties, the Facilities or services, or this Operating Statement or any Service Agreement or any of their provisions. Neither Party will be held in default for failure to perform under this Operating Statement or any Service Agreement if such failure is due to compliance with valid laws, orders, rules or regulations of any such duly constituted authorities.
- 38.9 In the event that any term or provision in any Service Agreement is inconsistent with any term or provision in this Operating Statement, this Operating Statement shall control and the Service Agreement will be deemed modified accordingly.
- 38.10 **Severance.** Any provision of this Operating Statement and the Shipper's Service Agreements that is prohibited or unenforceable shall be ineffective only to the extent of that prohibition or unenforceability without invalidating the remaining provisions of this Operating Statement and the Shipper's Service Agreements. In such event, the Parties will negotiate in good faith a reasonable substitute provision that would cause the relative benefits negotiated by the Parties to be maintained.
- 38.11 **Confidentiality.** Bridgeline and Shipper shall each keep the terms of a particular Service Agreement and Confirmation and all documents and communications provided pursuant to the Service Agreement and Confirmation confidential, except as necessary for the rendering of services hereunder, including communications with interconnecting pipelines, or such other disclosures as may be required by applicable law.
- 38.12 **Entirety.** This Operating Statement and the Service Agreement, Confirmations and nominations constitutes the entire agreement between the Parties. There are no prior or contemporaneous agreements or representations affecting such subject matter other than those expressly identified in this Operating Statement and the Service Agreement.
- 38.13 **Conflicts of Interest.** No director, employee, or agent of either Party, or any contractor,

subcontractor or vendor of either Party, shall give to or receive from any director, employee or agent of the other Party, or any Affiliate of the other Party, any commission, fee, rebate, gift, or entertainment of significant cost or value in connection with this Operating Statement. In addition, no director, employee, or agent of either Party or any contractor, subcontractor or vendor of either Party, shall enter into any business arrangement with any director, employee, or agent of the other Party, or any Affiliate of the other Party, who is not acting as a representative of such other Party or its Affiliate, without prior written notification thereof to the other Party. Each Party shall have the right to audit the records of the other Party to verify compliance with this Article.

ARTICLE 39.
DEFINITIONS

The following terms, when used in this Operating Statement, shall have the following meanings:

“Adequate Assurance” means sufficient security in a form and for the term reasonably specified by Bridgeline.

“Affiliate” means, in relation to any Party, any entity controlled, directly or indirectly by the Party, any entity that controls, directly or indirectly, the Party or any entity directly or indirectly under common control with the Party. For this purpose, “control” of any entity or Party means ownership of a majority of the voting power of such entity or Party.

“Available Capacity” means the quantitative amount of services Bridgeline is capable of providing at its Facilities any time, as determined by Bridgeline in its discretion.

“Billed Month” shall have the meaning set forth in Article 27.

“Bridgeline’s Pipeline” means Bridgeline’s natural gas pipeline facilities in the State of Louisiana.

“British Thermal Unit” (Btu) shall mean the quantity of heat required to raise the temperature of one (1) pound *avoir du pois* of pure water from fifty-eight and five-tenths degrees Fahrenheit (58.5°F) to fifty-nine and five-tenths degrees Fahrenheit (59.5°F) at a constant pressure of fourteen and seventy-three hundredths pounds per square inch absolute (14.73 Psia).

“Business Day” shall mean Monday through Friday, excluding Federal Banking Holidays for transactions in the U.S., and similar holidays for transactions occurring in Canada and Mexico.

“Capacity Reservation Fee” means the fee paid by Shipper to Bridgeline for the purpose of reserving capacity in the Facilities.

“Commodity Charge” means the commodity fee for all services, as agreed to by Bridgeline and Shipper and stated in the applicable Confirmation, multiplied by the number of Btus of Gas, including any Fuel, Delivered by Shipper to Bridgeline at Receipt Point(s) or Delivered by Bridgeline to Shipper at Delivery Point(s).

“Confirmation” means a written confirmation form adequate at law and specifying the type of services to be offered and as applicable, the rate, the term, the MDQ, MSQ, MDIQ or MDWQ, the Receipt and Delivery Points, the Loaning and Parking Points, and any other terms mutually acceptable to Bridgeline and Shipper.

