

STATEMENT OF OPERATING CONDITIONS
APPLICABLE TO INTRASTATE SERVICE

of

HILL-LAKE GAS STORAGE, LLC

Filed with the

TEXAS RAILROAD COMMISSION

Communications Concerning this Statement Should

Be Addressed to:

John H. Holcomb
Vice President of Marketing
Hill-Lake Gas Storage, LLC
1201 Louisiana, Ste. 700
Houston, Texas 77002

TABLE OF CONTENTS

Preliminary Statement 2

Statement of Rates 3

General Terms and Conditions 4

Rate Schedule FSS..... 28

Rate Schedule ISS 33

Forms of Service Agreements 37

PRELIMINARY STATEMENT

Hill-Lake Gas Storage, LLC (“Hill-Lake”) is a Texas limited liability company, primarily engaged in the business of developing and operating an intrastate underground natural gas storage facility and providing natural gas storage services (i) with respect to Gas tendered or accepted for delivery by Shipper that is stored, sold or exchanged by Shipper in “interstate commerce” (whether before delivery to Hill-Lake or after subsequent redelivery to Shipper by Hill-Lake) subject in all respects solely to regulation by the Commission pursuant to Section 311(a)(2) of the Natural Gas Policy Act of 1978 (“NGPA”) and the rules and regulations promulgated by the Commission in respect thereof, including, but not limited to, the rules and regulations set forth at 18 C.F.R. Part 284, Sub-Part C; and (ii) with respect to Gas tendered or accepted for delivery by Shipper hereunder that is not stored, transported, sold, or exchanged by Shipper in “interstate commerce” (whether before delivery to Shipper or after subsequent redelivery to Shipper by Hill-Lake) subject in all respect solely to regulation by the Texas Railroad Commission (“TRC”) under the Texas Utilities Code Chapter 104 and the rules and regulations of the TRC promulgated with respect thereto, including specifically (but not by way of limitation) the rules and regulations of the TRC set forth in the Texas Administrative Code, Title 16, Part I, Chapter 7. To the extent necessary, Hill-Lake shall make operational sales of Gas pursuant to its blanket certificate under 18 C.F.R., part 284, Subpart L of the Commission’s regulations. If, by providing storage services pursuant to Section 311(a)(2) of the NGPA, Hill-Lake’s status as an intrastate storage facility 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 Hill-Lake reserves the right to terminate all services under Section 311 of the NGPA and all Service Agreements related thereto, and to withdraw this Statement of Operating Conditions (“SOC”), all effective on the Day before any such change in statutes, regulations, or other Applicable Law.

This version of Hill-Lake’s SOC is applicable to all Intrastate service, and contains the Rate Statements, Rate Schedules and General Terms and Conditions applicable to firm and interruptible storage services performed by Hill-Lake through the Hill-Lake Gas Storage Facility located in Eastland County, Texas, pursuant to Rate Schedules FSS and ISS.

STATEMENT OF RATES

All services performed by Hill-Lake are provided at market-based rates (“MBR”), as more fully described below:

<u>Service</u>	<u>Rate</u>
Rate Schedule FSS	MBR
Rate Schedule ISS	MBR

GENERAL TERMS AND CONDITIONS

TABLE OF CONTENTS

	<u>Sheet No.</u>
SECTION 1. DEFINITIONS.....	5
SECTION 2. CONTRACTING FOR STORAGE SERVICE	8
SECTION 3. POINT(S) OF RECEIPT AND POINT(S) OF DELIVERY	13
SECTION 4. STORAGE OPERATIONS	14
SECTION 5. [RESERVED FOR FUTURE USE].....	15
SECTION 6. NOMINATIONS AND SCHEDULING	15
SECTION 7. PRIORITY, INTERRUPTION OF SERVICE AND OPERATIONAL FLOW ORDERS	17
SECTION 8. QUALITY	19
SECTION 9. GAS PRESSURE AND INJECTION/WITHDRAWAL RATES.....	20
SECTION 10. MEASUREMENT	20
SECTION 11. TITLE AND RISK OF LOSS	21
SECTION 12. BILLING AND PAYMENT	21
SECTION 13. FUEL REIMBURSEMENT.....	22
SECTION 14. FORCE MAJEURE	23
SECTION 15. [RESERVED FOR FUTURE USE].....	23
SECTION 16. GAS TITLE TRANSFERS	24
SECTION 17. PENALTIES	24
SECTION 18. NOTICES.....	25
SECTION 19. JOINT OBLIGATIONS.....	25
SECTION 20. NON-DISCRIMINATORY WAIVER OF SOC PROVISIONS AND NON-WAIVER OF FUTURE DEFAULTS	25
SECTION 21. MODIFICATION	25
SECTION 22. SUCCESSORS IN INTEREST.....	25
SECTION 23. DEFAULT	25
SECTION 24. POLICY WITH RESPECT TO FEES AND CONSTRUCTION OF NEW FACILITIES	26
SECTION 25. [RESERVED FOR FUTURE USE].....	26
SECTION 26. DISPOSITION OF RETAINED QUANTITIES	26

GENERAL TERMS AND CONDITIONS

Except where stated otherwise, the General Terms and Conditions of Hill-Lake's currently effective SOC shall apply to all natural gas services rendered by Hill-Lake under any Service Agreement, including, but not limited to, Service under Rate Schedules FSS and ISS.

1. DEFINITIONS

1.1 "Applicable Law" shall mean the Natural Gas Act, 15 U.S.C. § 717f(c) (2000), as amended, the Natural Gas Policy Act of 1978, 15 U.S.C. § 3371 (1994), as amended, or any other law applicable to the Services provided by Hill-Lake under this SOC.

1.2 "Authorized Overrun Quantities" shall mean quantities of Gas which Hill-Lake agrees, in its sole discretion, to inject or withdraw for Shipper, in excess of Shipper's Maximum Daily Injection Quantity/Maximum Daily Withdrawal Quantity/Maximum Daily Balancing Quantity or Maximum Hourly Injection Quantity/Maximum Hourly Withdrawal Quantity/Maximum Hourly Balancing Quantity, as established in Exhibit A of Shipper's Service Agreement.

1.3 "Btu" means one British Thermal Unit, and shall be the quantity of heat required to raise the temperature of one (1) pound of water from fifty-eight and five-tenths degrees (58.5 degrees) to fifty-nine and five-tenths degrees (59.5 degrees) Fahrenheit. The reporting basis for Btu is 14.73 dry psig and 60 degrees F (101.325 kPa and 15 degrees C, and dry).

1.4 "Business Day" shall mean Monday through Friday, excluding federal banking holidays for transactions in the United States.

1.5 "Contract Year" shall mean the twelve (12) month period beginning on the date Service under a Service Agreement commences and each subsequent twelve month period thereafter during the term of the Service Agreement.

1.6 "Critical Notices" shall mean information pertaining to Hill-Lake conditions that affect scheduling or adversely affect scheduled storage Service.

1.7 "Cubic Foot" shall mean the volume of Gas that occupies one cubic foot at a temperature of 60 degrees Fahrenheit, a pressure of 14.73 psig, and dry. Mcf means one thousand (1,000) cubic feet and MMcf means one million (1,000,000) cubic feet.

1.8 "Day," or "Gas Day" shall mean a period of twenty-four (24) consecutive hours beginning and ending at 9:00 AM central clock time (C.T.) including Saturdays, Sundays and federal banking holidays, except that in the event that an obligation falls due on a Saturday, Sunday or federal banking holiday the obligation shall be due on the next Business Day.

1.9 "Electronic Bulletin Board" or "EBB," currently the "Latitude System" or any such subsequent system as it may be replaced from time to time, shall mean the Hill-Lake Shipper interface system.

1.10 "Facility" or "Facilities" shall mean the structure and facilities designed and constructed by Hill-Lake for purposes of providing the Service(s) contemplated by the applicable Service Agreement.

1.11 "FERC" or "Commission" shall mean the Federal Energy Regulatory Commission or any successor agency.

1.12 "Firm" shall mean Service provided under Rate Schedules FSS.

1.13 "Force Majeure" shall mean an event of Force Majeure as specified in Section 14.

Hill-Lake Gas Storage, LLC
Statement of Operating Conditions

- 1.14 “FSS Service Agreement” shall mean the agreement governing Service provided under Rate Schedule FSS.
- 1.15 “Fuel Reimbursement” shall have the meaning specified in Section 13.
- 1.16 “GAAP” shall have the meaning assigned in Section 2.4(a)(1)(i).
- 1.17 “Gas” shall mean natural gas in its natural state, produced from wells, including casinghead gas produced with crude oil, natural gas from wells and residue gas resulting from processing both casinghead gas and well gas.
- 1.18 “Hill-Lake” shall mean Hill-Lake Gas Storage, LLC
- 1.19 “Interconnecting Pipelines” shall have the meaning specified in Section 3.7.
- 1.20 “Interruptible” shall mean the storage services which are subject to interruption at any time by Hill-Lake.
- 1.21 “Interruptible Storage Inventory” shall mean the quantity of Gas in Shipper’s account under Rate Schedule ISS.
- 1.22 “ISS Service Agreement” shall mean the agreement governing Service provided under Rate Schedule ISS.
- 1.23 “Material Adverse Change” shall mean a material change to (i) the business, property, condition (financial or otherwise), results of operations, or prospects of Shipper or any Shipper guarantor, including bankruptcy or other insolvency proceeding; (ii) a downgrade in Shipper’s or Shipper’s guarantor’s credit rating, as established by Standard & Poor’s or Moody’s Investments Services, Inc.; or (iii) the validity or enforceability of the Service Agreement(s), any Shipper guaranty, or the rights or remedies of Hill-Lake thereunder, which, in the sole discretion of Hill-Lake, adversely affects either (A) the ability of Shipper or Shipper’s guarantor to perform in a timely manner any of their respective obligations under the Service Agreement(s) or guaranty, as applicable, or (B) the rights of Hill-Lake under either the Service Agreement(s) and/or Shipper’s guaranty.
- 1.24 “Maximum Daily Delivery Quantity” or “MDDQ” shall mean the maximum quantity of Gas, expressed in MMBtus, specified in Shipper’s Service Agreement, as applicable, that Shipper may nominate and that Hill-Lake shall deliver at a Point of Delivery at constant hourly rates of flow over the course of such Day (excluding Fuel Reimbursement).
- 1.25 “Maximum Daily Injection Quantity” or “MDIQ” shall mean the maximum quantity of Gas which Shipper is entitled to inject into the Facility on any Day for storage Service, excluding Fuel Reimbursement at constant hourly rates of flow over the course of such Day excluding Fuel Reimbursement.
- 1.26 “Maximum Daily Receipt Quantity” or “MDRQ” shall mean the maximum quantity of Gas, expressed in MMBtus, specified in Shipper’s Service Agreement, that Shipper may nominate and that Hill-Lake shall receive at each Point of Receipt at constant hourly rates of flow over the course of such Gas Day (excluding Fuel Reimbursement).
- 1.27 “Maximum Daily Withdrawal Quantity” or “MDWQ” shall mean the maximum quantity of Gas which Shipper is entitled to withdraw on any Gas Day for storage Service, excluding Fuel Reimbursement at constant hourly rates of flow over the course of such Day excluding Fuel Reimbursement.
- 1.28 “Maximum Hourly Injection Quantity” or “MHIQ” shall mean the maximum quantity of Gas which Shipper is entitled to inject into the Facility during any hour for storage Service, excluding Fuel Reimbursement. The MHIQ shall equal 1/24 of the MDIQ unless designated otherwise in Exhibit A to Shipper’s Service Agreement.

Hill-Lake Gas Storage, LLC
Statement of Operating Conditions

1.29 “Maximum Hourly Withdrawal Quantity” or “MHWQ” shall mean the maximum quantity of Gas which Shipper is entitled to withdraw from the Facility during any hour for storage Service, excluding Fuel Reimbursement. The MHWQ shall equal 1/24 of the MDWQ unless designated otherwise in Exhibit A to Shipper’s Service Agreement.

1.30 “Maximum Storage Quantity” or “MSQ” shall mean the maximum quantity of Gas expressed in MMBtu, that Shipper is permitted to have in storage in Hill-Lake’s Facility located in Eastland County, Texas, at any given time as specified in the Exhibit A to Shipper’s Service Agreement.

1.31 “Minimum Acceptable Credit Rating” shall have the meaning assigned in Section 2.4(b)(1).

1.32 “MMBtu” shall mean the quantity of heat energy which is equivalent to 1,000,000 Btu.

1.33 “Month” shall mean a period beginning at 9:00 AM C.T. on the first Day of the calendar month and ending at 9:00 AM C.T. on the first Day of the following month.

1.34 “Operational Flow Order” or “OFO” is an order issued to alleviate conditions, inter alia, which threaten or could threaten the safe operations or system integrity of Hill-Lake’s system or to maintain operations required to provide efficient and reliable Firm Service. Whenever Hill-Lake experiences these conditions, any pertinent order should be referred to as an Operational Flow Order.

1.35 “Overrun” shall mean any quantity that is not within Shipper’s entitlements as set forth in Shipper’s Firm Service Agreement. Such quantities shall be deemed Interruptible Service.

1.36 “Party” shall mean Hill-Lake or Shipper individually and “Parties” shall mean Hill-Lake and Shipper collectively.

1.37 “Point(s) of Delivery” shall mean the point(s) located on Hill-Lake’s system in Eastland County, Texas, where Hill-Lake shall tender Gas to Shipper.

1.38 “Point(s) of Receipt” shall mean the point(s) located on Hill-Lake’s storage and/or pipeline system in Eastland County, Texas where Hill-Lake shall receive Gas from Shipper.

1.39 “Potential Shipper” shall mean any individual or entity that desires to execute a Service Agreement with Hill-Lake.

1.40 “Psig” shall mean pounds per square inch gauge.

1.41 “Receipt and Delivery Capacity” shall have the meaning specified in Section 3.7.

1.42 “Reservation Charge” shall have the meaning set forth in Shipper’s executed Service Agreement.

1.43 “Service(s)” shall mean the injection, storage and withdrawal of Gas, and any ancillary activities to be performed by Hill-Lake for Shipper pursuant to a Service Agreement.

1.44 “Service Agreement” shall mean the Firm Storage Service (FSS) Agreement and the Interruptible Service (ISS) Agreement (including all Exhibits), as such agreements are amended and supplemented from time to time.

1.45 “Shipper” shall mean any individual or entity executing a valid Service Agreement with Hill-Lake for Service(s) hereunder.

1.46 “SOC” shall mean this Statement of Operating Conditions.

Hill-Lake Gas Storage, LLC
Statement of Operating Conditions

1.47 “Storage Inventory” shall mean the quantity of Gas in MMBtu that a Shipper has in place at Hill-Lake’s storage Facilities for Shipper’s account, provided that the Storage Inventory shall never exceed Shipper’s Maximum Storage Quantity.

1.48 “Title Transfer” shall mean the change of title to Gas between Parties at a location.

1.49 “Title Transfer Tracking” shall mean the process of accounting for the progression of title changes from party to party that does not effect a physical transfer of Gas.

1.50 “Transporter” shall mean an Interconnecting Pipeline designated to transport Shipper’s Gas to the Point(s) of Receipt or receive Gas from the Point(s) of Delivery.

1.51 “TRC” shall mean the Texas Railroad Commission or any successor agency.

1.52 “Web Site” shall mean Hill-Lake’s HTML site accessible via the Internet’s World Wide Web and located at <http://www.nortexmidstream.com>.

Additional terms indicated by capitalization and utilized in this Statement of Operating Conditions shall have the meaning ascribed to them where first utilized.

2. CONTRACTING FOR STORAGE SERVICE

2.1 Contact Information.

- (a) Any person may request information on pricing, terms of storage or capacity availability by contacting Hill-Lake at the following:

Hill-Lake Gas Storage, LLC
1201 Louisiana, Ste. 700
Houston, Texas 77002
Attn: Vice President of Marketing
Phone: 713-961-3204

- (b) Each Shipper will be provided with a list of phone numbers for Hill-Lake’s Gas dispatch and control personnel, who are on call 24-hours a day.

2.2 [Reserved for Future Use].

2.3 Information Requirements.

- (a) A Shipper or Potential Shipper requesting new Service or an amendment to existing Service shall also provide the following to Hill-Lake:
- (1) Either at the time the request for new Service or an amendment to existing Service is submitted to Hill-Lake or at the time of execution of the Service Agreement, such other information (if any), in writing, as may be required to comply with any regulatory reporting or filing requirements; and
 - (2) Within ten (10) Business Days of the submittal of the request for new Service, any credit information required to be provided pursuant to Section 2.4(a) below.
- (b) If Potential Shipper/Shipper does not submit the full and complete information as required in Section 2.3 above within the required timeframes, the request for Service shall be considered to be null and void. In addition, Hill-Lake shall reject any request for Service created in the EBB by Shipper but not submitted to Hill-Lake within ninety (90) days of Shipper’s creation of such request.

2.4 Creditworthiness.

(a) Credit Information.

- (1) Potential Shipper/Shipper shall provide as reasonably requested by Hill-Lake: (i) complete and current financial statements, including annual reports, 10K reports or other filings with regulatory agencies, prepared in accordance with generally accepted accounting principles (“GAAP”), or for non U.S.-based Shippers, prepared in accordance with equivalent principles; (ii) a list of corporate affiliates, parent companies and subsidiaries; (iii) any credit reports from credit reporting agencies which are available; and (iv) such other information as may be mutually agreed to by the Parties.
- (2) For a Shipper or Potential Shipper that is not a public entity or whose ultimate parent company is not a public entity, Potential Shipper shall provide initially, and Shipper shall provide on a continuing basis: (i) the most recent available interim financial statements, with an attestation by its Chief Financial Officer that such statements constitute a true, correct and fair representation of financial condition prepared in accordance with GAAP or equivalent; or (ii) an existing sworn filing, including the most recent available interim financial statements and annual financial reports filed with the respective regulatory authority (if applicable), showing Potential Shipper/Shipper’s current financial condition.
- (3) Potential Shipper shall confirm in writing initially and any Shipper that fails to satisfy the Minimum Acceptable Credit Rating set forth in Section 2.4(b)(1) shall confirm in writing within ten (10) Business Days of receipt of a written request from Hill-Lake, that: (i) Potential Shipper/Shipper is not operating under any chapter of the bankruptcy laws; (ii) Potential Shipper/Shipper is not subject to liquidation or debt reduction procedures under state laws, such as an assignment for the benefit of creditors or any informal creditors’ committee agreement; (iii) no significant collection lawsuits or judgments are outstanding that would materially affect Potential Shipper/Shipper’s ability to remain solvent as a business entity; and (iv) no receiver, custodian, trustee, or similar person has been appointed for a material portion of Shipper’s assets. If Shipper’s status changes so that Shipper’s prior confirmation is no longer accurate, Shipper shall notify Hill-Lake in writing within ten (10) Business Days of the change. Failure of Potential Shipper/Shipper to satisfy the condition set forth in clause (i) of this Section 2.4(a)(3) shall not result in Potential Shipper/Shipper being deemed non-creditworthy if Potential Shipper/Shipper is a debtor in possession operating under Chapter 11 of the Federal Bankruptcy Code and Hill-Lake receives adequate assurance that Potential Shipper/Shipper’s liabilities to Hill-Lake will be paid promptly as a cost of administration under the Federal Bankruptcy Court’s jurisdiction.
- (4) In the event Shipper cannot provide the information specified in Section 2.4(a)(1)-(3) above, Shipper shall provide, if applicable, that information for its parent company.

(b) Minimum Acceptable Credit Rating.

- (1) Potential Shipper or Shipper will be deemed creditworthy if its unenhanced long-term senior unsecured debt is rated, or if its issuer credit rating is, at least “BBB-” by Standard & Poor’s (“S&P”) or “Baa3” by Moody’s Investor Services, Inc. (“Moody’s”) (the “Minimum Acceptable Credit Rating”), provided that, in the event that such ratings by S&P and Moody’s vary by more

than one “notch,” the middle rating between the two actual ratings (rounded upwards if there are an even number of ratings notches between the two actual ratings) shall be used for purposes of determining whether Shipper has achieved the Minimum Acceptable Credit Rating. The applicable credit rating shall be a “foreign currency” rating if Shipper is domiciled outside of the United States. “Local currency” ratings are unacceptable unless Potential Shipper/Shipper’s local currency is US Dollars.

- (2) If Potential Shipper/Shipper’s debt is not rated by S&P or Moody’s, Potential Shipper/Shipper may elect to obtain an equivalent credit rating to establish its creditworthiness. Such equivalent credit rating must meet the minimum rating requirement set forth in Section 2.4(b)(1) of these General Terms and Conditions and may be obtained in one of the following two ways:
 - (A) Potential Shipper/Shipper may request an equivalent rating as determined by Hill-Lake, based on the financial rating methodology, criteria and ratios for the industry of Potential Shipper/Shipper as published by S&P and Moody’s from time to time. In general, such equivalent rating will be based on the audited financial statements for Potential Shipper/Shipper’s two most recent fiscal years, all interim reports and any other relevant information. Hill-Lake shall apply financial evaluation standards consistently and on a non-discriminatory basis. If Potential Shipper/Shipper requests an equivalent rating determination by Hill-Lake and Potential Shipper/Shipper is found not to meet the minimum requirements set forth in Section 2.4(b)(1) of these General Terms and Conditions, Hill-Lake shall inform Potential Shipper/Shipper of the basis of such finding.
 - (B) Potential Shipper/Shipper may, at its own expense, obtain an equivalent rating from a credit rating agency acceptable to Hill-Lake, or request that an independent accountant or financial advisor mutually acceptable to Hill-Lake and Potential Shipper/Shipper prepare an equivalent rating based on the financial rating methodology, criteria and ratios for the industry of Potential Shipper/Shipper as published by S&P and Moody’s.
- (c) Alternative Forms of Security. If at any time Potential Shipper/Shipper does not meet the Minimum Acceptable Credit Rating as described in Section 2.4(b)(1) of these General Terms and Conditions, Potential Shipper/Shipper shall be required to provide one of the following alternative forms of security to Hill-Lake:
 - (1) Potential Shipper/Shipper may post and maintain in effect a standby, irrevocable Letter of Credit (i) issued by a financial institution with combined capital and surplus of at least \$500,000,000 that is rated at least A by Standard & Poor’s Corporation and A2 by Moody’s, (ii) that provides for partial drawdowns, and (iii) that is in form and substance satisfactory to Hill-Lake. A form of Letter of Credit is available from Hill-Lake. For Service that is not originally subscribed in connection with construction, the amount of the Letter of Credit shall at all times be no less than the value of three (3) Months’ worth of applicable storage charges for the requested MSQ at the maximum applicable unit rate for Potential Shipper/Shipper’s Service at 100% load factor. If Hill-Lake draws funds under the Letter of Credit, Potential Shipper/Shipper shall replenish the Letter of Credit to the required value specified herein no later than five (5) Business Days after such draw.

- (2) Potential Shipper/Shipper may provide a guaranty of all of Shipper's obligations under the Service Agreement granted to Hill-Lake by the Potential Shipper/Shipper's parent, affiliate or third party with a credit rating of at least the Minimum Acceptable Credit Rating, which guarantee shall be in form and substance acceptable to Hill-Lake.
 - (3) Potential Shipper/Shipper may prepay for Service via cleared check or wire transfer. For Service that is not originally subscribed in connection with construction, the amount of the prepayment shall at all times be no less than the value of three (3) Months' worth of applicable storage charges for the requested MSQ at the maximum applicable unit rate for Potential Shipper/Shipper's Service at 100% load factor. For Service that is originally subscribed in connection with construction, the amount of the prepayment shall at all times be no less than the amount set forth in Potential Shipper/Shipper's precedent agreement. Prepayment amounts shall be deposited in an interest-bearing escrow account if such an account has been established by Potential Shipper/Shipper and Hill-Lake reasonably determines that such account is satisfactory. The costs of establishing and maintaining the escrow account shall be borne by Shipper. The escrow bank must be acceptable to Hill-Lake. The escrow agreement shall provide for prepayment amounts to be applied against Potential Shipper/Shipper's obligation under its Service Agreement(s) with Hill-Lake and shall grant Hill-Lake a security interest in such amounts as an assurance of future performance. The escrow agreement shall specify the permitted investments of escrowed funds so as to protect principal, and shall include only such investment options as corporations typically use for short-term deposit of their funds. If Hill-Lake is required to draw down the funds in escrow, Potential Shipper/Shipper shall replenish such funds no later than five (5) Business Days.
 - (4) Potential Shipper/Shipper may provide such other form of security as mutually acceptable to Potential Shipper/Shipper and Hill-Lake.
 - (5) All of Hill-Lake's creditworthiness review standards and requirements shall be imposed on a non-discriminatory basis. Security shall no longer be required pursuant to this Section 2.4(c) when Potential Shipper/Shipper achieves the Minimum Acceptable Credit Rating set forth in Section 2.4(b)(1) or when the Potential Shipper/Shipper is no longer receiving Services from Hill-Lake, and has not guaranteed and is not otherwise liable for the performance of any assignee of Shipper, and has paid in full for all Services received from Hill-Lake in the past. Upon Potential Shipper/Shipper's request, which may be made at any time, Hill-Lake shall determine whether Potential Shipper/Shipper has achieved the Minimum Acceptable Credit Rating as described in Section 2.4(b)(1). In the event Hill-Lake determines that Potential Shipper/Shipper achieves the Minimum Acceptable Credit Rating, Hill-Lake shall terminate any alternative forms of security that Potential Shipper/Shipper may have been required to provide to Hill-Lake. If Potential Shipper/Shipper has provided such security in the form of a prepayment, Hill-Lake shall refund any unused prepayment within five (5) Business Days, plus interest due to Potential Shipper/Shipper, less costs incurred by Hill-Lake.
- (d) Termination Based on Non-Creditworthiness.
- (1) If at any time Hill-Lake reasonably determines that Shipper does not meet the Minimum Acceptable Credit Rating set forth in Section 2.4(b)(1) of these General Terms and Conditions and Shipper has not already provided an

alternative form of security as provided for in Section 2.4(c) of these General Terms and Conditions, Hill-Lake may notify Shipper in writing that it must provide one of the alternative form of security specified in Section 2.4(c) of these General Terms and Conditions. If (a) within five (5) Business Days of such notice, Shipper has not provided a guaranty as described in Section 2.4(c)(2) of these General Terms and Conditions, or prepayment or a Letter of Credit (in either case, in an amount sufficient to cover the value of three (3) Month's worth of applicable storage charges for the requested MSQ at the maximum applicable unit rate for Shipper's Service at 100% load factor); or (b) within thirty (30) days of such notice, Shipper has not provided an alternative form of security as specified in Section 2.4(c) of these General Terms and Conditions, Hill-Lake may, upon notice to Shipper, suspend Service immediately. Hill-Lake may simultaneously serve Shipper a notice of termination of the Service Agreement, such termination to be effective five (5) days from the date of such notice unless prior to such date Hill-Lake has received the necessary assurance that Shipper has achieved the Minimum Acceptable Credit Rating or alternative form of security as required hereunder. Hill-Lake may also exercise any other remedy available to Hill-Lake hereunder, at law or in equity.

- (2) Any suspension of Service pursuant to this Section 2.4(d) shall continue until Hill-Lake terminates the Service Agreement or until Shipper achieves the Minimum Acceptable Credit Rating or has provided an alternative form of security as required pursuant to these General Terms and Conditions. Shipper shall not be required to pay reservation charges during such suspension. At any time during such suspension, Shipper may request that Hill-Lake determine that Shipper has achieved the Minimum Acceptable Credit Rating as specified in Section 2.4(b)(1) of these General Terms and Conditions.

2.5 Additional Information.

- (a) Shipper shall also promptly provide such additional Shipper credit information as may be reasonably required by Hill-Lake, at any time during the term of Service under a Service Agreement, to determine Shipper's creditworthiness.
- (b) After receipt of a request for Service, Hill-Lake may require that Shipper furnish additional information as a prerequisite to Hill-Lake offering to execute a Service Agreement with Potential Shipper/Shipper. Such information may include proof of Potential Shipper/Shipper's lawful right and/or title to cause the Gas to be delivered to Hill-Lake for Service under this SOC and of Potential Shipper/Shipper's contractual or physical ability to cause such Gas to be delivered to and received from Hill-Lake.

2.6 Execution of Service Agreements and Amendments.

- (a) A Service Agreement and/or amendment to an existing Service Agreement shall be executed, as specified in this Section 2.6 by Potential Shipper/Shipper and Hill-Lake following the completion of any applicable bid solicitation process.
- (b) All Service Agreements and all Service Agreement amendments shall be executed via hard copy or electronically via the EBB by Potential Shipper/Shipper and Hill-Lake. Each Potential Shipper/Shipper shall execute a Service Agreement within thirty (30) days of the tender of said Service Agreement.

- (c) The applicable Form of Service Agreement, the Exhibit(s) executed by Shipper and Hill-Lake, the applicable Rate Schedule, and the General Terms and Conditions of this SOC will comprise the entire Service Agreement between Shipper and Hill-Lake.
- (d) If Hill-Lake has tendered a Service Agreement for execution and Potential Shipper/Shipper fails to execute the Service Agreement as tendered within thirty (30) days of the date Potential Shipper/Shipper receives the Service Agreement, the Service Agreement and the corresponding request for Service shall be considered null and void unless otherwise mutually agreed to by the Parties.

2.7 Priority of Service. In all instances, Firm Service will have a superior priority to Interruptible Service.

- (a) In the event that Hill-Lake must restrict Firm Service, such Service will be restricted on a pro rata basis based on each Shipper's applicable Maximum Daily Quantity or Maximum Storage Quantity. In the event that such action must be taken, Hill-Lake will notify Shipper via email.
- (b) Interruptible storage Service will be restricted based on price, where Shippers paying the highest price receive the highest priority.
- (c) Should two or more Interruptible Shippers have the same priority, capacity will be allocated to each Shipper on a pro rata basis.

2.8 Prior to the expiration of the term of a Service Agreement and prior to Hill-Lake's posting the availability of capacity under Hill-Lake's right of first refusal provisions, if applicable, Hill-Lake and Shipper may mutually agree to an extension of the term of the Service Agreement (the exact length of which is to be negotiated on a case-by-case basis, in a not unduly discriminatory manner).

2.9 Hill-Lake shall not be required to perform the requested Service in the event all Facilities necessary to render the requested Service do not exist at the time the request for Service is submitted to Hill-Lake.