“Day” means a period of 24 consecutive hours commencing at 9:00 a.m., Central Prevailing Time.

“Dekatherm” (dth) shall mean the quantity of heat energy that is equivalent to 1,000,000 British Thermal Units. One “dekatherm of gas” shall mean the quantity of gas that contains

one dekatherm of heat energy.

“Delivery Point(s)” means the points specified on the applicable Confirmation at which Gas shall be tendered by Bridgeline to Shipper or the Transporting Pipeline for Transportation Services provided under this Operating Statement, and may include any point included on Bridgeline’s then-existing blanket certificate to perform NGPA Section 311 services on file with the Louisiana Office of Conservation.

“Facilities” means collectively Bridgeline’s Pipeline and Storage Facilities and their related appurtenances and equipment, whether above or below ground.

“Firm Loaning Services” means Loaning Services provided under any Service Agreement that is not subject to and will not become subject to a claim for use by any other person, except as provided in this Operating Statement.

“Firm Parking Services” means Parking Services provided under any Service Agreement that is not subject to and will not become subject to a claim for use by any other person, except as provided in this Operating Statement.

“Firm Services” means that the use of the Facilities or portion of the capacity in Bridgeline’s Facilities that is reserved for use by Bridgeline in order to provide Transportation or Storage Services to Shipper under any Service Agreement that is not subject to and will not become subject to a claim for its use by any other person, except as provided in this Operating Statement.

“Firm Storage Services” means any injection, storage, and withdrawal under any Service Agreement that is not subject to and will not become subject to a claim for use by any other person, except as provided in this Operating Statement.

“Firm Transportation Services” means that the use of the transportation Facilities or portion of the capacity in Bridgeline’s transportation Facilities that is reserved for use by Bridgeline in order to provide Transportation Services to Shipper under any Service Agreement that is not subject to and will not become subject to a claim for its use by any other person, except as provided in this Operating Statement.

“Force Majeure” shall have the meaning ascribed in Article 29.

“Fuel” means the quantity of Gas that Bridgeline shall receive as payment for fuel and loss, if any, associated with the operation of its Facilities.

“Gas” means natural gas in its natural state, produced from wells, including casinghead gas produced with crude oil, natural gas from gas wells, vaporized liquefied natural gas, and residue gas resulting from processing both casinghead gas and gas well gas, which equals or exceeds the quality specifications set forth in Article 11.

“Heating Value” shall mean the number of Btus produced by the complete combustion, at constant pressure, of the amount of gas which would occupy a volume of one (1) cubic foot at a temperature of sixty degrees Fahrenheit (60°F), if saturated with water vapor and at a constant pressure of fourteen and seventy-three hundredths pounds per square inch absolute

(14.73 Psia) and under standard gravitational force (acceleration of 980.665 centimeters per second) with air of the same temperature and pressure as the gas when the products of combustion are condensed to the liquid state. The gross heating value so determined shall be corrected from the conditions of testing to that of the actual condition of the gas as delivered hereunder (including the conversion from saturated to dry conditions) expressed in Btu per cubic foot and reported at a pressure base of fourteen and seventy-three hundredths pounds per square inch absolute (14.73 Psia); provided, however, if the gas as delivered hereunder contains seven (7) pounds or less of water vapor per one million (1,000,000) cubic feet, such gas shall be assumed to have zero (0) pounds of water per one million (1,000,000) cubic feet (dry gas).

“Imbalance” means the difference between the Gas volumes actually delivered and/or received by Shipper and the Gas volumes nominated and confirmed for receipt and/or delivery at the Facilities.

“Interruptible Loaning Services” means that Bridgeline shall have the right at any and all times during the term of the applicable Confirmation to decrease or to temporarily or permanently suspend or discontinue Loaning Services for any reason, in its discretion and without notice.

“Interruptible Parking Services” means that Bridgeline shall have the right at any and all times during the term of the applicable Confirmation to decrease or to temporarily or permanently suspend or discontinue Parking Services for any reason, in its discretion and without notice.