2.10 No request for Service from a Point of Receipt or to a Point of Delivery shall be granted if to do so would impair Hill-Lake's ability to render Services pursuant to Hill-Lake's Rate Schedule FSS.

2.11 Hill-Lake shall not be required to provide any requested Service under any Rate Schedule which would require construction or acquisition by Hill-Lake of new Facilities or expansion of existing Facilities; provided, however, that Hill-Lake may enter into an agreement for Service that would require the construction, modification, or expansion of any of the Hill-Lake or any additional Facilities.

3. POINT(S) OF RECEIPT AND POINT(S) OF DELIVERY

3.1 Point(s) of Receipt. Shipper shall tender all Gas for receipt or injection into storage to Hill-Lake at the Point(s) of Receipt located on Hill-Lake's system in Eastland, Texas as specified in Shipper's Service Agreement. The quantity of Gas tendered by Shipper to Hill-Lake for injection into storage shall (i) not exceed at each Point of Receipt the MDRQ as applicable, for such Point of Receipt in effect from time to time, or (ii) not exceed the MDIQ or MDRQ plus the applicable Fuel Reimbursement at all Point(s) of Receipt in effect from time to time, without the written consent of Hill-Lake.

3.2 Point(s) of Delivery. Hill-Lake shall tender all Gas to be redelivered or withdrawn from storage to Shipper at the Point(s) of Delivery located on Hill-Lake's system located in Eastland County, Texas as specified in Shipper's Service Agreement. The quantity of Gas delivered to Shipper shall (i) not exceed at each Point of Delivery the MDDQ, as applicable, for such Point in effect from time to time, or (ii) not exceed the MDWQ plus the applicable Fuel Reimbursement at all Point(s) of Receipt in effect from time to time, without the written consent of Hill-Lake.

3.3 Transportation Guidelines. The Transporter(s)' rules, guidelines, operational procedures and policies, as they may be changed from time to time, shall define and control the manner in which Gas is delivered and received at the Point(s) of Delivery and Point(s) of Receipt. Hill-Lake and Shipper each agree to provide to the other, in as prompt a manner as reasonable, all information necessary to permit scheduling pursuant to such requirements. In addition, Hill-Lake will not be required to begin receipts, deliveries, injections or withdrawals for a Shipper's account unless and until the data required for nominations, provided for in Section 6, have been confirmed by the applicable Transporter to Hill-Lake's Gas dispatcher.

3.4 Transportation Imbalances. In the event that Hill-Lake or Shipper delivers or causes to be delivered to Transporter at the Point(s) of Receipt or Point(s) of Delivery a quantity of Gas not equal to the quantity of Gas received or taken by Shipper or Hill-Lake, a "Transportation Imbalance" may occur. Provided that Hill-Lake has taken or delivered the quantity of Gas nominated by Shipper and scheduled by Transporter, Shipper shall be liable for all imbalances under its transportation agreement with Transporter. Upon notification by Shipper or Transporter that a Transportation Imbalance exists because Hill-Lake failed to deliver or receive the quantity of Gas nominated by Shipper and scheduled by Transporter, Hill-Lake will endeavor to correct the Transportation Imbalance subject to any restrictions imposed by Transporter but Hill-Lake shall be solely responsible and liable for any charges, penalties, costs and expenses incurred or payable by either Party as a result of such Transportation Imbalance except to the extent that the Transportation Imbalance was caused by an event of Force Majeure. Shipper agrees to use its best efforts to prevent or diminish any occurrences of imbalances.

3.5 Measurement. Shipper and Hill-Lake agree that the quantity of Gas delivered hereunder shall be measured by or caused to be measured by Hill-Lake in accordance with Transporter's pipeline tariff, and, as such, may be allowed to fluctuate within the applicable measurement or flow tolerances on a daily and monthly basis.

3.6 Costs and Penalties. Shipper shall hold Hill-Lake harmless for all costs and penalties which may be assessed by Transporter under Shipper's transportation agreement with Transporter, unless the costs and penalties are due to the negligence of Hill-Lake. Shipper and Hill-Lake shall cooperate with each other and with Transporter to verify delivery and receipt of the volumes of Gas delivered hereunder on a timely basis.

3.7 Downstream and Upstream Transportation. Except as otherwise provided herein, Shipper shall be responsible for transportation from the Point(s) of Delivery located on Hill-Lake's system and payment of all transportation charges relating thereto. Shipper shall be responsible for transportation to the Point(s) of Receipt located on Hill-Lake's system and payment of all transportation charges relating thereto. Notwithstanding the above, transportation to and from Atmos' Line X Pipeline and the North Texas Pipeline, as well as any other pipelines that hereafter are connected to Hill-Lake's Storage Facility (collectively, the "Interconnecting Pipelines"), will be provided by Hill-Lake as part of the storage Services; provided, however, that Hill-Lake reserves the right, in its sole discretion, to determine the availability of capacity to receive Gas from and deliver Gas to the Interconnecting Pipelines ("Receipt and Delivery Capacity"), it being understood that such Receipt and Delivery Capacity may vary from time to time. Any other necessary transportation arrangements on the Interconnecting Pipelines shall be the sole responsibility of shipper. At all times, Shipper must be in compliance with all Applicable Laws.

4. OPERATIONS

4.1 Shipper shall tender or cause to be tendered to Hill-Lake at the Point(s) of Receipt located on its system any Gas which Shipper desires to have injected into storage, plus applicable Fuel Reimbursement volumes. Shipper shall also receive or cause to be received Gas requested to be withdrawn from storage at the Point(s) of Delivery located on Hill-Lake's system.

4.2 Subject to the operating conditions of the delivering or receiving pipelines, Hill-Lake shall receive Gas from Shipper at the Point(s) of Receipt located on its system and deliver Gas to Shipper at the Point(s) of Delivery located on its system as scheduled by Shipper from time to time; provided that Hill-Lake shall not be obligated to receive any quantity of Gas if the receipt of the same would cause the quantity of Gas stored for Shipper's account to exceed Shipper's MSQ; nor shall Hill-Lake be obligated at any time to deliver more Gas to Shipper than Shipper has stored in its Storage Inventory.

4.3 Due to certain limitations of Hill-Lake's Facility, Hill-Lake shall not be obligated to receive, at any Point of Receipt or deliver, at any Point of Delivery, any quantity of Gas when the quantity of Gas tendered for delivery to Hill-Lake or requested by Shipper to be delivered, together with all other quantities of Gas tendered for delivery to Hill-Lake at any such Point of Receipt or requested for delivery at such Point of Delivery, results in a net metered flow which is less than or equal to 5,000 MMBtu per Day.

4.4 In the event that batch flowing nominated volumes of less than 5,000 MMBtu per Day is deemed operationally impractical by Transporter or Hill-Lake, and should Hill-Lake receive nominations for Service(s) which after aggregation with other nominations commencing at the same time and same meter, results in a net metered volume less than or equal to 5,000 MMBtu per Day, Hill-Lake will attempt, but shall not be required, to schedule such nominations. However, if any single or combination of nominations is scheduled such that the aggregated nominated volumes result in a net metered volume less than or equal to 5,000 MMBtu per Day, all nominations may be curtailed on a pro rata basis such that the net metered volume will be zero. Hill-Lake will verbally notify the affected Shipper(s) within four (4) hours of being notified of changes to nominations which would result in curtailment as provided herein.

5. [RESERVED FOR FUTURE USE]

6. NOMINATIONS AND SCHEDULING

6.1 During any Day when Shipper desires Hill-Lake to provide Service(s), Shipper shall submit a nomination to Hill-Lake via the EBB that includes, but is not limited to, the following information: quantity, flow period, upstream transportation contract number(s), downstream transportation contract number(s), Shipper name and Service Agreement number, and Shipper's authorized employee name and telephone number. All nominations shall be based on a daily and/or hourly quantity, stated in MMBtu/day or MMBtu/hour and shall include Shipper defined begin dates and end dates.

Shippers have the ability to nominate for several days a calendar month provided the nomination begin and end dates are within the term of Shipper's contract. Overrun quantities should be requested on a separate transaction. All nominations shall be considered original nominations and shall be replaced to be changed. When a nomination for a date range is received, each day within that range is considered an original nomination. When a subsequent nomination is received for one or more days within that range, the previous nomination is superseded by the subsequent nomination only to the extent of the days specified. The days of the previous nomination outside the range of the subsequent nomination are unaffected.

6.2 Shipper Scheduling of Upstream and Downstream Transportation. Shipper shall be solely responsible for making all arrangements and paying for the transportation of the Gas to the Point of Delivery for injection into the Facility and for making all arrangements and paying for the transportation of Gas from the Point(s) of Delivery. Hill-Lake shall have an obligation to receive Gas from Shipper, or to redeliver Gas to Shipper, only to the extent that the upstream or downstream Transporter confirms the transport of equivalent quantities, as the case may be.

6.3 Hill-Lake will accept nominations for Service as follows:

- (a) First of the Month Nominations. First of the month nominations are due to Hill-Lake by 11:30 pm C.T. on the Business Day prior to the first calendar day of the month.
- (b) Nomination Changes After the First Business Day of the Month. Changes after the first Business Day of the month are due to Hill-Lake by 11:30 am C.T. on the Business Day prior to the effective date of the nomination. Weekend days through Monday, and holiday nominations are due to Hill-Lake by 11:30 am C.T. on the Business Day immediately preceding such weekend day or holiday.
- (c) Intra-day Nomination Changes. Changes to nominations, as provided in the Service Agreement, may be made during the current Gas day two (2) hours prior to the effective

hour of the nomination, or in accordance with the intra-day nomination procedures then in effect on the transporting pipeline(s).

- (d) Requirements
 - (1) Shipper Name and Contact Number
 - (2) Receipt and Delivery Meters and Locations
 - (3) Upstream and Downstream Shipper Information
 - (4) Effective Dates of Nomination
 - (5) Nominated Quantities
 - (6) Nominations may be submitted electronically through the EBB via the web at: <http://www.nortexmidstream.com>
 - (7) Commercial Operations may be reached at (713)961-3204.
- (e) The sending Party shall adhere to nomination, confirmation, and scheduling deadlines. It is the Party receiving the request who has the right to waive the deadline.
- (f) Nominations provided under this Section 6.3 must be submitted through the EBB. Shipper shall provide notice of any changes in deliveries to or receipt from Hill-Lake to all Transporters and shall be responsible for, and shall hold Hill-Lake harmless from, any and all liabilities and expense resulting from any such changes.
- (g) Nominations received after the nomination deadline will be scheduled after the nominations received before the nomination deadline. Nominations will be processed for scheduling in the order in which they were received, by priority level as described in Section 7 of the General Terms and Conditions of this SOC.
- (h) Shipper shall be responsible for all penalties and charges assessed by an upstream or downstream Transporter which arise from Shipper's failure to provide delivery of the Gas quantities provided.
- (i) Routine Maintenance. Hill-Lake shall have the right to interrupt or discontinue Service in whole, or in part, from time to time to perform routine repair and maintenance on Hill-Lake's system as necessary to maintain the operational capability of Hill-Lake's Facility or to comply with applicable regulatory requirements. Hill-Lake shall exercise due diligence to schedule routine repair and maintenance so as to minimize disruptions of Service to Shippers and shall provide notice thereof by email to Shipper not less than five (5) days prior to any such scheduled routine repair and maintenance.

6.4 Shipper shall make available and tender any Gas to be injected hereunder, and receive and accept delivery, upon tender by Hill-Lake, any Gas requested to be withdrawn from storage. The quantity of Gas stored for the account of Shipper shall be increased or decreased upon injection or withdrawal of Gas from storage, as applicable. Shipper shall not (unless otherwise agreed by Hill-Lake) receive or deliver Gas, nor shall Hill-Lake be obligated to receive Gas or deliver Gas on an hourly basis at rates of flow in excess of or less than 1/24 of Shipper's MDRQ or MDDQ, respectively. As determined by Hill-Lake in its sole and reasonable judgment, flow rates above 1/24 of Shipper's MDRQ or MDDQ may be permitted.

7. PRIORITY, INTERRUPTION OF SERVICE AND OPERATIONAL FLOW ORDERS

7.1 Priority of Service. Any Shipper executing a Service Agreement with Hill-Lake shall be entitled to the storage or balancing of Gas in the following order of declining priority:

- (a) Firm Storage Service (“FSS”) at primary Point(s) of Receipt, not in excess of the MDRQ entitlements allocated to such point, as the case may be, or delivery, at primary Point(s) of Delivery, not in excess of the MDDQ entitlements allocated to such point, as the case may be, located on Hill-Lake’s system.
- (b) FSS at secondary Point(s) of Receipt or Delivery located on Hill-Lake’s system, not to exceed Shipper’s MDIQ/MHIQ or MDWQ/MHWQ; FSS at primary Point(s) of Receipt located on Hill-Lake’s system, in excess of MDO, MDRQ but less than or equal to MDIQ, and FSS at primary Point(s) of Delivery located on Hill-Lake’s system, in excess of MDDQ but less than or equal to MDWQ. In the event that capacity must be allocated within this category (c), Hill-Lake shall allocate it on the basis of price.
- (c) Make-up volumes to correct prior variances between (i) Shipper and Hill-Lake, and (ii) Shipper and Transporter if the variance was due to Hill-Lake’s failure to receive or deliver Shipper’s scheduled volumes.
- (d) Interruptible Services, including Authorized Overrun Service, excess injection or excess withdrawal under Rate Schedules FSS and/or balancing Service pursuant to Section 7.2 below.
- (e) Extended injections for FSS in excess of 1/24 of MDRQ or extended withdrawals for Firm Service in excess of 1/24 of MDDQ.

If a capacity constraint is anticipated or planned (e.g. for system maintenance), Hill-Lake shall provide notice by email or EBB of the anticipated constraint in advance of the start of the constraint period.

7.2 Interruptible Service. Interruptible Service obligations and extensions of the Service shall have priority as follows:

- (a) The order of priority relating to Service requests for Authorized Overrun Service, Excess Injection Gas and Excess Withdrawal Gas shall be based on the net revenue to Hill-Lake as applicable, agreed to by Hill-Lake and Shipper under such Rate Schedule, with the transaction generating the highest net revenue to Hill-Lake given highest priority.
- (b) Should two or more Interruptible Shippers have the same priority, capacity will be allocated to each Shipper on a pro rata basis.

7.3 Interruptions.

- (a) If, on any Day, Hill-Lake’s capability to receive or deliver quantities of Gas is impaired so that Hill-Lake is unable to receive or deliver all scheduled quantities, then interruption of Service shall be made in the reverse order of priority set forth in Section 7.1. Volumes in each category will be interrupted on a pro rata basis, except that Interruptible Service will be interrupted based on the charges paid by Shipper, with the transaction with the lowest net revenue to Hill-Lake being interrupted first. Any ties shall be interrupted on a pro rata basis.
- (b) Hill-Lake shall provide Shipper as much advance notice of interruption as is practicable under the circumstances. Such notice shall be made by telephone, facsimile, or e-mail, as appropriate, and shall state the reduced quantities of Gas that Hill-Lake estimates it will

be able to store, inject, withdraw, receive or deliver, as applicable, and the estimated duration of the interruption.