“Interruptible Services” means that Bridgeline shall have the right at any and all times during the term of the applicable Confirmation to decrease or to temporarily or permanently suspend or discontinue the Transportation or Storage Services for any reason, in its discretion and without notice.

“Interruptible Storage Services” means that Bridgeline shall have the right at any and all times during the term of the applicable Confirmation to decrease or to temporarily or permanently suspend or discontinue Storage Services for any reason, in its discretion and without notice.

“Interruptible Transportation Services” means that Bridgeline shall have the right at any and all times during the term of the applicable Confirmation to decrease or to temporarily or permanently suspend or discontinue Transportation Services for any reason, in its discretion and without notice.

“Loaning Point” means the point specified on the applicable Confirmation at which Bridgeline tenders Gas to Shipper for Loaning Service.

“Loaning Service” means (1) the withdrawal from the Storage Facilities of Gas by Bridgeline for delivery to Shipper at daily quantities up to the MDWQ; (2) the loan of Gas by Bridgeline to Shipper up to the MLQ; and (3) the return of loaned Gas by Shipper to Bridgeline and the injection into storage of such Gas at daily quantities up to the MDIQ.

“MDQ” or “Maximum Daily Quantity” means the aggregate maximum quantity of Gas

specified in the applicable Confirmation that Shipper may nominate for delivery to the Receipt Point(s) or the Delivery Point(s) each Day at constant hourly rates of flow over the course of such Day.

"MDIQ" or "Maximum Daily Injection Quantity" means the maximum quantity of Gas that Bridgeline is obligated to receive into its Storage Facilities for the account of Shipper during one Day as specified in an executed Service Agreement between Shipper and Bridgeline. Total MDIQ shall include Working Gas less Fuel.

"MDWQ" or "Maximum Daily Withdrawal Quantity" means the maximum quantity of Gas that Bridgeline is obligated to deliver out of its Storage Facilities for the account of Shipper during one Day as specified in an executed Service Agreement between Shipper and Bridgeline. Total MDWQ shall include Working Gas less Fuel.

"MLQ" or "Maximum Loan Quantity" means the maximum quantity of Gas that Bridgeline is obligated to loan for the account of Shipper during one Day as specified in an executed Service Agreement providing for Loaning Service between Shipper and Bridgeline.

"MPQ" or "Maximum Park Quantity" means the maximum quantity of Gas that Bridgeline is obligated to park for the account of Shipper during one Day as specified in an executed Service Agreement providing for Parking Service between Shipper and Bridgeline.

"MSQ" or "Maximum Storage Quantity" means the maximum quantity of Gas that Bridgeline is obligated to store at any one time for the account of Shipper as specified in an executed Service Agreement providing for Firm or Interruptible Storage Services between Shipper and Bridgeline.

"Mcf" means the quantity of Gas occupying a volume of one thousand cubic feet at a temperature of sixty degrees Fahrenheit (60°F) and at a pressure of fourteen and seventy-three hundredth pounds per square inch absolute (14.73 Psia).

"MMBtu" means one million Btu.

"Month" means a period of one calendar Month commencing at 9:00 a.m., Central Standard Time, on the first Day of a calendar Month and ending at 9:00 a.m. on the first Day of the following calendar Month.

"Nomination Procedures" shall have the meaning set forth in Article 21.

"OBA" or "Operational Balancing Agreement" means an agreement between Bridgeline and an upstream or downstream operator at a Receipt or Delivery Point(s) whereby the variance of actual measured Gas and confirmed Gas at a particular Receipt or Delivery Point(s) is resolved between Bridgeline and the upstream or downstream operator under the terms of the OBA

"Operating Statement" means the statement of terms and conditions to NGPA Section 311 transportation of Bridgeline on file with FERC.

"Operator" means any legal entity that owns natural gas production, or owns and/or

operates gas production, processing or upstream or downstream pipeline facilities, which are directly connected to Bridgeline's Facilities, and who is responsible for the confirmation and scheduling of receipt or delivery quantities, and the allocation of gas through such interconnecting facility.

"Parking Point" means the point specified on the applicable Confirmation at which Shipper tenders Gas to Bridgeline for Parking Service.