- (c) If the interruption is required, Hill-Lake and Shipper shall cooperate to the extent possible in making adjustments to receipt, deliveries, injections or withdrawals to minimize injury to any property or Facilities.
- (d) Hill-Lake shall not be liable for any loss or damage to any person or property caused, in whole or in part, by any interruption of Service.

7.4 Operational Flow Orders

- (a) Hill-Lake shall have the right to issue Operational Flow Orders (“OFO”) that require actions by Shippers in order to (i) alleviate conditions that threaten to impair reliable Service; (ii) maintain operations at the pressure required to provide efficient and reliable Services; (iii) have adequate Gas supplies in the system to deliver on demand; (iv) maintain Service to all Firm Shippers and for all Firm Services; and (v) maintain the system in balance for the foregoing purposes. Hill-Lake shall lift any effective OFO upon the cessation of operating conditions that caused the relevant system problem.
- (b) To the extent reasonably practical, Hill-Lake shall take all reasonable actions necessary to avoid issuing an OFO. Such actions shall include, in order of priority, (i) working with point operators to temporarily adjust receipts and/or deliveries at relevant Point(s) of Receipt or Delivery, (ii) working with Shippers and point operators to adjust scheduled flows on the system, or (iii) taking any other reasonable action designed to mitigate the system problem. After taking all reasonable actions to avoid issuing an OFO, Hill-Lake shall have the right to issue an OFO, if necessary, in the circumstances described in Section 7.4(a).
- (c) Preliminary Notice. Hill-Lake shall provide prior notice to all Shippers and point operators of upcoming system events, such as anticipated weather patterns and operational problems that may necessitate the issuance of an OFO and provide suggested actions that Shippers may take to avoid issuance of an OFO.
- (d) Applicability of OFO. Hill-Lake shall make an OFO as localized as is reasonably practicable based on Hill-Lake’s good faith and reasonable judgment concerning the situations requiring remediation, such that an OFO will be directed first to Shippers and point operators causing the problem requiring an OFO and second, if necessary, to all other Shippers and point operators. Hill-Lake will tailor the OFO to match the severity of the known or anticipated operational problem requiring remediation, as more fully set forth in 7.4(b). The declaration to the affected Parties of OFO shall describe the conditions and the specific responses required from the affected Parties.
- (e) Notice. OFOs will be issued via telephone or email to the affected Shipper(s) or point operator(s), and notice to affected Parties, as established in their Service Agreements. The OFO will set forth (i) the time and date of issuance; (ii) the actions Shipper or point operator is required to take; (iii) the time by which Shipper or point operator must be in compliance with the OFO; (iv) the anticipated duration of the OFO; (v) the status of operational variables that determine when an OFO will begin and end; and (vi) any other terms that Hill-Lake may reasonably require to ensure the effectiveness of the OFO. Hill-Lake shall promptly provide periodic updates of such information upon occurrence of any material change in information, including when an OFO will be lifted. Hill-Lake will also provide information of the factors that caused the OFO to be issued, then lifted, to the extent such factors are known via telephone or email.

- (f) Unilateral Action. In the event Shipper(s) or point operator(s) does not comply with an OFO or the actions thereunder are insufficient to correct the system problem, or there is insufficient time to carry out the OFO procedures, Hill-Lake may take unilateral action, including the curtailment of Firm Service, to maintain the operational integrity of Hill-Lake's system. For purposes of this section, the operational integrity of Hill-Lake'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, and the maintenance (on a reliable and operationally sound basis) of total system deliverability and the quality of Gas to be delivered.
- (g) Termination of OFO. Hill-Lake shall lift any effective OFO promptly upon the cessation of operating conditions that caused the relevant system problem. After Hill-Lake has lifted the OFO, Hill-Lake shall provide a notice specifying the factors that caused the OFO to be issued and then lifted, to the extent such factors are known. Hill-Lake shall also provide such notification via e-mail communication to those Shippers who have submitted a request, and provided e-mail address information for at least one contact person to receive e-mail notification of Critical Notices issued by Hill-Lake.
- (h) Penalties. All quantities tendered to Hill-Lake and/or taken by Shipper on a daily basis in violation of an OFO shall constitute unauthorized receipts or deliveries for which the applicable OFO penalty charge stated below shall be assessed.
 - (1) OFO penalty charge for each MMBtu of Gas by which Shipper deviated from the requirements of the OFO equal to an OFO Index Price calculated as three (3) times the applicable daily Platt's Gas Daily publication Permian Basin area, Waha midpoint posting for the Transporter on whose pipeline the deviation occurred for the Day on which the deviation occurred, multiplied by the quantity by which Shipper deviated from the requirements of the OFO.
- (i) Liability. Hill-Lake shall not be liable for any costs incurred by any Shipper or point operator in complying with an OFO. Nor shall Hill-Lake be responsible for any damages resulting from any interruption in Service that is a result of a Shipper's or point operator's failure to comply promptly and fully with an OFO, and the non-complying Shipper or point operator shall indemnify Hill-Lake against any claims of responsibility. However, Hill-Lake shall use reasonable efforts to minimize any such costs or damages.

8. QUALITY

8.1 Specifications. The Gas delivered by either Party to the other hereunder shall meet the quality specifications of the Transporter having the then-current most stringent quality specifications which receives or delivers such Gas at the Point(s) of Receipt or Point(s) of Delivery located on Hill-Lake's system, as applicable, and, unless such Transporter's quality specifications are more stringent, shall be of such quality that it shall meet at least the following specifications:

- (a) Be commercially free from objectionable odors, dirt, dust, iron particles, gums, gum-forming constituents, gasoline, PCBs, and other solid and/or liquid matter, including but not limited to water, Gas treating chemicals and well completion fluids and debris, which may become separated from the Gas during the transportation thereof.
- (b) Contain not more than one fourth (1/4) of one grain of hydrogen sulphide per one hundred (100) cubic feet, as determined by the cadmium sulfate quantitative test, nor more than five (5) grains of total sulphur per one hundred (100) cubic feet.
- (c) The Gas delivered hereunder shall not contain more than one-half of one percent (0.5%) by volume of oxygen, shall not contain more than two percent (2%) by volume of carbon

dioxide, shall not contain more than three (3%) by volume of nitrogen, and shall not contain a combined total of carbon dioxide and nitrogen components of more than four percent (4%) by volume.

- (d) Have a heating value of not less than nine hundred and fifty (950) Btus per cubic feet and not more than eleven hundred (1100) Btus per cubic feet.
- (e) Have a temperature of not more than one hundred twenty degrees Fahrenheit (120 degrees F), nor less than forty degrees Fahrenheit (40 degrees F).
- (f) Have been dehydrated by the tendering Party, by any method other than the use of a calcium chloride as desiccant, for removal of entrained water in excess of seven (7) pounds of water per million (1,000,000) cubic feet of Gas as determined by dew-point apparatus approved by the Bureau of Mines or such other apparatus as may be mutually agreed upon.

8.2 Rejection of Gas. Either Party shall be entitled to reject any Gas tendered to it by the other Party which does not meet the minimum specifications of Section 8.1 hereunder. Acceptance of such Gas does not constitute any waiver of Hill-Lake's right to refuse to accept similarly nonconforming Gas. Shipper shall be liable for and indemnify Hill-Lake against and reimburse Hill-Lake for all losses, damages and liabilities of any nature (including consequential damages) incurred by Hill-Lake and arising from Shipper's tender of Gas not in conformance with the above specifications. Hill-Lake shall be liable for and indemnify Shipper against and reimburse Shipper for all losses, damages and liabilities of any nature (including consequential damages) incurred by Shipper and arising from Hill-Lake's tender of Gas not in conformance with the above specifications.

9. GAS PRESSURE AND INJECTION/WITHDRAWAL RATES

9.1 Delivery Pressure. Hill-Lake shall deliver Gas to Shipper at pressures sufficient to enter the Transporter's facilities at the Point(s) of Delivery located on Hill-Lake's system against the operating pressures maintained by Transporter(s). Hill-Lake shall not be required to deliver Gas at pressures in excess of or below those required by Transporter(s) or in excess of Transporter(s) maximum allowable operating pressure (MAOP), not to exceed 1,000 psig. Shipper shall deliver or cause to be delivered to Hill-Lake all Gas at the Point(s) of Receipt located on Hill-Lake's system at pressures not less than 800 psig and not in excess of the MAOP of Hill-Lake's Facilities at the Point(s) of Receipt. Hill-Lake shall be responsible for maintaining Facilities at such Point(s) of Receipt to permit Shipper to deliver Gas to Hill-Lake at such allowed pressures.

9.2 Receipt and Delivery Rates. Hill-Lake has designed the Facilities required to store, inject and withdraw Gas based on "normal" operating pressures maintained by the Transporter(s) at the Point(s) of Receipt/Delivery located on Hill-Lake's system with allowances for reasonable fluctuations. In the event that conditions on the Transporter's system vary substantially from this "normal" design condition coincident with high levels of Shipper receipt or delivery activity, Hill-Lake's capability to receive or deliver the quantities set forth in its Service Agreements may be impaired, resulting in an interruption in Service. If this happens, capacity will be allocated pursuant to Section 7 of the General Terms and Conditions of this SOC. Shipper agrees to indemnify and hold Hill-Lake harmless for any loss caused by any such interruption in Service.

10. MEASUREMENT

10.1 The unit of measurement for the purpose of all quantities of Gas received and delivered hereunder shall be one (1) MMBtu. The unit of volume for the purpose of measurement shall be one Cubic Foot of Gas at the base temperature of sixty degrees Fahrenheit (60 degrees F) and at an absolute pressure of fourteen and seventy-three hundredths (14.73) pounds per square inch and dry. All fundamental constants, observations, records, and procedures involved in determining and/or verifying the quantity and other characteristics of Gas delivered hereunder shall, unless otherwise specified herein, be in accordance with the standards prescribed in Report No. 9 of the American Gas Association if ultrasonic and Report No. 3 if orifice, as now and from time to time amended or supplemented. All measurements of Gas shall be determined by calculation into terms of such unit. All quantities

given herein, unless expressly stated otherwise, are terms of such unit. Notwithstanding the foregoing, it is agreed that, for all purposes, the Btu content of the Gas received and delivered by Hill-Lake hereunder shall be measured on “dry” basis rather than a fully saturated or “wet” basis.

10.2 The Transporter shall install, maintain and operate, or cause to be installed, maintained and operated, the measurement facilities required hereunder. Said measurement facilities shall be so equipped with orifice meters, recording gauges, or other types of meters of standard make and design commonly acceptable in the industry, as to accomplish the accurate measurement of Gas delivered hereunder. The retrieval of data, calibrating and adjustment of meters shall be done by Hill-Lake or its agent.

11. TITLE AND RISK OF LOSS

11.1 Shipper warrants for itself, its successors and assigns, that it will have at the time of delivery of Gas for storage or injection hereunder either good title or the right to have Gas stored. Shipper warrants for itself, its successors and assigns, that the Gas delivered hereunder shall be free and clear of all liens, encumbrances, or claims whatsoever; and that it will indemnify Hill-Lake and save it harmless from all claims, suits, actions, damages, costs and expenses arising directly or indirectly from or with respect to the title and/or right to Gas tendered to Hill-Lake hereunder.

11.2 As between Shipper and Hill-Lake: Shipper shall be in control and possession of the Gas prior to delivery to Hill-Lake for storage or injection at the Point(s) of Receipt located on Hill-Lake’s system and after delivery by Hill-Lake to Shipper at the Point(s) of Delivery located on Hill-Lake’s system and shall indemnify and hold Hill-Lake harmless from any damage or injury caused thereby. Hill-Lake shall be in control and possession of the Gas after the receipt of the same at the Point(s) of Receipt and until delivery by Hill-Lake to Shipper at the Point(s) of Delivery and shall indemnify and hold Shipper harmless from any damage or injury caused thereby, except for damages and injuries caused by the sole negligence of Shipper. The risk of loss for all Gas injected into, or stored in and withdrawn from storage shall remain with Shipper, and Hill-Lake shall not be liable to Shipper for any loss of Gas, except as may be occasioned due to the intentional or grossly negligent acts or omissions by Hill-Lake. Any losses of Gas, unless due to the grossly intentional or negligent act or omissions of Hill-Lake, shall be shared proportionally by all Shippers, based on each Shipper’s Storage Inventory.

12. BILLING AND PAYMENTS

12.1 Invoice. Hill-Lake shall render to Shipper (including a Replacement Shipper), on or before the tenth (10th) Day of each Month, an invoice and any required backup data (which may be transmitted by email) setting forth (i) the charges due for the current Month; (ii) the total quantity of Gas, stated in MMBtu, received from and delivered to Shipper hereunder during the preceding Month(s), with applicable Point(s) of Receipt and Point(s) of Delivery properly identified, and the amount due therefore; and, if applicable, (iii) the amount of Shipper’s Gas in storage as of the close of the preceding Month and information sufficient to explain and support any adjustments made by Hill-Lake in determining the amount billed. Such invoice shall be submitted, and shall be considered duly delivered by mailing such invoice to Shipper by regular U.S. mail or by sending via email. It is Shipper’s responsibility to update e-mail address information provided to Hill-Lake, as necessary. If actual quantities are not available by the tenth (10th) Business Day of the Month, Hill-Lake may invoice based on best available data subject to adjustment to actuals at a later date.

12.2 Payment. Unless otherwise agreed, Shipper shall pay by wire transfer in immediately available funds to Hill-Lake the full amount reflected on the invoice by the later of the 25th day of the month following Service or within ten (10) days of the date of the invoice. If the tenth (10th) day shall fall upon a weekend or legal holiday, then such payment shall be made on the last regular Business Day prior to such tenth (10th) day. Party making payment should submit supporting documentation; Party receiving payment should apply payment per supporting documentation provided by the paying Party; and if payment differs from invoiced amount, remittance detail should be provided with the payment except when payment is made by electronic funds transfer (EFT), in which case, the remittance detail is due within two (2) Business Days of the payment due date.

12.3 Billing Adjustments. If an error is discovered in any billing, such error shall be adjusted within 30 days of the determination thereof. If a dispute arises as to the amount payable in any invoice rendered hereunder, Shipper shall nevertheless pay when due the amount not in dispute under such invoice. Such payment shall not be deemed to be a waiver of the right by Shipper to recoup any overpayment, nor shall acceptance of any payment be deemed to be a waiver by Hill-Lake to recoup any underpayment. In the event Shipper fails to forward the entire undisputed amount due to Hill-Lake when the same is due, interest on the unpaid portion shall accrue at the same rate of interest and in the same manner as prescribed for pipeline refunds as set forth in 18 CFR 154.501(d) from the date such payment is due until the same is paid. If Shipper's failure to pay the undisputed portion of any invoice rendered hereunder continues beyond thirty (30) days after the due date of such invoice, then Hill-Lake, in addition to all other legal remedies available to it, shall have the right and option to suspend Services until such default shall have been cured. If Shipper fails to pay the undisputed portion of any invoice, then Hill-Lake, in addition to all other legal remedies available to it, shall have the right and option to terminate Service hereunder.

12.4 Billing Disputes. If Shipper withholds payment of any disputed amount as authorized herein, Shipper shall within ten (10) days after the due date of the disputed invoice submit to Hill-Lake a written explanation of the dispute and any available supporting documentation. The Parties shall then cooperate in good faith to resolve such dispute as expeditiously as possible, and the portion, if any, of such disputed amount eventually determined to be due shall bear interest at the rate stated in Section 12.3 above from the original due date until the date actually paid.