"Parking Service" means (1) the injection of Gas into Bridgeline's Storage Facilities for Shipper at daily quantities up to the MDIQ; (2) the parking of Gas in storage by Bridgeline for Shipper up to the MPQ; and (3) the withdrawal of parked Gas from storage by Bridgeline for delivery to Shipper at daily quantities up to the MDWQ.

"Party" or *"Parties"* means or refers to Bridgeline and/or Shipper individually or collectively as the case may be.

"Predetermined Allocation Methodology" or *"PDA"* means the method established between Bridgeline and Shipper or on Shipper's behalf or as specified in Article 17 to be applied for purposes of allocating quantities of Gas measured at any Delivery or Receipt Point(s).

"Psia" means pounds per square inch absolute.

"Psig" means pounds per square inch gauge.

"Purchase Spot Price" means the lowest price set forth in the daily price summary of Gas Daily® (published by Platts), or successor publication, in the column "Common" for the Henry Hub for a particular Month. In the event the Purchase Spot Price is no longer available or the basis upon which such price is reported or calculated in such publication changes substantively, Bridgeline and Shipper will agree on a suitable replacement price.

"Qualified Institution" means a banking or financial institution approved by Bridgeline.

"Receipt Point(s)" means the points specified on the applicable Confirmation at which Shipper or Transporting Pipeline tenders Gas to Bridgeline for Transportation Services provided under this Operating Statement.

"Sales Spot Price" means the highest price set forth in the daily price summary of Gas Daily® (published by Platts), or successor publication, in the column "Common" for the Henry Hub for a particular Month. In the event the Sales Spot Price is no longer available or the basis upon which such price is reported or calculated in such publication changes substantively, Bridgeline and Shipper will agree on a suitable replacement price.

"Scheduled Maintenance," means the period during which Bridgeline will not accept Gas for the account of Shipper as a result of maintenance to facilities scheduled upon fifteen (15) days prior written notice, during which period Shipper's transportation entitlements shall be suspended and/or reduced.

"Service Agreement" means an executed agreement between Bridgeline and Shipper providing for Firm or Interruptible Services by Bridgeline.

“Shipper” shall mean any customer using any of Bridgeline's services.

“Shipper's Gas” means gas that is owned or controlled by Shipper.

“Shipper Inventory” means the sum of the quantities of Gas Delivered by Shipper to Bridgeline at the Receipt Point(s) and transported and stored in the Facilities for Shipper's account, less the sum of the quantities of Gas Delivered by Bridgeline to Shipper at the Delivery Point(s), and less any Fuel. There will be a separate Shipper Inventory maintained for each Confirmation.

“Spot Price” means the price set forth in the daily price summary of Gas Daily® (published by Platts), or successor publication, in the column “Midpoint” for the Henry Hub. If there is no single price published for that particular Gas Day, but there is published a range of prices under the above column and listing, then the Spot Price shall be the average of such high and low prices of such published range (with preference given to the range in the column “Common”). In the event that no price or range of prices is published for that particular Gas Day, then the Spot Price shall be the average of the following: the price (determined as stated above) for each of the first Gas Day immediately preceding and following the Gas Day in which the default occurred for which a price or range can be determined pursuant to the above. If any or all of the indices used to determine the Spot Price are not available in the future, the Parties agree to promptly agree upon a mutually satisfactory alternate index for the Spot Price (an “Alternate Price”). If Bridgeline and Shipper cannot agree by the end of the first Month for which the Spot Price could not be determined, then Bridgeline and Shipper shall each prepare a prioritized list of up to five alternative published reference postings or prices representative of spot prices for Gas delivered in the same geographic area. Each Party shall submit its list to the other within 10 days after the end of the first Month for which the price could not be determined. The first listed index appearing in Bridgeline's list that also appears in Shipper's list shall constitute the replacement index. If no common indices appear on the lists, each Party shall submit a new list adding two indices within 10 days. If either Party fails to provide a list in a timely manner, such Party's list shall not be considered. From and after the “Renegotiations Date,” which shall be the date the Spot Price (determined using Gas Daily) is no longer available until the Alternate Price is determined, the Alternate Price shall be the average of the Spot Price(s) in effect during the 12 Months preceding the Month in which the Renegotiation Date occurred, which price shall be effective until the Alternate Price is determined. Upon determination of a new Alternate Price or the Spot Price, as applicable, such price will be effective retroactively to the Renegotiation Date.