12.5 Right to Audit. Both Hill-Lake and Shipper shall have the right at their own expense to examine and audit at any reasonable time the books, records (including measurement, billing and payment) and charts of the other to the extent necessary to verify the accuracy of any statements or charges made under or pursuant to any of the provisions of Shipper's Service Agreement. Upon request, Shipper shall also make available to Hill-Lake for audit purposes any relevant records of Transporters to which Shipper has access. A formal audit of accounts shall not be made more often than once each Contract Year. Any inaccuracy will be promptly corrected when discovered; provided, however, that neither Hill-Lake nor Shipper shall be required to maintain books, records or charts for a period of more than two (2) Contract Years following the end of the Contract Year to which they are applicable. Neither Hill-Lake nor Shipper shall have any right to question or contest any charge or credit if the matter is not called to the attention of the other in writing within two (2) Contract Years after the end of the Contract Year in question.

12.6 Taxes. Shipper shall pay all applicable ad valorem taxes and sales taxes on the Gas it delivers to or receives from Hill-Lake under any Service Agreement. If at any time Hill-Lake is required to remit any taxes assessed on the Gas pursuant to Shipper's Service Agreement, then Hill-Lake shall have the right to collect from Shipper such taxes, including penalties and interest. Shipper agrees to reimburse Hill-Lake for the taxes assessed on the Gas, including any penalties and interest, within fifteen (15) days of the date of invoice from Hill-Lake. Shipper shall furnish Hill-Lake information, satisfactory to Hill-Lake, to enable Hill-Lake to comply with any reports required by state or federal government and agencies. Shipper recognizes that Hill-Lake may be required to file federal and state tax returns, and Shipper agrees to furnish Hill-Lake with adequate information pertaining to the taxation on the Gas. Shipper shall coordinate such filings with Hill-Lake.

12.7 Insurance. Shipper will be responsible for providing its own insurance coverage with respect to its Gas in the Facility.

13. FUEL REIMBURSEMENT

13.1 Categories of Fuel Usage. The two general categories of fuel usage are: (1) direct fuel usage, consisting of (a) compression fuel, (b) dehydration fuel, or (c) line heating fuel, if applicable; and (2) indirect fuel usage, consisting of fuel that is consumed on site to (a) generate electricity, (b) heat facility (if any), or (c) fuel Hill-Lake vehicles and lost and unaccounted for volumes to the extent required for the operation and maintenance of Hill-Lake's Facility.

13.2 Fuel Reimbursement. Fuel Reimbursement shall be calculated separately for storage and balancing under Rate Schedules FSS and ISS. Each Fuel Reimbursement charge shall be agreed upon by Hill-Lake

and Shipper such that reimbursement of fuel may be paid in kind or in dollars per MMBtu, as set forth in Shipper's Service Agreement(s).

14. FORCE MAJEURE

14.1 Relief from Liability. Neither Party shall be taken to have breached its obligations under the Service Agreement, the applicable Rate Schedule, or these General Terms and Conditions by reason of any act, omission or circumstance occasioned by or in consequence of any acts of God; strikes, lockouts, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, crevices, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of rulers and peoples, civil disturbances, acts of sabotage, explosions, damage, breakage, accident and/or unscheduled maintenance to plant facilities including machinery, lines of pipe, accidents and/or unscheduled maintenance of wells or subsurface storage caverns; freezing of wells or lines of pipe, partial or entire failure of injection-withdrawal wells; testing (as required by governmental authority or as deemed necessary by Hill-Lake for the safe operation of facilities required to perform the services hereunder); the unscheduled making of repairs or alterations to pipelines, storage, and plant facilities including Transporter(s)' pipeline repairs; failure of third-party transportation; interruption of power supply; the binding order of any court or governmental authority which has been resisted in good faith by all reasonable legal means; the inability to secure or delays in obtaining labor, materials, supplies, permits, easements or rights-of-way; and any other cause, whether of the kind herein enumerated or otherwise, not within the control of the Party claiming suspension under this section, which act, omission or circumstance such Party is unable by the exercise of due diligence to prevent or overcome.

14.2 Liabilities Not Relieved. Such causes or contingencies affecting performance by either Party, however, shall not relieve such Party of liability in the event of its concurring negligence or in the event of its failure to use due diligence to remedy the situation and remove the cause in an adequate manner and with all reasonable dispatch, nor shall such causes or contingencies affecting performance relieve either Party from its obligations to make payments of amounts then due in respect of Gas theretofore delivered.

14.3 Proration of Impaired Deliveries. The provisions of Section 7 of the General Terms and Conditions shall govern the apportionment of available capacity when such available capacity is impaired so that Hill-Lake is unable to deliver to Shipper the daily or annual quantities of Gas provided by effective Service Agreements.

14.4 Scheduling of Construction and Maintenance. Hill-Lake shall have the right to curtail, interrupt, or discontinue Service in whole or in part on all or a portion of its system from time to time to perform repair, maintenance or improvements on Hill-Lake's system as necessary to maintain the operational capability of the system, or to comply with applicable regulatory requirements, or to perform construction pursuant to valid FERC authorization. Hill-Lake shall exercise due diligence to schedule repair, construction and maintenance so as to minimize disruptions of Service to Shipper and shall provide reasonable notice of the same to Hill-Lake.

14.5 Compliance with Directives of Governmental Agencies. Whenever in order to comply with orders, directives or regulations of duly constituted state, local or federal authorities, including, but not limited to, the Texas Railroad Commission, the Department of Transportation, the Federal Energy Regulatory Commission, Texas Commission on Environmental Quality, and the Environmental Protection Agency, Hill-Lake must curtail deliveries to Shipper and is unable to deliver to Shipper the quantities of Gas which Shipper may then require up to the quantities of Gas Hill-Lake is then obligated to deliver to Shipper, Hill-Lake shall not be liable in damages or otherwise to Shipper or any other person or entity for any such failure to deliver such quantities of Gas to Shipper except to the extent the orders or directives were issued as a result of the failure to exercise due diligence on the part of Hill-Lake.

14.6 Effect of Interconnecting Operations. In the event that any upstream entity involved in handling Shipper's Gas refuses or is unable to deliver Gas to Hill-Lake, Hill-Lake shall not be required to continue deliveries of Gas to or on behalf of Shipper to the extent of such refusal or inability to deliver Gas to Hill-Lake. In the event that any downstream entity involved in handling Shipper's Gas refuses or is unable to receive Gas from Hill-Lake, Hill-Lake shall have the right to reduce deliveries of Gas to or on behalf of Shipper to the extent of such refusal or inability by the downstream entity to receive Gas.

Hill-Lake Gas Storage, LLC
Statement of Operating Conditions

15. [RESERVED FOR FUTURE USE]

16. GAS TITLE TRANSFERS

16.1 Title Transfers of Gas in Storage:

- (a) A Shipper that has executed a Service Agreement under Rate Schedules FSS or ISS may sell Storage Inventory to any other Shipper that has executed a Service Agreement under Rate Schedules FSS or ISS, if:
 - (1) The Shipper selling Storage Inventory provides notification to Hill-Lake's dispatcher prior to the nomination deadline and Hill-Lake with written verification of the transfer within three (3) Business Days;
 - (2) The purchase does not cause Shipper to exceed its MSQ, Maximum Interruptible Storage Capacity Quantity and as specified in Exhibit A of Shipper's Service Agreement or cause either Shipper's balance to go below zero; and
 - (3) Hill-Lake determines, in its sole discretion exercised within 24 hours after receiving the notification, that such purchase will not affect Hill-Lake's ability to meet its obligations to existing shippers or the operations of its storage Facilities, including any effect resulting from differences between the withdrawal and injection entitlements and Service profiles of the Shipper transferor and transferee.
- (b) Hill-Lake will recognize the transfer for purposes of computing available Storage Inventory on a prospective basis within 24 hours after receiving the notification. 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.
- (c) For each title transfer of Gas in storage performed by Shipper under this Section, Shipper shall pay the Gas title transfer rate set forth in Exhibit A of Shipper's FSS or ISS Service Agreement.

16.2 Title Transfers of Gas

- (a) Transfers of title between Shippers may be permitted by Hill-Lake at Point(s) of Receipt and Point(s) of Delivery located on Hill-Lake's system on an interruptible basis.
- (b) Requests for such transfers shall be made in accordance with the nomination procedures set forth in Section 6, Nominations and Scheduling, of the General Terms and Conditions herein. Hill-Lake shall not unreasonably withhold approval of such transfers.
- (c) For each title transfer nominated by Shipper under Section 16 herein, Shipper shall pay the Gas title transfer rate set forth in Shipper's Service Agreement.

17. PENALTIES

17.1 Shipper shall be liable for and shall be required to reimburse Hill-Lake for all penalties, charges and fees which Hill-Lake is required to pay to Transporter(s) as a consequence of Shipper's actions. The recovery of such penalty amounts shall be on an as-billed basis.

17.2 In addition to the payment of the penalties set forth in Section 17 herein, the responsible Shipper shall also be liable for, and shall reimburse Hill-Lake for all costs incurred by Hill-Lake as a consequence of such Shipper's actions.

18. NOTICES

18.1 Any notice, request, demand, or statement, provided for in Shipper's Service Agreement, except as otherwise provided herein, shall be given in writing, shall be delivered in person or sent by registered letter via the United States Mail or sent via e-mail or facsimile to the Parties at the addresses shown in the executed Service Agreement or at such other addresses as may hereafter be furnished to the other Party in writing. Each Party shall have the right to change the place to which notice shall be sent or delivered by similar notice or like manner to the other Party.

18.2 The effective date of notice issued pursuant to this Agreement shall be the earlier of the date of addressee's receipt of notice or the fifth (5th) Business Day following the date on which the same is mailed by registered or certified mail, prepaid postage.

19. JOINT OBLIGATIONS

When Shipper under a Service Agreement consists of two (2) or more persons, the obligations of such persons under such agreement shall be joint and several and, except as otherwise provided, any action provided to be taken by Shipper shall be taken by such persons jointly.

20. NON-DISCRIMINATORY WAIVER OF SOC PROVISIONS AND NON-WAIVER OF FUTURE DEFAULTS

Hill-Lake may waive any of its rights hereunder or any obligations of Shipper on a basis which is not unduly discriminatory; provided that no waiver by either Shipper or Hill-Lake of any one or more defaults by the other in the performance of any provision of the Service Agreement between Shipper and Hill-Lake shall operate or be construed as a waiver of any future default or defaults, whether of a like or of a different character.

21. MODIFICATION

No modification to the terms and provisions of any Service Agreement of exhibit thereto shall be or become effective except by the execution of a superseding Service Agreement or exhibit thereto.

22. SUCCESSORS IN INTEREST

Any company that succeeds by purchase, merger, consolidation or otherwise to the properties substantially as an entirety, of Hill-Lake or of Shipper, used or intended to be used for rendering Gas Services, shall be entitled to the rights and shall be subject to the obligations of its predecessors in title under a Service Agreement. Notwithstanding the foregoing, Shipper may, upon notice to Hill-Lake but without the need for Hill-Lake's consent, assign all or part of its right, interest and obligations under this Agreement to any wholly-owned affiliate(s) of Shipper that has a credit rating equal to or higher than Shipper's but in no event lower than the Minimum Acceptable Credit Rating (or that has been provided a guarantee in Hill-Lake's favor from an affiliated entity with such a rating). No assignment by Shipper pursuant to this Section 22 shall relieve Shipper of its obligations under a Service Agreement unless such release is specifically granted by Hill-Lake. These restrictions on assignment shall not in any way prevent any Party from pledging or mortgaging its rights under a Service Agreement as security for its indebtedness.

23. DEFAULT

23.1 Termination. If either Hill-Lake or Shipper fail to perform any of the covenants or obligations imposed upon it or them under and by virtue of this SOC or any effective Service Agreement except due to causes excused by Force Majeure, then the other Party may at its option terminate such agreement by proceeding as follows. The Party not in default shall provide written notice to the Party in default stating specifically the cause for terminating the agreement and declaring it to be the intention of the Party giving the notice to terminate the same; thereupon the Party in default shall have thirty (30) days after receipt of such notice to remedy or remove the cause or causes stated in the notice, and if within the thirty (30) day period the Party in default does so remove and remedy

said cause or causes and fully indemnifies the Party not in default for any and all consequences of such breach, by a good and sufficient indemnity bond or otherwise, then such notice shall be withdrawn and the agreement shall continue in full force and effect. In case the Party in default does not so remedy and remove the cause or causes or does not so indemnify the Party giving the notice for any and all consequences of such breach, within the thirty (30) day period, then, after any necessary authorization by regulatory bodies having jurisdiction, the agreement shall become void at the expiration of said period, provided that notice of termination has not been withdrawn prior thereto. Any cancellation of such agreement pursuant to the provisions of this section shall be without prejudice to the right of Hill-Lake to collect any amounts then due to it for the provision of any Gas Service prior to the time of cancellation, and shall be without prejudice to the right of Shipper to receive any Service for which it has paid but has not received, although entitled thereto, prior to the time of cancellation, and without waiver of any remedy to which the Party not in default may be entitled for violations of such agreement.

23.2 Suspension of Service. Prior to a termination for default, Hill-Lake may suspend Service to any Shipper who fails to comply with the General Terms and Conditions, the applicable Rate Schedule, or Shipper's Service Agreement. Hill-Lake's failure to invoke its right to terminate an agreement for default shall not be construed as a waiver of Hill-Lake's right to terminate Service during any other period when Shipper is in violation of the terms of this SOC or of Shipper's Service Agreement.

23.3 Other Rights Preserved. The availability or exercise of the right to terminate a Service Agreement pursuant to this section shall not serve to diminish or affect the right of the Parties to seek damages or specific performance, for breach of the Service Agreement, as provided in such agreement.

23.4 Waiver of Default. No waiver by either Party of any one or more defaults by the other in the performance of any provisions of the Service Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or different character.

24. POLICY WITH RESPECT TO FEES AND CONSTRUCTION OF NEW FACILITIES

24.1 Except as provided in Section 24.2 herein, Shipper shall reimburse Hill-Lake (a) for the costs of any facilities installed by Hill-Lake with Shipper's consent to receive, measure, store or deliver Gas for Shipper's account and (b) for any and all filings and approval fees required in connection with Shipper's Service Agreement that Hill-Lake is obligated to pay to the Commission, the Texas Railroad Commission, or any other governmental authority having jurisdiction. Any reimbursement due Hill-Lake by Shipper pursuant to this Section 24.1 shall be due and payable to Hill-Lake within ten (10) days of receipt by Shipper of Hill-Lake's bill(s) for same; provided, however, subject to Hill-Lake's consent, such reimbursement, plus carrying charges thereon, may be amortized over a mutually agreeable period not to extend beyond the primary contract term of the Service Agreement between Hill-Lake and Shipper. Carrying charges shall be computed utilizing interest factors acceptable to both Hill-Lake and Shipper.

24.2 Hill-Lake may waive from time to time, at its discretion, all or a portion of the facility cost reimbursement requirement set forth in Section 24.1 if Shipper provides Hill-Lake adequate assurances of storage quantities to make construction of the facilities economical to Hill-Lake. All requests for waiver shall be handled by Hill-Lake in a manner which is not unduly discriminatory. For purposes of determining whether a project is economical, Hill-Lake will evaluate projects on the basis of various economic criteria, which will include the estimated transportation or storage quantities, cost of the facilities, operating and maintenance, as well as administrative and general expenses attributable to the facilities, the revenues Hill-Lake estimates will be generated as a result of such construction, and the availability of capital funds on terms and conditions acceptable to Hill-Lake. In estimating the revenues to be generated, Hill-Lake will evaluate the existence of capacity limitations downstream of the facilities, the marketability of the capacity, the interruptible versus the firm nature of the Service, and other similar factors which impact whether the available capacity will actually be utilized.

25. [RESERVED FOR FUTURE USE]

26. DISPOSITION OF RETAINED QUANTITIES

In the event that Hill-Lake holds an auction for Gas quantities retained pursuant to Section 9 of Rate Schedule FSS, and Section 7 of Rate Schedule ISS, Hill-Lake shall post such quantities on the EBB or via email on the fifth (5th) Business Day following the fifteenth (15th) of the month. Hill-Lake shall accept bids only during the time period from 7:00 A.M. until 11:00 A.M. C.T. on the seventh (7th) Business Day following date of the posting. Hill-Lake shall sell the quantities to Shipper submitting the highest bid, and shall notify such Shipper prior to 4:00 P.M. C.T. of the same day on which Hill-Lake accepts the bids; provided, however, Hill-Lake reserves the right to reject all bids. When the Gas is purchased at auction, Shipper must provide identification of the existing storage Service Agreement with Hill-Lake under which Shipper shall store the Gas in Hill-Lake's Facility. Hill-Lake will retain any revenues received from an auction conducted pursuant to this Section 26.

RATE SCHEDULE FSS
FIRM STORAGE SERVICE

1. AVAILABILITY

Service under this Rate Schedule is available for any Shipper for the purchase of Firm Gas storage Service from Hill-Lake, provided that:

- (a) Hill-Lake has determined that it has sufficient Facilities and available and uncommitted storage capacity and injection and withdrawal capacity to perform Service requested by Shipper;
- (b) Shipper has submitted a valid request for Service and executed a Firm storage Service agreement with Hill-Lake;
- (c) Shipper accepts responsibility for arranging any transportation service required for utilization of the storage Service provided under this Rate Schedule;
- (d) The provision of Services to Shipper under this Rate Schedule will not cause Hill-Lake to violate any Applicable Law, including but not limited to Section 311(a)(2) of the NGPA;
- (e) Availability of Service under this Rate Schedule shall be subject to a determination by Hill-Lake that Service requested hereunder shall not cause a reduction in Hill-Lake's ability to provide other firm Services;
- (f) Shipper complies with the provisions of this Rate Schedule and with all other applicable provisions of the SOC;
- (g) Service under this Rate Schedule may not be available to the extent that Hill-Lake would be required to construct, modify, expand or acquire any facilities to enable Hill-Lake to perform the requested Services; and
- (h) Shipper warrants that at all times during the term of the Service Agreement, Shipper will commit no action that will cause the service provided to Shipper to fail to comply with all applicable rules and regulations of the applicable regulatory agencies, including, without limitation, the "on-behalf-of" provisions of Part 284 of the Commission's regulations.

2. APPLICABILITY AND CHARACTER OF SERVICE

2.1 Subject to the limitations and requirements set forth in this Rate Schedule, the General Terms and Conditions, and Shipper's FSS Service Agreement, Hill-Lake shall:

- (a) inject quantities received by Hill-Lake from or on behalf of Shipper and designated by Shipper for delivery to Shipper's account on a daily basis up to the Maximum Daily Injection Quantity ("MDIQ"), not to exceed the Maximum Storage Quantity ("MSQ") set forth in Shipper's FSS Service Agreement, less sufficient quantities for Fuel Reimbursement;
- (b) store quantities received by Hill-Lake from or on behalf of Shipper and designated by Shipper, up to the MSQ set forth in Shipper's FSS Service Agreement;
- (c) deliver to Shipper thermally equivalent quantities of Gas, on a daily basis up to the Maximum Daily Withdrawal Quantity ("MDWQ") not to exceed the MSQ set forth in Shipper's FSS Service Agreement, provided that Hill-Lake shall not be obligated under this Rate Schedule on any Day to deliver Gas in excess of the Storage Inventory quantities then held in storage for Shipper;

- (d) deliver to Shipper, at a rate not to exceed the MHWQ specified in Shipper's FSS Agreement, quantities of Gas up to the MDWQ set forth in Shipper's FSS Agreement, provided that Hill-Lake shall not be obligated under this Rate Schedule on any Day to deliver Gas in excess of Shipper's MDWQ;
- (e) inject thermally equivalent quantities of Gas received from or on behalf of Shipper into Hill-Lake's system, at a rate not to exceed the MHIQ specified in Shipper's FSS Agreement, and up to the MDIQ set forth in Shipper's FSS Agreement, less sufficient quantities of Fuel Reimbursement; and
- (f) provide to Shipper other services from time to time on an interruptible basis for such items as balancing quantities, transfer of quantities, hourly injections, hourly withdrawals, etc. as set forth in Shipper's FSS Agreement.

2.2 Service provided under this Rate Schedule shall have the priority specified in Section 7 of the General Terms and Conditions in this SOC.

2.3 Shipper shall not be permitted to increase its confirmed nomination quantities under this Rate Schedule, regardless of the quantities set forth in Shipper's FSS Service Agreement, if such increase would degrade Service to a Shipper with equal or higher priority.

2.4 Service rights under an FSS Service Agreement may not be assigned unless prior written approval is received from Hill-Lake.

2.5 Shipper shall be permitted to combine the firm injection, storage or withdrawal of Gas available under this FSS Rate Schedule set forth in this SOC; and, provided further, that priority for each Service shall be determined by the respective priority of the Service as set forth in Section 7 of the General Terms and Conditions of this SOC.

2.6 In addition to the services provided hereunder pursuant to NGPA Section 311, Hill-Lake offers and performs intrastate storage services that are subject to the exclusive jurisdiction of the Texas Railroad Commission, and that are exempt from FERC's regulation. To provide Shippers with flexibility to access intrastate and/or interstate markets, Shippers may contract for both intrastate and NGPA Section 311 service on mutually agreeable terms, and Hill-Lake will, at Shipper's option, administer Shipper's intrastate and NGPA Section 311 contracts on an integrated basis such that a Shipper's combined usage under the intrastate and NGPA Section 311 agreements cannot exceed the MSQ, MDIQ, MDWQ, MHIQ, or MHWQ, as the case may be per Exhibit "A" of the Shipper's Intrastate FSS Service Agreement; provided, however, that Hill-Lake's provision of NGPA Section 311 service, without undue discrimination, shall not be conditioned on Shipper's subscription to intrastate capacity. The description of available intrastate services contained herein is provided for informational purposes only and shall not be construed to make such intrastate services subject to FERC regulation.

3. OVERRUN SERVICE

3.1 Shipper may submit a nomination for injections in excess of its MDIQ or MHIQ ("Excess Injection Gas") or withdrawals in excess of its MDWQ or MHWQ ("Excess Withdrawal Gas") or storage in excess of its MSQ ("Authorized Overrun Service"). In the event that Shipper makes such a nomination, Hill-Lake will schedule and confirm (i) the request to the extent that additional flexibility exists during the time period of the request in accordance with Section 7.2 of the General Terms and Conditions, and (ii) using reasonable discretion, that Hill-Lake can accommodate the request without detriment to Hill-Lake's Facilities and/or Hill-Lake's ability to meet its firm obligations to other Shippers.

3.2 Hill-Lake, at its sole discretion, shall have the right to interrupt all or part of these authorized overrun quantities nominated as may be required by the operation of its Facilities, subject to Section 7 of the General Terms and Conditions of this SOC.

4. RATES AND CHARGES

4.1 The charges to be paid by Shipper shall be mutually agreed to by Hill-Lake and Shipper. For all Service rendered under this Rate Schedule, each Month, Shipper shall pay Hill-Lake the charges set forth below, unless otherwise mutually agreed to by Hill-Lake and Shipper and specified in Shipper's FSS Service Agreement.

- (a) Monthly Reservation Charge. A charge, as set forth in Exhibit A of Shipper's FSS Service Agreement
- (b) Injection Charge. A usage charge, as set forth in Exhibit A of Shipper's FSS Service Agreement, for each MMBtu injected per Month, for Shipper's account, into Hill-Lake's Facilities pursuant to Section 2.1(a) of this Rate Schedule.
- (c) Withdrawal Charge. A usage charge, as set forth in Exhibit A of Shipper's FSS Service Agreement, for each MMBtu withdrawn per Month, for Shipper's account, from Hill-Lake's Facilities pursuant to Section 2.1(c) of this Rate Schedule.
- (d) Fuel Reimbursement. The amount of Shipper's Gas which is reimbursed by Shipper in kind or in dollars per MMBtu for fuel used and losses incurred per Month in the provision of Service provided in conjunction with the Service Agreement as set forth in Exhibit A of Shipper's FSS Service Agreement.
- (e) Excess Injection Charge. A usage charge, as set forth in Exhibit A of Shipper's FSS Service Agreement or agreed upon from time to time, for each MMBtu injected per Month, for Shipper's account, as Excess Injection Gas by Shipper pursuant to Section 3 of this Rate Schedule.
- (f) Excess Withdrawal Charge. A usage charge, as set forth in Exhibit A of Shipper's FSS Service Agreement or agreed upon from time to time, for each MMBtu withdrawn per Month, for Shipper's account, as Excess Withdrawal Gas by Shipper pursuant to Section 3 of this Rate Schedule.
- (g) Authorized Overrun Service Charge. A usage charge, as set forth in Exhibit A of Shipper's FSS Service Agreement or agreed upon from time to time, for each MMBtu stored in excess of Shipper's MSQ per Month pursuant to Section 3 of this Rate Schedule.
- (h) Title Transfer Fee. A usage charge, as set forth in Exhibit A of the Shipper's FSS Agreement or agreed upon from time to time, for each MMBtu of Gas transferred from one shipper to another shipper.
- (i) Taxes. Shipper shall reimburse Hill-Lake for all property or other taxes associated with the quantities held for Shipper in storage under this Rate Schedule. Hill-Lake shall invoice Shipper periodically for all taxes, if any, attributable to the injection, storage or withdrawal of Gas.

4.2 The charges and surcharges described in this Rate Schedule are subject to adjustment in accordance with the procedures set forth in the General Terms and Conditions.

5. AUTHORIZATION, RATES, TERMS AND CHANGES

5.1 Shipper's FSS Service Agreement(s) and the respective obligations of the Parties hereunder are subject to all valid laws, orders, rules and regulations of duly constituted authorities having jurisdiction, and are conditioned upon the issuance by the TRC, and any other state or local governmental agency having jurisdiction, of requisite authorization for Hill-Lake to provide the Service contemplated herein and to construct and operate the

Facilities necessary to provide such Service and for any connected pipeline to transport Gas to/from the Point(s) of Receipt/Point(s) of Delivery necessary to effect the Service provided herein.

5.2 Hill-Lake shall have the right to propose to the TRC or any other governing regulatory body such changes in its rates and terms of Service as it deems necessary, and Shipper's FSS Service Agreement shall be deemed to include any changes which are made effective pursuant to order or regulation or provisions of law, without prejudice to Shipper's right to protest the same.

6. CASHOUT

If Shipper fails to replace Gas that has been withdrawn for or on the account of Shipper, Hill-Lake will, within five (5) Business Days, purchase quantities of gas to make up the short fall and invoice Shipper for the sum of (i) an amount equal to \$1.00 per MMBtu of Gas it has withdrawn and failed to inject within the same Day, (ii) the actual cost of the replacement Gas, and (iii) any administrative costs incurred by Hill-Lake.

7. CURTAILMENT

If, due to an emergency situation or when unexpected capacity loss occurs after scheduling, Hill-Lake's capability to receive or deliver quantities is impaired so that Hill-Lake is unable to receive or deliver the quantities provided for in its FSS Service Agreement with Shippers, then capacity, withdrawals and/or injections, will be allocated according to the priority of Service as set forth in Section 7 of the General Terms and Conditions of this SOC.

8. RIGHT OF FIRST REFUSAL

8.1 Hill-Lake may discontinue Service to Shipper at the end of any FSS Service Agreement's primary term, or any roll-over of Shipper's FSS Service Agreement, unless Hill-Lake and Shipper mutually agree to include a right of first refusal ("ROFR") in the FSS Service Agreement and Shipper exercises its ROFR for the storage capacity covered by that Service Agreement by matching the best bid with the same provisions of FSS service offered to Hill-Lake by any Potential Shipper. A Potential Shipper is "qualified," within the meaning of this Section, if that Shipper meets the creditworthiness criteria set forth in Section 2.4 of the General Terms and Conditions.

8.2 Not less than twelve (12) months prior to the expiration of a FSS Service Agreement that includes a ROFR, Shipper must provide written notice to Hill-Lake of its intent to exercise any negotiated ROFR provisions applicable under the FSS Service Agreement. Failure by Shipper to give Hill-Lake the notice specified in this section will result in the automatic abandonment of the Service and the Shipper's right to storage capacity will cease at the end of the primary term.

8.3 In the event Shipper notifies Hill-Lake in accordance with the terms of this Rate Schedule, not more than six (6) months nor less than one (1) month prior to the termination or expiration of a FSS Service Agreement that contains a ROFR, Hill-Lake may seek bids from qualified Potential Shippers who desire, in whole or in part, the capacity to be made available upon the expiration or termination of a FSS Service Agreement that includes a ROFR. All bids must be received by Hill-Lake within the timeframe set forth in the bid solicitation notice. Upon receipt of all bids by Potential Shippers, Hill-Lake will select the best bid received from a qualified Potential Shipper and communicate the terms of that bid to Shipper, who may elect, within ten (10) Days, or such greater time as Hill-Lake may specify, to execute a renewed FSS Service Agreement upon the same terms. In determining which bid for the capacity is the best, Hill-Lake will use an objective, not unduly discriminatory methodology.

8.4 If Shipper does not elect to match the terms of the best bid, its FSS Service Agreement will expire at the conclusion of its term and Hill-Lake will be deemed to have all necessary abandonment authorization with respect to such Service. Hill-Lake may enter into a new FSS Service Agreement with the qualified Potential Shipper who submitted the best bid.

Hill-Lake Gas Storage, LLC
Statement of Operating Conditions

8.5 Regardless of any bids received, Hill-Lake shall retain the right to require a minimum rate or term of Service, which shall be market-based, for bids during any bid solicitation.

8.6 If during the bid solicitation period, Hill-Lake receives no bids or rejects all bids, Shipper and Hill-Lake may negotiate for continuation of Service under mutually satisfactory rates, terms, and conditions. In no event, however, will such continued Service be provided at a rate lower than the highest bid by a qualified Potential Shipper during the bid solicitation.