“Storage Facilities” mean Bridgeline's (1) Sorrento Storage Facilities located near Sorrento, Louisiana, in Ascension Parish, consisting of two natural gas storage caverns, and (2) Napoleonville Storage Facilities located near Napoleonville, Louisiana, in Assumption Parish, consisting of one natural gas storage cavern, together with injection wells, withdrawal wells and other facilities relative thereto, and cushion gas in the caverns that is used to maintain structural integrity and to provide necessary pressure to withdraw Working Gas for sale and transport.

“Storage Inventory” means the quantity of Working Gas in MMBtus, that a Shipper has in place in Bridgeline's Storage Facilities for Shipper's account, provided that the Storage

Inventory shall never exceed Shipper's Maximum Storage Quantity or Maximum Parked Quantity.

"Storage Services" includes, but is not limited to, one or a combination of more than one of the following services rendered by Bridgeline for the account of a Shipper under an executed Service Agreement providing for Storage Services: Firm Storage Service, Interruptible Storage Service, Firm Parking and Loaning Service, Interruptible Parking and Loaning Service, and Title Tracking Service.

"Timely Nominations" shall mean nominations submitted by Shipper to, and accepted by Bridgeline prior to 11:00 a.m. Central Prevailing Time Monday through Friday for next Day Gas flow beginning at 9:00 a.m. Central Prevailing Time.

"Tolerance Range" shall mean, for any Day, either (i) a five percent (5%) overage or underage of the MDQ or (ii) the net cumulative amount of the daily overages and underages for that Day and each prior Day in the applicable Month, up to a maximum of two percent (2%) of the product of the then-current MDQ or MSQ and the number of days in such Month.

"Transaction" means services provided to Shipper under the terms of a Confirmation.

"Transporter" means the Shipper's transporter designated to deliver Gas to the Receipt Point(s) or Shipper's transporter designated to receive Gas at the Delivery Point(s).

"Transportation Services" means any transportation services provided under a Service Agreement by Bridgeline to a Shipper pursuant to Section 311 (a)(2) of the NGPA.

"Transporting Pipeline" means any pipeline that (a) delivers Shipper's Gas to the Receipt Point(s), or (b) accepts Shipper's Gas at the Delivery Point(s), in accordance with the applicable gas Service Agreement between Bridgeline and Shipper.

"Unauthorized Gas" shall mean gas that is delivered into Bridgeline's system on any Day or Month without a scheduled nomination at the Receipt Point at which the gas is delivered into Bridgeline's Facilities.

"Unauthorized Takes" shall mean Gas that is delivered from Bridgeline's system on any Day or Month without a scheduled nomination at the Delivery Point(s) at which the Gas is delivered from Bridgeline's Facilities.

"Working Gas" means the Gas that is injected into the Storage Facilities by Bridgeline for its own account, for the account of Shipper pursuant to the terms and conditions of this Operating Statement and Service Agreement, or for the account of others.

"Year" means a period of 365 consecutive Days, or 366 consecutive Days if the intervening period contains a February 29, with the first Year commencing at 9:00 a.m. on the Effective Date of a Service Agreement, and with each subsequent Year commencing on the anniversary thereof.

STATEMENT OF RATES

Effective Rates Applicable to Transportation and Storage Services
Described in this Statement of Operating Conditions

	<u>Maximum Rate</u>
Firm Transportation:	
Capacity Reservation Rate	\$4.2114 per MMBtu per month or \$0.1385 per MMBtu per day
Commodity Charge	\$0.0467 per MMBtu
Fuel Retention	Up to 1.0%
Interruptible Transportation:	
Commodity Charge	\$0.1852 per MMBtu
Fuel Retention	Up to 1.0%
Firm Storage:	Market-based rates
Interruptible Storage:	Market-based rates
Firm Parking:	Market-based rates
Firm Loaning:	Market-based rates
Interruptible Parking:	Market-based rates
Interruptible Loaning:	Market-based rates
Title Transfer:	Market-based rates