9. EXPIRATION OF TERM

9.1 At least ten (10) Business Days prior to the expiration of any primary term or renewed term of Shipper's FSS Service Agreement, Hill-Lake shall notify Shipper to withdraw all Storage Inventory held by Hill-Lake for Shipper's account. Hill-Lake's notice to Shipper may be given verbally but shall be confirmed in writing via e-mail or facsimile to Shipper. Before the end of the contract term, Shipper must either physically withdraw the Storage Inventory or indicate to Hill-Lake in writing that it desires to have Hill-Lake cash out the Storage Inventory on mutually agreeable terms. If, by midnight on the last Day of the contract term, Shipper neither has withdrawn such Storage Inventory nor indicated in writing to Hill-Lake that it desires to exercise the cash-out option, then Hill-Lake may take, free and clear of any adverse claims or obligation to Shipper, title to such Storage Inventory quantities as Shipper was required to withdraw or cash out; provided, however, that if Shipper was unable to withdraw its Storage Inventory quantities due to an interruption of Shipper's withdrawal Service during the last ten (10) Days before termination, Shipper shall be allowed to withdraw its Gas within a reasonable period following the end of the contract term.

9.2 In the event that Hill-Lake retains and takes title to any of Shipper's Storage Inventory pursuant to this Section 9, Hill-Lake shall dispose of such Storage Inventory in accordance with the provisions of Section 26 of the General Terms and Conditions of this SOC.

10. GENERAL TERMS AND CONDITIONS

Applicable provisions of the General Terms and Conditions of this SOC, as such provisions may be amended from time to time, are hereby incorporated by reference and made a part of this FSS Rate Schedule, where applicable, and shall supplement the terms and conditions governing Service rendered hereunder, as though stated herein.

RATE SCHEDULE ISS
INTERRUPTIBLE STORAGE SERVICE

1. AVAILABILITY

Service under this Rate Schedule is available from Hill-Lake to any Shipper, provided that:

- (a) Hill-Lake has determined that it has sufficient Facilities and available and uncommitted storage capacity and injection and withdrawal capacity to perform Service requested by Shipper;
- (b) Shipper has submitted a valid request for Service and executed an Interruptible storage Service agreement (ISS Agreement) with Hill-Lake;
- (c) Shipper accepts responsibility for arranging any transportation Service required for utilization of the storage Service provided under this Rate Schedule;
- (d) The provision of Services to Shipper under this Rate Schedule will not cause Hill-Lake to violate any Applicable Law, including but not limited to Section 311(a)(2) of the NGPA;
- (e) Availability of Service under this Rate Schedule shall be subject to a determination by Hill-Lake that Service requested hereunder shall not cause a reduction in Hill-Lake's ability to provide other higher priority Services;
- (f) Shipper complies with the provisions of this Rate Schedule and with all other applicable provisions of the SOC;
- (g) Service under this Rate Schedule may not be available to the extent that Hill-Lake would be required to construct, modify, expand or acquire any facilities to enable Hill-Lake to perform the requested Services; and
- (h) Shipper warrants that at all times during the term of the Service Agreement, Shipper will commit no action that will cause the service provided to Shipper to fail to comply with all applicable rules and regulations of the applicable regulatory agencies, including, without limitation, the "on-behalf-of" provisions of Part 284 of the Commission's regulations.

2. APPLICABILITY AND CHARACTER OF SERVICE

2.1 Subject to the limitations and requirements set forth in this Rate Schedule, the General Terms and Conditions, and Shipper's ISS Service Agreement, Hill-Lake shall:

- (a) inject quantities received by Hill-Lake from or on behalf of Shipper and designated by Shipper for delivery to Shipper's account, up to the Maximum Storage Quantity ("MSQ") set forth in Shipper's ISS Service Agreement, less sufficient quantities for Fuel Reimbursement;
- (b) store quantities received by Hill-Lake from or on behalf of Shipper and designated by Shipper, up to the MSQ set forth in Shipper's ISS Service Agreement;
- (c) deliver to Shipper thermally equivalent quantities of Gas, up to the MSQ set forth in Shipper's ISS Service Agreement, provided that Hill-Lake shall not be obligated under this Rate Schedule on any Day to deliver Gas in excess of the Storage Inventory quantities then held in storage for Shipper; and

- (d) provide to Shipper other services from time to time on an interruptible basis for such items as balancing quantities, transfer of quantities, hourly injections, hourly withdrawals, etc. as set forth in Shipper's ISS Agreement.

2.2 Service provided under this Rate Schedule shall have the priority specified in Section 7 of the General Terms and Conditions in this SOC.

2.3 Service rights under an ISS Service Agreement may not be assigned unless prior written approval is received from Hill-Lake.

2.4 To the extent storage capacity that is being utilized by an Interruptible Shipper hereunder is needed by Hill-Lake in order to satisfy Hill-Lake's obligations to higher priority Services or to meet system needs, Hill-Lake shall require Shipper to withdraw all, or any portion of Shipper's Storage Inventory held by Hill-Lake for the account of Shipper as specified by Hill-Lake. Unless Hill-Lake otherwise agrees, Shipper shall be required to make ratable withdrawals. If Shipper fails to withdraw such Storage Inventory, Hill-Lake may take, free and clear of any adverse claims, title to such ISS Storage Inventory as Shipper was instructed to withdraw. Hill-Lake's notice to Shipper may be given verbally, but shall be confirmed in writing via e-mail or facsimile to Shipper.

2.5 In addition to the services provided hereunder pursuant to NGPA Section 311, Hill-Lake offers and performs intrastate storage services that are subject to the exclusive jurisdiction of the Texas Railroad Commission, and that are exempt from FERC's regulation. To provide Shippers with flexibility to access intrastate and/or interstate markets, Shippers may contract for both intrastate and NGPA Section 311 service on mutually agreeable terms, and Hill-Lake will, at Shipper's option, administer Shipper's intrastate and NGPA Section 311 contracts on an integrated basis such that a Shipper's combined usage under the intrastate and NGPA Section 311 agreements cannot exceed the MSQ, MDIQ, MDWQ, MHIQ, or MHWQ, as the case may be per Exhibit "A" of the Shipper's Intrastate ISS Service Agreement; provided, however, that Hill-Lake's provision of NGPA Section 311 service, without undue discrimination, shall not be conditioned on Shipper's subscription to intrastate capacity. The description of available intrastate services contained herein is provided for informational purposes only and shall not be construed to make such intrastate services subject to FERC regulation.

3. RATES AND CHARGES

3.1 The charges to be paid by Shipper shall be mutually agreed to by Hill-Lake and Shipper. The rates and charges paid by Shipper for Interruptible Storage Service under this Rate Schedule shall include the applicable storage rate components set forth in the ISS Rate Statement and as described below.

- (a) Injection Charge. A usage charge, as set forth in Exhibit A of Shipper's ISS Service Agreement, for each MMBtu injected per Month, for Shipper's account, into Hill-Lake's Facilities pursuant to Section 2.1(a) of this Rate Schedule.
- (b) Withdrawal Charge. A usage charge, as set forth in Exhibit A of Shipper's ISS Service Agreement, for each MMBtu withdrawn per Month, for Shipper's account, from Hill-Lake's Facilities pursuant to Section 2.1(c) of this Rate Schedule.
- (c) Capacity Charge. A charge, as set forth in Exhibit A of the ISS Service Agreement, as the case may be.
- (d) Fuel Reimbursement. The amount of Shipper's Gas which is reimbursed by Shipper in kind or in dollars per MMBtu for fuel used and losses incurred per Month in the provision of Service provided in conjunction with the Agreement, as set forth in Exhibit A of Shipper's ISS Service Agreement.
- (e) Title Transfer Fee. A usage charge, as set forth in Exhibit A of the Shipper's ISS Agreement or agreed upon from time to time for each MMBtu of Gas transferred from one shipper to another shipper.

- (f) Taxes. Shipper shall reimburse Hill-Lake for all property or other taxes associated with the quantities held for Shipper in storage under this Rate Schedule. Hill-Lake shall invoice Shipper periodically for all taxes, if any, attributable to the injection, storage or withdrawal of Gas.

3.2. The charges and surcharges described in this Rate Schedule are subject to adjustment in accordance with the procedures set forth in the General Terms and Conditions.

4. AUTHORIZATION, RATES, TERMS AND CHANGES

4.1 Shipper's ISS Agreement and the respective obligations of the Parties hereunder are subject to all valid laws, orders, rules and regulations of duly constituted authorities having jurisdiction, and are conditioned upon the issuance, by the TRC, and any other state or local governmental agency having jurisdiction, of requisite authorization for Hill-Lake to provide the storage Service contemplated herein and to construct and operate the Facilities necessary to provide such Service and for any connected pipeline to transport Gas to/from the Point(s) of Receipt and Point(s) of Delivery necessary to effect the Service provided for herein.

4.2 Hill-Lake shall have the right to propose to the TRC, or any other governing regulatory body such changes in its rates and terms of Service as it deems necessary and Shipper's ISS Service Agreement shall be deemed to include any changes which are made effective pursuant to order or regulation or provisions of law, without prejudice to Shipper's right to protest the same.

5. CASHOUT

If Shipper fails to replace Gas that has been withdrawn for or on the account of Shipper, Hill-Lake will, within five (5) Business Days, purchase quantities of Gas to make up the short fall and invoice Shipper for the sum of (i) an amount equal to \$1.00 per MMBtu of Gas it has withdrawn and failed to inject within the same Day, (ii) the actual cost of the replacement Gas, and (iii) any administrative costs incurred by Hill-Lake.

6. CURTAILMENT

If, due to an emergency situation or when unexpected capacity loss occurs after scheduling, Hill-Lake's capability to receive or deliver quantities is impaired so that Hill-Lake is unable to receive or deliver the quantities provided for in its ISS Service Agreement with Shippers, then capacity, withdrawals and/or injections, will be allocated according to the priority of Service as set forth in Section 7 of the General Terms and Conditions of this SOC.

7. EXPIRATION OF TERM

7.1 At least ten (10) Business Days prior to the end of the primary term or any renewed term of Shipper's ISS Service Agreement, Hill-Lake shall notify Shipper to withdraw all of the ISS storage quantities held in storage by Hill-Lake for the account of Shipper. Hill-Lake's notice to Shipper may be given via telephone, but shall be confirmed in writing via email or facsimile to Shipper. Before the end of the contract term, Shipper must either physically withdraw the storage quantities or indicate to Hill-Lake in writing that it desires to have Hill-Lake cash out the storage quantities on mutually agreeable terms. If, by midnight on the last Day of the contract term, Shipper neither has withdrawn the storage quantities nor indicated in writing to Hill-Lake that it desires to exercise the cash out option, then Hill-Lake may take, free and clear of any adverse claims, title to such ISS storage quantities as Shipper was required to withdraw or cash out; provided, however, that if Shipper was unable to withdraw its ISS storage quantities due to an interruption of Shipper's withdrawal Service during the last ten (10) Days before termination, Shipper shall be allowed to withdraw its storage quantities within a reasonable period following the end of the contract term.

7.2 In the event that Hill-Lake retains and takes title to any of Shipper's Storage Inventory pursuant to this Section 7, Hill-Lake shall dispose of such Storage Inventory in accordance with the provisions of Section 26 of the General Terms and Conditions of this SOC.

8. GENERAL TERMS AND CONDITIONS

Applicable provisions of the General Terms and Conditions of this SOC, as such provisions may be amended from time to time, are hereby incorporated by reference and made a part of this ISS Rate Schedule, where applicable, and shall supplement the terms and conditions governing Service rendered hereunder, as though stated herein.

TABLE OF CONTENTS
FORMS OF SERVICE AGREEMENTS

FIRM STORAGE SERVICE AGREEMENT (FOR USE UNDER RATE SCHEDULE FSS)..... 38
INTERRUPTIBLE STORAGE SERVICE AGREEMENT (FOR USE UNDER RATE SCHEDULE ISS)..... 43

**FORM OF SERVICE AGREEMENT
(APPLICABLE TO FSS RATE SCHEDULE)**

THIS AGREEMENT, made and entered into this _____ day of _____ by and between HILL-LAKE GAS STORAGE, LLC (“Hill-Lake”) and _____ (“Shipper”), pursuant to the following recitals and representations. Hill-Lake and Shipper are each individually referred to as “Party” and collectively referred to as “Parties.”

WITNESSETH, that in consideration of the mutual covenants herein contained, the Parties hereto agree as follows:

Section 1. Service to be Rendered. Hill-Lake shall perform and Shipper shall receive Service in accordance with the provisions of the effective FSS Rate Schedule and applicable General Terms and Conditions of Hill-Lake’s Statement of Operating Conditions, (“SOC”), on file with the Texas Railroad Commission (“TRC”), as the same may be amended or superseded from time to time. Hill-Lake shall receive quantities of Gas up to Shipper’s Maximum Daily Injection Quantity (“MDIQ”), plus Fuel Reimbursement, store quantities of Gas for Shipper up to, but not exceeding, Shipper’s Maximum Storage Quantity (“MSQ”) and deliver quantities of Gas up to Shipper’s Maximum Daily Withdrawal Quantity (“MDWQ”) as specified in Exhibit A, and Maximum Hourly Injection Quantity (“MHIQ”) and Maximum Hourly Withdrawal Quantity (“MHWQ”) as the same may be amended from time to time by agreement between Shipper and Hill-Lake, or in accordance with the rules and regulations of the TRC. Service provided hereunder with respect to Gas tendered or accepted for delivery by Shipper hereunder that is not stored, transported, sold or exchanged by Shipper in “interstate commerce” (whether before delivery to Shipper or after subsequent redelivery to Shipper by Hill-Lake) shall be subject in all respects solely to regulation by TRC under the Texas Utilities Code Chapter 104 and the rules and regulations of TRC promulgated with respect thereto including specifically, (but not by way of limitation), the rules and regulations set forth in the Texas Administrative Code, Title 16, Part I, Chapter 7. Terms capitalized herein and not defined shall have the meaning as set forth in the applicable SOC.

Section 2. Receipt and Delivery Points. The point(s) at which the Gas is tendered by Shipper to Hill-Lake under this Service Agreement and the point(s) at which the Gas is tendered by Hill-Lake to Shipper under this Service Agreement shall be at the point(s) located on Hill-Lake’s system designated on Exhibit A hereto.

Section 3. Rates. Shipper shall pay Hill-Lake the charges as described in the FSS Rate Schedule, and as specified in Exhibit A to this Service Agreement.

Section 4. Term. Service under this Agreement shall commence as of _____ and shall continue in full force and effect until _____ (“Term”), and from month to month thereafter until terminated by either Party with a thirty (30) day written notice. In the event that a contractual ROFR is negotiated by Hill-Lake and Shipper, the following language shall be included in Shipper’s Service Agreement: At the end of the primary term of this Service Agreement, Shipper will have a contractual ROFR as set forth in Section 8 of the FSS Rate Schedule.

Section 5. Notices. Notices shall be provided pursuant to Section 18 of the SOC. Notices to Hill-Lake under this Agreement shall be addressed to 1201 Louisiana, Suite 700, Houston, Texas 77002, _____@nortexmidstream.com, Attention: Vice President of Marketing, and notices to Shipper shall be addressed to _____ Attention: _____, until changed by either Party by written notice.

Section 6. Prior Agreements Cancelled. This Service Agreement supersedes and cancels, as of the effective date hereof, the following Service Agreements:

Section 7. Law of Agreement. THE INTERPRETATION AND PERFORMANCE OF THIS AGREEMENT SHALL BE IN ACCORDANCE WITH AND CONTROLLED BY THE LAWS OF THE STATE OF TEXAS, WITHOUT REGARD TO DOCTRINES GOVERNING CHOICE OF LAW.

Section 8. Warehousemen's Lien.

(a) SHIPPER HEREBY ACKNOWLEDGES THAT HILL-LAKE SHALL BE ENTITLED TO, AND HILL-LAKE HEREBY CLAIMS, A LIEN ON ALL GAS RECEIVED BY HILL-LAKE FROM SHIPPER, AND ALL PROCEEDS THEREOF, UPON SUCH RECEIPT BY HILL-LAKE, AS PROVIDED IN SECTION 7-209 OF THE TEXAS UNIFORM COMMERCIAL CODE WITH THE RIGHTS OF ENFORCEMENT AS PROVIDED THEREIN AND HEREIN. IN NO WAY LIMITING THE FOREGOING, SHIPPER HEREBY ACKNOWLEDGES THAT HILL-LAKE SHALL BE ENTITLED TO, AND HILL-LAKE HEREBY CLAIMS, A LIEN FOR ALL CHARGES FOR STORAGE (INCLUDING DEMURRAGE AND TERMINAL CHARGES), INSURANCE, LABOR, OR CHARGES PRESENT OR FUTURE IN RELATION TO THE RECEIVED GAS, AND FOR EXPENSES NECESSARY FOR PRESERVATION OF THE RECEIVED GAS OR REASONABLY INCURRED IN THE SALE THEREOF, PURSUANT TO LAW, AND THAT SUCH LIEN SHALL EXTEND TO LIKE CHARGES AND EXPENSES IN RELATION TO ALL SUCH RECEIVED GAS.

(b) IF DEEMED NECESSARY BY A COURT OF LAW, PURSUANT TO SECTION 7 202(2) OF THE TEXAS UNIFORM COMMERCIAL CODE, SHIPPER HEREBY AGREES THAT:

(i) THIS AGREEMENT, WITH ALL SCHEDULES AND EXHIBITS HERETO, AND ALL OF THE MONTHLY STATEMENTS RENDERED BY HILL-LAKE TO SHIPPER PURSUANT TO THE GENERAL TERMS AND CONDITIONS CONTAINED IN HILL-LAKE'S SOC, SHALL BE DEEMED A "WAREHOUSE RECEIPT" FOR ALL PURPOSES WITH RESPECT TO ARTICLE 7 OF THE TEXAS UNIFORM COMMERCIAL CODE, REGARDLESS OF WHEN THE GAS STORED PURSUANT TO THE CONTRACT IS RECEIVED,

(ii) THE LOCATION OF THE WAREHOUSE, TO WHOM THE GAS WILL BE DELIVERED, RATE OF STORAGE AND HANDLING CHARGES, AND DESCRIPTION OF THE GOODS ARE AS SET FORTH, RESPECTIVELY, IN SECTION 1.10 OF THE GENERAL TERMS AND CONDITIONS, EXHIBIT A OF THIS AGREEMENT, THE MONTHLY STATEMENT (AS DESCRIBED IN SECTION 12.1 OF THE GENERAL TERMS AND CONDITIONS) AND SECTION 1.17 OF THE GENERAL TERMS AND CONDITIONS,

(iii) THE ISSUE DATE OF THE WAREHOUSE RECEIPT WITH RESPECT TO EACH RECEIPT OF GAS SHALL BE DEEMED TO BE THE DATE SUCH GAS WAS RECEIVED,

(iv) THE CONSECUTIVE NUMBER OF THE RECEIPT SHALL BE DEEMED BASED ON THE DATES OF RECEIPT WHEN LISTED IN CHRONOLOGICAL ORDER, BEGINNING WITH THE FIRST RECEIPT OF GAS UNDER THE TERMS OF THIS SERVICE AGREEMENT, AND

(v) THE SIGNATURE OF HILL-LAKE ON THIS SERVICE AGREEMENT SHALL BE DEEMED TO BE THE SIGNATURE OF THE WAREHOUSEMAN.

Hill-Lake Gas Storage, LLC
Statement of Operating Conditions

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed in several counterparts by their proper officers thereunto duly authorized as of the date first hereinabove written.

SHIPPER

HILL-LAKE GAS STORAGE, LLC

By _____

By _____

Title _____

Title _____

EXHIBIT "A"

**DEAL
 CONFIRMATION**

Date:

Agreement ID:	Deal ID:
Firm Injection Period:	Firm Withdrawal Period:
Firm Max. Daily Injection Qty (MDIQ) (MMBtu/Day):	Firm Max. Daily Withdrawal Qty (MDWQ) (MMBtu/Day):
Firm Max. Hourly Injection Qty (MHIQ) (MMBtu/Hr):	Firm Max. Hourly Withdrawal Qty (MHWQ) (MMBtu/Hr):
Interruptible Injection Period:	Interruptible Withdrawal Period:
Interruptible Daily Injection Qty (MMBtu/Day):	Interruptible Daily Withdrawal Qty (MMBtu/Day):
Interruptible Hourly Injection Qty (MMBtu/Hr):	Interruptible Hourly Withdrawal Qty (MMBtu/Hr):
Injection Fee (\$/MMBtu):	Withdrawal Fee (\$/MMBtu):
Monthly Reservation Charge (\$):	Maximum Storage Qty (MSQ) (MMBtu)
Injection Fuel (%):	Withdrawal Fuel (%):
Title Transfer Fee (\$/MMBtu):	Title Transfer Qty (MMBtu):
Receipt Point(s):	Delivery Point(s):

Hill-Lake Gas Storage, LLC
Statement of Operating Conditions

Special Provisions (if any):

This confirmation is being provided pursuant to and in accordance with the above referenced gas storage agreement between Shipper and Hill-Lake Gas Storage, LLC (the "Agreement") and constitutes part of and is subject to all of the provisions of the agreement.

If no email objection to this Confirmation is received by Hill-Lake Gas Storage, LLC at as provided in Section 5 herein, from Shipper by 5:00 p.m., Houston, Texas, time, within two business days after delivery of this Deal Confirmation to Shipper (unless otherwise specified in the FSS Agreement), then this Deal Confirmation shall be the final expression of all the terms hereof and shall be binding and enforceable against Hill-Lake and Shipper regardless of whether executed by Shipper.

HILL-LAKE GAS STORAGE, LLC

Shipper

By:

Name:

Title:

Date:

By:

Name:

Title:

Date:

**FORM OF SERVICE AGREEMENT
(APPLICABLE TO ISS RATE SCHEDULE)**

THIS AGREEMENT, made and entered into this ____ day of _____, _____, by and between HILL-LAKE GAS STORAGE, LLC (“Hill-Lake”) and _____ (“Shipper”), pursuant to the following recitals and representations. Hill-Lake and Shipper are each individually referred to as “Party” and collectively referred to as “Parties.”

WITNESSETH, that in consideration of the mutual covenants herein contained, the Parties hereto agree as follows:

Section 1. Service to be Rendered. Hill-Lake shall perform and Shipper shall receive Service in accordance with the provisions of the effective ISS Rate Schedule and applicable General Terms and Conditions of Hill-Lake’s Statement of Operating Conditions (“SOC”), on file with the Texas Railroad Commission (“TRC”), as the same may be amended or superseded from time to time. Hill-Lake shall store quantities of Gas for Shipper up to, but not exceeding, Shipper’s Maximum Interruptible Storage Capacity as specified in Exhibit A, as the same may be amended from time to time by agreement between Shipper and Hill-Lake, or in accordance with the rules and regulations of the TRC. Service provided hereunder with respect to Gas tendered or accepted for delivery by Shipper hereunder that is not transported for Shipper in “interstate commerce” (whether before delivery to Shipper or after subsequent redelivery to Shipper by Hill-Lake) shall be subject in all respects to regulation by the TRC under the Texas Utilities Code Chapter 104 and the rules and regulations of the TRC with respect thereto, including, specifically (but not by way of limitation), the rules and regulations set forth in the Texas Administrative Code, Title 16, Part I, Chapter 7. Terms capitalized herein and not defined shall have the meaning as set forth in the applicable SOC.

Section 2. Receipt and Delivery Points. The point(s) at which the Gas is tendered by Shipper to Hill-Lake under this Service Agreement and the point(s) at which the Gas is tendered by Hill-Lake to Shipper under this Service Agreement shall be at the point(s) located on Hill-Lake’s system designated on Exhibit A hereto.

Section 3. Rates. Shipper shall pay Hill-Lake the charges calculated in accordance with the ISS Rate Schedule as specified in Exhibit A of this Service Agreement.

Section 4. Term. Service under this Agreement shall commence as of the first Day of the first Month specified in Exhibit A and shall continue in full force and effect until the date specified in Exhibit A.

Section 5. Notices. Notices shall be provided pursuant to Section 18 of the SOC. Notices to Hill-Lake under this Agreement shall be addressed to 1201 Louisiana, Suite 700, Houston, Texas 77002, _____@nortexmidstream.com, Attention: Vice President of Marketing, and notices to Shipper shall be addressed to _____, Attention: _____, until changed by either Party by written notice.

Section 6. Prior Agreements Cancelled. This Service Agreement supersedes and cancels, as of the effective date hereof, the following Service Agreements:

Section 7. Law of Agreement. THE INTERPRETATION AND PERFORMANCE OF THIS AGREEMENT SHALL BE IN ACCORDANCE WITH AND CONTROLLED BY THE LAWS OF THE STATE OF TEXAS, WITHOUT REGARD TO DOCTRINES GOVERNING CHOICE OF LAW.

Section 8. Warehousemen’s Lien.

(a) SHIPPER HEREBY ACKNOWLEDGES THAT HILL-LAKE SHALL BE ENTITLED TO, AND HILL-LAKE HEREBY CLAIMS, A LIEN ON ALL GAS RECEIVED BY HILL-LAKE FROM SHIPPER, AND

ALL PROCEEDS THEREOF, UPON SUCH RECEIPT BY HILL-LAKE, AS PROVIDED IN SECTION 7-209 OF THE TEXAS UNIFORM COMMERCIAL CODE WITH THE RIGHTS OF ENFORCEMENT AS PROVIDED THEREIN AND HEREIN. IN NO WAY LIMITING THE FOREGOING, SHIPPER HEREBY ACKNOWLEDGES THAT HILL-LAKE SHALL BE ENTITLED TO, AND HILL-LAKE HEREBY CLAIMS, A LIEN FOR ALL CHARGES FOR STORAGE (INCLUDING DEMURRAGE AND TERMINAL CHARGES), INSURANCE, LABOR, OR CHARGES PRESENT OR FUTURE IN RELATION TO THE RECEIVED GAS, AND FOR EXPENSES NECESSARY FOR PRESERVATION OF THE RECEIVED GAS OR REASONABLY INCURRED IN THE SALE THEREOF, PURSUANT TO LAW, AND THAT SUCH LIEN SHALL EXTEND TO LIKE CHARGES AND EXPENSES IN RELATION TO ALL SUCH RECEIVED GAS.

(b) IF DEEMED NECESSARY BY A COURT OF LAW, PURSUANT TO SECTION 7 202(2) OF THE TEXAS UNIFORM COMMERCIAL CODE, SHIPPER HEREBY AGREES THAT:

(i) THIS AGREEMENT, WITH ALL SCHEDULES AND EXHIBITS HERETO, AND ALL OF THE MONTHLY STATEMENTS RENDERED BY HILL-LAKE TO SHIPPER PURSUANT TO THE GENERAL TERMS AND CONDITIONS CONTAINED IN HILL-LAKE'S SOC, SHALL BE DEEMED A "WAREHOUSE RECEIPT" FOR ALL PURPOSES WITH RESPECT TO ARTICLE 7 OF THE TEXAS UNIFORM COMMERCIAL CODE, REGARDLESS OF WHEN THE GAS STORED PURSUANT TO THE SERVICE AGREEMENT IS RECEIVED,

(ii) THE LOCATION OF THE WAREHOUSE, TO WHOM THE GAS WILL BE DELIVERED, RATE OF STORAGE AND HANDLING CHARGES, AND DESCRIPTION OF THE GOODS ARE AS SET FORTH, RESPECTIVELY, IN SECTION 1.10 OF THE GENERAL TERMS AND CONDITIONS, EXHIBIT A OF THIS AGREEMENT, THE MONTHLY STATEMENT (AS DESCRIBED IN SECTION 12.1 OF THE GENERAL TERMS AND CONDITIONS) AND SECTION 1.17 OF THE GENERAL TERMS AND CONDITIONS,

(iii) THE ISSUE DATE OF THE WAREHOUSE RECEIPT WITH RESPECT TO EACH RECEIPT OF GAS SHALL BE DEEMED TO BE THE DATE SUCH GAS WAS RECEIVED,

(iv) THE CONSECUTIVE NUMBER OF THE RECEIPT SHALL BE DEEMED BASED ON THE DATES OF RECEIPT WHEN LISTED IN CHRONOLOGICAL ORDER, BEGINNING WITH THE FIRST RECEIPT OF GAS UNDER THE TERMS OF THE SERVICE AGREEMENT, AND

(v) THE SIGNATURE OF HILL-LAKE ON THE SERVICE AGREEMENT SHALL BE DEEMED TO BE THE SIGNATURE OF THE WAREHOUSEMAN.

Hill-Lake Gas Storage, LLC
Statement of Operating Conditions

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed in several counterparts by their proper officers thereunto duly authorized as of the date first hereinabove written.

SHIPPER

HILL-LAKE GAS STORAGE, LLC

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

EXHIBIT "A"

DEAL
CONFIRMATION

Date:

Agreement ID:	Deal ID:
Firm Injection Period:	Firm Withdrawal Period:
Firm Max. Daily Injection Qty (MDIQ) (MMBtu/Day):	Firm Max. Daily Withdrawal Qty (MDWQ) (MMBtu/Day):
Firm Max. Hourly Injection Qty (MHIQ) (MMBtu/Hr):	Firm Max. Hourly Withdrawal Qty (MHWQ) (MMBtu/Hr):
Interruptible Injection Period:	Interruptible Withdrawal Period:
Interruptible Daily Injection Qty (MMBtu/Day):	Interruptible Daily Withdrawal Qty (MMBtu/Day):
Interruptible Hourly Injection Qty (MMBtu/Hr):	Interruptible Hourly Withdrawal Qty (MMBtu/Hr):
Injection Fee (\$/MMBtu):	Withdrawal Fee (\$/MMBtu):
Monthly Reservation Charge (\$):	Maximum Storage Qty (MSQ) (MMBtu)
Injection Fuel (%):	Withdrawal Fuel (%):
Title Transfer Fee (\$/MMBtu):	Title Transfer Qty (MMBtu):
Receipt Point(s):	Delivery Point(s):

Hill-Lake Gas Storage, LLC
Statement of Operating Conditions

Special Provisions (if any):

This confirmation is being provided pursuant to and in accordance with the above referenced gas storage agreement between Shipper and Hill-Lake Gas Storage, LLC (the "Agreement") and constitutes part of and is subject to all of the provisions of the agreement.

If no email objection to this Confirmation is received by Hill-Lake Gas Storage, LLC at as provided in Section 5 herein, from Shipper by 5:00 p.m., Houston, Texas, time, within two business days after delivery of this Deal Confirmation to Shipper (unless otherwise specified in the FSS Agreement), then this Deal Confirmation shall be the final expression of all the terms hereof and shall be binding and enforceable against Hill-Lake and Shipper regardless of whether executed by Shipper.

Shipper

By:

Name:

Title:

Date:

Hill-Lake Gas Storage, LLC

By:

Name:

Title:

Date: