

**STATEMENT
OF
OPERATING CONDITIONS**

RAGGED MOUNTAIN GATHERING SYSTEM

DATED: NOVEMBER 1, 2010

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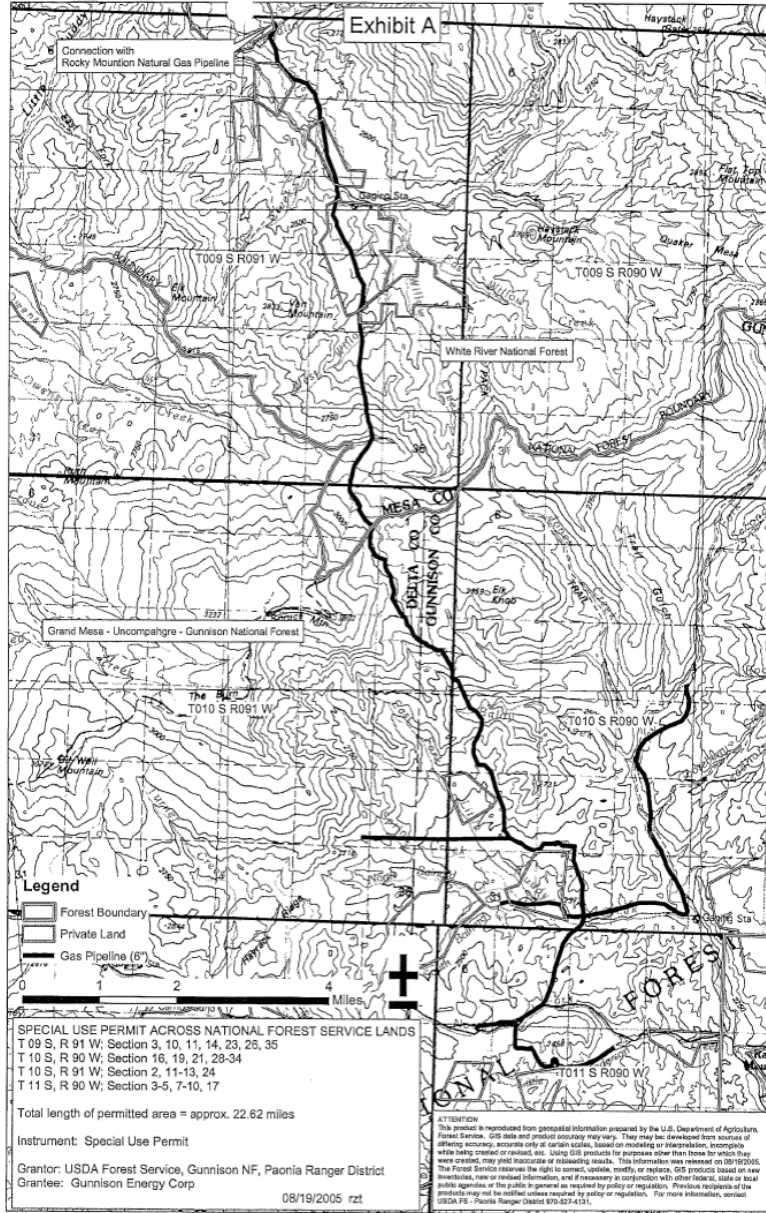
PRELIMINARY STATEMENT

The Ragged Mountain Gathering System (“Gatherer” or “Ragged Mountain”) is an unregulated natural gas gathering line jointly owned by Gunnison Energy Corporation, and by SG Interests VII, Ltd. and Falcon Seaboard Oil & Gas LP (“Owners”) depicted on the System Map in this Statement of Operating Conditions. Ragged Mountain is operated by Gunnison Energy Corporation.

Ragged Mountain provides proratable gathering service for its Owners, who bear the costs of Ragged Mountain’s operations.

Ragged Mountain also provides both nondiscriminatory Interruptible Gathering Service (“IGS”) and nondiscriminatory Firm (proratable) Gathering Service (“FGS”) for third parties (“Shippers”) pursuant to the terms of this Statement of Operating Conditions (“SOC”).

RAGGED MOUNTAIN GATHERING SYSTEM MAP



SUMMARY OF RATES

SUMMARY OF GATHERING RATES – 2012¹		
Service	Minimum	Maximum
Interruptible Gathering ²	\$0.01/Dth	\$0.99/Dth ³
IGS Authorized Overrun ²	\$0.01/Dth	\$0.99/Dth ³
Firm Gathering	\$0.99/Dth ⁴	
FGS Authorized Overrun	\$0.99/Dth ⁴	
Unauthorized Overrun	\$6.00/Dth	
Fuel	% retainage ⁵ OR negotiated \$/Dth	
L&U	% retainage ⁶ OR negotiated \$/Dth	
Plant Thermal Reduction	% retainage ⁷ OR negotiated \$/Dth	

Notes:

- 1 Applicable to non-Owner Shippers. All rates are commodity rates per Dth.
- 2 Negotiable.
- 3 Recourse rate available to any shipper equal to Firm Gathering Service rate.
- 4 Cost-of-service based rate equivalent to per unit cost borne by Owners at 100% capacity utilization, plus a reasonable return on equity and associated income taxes. This rate is not subject to discounting or negotiation.
- 5 As set forth in GT&C § 1.12.
- 6 As set forth in GT&C § 1.18.
- 7 PTR retainage % is based on composition analysis of Shipper's Gas.

Rates are for the calendar year specified. Rates shall be recalculated annually in December for the following calendar year and published in this Rate Summary effective January 1 of the applicable calendar year.

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INTERRUPTIBLE GATHERING SERVICE

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RATE SCHEDULE IGS

1. AVAILABILITY

1.1 IN GENERAL. This Rate Schedule is available to any person (hereinafter called “Shipper”), other than an Owner, which:

(a) submits a valid request, as defined in Section 3 of this Rate Schedule, for Interruptible Gathering Service; and

(b) executes an Interruptible Gathering Service Agreement (“IGSA”) with Gatherer applicable to service under this Rate Schedule.

1.2 FORM OF IGSA; NUMBER. The form of IGSA is contained in this SOC. There is no limitation on the number of IGSA's any one Shipper may have.

2. APPLICABILITY, CHARACTER AND PRIORITY OF SERVICE

2.1 IN GENERAL.

(a) Service under this Rate Schedule shall be provided on an interruptible basis.

(b) Service under this Rate Schedule is not entitled to be prorated if Gatherer’s capacity is inadequate to provide service to all requirements of the Owners plus all requests for gathering service from third parties.

(c) In order to be entitled to prorated capacity during periods when Gatherer’s capacity is inadequate to serve all requirements of the Owners plus all requests for gathering service from third parties, Shipper must subscribe to, and pay the applicable rate pursuant to Section 2.1(c) of the FGS Rate Schedule for, Firm Gathering Service under the FGS Rate Schedule.

2.2 NATURE OF SERVICE. Service under this Rate Schedule shall consist of the acceptance by Gatherer of Gas tendered by Shipper for gathering at Receipt Points specified in

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or applicable to the IGSA, treating and processing of such Gas, gathering of such Gas through Gatherer's System, delivery of Equivalent Volumes by Gatherer to Shipper or for Shipper's account at the Delivery Points specified in or applicable to the IGSA, and delivery to Shipper or for Shipper's account, Shipper's allocated share of natural gas liquids recovered from the processing of Shipper's Gas.

2.3 EXCLUSIONS.

(a) Gatherer shall not be required –

(1) to accept any Gas tendered in excess of the Maximum Daily Quantity ("MDQ") specified in the IGSA;

(2) to accept or deliver on any Day, Gas which is not properly nominated pursuant to the GT&C; or

(3) to accept Gas not meeting the gas quality specifications set forth in Section 15 of the GT&C.

(b) Service under this Rate Schedule shall not encompass –

(1) gathering services upstream from the Receipt Point, or downstream from the Delivery Point,

(2) gathering through the facilities of any third party, and/or

(3) gathering through other facilities owned individually by either Owner or jointly by both Owners.

2.3 CURTAILMENT AND PRIORITIES OF SERVICE. Curtailment and priorities of service for the purposes of scheduling and curtailment are governed by the GT&C.

3. REQUESTS FOR SERVICE

3.1 VALID REQUEST. A request for service under this Rate Schedule shall be valid

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if it complies with this Section 3 and contains adequate information on all of the items specified in Section 3.2 of this Rate Schedule, subject to any necessary verification of such information and to the following:

(a) A request shall not be valid and Gatherer shall not be required to grant any such request:

(1) as to which Gatherer does not have the operational capability to effect receipt, gathering and/or delivery consistent with the terms and conditions of this Rate Schedule;

(2) which would require the construction, modification, expansion, or acquisition of any facilities; *provided*, however, that Gatherer may agree in its reasonable discretion and on a nondiscriminatory basis to construct, modify, expand, or acquire facilities to enable it to perform such services;

(3) unless and until Shipper has provided Gatherer with the information required in Section 3.2 of this Rate Schedule;

(4) if Gatherer determines, based on the credit analysis referenced in Section 3.3 of this Rate Schedule, that Shipper does not possess sufficient financial stability to make it reasonably likely the service provided under this Rate Schedule will be paid for on a timely basis, unless Shipper posts appropriate Security pursuant to Section 11.1(d)(1) of the GT&C;

(5) if the service requested would not comply with this Rate Schedule or the GT&C; or

(6) if the service requested is at less than the applicable maximum rate; *provided*, however, that Gatherer may agree to provide service under this

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Rate Schedule at a Discounted Rate or a Negotiated Rate consistent with this Rate Schedule.

(b) Gatherer shall promptly notify Shipper if Gatherer cannot satisfy an otherwise valid request because such request is incomplete or does not comply with this Rate Schedule or the GT&C.

3.2 INFORMATION REQUIRED. Requests for service under this Rate Schedule shall be deemed valid only after the following information has been provided by Shipper in accordance with the requirements of the GT&C:

(a) The request shall specify in Dth the aggregate MDQ, exclusive of applicable Fuel Gas, Lost And Unaccounted For Gas, and Plant Thermal Reduction; *provided*, however, that Gatherer shall not be obligated to accept requests for an aggregate MDQ of less than one hundred (100) Dth per Day.

(b) The request shall include a natural gas composition analysis from an independent natural gas analysis laboratory acceptable to Gatherer (a list of which may be found on Gatherer's website).

(c) The request shall specify the date service is requested to commence and the term of the service.

(d) The request shall provide the information specified in Section 11 of the GT&C sufficient to enable Gatherer to evaluate Shipper's creditworthiness.

(e) The request shall specify whether Shipper requests service at the maximum tariff rate specified under this SOC for service under this Rate Schedule, at a Discounted Rate, at a Negotiated Rate, or at a rate under a Negotiated Rate Formula. A request for service at a Discounted Rate, at a Negotiated Rate, or at a rate under a

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Negotiated Rate Formula shall specify the Discounted Rate, Negotiated Rate or Negotiated Rate Formula on which the Shipper is willing to agree.

3.3 CREDIT APPRAISAL. Acceptance of a request is contingent upon a satisfactory credit appraisal by Gatherer in accordance with Section 11 of the GT&C.

3.4 SHIPPER AGREEMENT. Submission of a request for service under this Rate Schedule shall be deemed agreement by Shipper that it will abide by the terms and conditions of this Rate Schedule, including the applicable General Terms and Conditions.

4. TERM

4.1 RELATION TO IGSA. The term of service under this Rate Schedule shall be set forth in the IGSA. Gatherer may terminate the IGSA if Shipper fails to cause Gas to be delivered during any twelve (12) consecutive calendar months when capacity is available, unless Shipper's failure to deliver Gas was attributable to circumstances of Force Majeure.

4.2 ROLLOVER RIGHTS. The General Terms and Conditions shall govern the applicability of rollovers. Upon termination of any IGSA, and subject to any such rollover rights, Gatherer shall be authorized to terminate any service to Shipper provided under such Agreement.

5. RATE

5.1 IGS RATE.

(a) Shipper shall pay Gatherer each Month under this Rate Schedule the rate set forth in Shipper's IGSA for Interruptible Gathering Service, which rate shall not exceed the maximum rate set forth in the Summary of Rates of this SOC for Interruptible Gathering Service.

(b) Such rate shall apply to each Dth of Gas received by Gatherer for

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gathering and processing services under this Rate Schedule (other than FL&U Gas provided in-kind under Section 5.3(a) of this Rate Schedule and Plant Thermal Reduction provided in-kind pursuant to Section 5.3(b) of this Rate Schedule).

5.2 MAXIMUM AND MINIMUM RATES. Maximum and Minimum Commodity Rates are stated in this SOC.

(a) The maximum rate Gatherer will charge for service under this Rate Schedule shall be the rate set forth in the Summary of Rates of this SOC for Interruptible Gathering Service. Such maximum rate may be changed by Gatherer from time to time based on market conditions, *provided* that the maximum rate for service under this Rate Schedule (not including Unauthorized Overrun Service) shall not exceed the rate set forth in the Summary of Rates of this SOC for Firm Gathering Service.

(b) Unless Gatherer and Shipper have agreed to a Discounted Rate, a Negotiated Rate or a rate under a Negotiated Rate Formula for Authorized Overrun service, the rate per Dth of Authorized Overrun Gas under this Rate Schedule shall be the maximum rate specified in the Summary of Rates of this SOC for service under Rate Schedule IGS.

5.3 FL&U AND PTR IN-KIND.

(a) Unless Gatherer has agreed otherwise pursuant to GT&C Sections 1.12 and 1.18, Shipper shall reimburse Gatherer in kind for Fuel and Lost And Unaccounted For Gas ("FL&U Gas") consumed in gathering Gas under this Rate Schedule.

(b) Unless Gatherer has agreed otherwise pursuant to GT&C Section 1.29, Shipper shall reimburse Gatherer in kind for Plant Thermal Reduction ("PTR") associated with processing of Shipper's Gas by Gatherer for recovery of liquid and liquefiable

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hydrocarbons (natural gas liquids).

5.4 RIGHT TO MAKE CHANGES.

(a) Gatherer shall have the unilateral right to make changes in:

(1) the rates and charges applicable under this Rate Schedule, including both the level and design of such rates and charges, to reflect market conditions; and

(2) the terms and conditions of this Rate Schedule and the GT&C.

(b) Any such changes in rates or charges, or terms and conditions of service shall be applied on a non-discriminatory basis.

(c) Any change in rates and charges, or terms and conditions of service shall be prospective in effect, and shall not supercede the rates or charges set forth in any existing IGSA unless expressly authorized under the terms of such IGSA.

5.5 DISCOUNTED AND NEGOTIATED RATES.

(a) Gatherer may from time to time and at any time, on a not unduly discriminatory basis, agree to charge any Shipper for service under this Rate Schedule a Discounted Rate, a Negotiated Rate or a rate established under a Negotiated Rate Formula which is lower than the applicable maximum rate specified in the Summary of Rates of this SOC for Interruptible Gathering Service under this Rate Schedule.

(b) Any such Discounted, Negotiated or Formula Rate shall –

(1) not be less than the applicable minimum rate for service under this Rate Schedule specified in the Summary of Rates of this SOC for Interruptible Gathering Service under this Rate Schedule (which minimum rate shall not be less than Gatherer's variable costs), and

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(2) be applied on a non-discriminatory basis to all similarly situated Shippers requesting such Discounted, Negotiated or Formula Rate.

5.6 AUTHORIZED AND UNAUTHORIZED OVERRUN CHARGES.

(a) For each Dth of Authorized Overrun Service provided under this Rate Schedule, Shipper shall pay Gatherer the applicable rate for Authorized Overrun Service set forth in Shipper's IGSA up to the maximum rate set forth in the Summary of Rates of this SOC for Authorized Overrun Service under this Rate Schedule.

(b) For each Dth of Unauthorized Overrun Gas, Shipper shall pay Gatherer the Authorized Overrun Charge described in subsection (a) of this Section plus an Unauthorized Overrun Charge per Dth equal to the Unauthorized Overrun Rate set forth in the Summary of Rates of this SOC multiplied by the quantity of Unauthorized Overrun Gas.

(c) The Unauthorized Overrun Rate may be discounted by Gatherer on a non-discriminatory basis to any level. Any Unauthorized Overrun Charge may be waived by Gatherer if the Unauthorized Overrun did not cause operational problems.

5.7 NEW FACILITIES NOT COVERED. The rates specified in this Section 5 do not include the cost of any new facilities required to provide service to Shipper. The cost of such facilities shall be reimbursed by Shipper to Gatherer pursuant to Section 5 of the GT&C.

6. NOMINATIONS AND IMBALANCES

6.1 SHIPPER NOMINATIONS.

(a) Shipper shall provide Gatherer with daily nominations of receipts and deliveries by Receipt and Delivery Point in accordance with the GT&C.

(b) It shall be Shipper's responsibility to cause Gas to be delivered to Gatherer

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at Receipt Point(s), and to cause Gas to be taken from Gatherer at Delivery Point(s), in accordance with the information supplied to Gatherer.

6.2 BALANCING OBLIGATION. It shall be Shipper's responsibility to keep receipts and deliveries in balance. Gatherer may curtail service under this Rate Schedule to the extent necessary to bring receipts and deliveries into balance. Any imbalance between actual receipts and actual deliveries shall be eliminated by cash-out on a monthly basis in accordance with the GT&C.

7. RECEIPT AND DELIVERY POINTS AND UPSTREAM AND DOWNSTREAM ARRANGEMENTS

7.1 RECEIPT AND DELIVERY POINTS. An IGSA shall include all available Receipt and Delivery Points on Gatherer's System, as more fully set out in the GT&C. Gatherer's aggregate maximum obligation to accept Gas and redeliver Equivalent Volumes on an interruptible basis ("MDQ") shall be specified in Dth in the IGSA.

7.2 DELIVERY CONDITIONS. Conditions of delivery at Receipt and Delivery Points are set out in the GT&C.

7.3 COORDINATION. Shipper shall make all necessary arrangements with other parties:

(a) at or upstream of the Receipt Point(s) where Gas is tendered to Gatherer under this Rate Schedule; and

(b) at or downstream of the Delivery Point(s) where Gatherer delivers Gas under this Rate Schedule to or for the account of Shipper.

Such arrangements must be consistent with this Rate Schedule and must be coordinated with Gatherer.

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7.4 PRESSURE; QUALITY.

(a) Shipper shall be responsible to deliver Gas at a pressure sufficient to cause the Gas to enter Gatherer's gathering system at the then prevailing pressure.

(b) Shipper shall be responsible to deliver Gas meeting the Gas quality specifications set forth in Section 15 of the GT&C.

8. OVERRUN SERVICE. Upon request of Shipper, Gatherer may (but is not obligated to) receive, gather, and deliver on any Day quantities of Gas in excess of Shipper's MDQ under the IGSA when, in Gatherer's reasonable judgment, the capacity and operating capability of the Ragged Mountain System will permit such receipt, gathering and delivery without impairing the ability of Gatherer to meet its other obligations. In granting requests for Authorized Overrun Service, Gatherer shall act in a manner consistent with the Overrun Service priorities set out in the GT&C.

9. GENERAL TERMS AND CONDITIONS. The provisions of the General Terms and Conditions ("GT&C"), as such provisions may be amended from time to time, are hereby incorporated by reference and made a part of this Rate Schedule, and shall apply to service rendered under this Rate Schedule as though stated herein.

RATE SCHEDULE
FIRM GATHERING SERVICE

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RATE SCHEDULE FGS

1. AVAILABILITY

1.1 IN GENERAL. This Rate Schedule is available to any person (hereinafter called “Shipper”), other than an Owner, which:

- (a) submits a valid request, as defined in Section 3 of this Rate Schedule, for Firm Gathering Service; and
- (b) executes a Firm Gathering Service Agreement (“FGSA”) with Gatherer applicable to service under this Rate Schedule.

1.2 FORM OF FGSA; NUMBER. The form of FGSA is contained in this SOC.

There is no limitation on the number of FGSAs any one Shipper may have.

2. APPLICABILITY, CHARACTER AND PRIORITY OF SERVICE

2.1 IN GENERAL.

(a) Service under this rate schedule is pro-ratable Firm Gathering Service pursuant to which Shipper’s service may be interrupted for reasons set forth in this SOC other than due to lack of available capacity.

(b) Service under this Rate Schedule is entitled to be prorated with service provided to Owners if Gatherer’s capacity is inadequate to provide service to all requirements of Owners plus all requests for gathering service from third parties.

(c) In order to be entitled to prorated capacity during periods when Gatherer’s capacity is inadequate to serve all requirements of Owners plus all requests for gathering service from third parties, Shipper must pay the rate for Firm Gathering Service set forth in the Summary of Rates of this SOC for Shipper’s Prorated MDQ determined in accordance with Section 2.1(c) of the GT&C for all Gas, up to Shipper’s Prorated MDQ, gathered by Gatherer under the IGS Rate Schedule plus all Gas gathered by Gatherer

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under this Rate Schedule during the Month in which prorating of capacity is in effect.

2.2 NATURE OF SERVICE. Service under this Rate Schedule shall consist of the acceptance by Gatherer of Gas tendered by Shipper for gathering at Receipt Points specified in or applicable to the FGSA, treating and processing of such Gas, gathering of such Gas through Gatherer's System, delivery of Equivalent Volumes by Gatherer to Shipper or for Shipper's account at the Delivery Points specified in or applicable to the FGSA, and delivery to Shipper or for Shipper's account, Shipper's allocated share of natural gas liquids recovered from the processing of Shipper's Gas. Service under this Rate Schedule is pro-ratable in accordance with Section 2.1 of this Rate Schedule and Section 2 of the GT&C.

2.3 EXCLUSIONS.

(a) Gatherer shall not be required –

(1) to accept any Gas tendered in excess of Shipper's MDQ;

(2) during periods in which capacity is prorated, to accept any Gas tendered in excess of Shipper's Prorated MDQ determined in accordance with Section 2.1(c) of the GT&C;

(3) to accept or deliver on any Day, Gas which is not properly nominated pursuant to the GT&C; or

(4) to accept Gas not meeting the gas quality specifications set forth in Section 15 of the GT&C.

(b) Service under this Rate Schedule shall not encompass –

(1) gathering services upstream from the Receipt Point, or downstream from the Delivery Point,

(2) gathering through the facilities of any third party, and/or

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(3) gathering through other facilities owned individually by either Owner or jointly by both Owners.

2.4 CURTAILMENT AND PRIORITIES OF SERVICE. Curtailment and priorities of service for the purposes of scheduling and curtailment are governed by the GT&C.

3. REQUESTS FOR SERVICE

3.1 VALID REQUEST. A request for service under this Rate Schedule shall be valid if it complies with this Section 3 and contains adequate information on all of the items specified in Section 3.2 of this Rate Schedule, subject to any necessary verification of such information and to the following:

(a) A request shall not be valid and Gatherer shall not be required to award capacity pursuant to any such request:

(1) as to which Gatherer does not have the current operational capability to effect receipt, gathering and/or delivery consistent with the terms and conditions of this Rate Schedule, taking into account the MDQ of existing Shippers for service under this Rate Schedule and the current and reasonably anticipated requirements of the Owners;

(2) which would require the construction, modification, expansion, or acquisition of any facilities; *provided*, however, that Gatherer may agree in its reasonable discretion and on a nondiscriminatory basis to construct, modify, expand, or acquire facilities to enable it to perform such services;

(3) unless and until Shipper has provided Gatherer with the information required in Section 3.2 of this Rate Schedule;

(4) if Gatherer determines, based on the credit analysis referenced in

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Section 3.3 of this Rate Schedule, that Shipper does not possess sufficient financial stability to make it reasonably likely the service provided under this Rate Schedule will be paid for on a timely basis unless Shipper posts appropriate Security pursuant to Section 11.1(d)(1) of the GT&C;

(5) if the service would not comply with this Rate Schedule or GT&C;

or

(6) if the service requested is at less than the applicable maximum tariff rate or less than the minimum term.

(b) Gatherer shall promptly notify Shipper if Gatherer cannot satisfy an otherwise valid request because the request is incomplete or does not comply with this Rate Schedule or the GT&C.

3.2 INFORMATION REQUIRED. Requests for service under this Rate Schedule shall be deemed valid only after the following information has been provided by Shipper in accordance with the requirements of the GT&C:

(a) The request shall specify in Dth the aggregate MDQ, exclusive of applicable Fuel Gas, Lost And Unaccounted For Gas, and Plant Thermal Reduction; *provided*, however, that Gatherer shall not be obligated to accept requests for an aggregate MDQ of less than one hundred (100) Dth per Day.

(b) The request shall include a natural gas composition analysis from an independent natural gas analysis laboratory acceptable to Gatherer (a list of which may be found on Gatherer's website).

(c) The request shall specify the date service is requested to commence and the requested term of the service, which term may not be less than one Year.

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(d) The request shall provide the information specified in Section 11 of the GT&C sufficient to enable Gatherer to evaluate Shipper's creditworthiness.

(f) All requests for service under this Rate Schedule shall be at the maximum rate specified in the Summary of Rates of this SOC for service under this Rate Schedule.

3.3 CREDIT APPRAISAL. Acceptance of a request is contingent upon a satisfactory credit appraisal by Gatherer in accordance with Section 11 of the GT&C.

3.4 SHIPPER AGREEMENT. Submission of a request for service under this Rate Schedule shall be deemed agreement by Shipper that it will abide by the terms and conditions of this Rate Schedule, including the applicable General Terms and Conditions.

4. TERM

4.1 MINIMUM TERM. The minimum term for service under this Rate Schedule shall be one Year.

4.2 RELATION TO FGSA. The term of service under this Rate Schedule shall be set forth in the FGSA.

4.3 ROLLOVER AND ROFR RIGHTS. The General Terms and Conditions shall govern the applicability of, and the terms and conditions relating to, contract term, rollovers and the right to extend the term of service pursuant to the right of first refusal ("ROFR"). Upon termination of any FGSA, and subject to any such rollover or right of first refusal, Gatherer shall be authorized to terminate any service to Shipper provided under such Agreement.

5. RATE

5.1 FGS RATE.

(a) Shipper shall pay Gatherer each Month under this Rate Schedule the rate for Firm Gathering Service set forth in the Summary of Rates of this SOC.

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(b)(1) Except as provided in paragraph (2) of this subsection, such rate shall apply to each Dth of Gas received by Gatherer for gathering and processing services under this Rate Schedule (other than FL&U Gas provided in-kind under Section 5.2(a) of this Rate Schedule and Plant Thermal Reduction provided in-kind pursuant to Section 5.2(b) of this Rate Schedule).

(2) During any Month in which capacity is prorated, such rate shall apply to each Dth of Shipper's Gas, up to Shipper's Prorated MDQ, gathered by Gatherer under the IGS Rate Schedule during any Month in which prorating of capacity is in effect.

5.2 FL&U AND PTR IN-KIND.

(a) Unless Gatherer has agreed otherwise pursuant to GT&C Sections 1.12 and 1.18, Shipper shall reimburse Gatherer in kind for Fuel and Lost And Unaccounted For Gas ("FL&U Gas") consumed in gathering Gas under this Rate Schedule.

(b) Unless Gatherer has agreed otherwise pursuant to GT&C Section 1.29, Shipper shall reimburse Gatherer in kind for Plant Thermal Reduction ("PTR") associated with processing of Shipper's Gas by Gatherer for recovery of liquid and liquefiable hydrocarbons (natural gas liquids).

5.3 RIGHT TO MAKE CHANGES.

(a) Gatherer shall have the unilateral right to make changes in:

(1) the rates and charges applicable under this Rate Schedule, including both the level and design of such rates and charges, to the extent necessary to permit Gatherer to earn the rate of return on equity on the basis of which the rate for Firm Gathering Service set forth in the Summary of Rates of this SOC was established; and

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(2) the terms and conditions of this Rate Schedule and the GT&C.

(b) Any such changes in rates or charges, or terms and conditions of service shall be applied on a non-discriminatory basis.

(c) Any change in rates and charges, rate methodology or terms and conditions of service shall be prospective in effect, and shall not supercede the rates or charges set forth in any existing FGSA unless expressly authorized under the terms of such FGSA.

5.4 OVERRUN CHARGE.

(a) For each Dth of Authorized Overrun Service provided under this Rate Schedule, Shipper shall pay Gatherer the applicable rate for Authorized Overrun Service under this Rate Schedule set forth in the Summary of Rates of this SOC.

(b) For each Dth of Unauthorized Overrun Gas, Shipper shall pay Gatherer the Authorized Overrun Charge described in subsection (a) of this Section plus an Unauthorized Overrun Charge equal to the Unauthorized Overrun Rate set forth in the Summary of Rates of this SOC multiplied by the quantity of Unauthorized Overrun Gas.

(c) The Unauthorized Overrun Rate may be discounted by Gatherer on a non-discriminatory basis to any level. Any Unauthorized Overrun Charge may be waived by Gatherer if the Unauthorized Overrun did not cause operational problems.

5.5 NEW FACILITIES NOT COVERED. The rates specified in this Section 5 do not include the cost of any new facilities required to provide service to Shipper. The cost of such facilities shall be reimbursed by Shipper to Gatherer pursuant to Section 5 of the GT&C.

6. NOMINATIONS AND IMBALANCES

6.1 SHIPPER NOMINATIONS.

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(a) Shipper shall provide Gatherer with daily nominations of receipts and deliveries by Receipt and Delivery Point in accordance with the GT&C.

(b) It shall be Shipper's responsibility to cause Gas to be delivered to Gatherer at Receipt Point(s), and to cause Gas to be taken from Gatherer at Delivery Point(s), in accordance with the information supplied to Gatherer.

6.2 BALANCING OBLIGATION. It shall be Shipper's responsibility to keep receipts and deliveries in balance. Gatherer may curtail service under this Rate Schedule to the extent necessary to bring receipts and deliveries into balance. Any imbalance between actual receipts and actual deliveries shall be eliminated by cash-out on a monthly basis in accordance with the GT&C.

6.3 REDUCTION IN NOMINATIONS. Gatherer shall have the right, on a not unduly discriminatory basis, to reduce Shipper's Nominations (and Shipper's MDQ) whenever Gatherer has reasonable basis to believe that Shipper's nominated quantities are overstated in order to obtain an advantage during periods of pro-rationing, including nominations by Shipper in excess of the Shipper's average daily aggregate nominations under this Rate Schedule and the IGS Rate Schedule during the most recent three Months preceding the Month in which prorating is implemented. Shipper shall have the right to demonstrate proof of increased deliverability to support any such increased nominations.

7. RECEIPT AND DELIVERY POINTS AND UPSTREAM AND DOWNSTREAM ARRANGEMENTS

7.1 RECEIPT AND DELIVERY POINTS. A FGSA shall include all available Receipt and Delivery Points on Gatherer's System, as more fully set out in the GT&C. Gatherer's aggregate maximum obligation to accept Gas and redeliver Equivalent Volumes

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("MDQ") shall be specified in Dth in the FGSA.

7.2 DELIVERY CONDITIONS. Conditions of delivery at Receipt and Delivery Points are set out in the GT&C.

7.3 COORDINATION. Shipper shall make all necessary arrangements with other parties:

(a) at or upstream of the Receipt Point(s) where Gas is tendered to Gatherer under this Rate Schedule; and

(b) at or downstream of the Delivery Point(s) where Gatherer delivers Gas under this Rate Schedule to or for the account of Shipper.

Such arrangements must be consistent with this Rate Schedule and must be coordinated with Gatherer.

7.4 PRESSURE; QUALITY.

(a) Shipper shall be responsible to deliver Gas at a pressure sufficient to cause the Gas to enter Gatherer's gathering system at the then prevailing pressure.

(b) Shipper shall be responsible to deliver Gas meeting the gas quality specifications set forth in Section 15 of the GT&C.

8. OVERRUN SERVICE.

8.1 Authorized Overrun Service. Authorized Overrun Service is available under this Rate Schedule only during periods during which prorating of capacity is not in effect. Authorized Overrun Service is not available under this Rate Schedule during periods during which prorating of capacity is in effect.

8.2 Unauthorized Overrun Service. All Overrun Service under this Rate Schedule during periods in which prorating of capacity is in effect shall be deemed to be Unauthorized

RATE SCHEDULE FGS

Overrun Service.

9. GENERAL TERMS AND CONDITIONS. The provisions of the General Terms and Conditions (“GT&C”), as such provisions may be amended from time to time, are hereby incorporated by reference and made a part of this Rate Schedule, and shall apply to service rendered under this Rate Schedule as though stated herein.

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1. DEFINITIONS. The definitions set forth below apply to these GT&C and to Rate Schedules IGS and FGS.

1.1 AGREEMENT. "Agreement" means a gathering agreement subject to, as applicable, Rate Schedule IGS or Rate Schedule FGS.

1.2 AUTHORIZED OVERRUN GAS. "Authorized Overrun Gas" means Overrun Gas accepted by Gatherer for scheduling pursuant to Section 6.

1.3 BUSINESS DAY. "Business Day" means a period from eight o'clock (8:00) a.m. to four-thirty o'clock (4:30) p.m. Mountain Clock Time Monday through Friday, excluding Federal Banking Holidays.

1.4 FIRM GATHERING SERVICE AGREEMENT. "Firm Gathering Service Agreement" ("FGSA") means an Agreement between a Shipper and Gatherer applicable to gathering service under Rate Schedule FGS.

1.5 FIRM GATHERING SERVICE. "Firm Gathering Service" means gathering service provided under a Firm Gathering Service Agreement pursuant to Rate Schedule FGS.

1.6 DELIVERY POINT. "Delivery Point" means any point at which Gatherer delivers to or for the account of Shipper, Gas which has been gathered by Gatherer under an Agreement.

1.7 DISCOUNTED RATE. "Discounted Rate" means a rate agreed to by Gatherer which is lower than the applicable maximum rate set forth in this SOC.

1.8 DTH. The term "Dth" means one million (1,000,000) Btus and is equivalent to one (1) MMBtu.

1.9 EQUIVALENT VOLUMES. "Equivalent Volumes" means the sum of the volumes of Gas measured in Dth received by Gatherer for the account of Shipper at all the

GENERAL TERMS AND CONDITIONS

Receipt Points on the System during any period of time:

- (a) reduced by –
 - (1) Shipper's *pro rata* share of Fuel and Lost And Unaccounted For Gas ("FL&U") resulting from the operations of Gatherer hereunder during the same period of time (unless Gather has agreed to permit Shipper to reimburse Gatherer for FL&U at a mutually agreed upon price pursuant to Sections 1.12 and 1.18),
 - (2) Shipper's share of any Gas vented or retained as provided in Section 2.6 during the same period of time, and
 - (3) any Plant Thermal Reduction allocated to Shipper pursuant to Section 15.4(b) during the same period of time (unless Gather has agreed to permit Shipper to reimburse Gatherer for such Plant Thermal Reduction at a mutually agreed upon price pursuant to Section 1.29); and
- (b) adjusted for any variations in Btu content, as corrected for any water vapor in excess of ten (10) pounds per million (1,000,000) cubic feet of Gas.

In determining Equivalent Volumes for redelivery, Gatherer shall formulate a thermal balance periodically evaluating inputs to, and deliveries from, the System ("Thermal Balance") such that the total quantity of Gas delivered under this SOC at the Delivery Point(s) after gathering shall be the thermal equivalent of the quantity of Gas received at the Receipt Point(s) for gathering, after reduction and adjustment as provided above. For purposes of this Section 1.9, the reference to Shipper shall include Owners.

1.10 FL&U. "FL&U" and "FL&U Gas" means the sum of Fuel Gas plus Lost And Unaccounted For Gas ("L&U").

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1.11 FORMULA RATE. "Formula Rate" means a rate established under a Negotiated Rate Formula.

1.12 FUEL GAS. "Fuel Gas" or "Fuel" means the quantity of Gas consumed by Gatherer in the operation of the System. Except as set forth in this Section 1.12, Gatherer shall retain in-kind Fuel Gas which shall be measured by Gatherer and allocated *pro rata* among Shippers based upon the actual Btus of Gas delivered by each Shipper to Gatherer during the period covered by the Thermal Balance. Notwithstanding anything herein to the contrary, in lieu of Gatherer retaining Fuel Gas in-kind, Gatherer may agree to permit Shipper to reimburse Gatherer for Fuel at a mutually agreed upon price. For purposes of this Section 1.12, the reference to Shipper shall include Owners. For informational purposes, Gatherer shall post on its website the Fuel retainage percentage for the most recently calculated Thermal Balance period.

1.13 GAS. "Gas" means combustible hydrocarbon gas comprised primarily of methane.

1.14 GAS DAY. "Gas Day" or "Day" means a period from eight o'clock (8:00) a.m. Mountain Clock Time to eight o'clock (8:00) a.m. Mountain Clock Time on the following day.

1.15 GATHERER. "Gatherer" means the Ragged Mountain Gathering System.

1.17 HEATING VALUE. The term "Heating Value" means the number of Btus per cubic feet of Gas at the base condition of 14.73 psia, 60 degrees Fahrenheit (60° F.), dry. The Btu value will be determined utilizing the complete actual composition of the Gas according to the methods in GPA Standard 2172-96, titled "Calculation of Gross Heating Value, Relative Density and Compressibility Factor for Natural Gas Mixtures from Compositional Analysis," and corrected to the base conditions. For reporting purposes, Btu conversion factors will be reported to not less than three (3) decimal places and Pressure Base conversion factors will be reported to

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not less than six (6) decimal places. For calculation purposes, not less than six (6) decimal places will be used for both conversion factors.

1.16 INTERRUPTIBLE GATHERING SERVICE AGREEMENT. "Interruptible Gathering Service Agreement" ("IGSA") means an Agreement between a Shipper and Gatherer applicable to gathering service under Rate Schedule IGS.

1.17 INTERRUPTIBLE GATHERING SERVICE. "Interruptible Gathering Service" means gathering service provided under an Interruptible Gathering Service Agreement pursuant to Rate Schedule IGS.

1.18 LOST AND UNACCOUNTED FOR GAS (L&U). "Lost And Unaccounted For Gas" ("L&U") means the thermal equivalent of the difference between –

(a) the aggregate Btus of all Gas delivered to Gatherer for gathering by all Shippers (excluding Unauthorized Overrun Gas retained by Gatherer under Section 2.6), and

(b) the sum of –

(1) the aggregate Btus of all Gas redelivered to, or for the account(s) of, all Shippers under this SOC,

(2) the aggregate Btus of Fuel Gas, and

(3) the aggregate Btus of Plant Thermal Reduction,

which difference shall include, but shall not be limited to, Gas vented (other than Gas vented pursuant to Section 2.6) and Gas lost as a result of an event of Force Majeure, the ownership of which cannot be reasonably identified. Except as provided in this Section 1.18, each Shipper shall provide such Lost And Unaccounted For Gas in-kind in proportion to the actual Btus of Gas delivered by such Shipper to Gatherer during the period covered by the Thermal Balance.

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Notwithstanding anything herein to the contrary, in lieu of Shipper reimbursing Gatherer for Lost And Unaccounted For Gas in-kind, Gatherer may agree to permit Shipper to reimburse Gatherer for Lost And Unaccounted For Gas at a mutually agreed upon price. For purposes of this Section 1.18, the reference to Shipper shall include Owners. For informational purposes, Gatherer shall post on its website the Lost And Unaccounted For Gas retainage percentage for the most recently calculated Thermal Balance period.

1.19 MCF. "Mcf" means one thousand (1,000) cubic feet of Gas.

1.20 MDQ. "MDQ" means –

(a) in the case of an IGSA, the maximum daily quantity of Gas which Gatherer is willing on an interruptible basis to receive at each Receipt Point, or in the aggregate, as specified in the Shipper's IGSA, and,

(b) in the case of a FGSA, the maximum daily quantity of gas subject to prorating under the Shipper's FGSA.

1.21 MONTH. "Month" means the period beginning on the first Day of any calendar month and ending on the first Day of the next succeeding calendar month. With respect to service which commences other than on the first Day of a calendar month, "Month" means the period beginning on the Day on which service commences and ending on the first Day of the next succeeding calendar month. With respect to service which terminates other than on the first Day of a calendar month, "Month" means the period beginning on the first Day of the calendar month in which the service terminates and ending at the end of the Day on which the service terminates.

1.22 NEGOTIATED RATE. "Negotiated Rate" means a rate which Gatherer and Shipper have agreed will be charged for the service under Rate Schedule IGS, which rate may at

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all times or from time to time exceed the maximum rate for service under Rate Schedule IGS or FGS, as applicable. "Negotiated Rate" includes any rate established under a Negotiated Rate Formula.

1.23 NEGOTIATED RATE FORMULA. "Negotiated Rate Formula" means a rate formula which Gatherer and Shipper have agreed will be applied to service under Rate Schedule IGS, and which may result in a rate which at all times or from time to time exceeds the maximum rate for service under Rate Schedule IGS.

1.24 NOMINATION. "Nomination" means the written requests for gathering submitted pursuant to Section 6.

1.25 OPERATIONAL BALANCING AGREEMENT ("OBA"). "Operational Balancing Agreement" ("OBA") means a contract between Gatherer and the party operating the facilities at a point or points of interconnection with Gatherer's System which describes the manner in which differences between actual flows and nominated quantities will be resolved between Gatherer and the other party.

1.26 OVERRUN GAS. "Overrun Gas" means those volumes of Gas tendered for gathering by Shipper on any Day in excess of its currently effective MDQ. To the extent such Gas is scheduled under Section 6, such Gas shall be Authorized Overrun Gas. If not scheduled under Section 6, or if delivered during a period of pro-rationing, such Gas shall be Unauthorized Overrun Gas.

1.27 OVERRUN SERVICE. "Overrun Service" means gathering service provided with respect to Overrun Gas.

1.28 OWNER. "Owner" means Gunnison Energy Corporation, SG Interests VII, Ltd., and Falcon Seaboard Oil & Gas LP.

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1.29 PLANT THERMAL REDUCTION. “Plant Thermal Reduction” (“PTR”) means the reduction in Btu content of any given quantity of Gas associated with –

(a) processing of such Gas by Gatherer to recover liquefiable hydrocarbons;

and

(b) recovery of hydrocarbon fractions which naturally condense to free liquids

in Gatherer’s System under prevailing pipeline operating conditions (“drips”).

Pursuant to Section 17, Gatherer shall retain all such drips recovered from Gatherer’s System.

Plant Thermal Reduction shall be allocated pursuant to Section 15.4(b) of the GT&C.

Notwithstanding anything herein to the contrary, in lieu of Gatherer retaining Plant Thermal

Reduction in-kind, Gatherer may agree to permit Shipper to reimburse Gatherer for Plant Thermal

Reduction at a mutually agreed upon price. For purposes of this Section 1.29, the reference to

Shipper shall include Owners.

1.30 PRORATED MDQ. “Prorated MDQ” means the maximum level of FGS determined in accordance with Section 2.1(c)(3) to which Shipper is entitled during periods of prorating of capacity.

1.31 RECEIPT POINT. “Receipt Point” means any point at which Gas is tendered by, or for the account of, Shipper to Gatherer for gathering as specified in an Agreement.

1.32 SECTION. Unless the context requires otherwise, any reference to a “Section” by number means the corresponding Section of these General Terms and Conditions.

1.33 SHIPPER. “Shipper” means any person who tenders Gas for gathering by Gatherer under an Agreement pursuant to this SOC. The term “Shipper” includes existing Shippers, IGS Shippers, and FGS Shippers, individually or collectively, depending on the context, and may refer to prospective Shippers seeking to become a Shipper. For purposes of

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Sections 1.9, 1.12, 1.18, 1.29, 19.2(c), and wherever expressly so stated in this SOC, the term “Shipper” includes Owners.

1.34 STANDARD REPORTING BASIS. The standard reporting basis for Btu is 14.73 psia and 60° F. (101.325 kPa and 15° C, and dry). The standard reporting basis for Gas volumes is cubic foot at standard conditions of 14.73 psia, 60° F., and dry.

1.35 SYSTEM. “System” means the pipeline, compression, metering, flow control, processing and treating facilities, owned jointly by Owners and comprising the Ragged Mountain Gathering System. The Ragged Mountain Gathering System does not include facilities located upstream or downstream from the System and owned individually by either Owner.

1.36 THERMAL BALANCE. “Thermal Balance” has the meaning given such term under Section 1.9.

1.37 UNAUTHORIZED OVERRUN GAS. “Unauthorized Overrun Gas” means Overrun Gas not accepted by Gatherer for scheduling pursuant to Section 6, including Gas tendered without a currently effective Agreement, and Gas tendered in excess of Shipper’s prorated nomination or prorated MDQ during periods of pro-rationing. Unauthorized Overrun Gas includes the quantity of Gas treated by Gatherer as Unauthorized Overrun Gas pursuant to Section 6.2(b).

1.38 YEAR. “Year” means a period of three hundred sixty-five (365) consecutive calendar days or three hundred sixty-six (366) consecutive calendar days if such period includes February 29.

2. PRIORITY OF SERVICE

2.1 ALLOCATION OF CAPACITY

(a) GENERAL. When the aggregate capacity required by Owners and

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requested by Shippers under FGSA exceeds the capacity of the System, Gatherer shall prorate the quantities deliverable by Owners for gathering with quantities nominated by non-Owner Shippers for gathering under such Shippers' FGSA.

(b) **CONDITIONS ON REQUESTS FOR CAPACITY.** This subsection sets out conditions applicable to all requests for prorated capacity. Gatherer shall reject any request for prorated service which in Gatherer's sole judgment:

(1) may detrimentally impact the operational integrity of Gatherer's System (if Gatherer rejects a bid or request on this basis, it will provide a written explanation of the operational basis for this action);

(2) does not satisfy all the terms of an applicable posting of capacity or any provision of this SOC, and/or does not provide all the information required by this SOC;

(3) contains terms and conditions inconsistent with the terms and conditions of this SOC and/or any applicable posting of capacity;

(4) would not constitute a valid request under the applicable Rate Schedule; or

(5) overstates the Shipper's requested MDQ in order to obtain an advantage during periods of pro-rationing, including requests for an MDQ in excess of the Shipper's demonstrated deliverability.

Any Shipper requesting capacity must satisfy the creditworthiness requirements in Section 11 prior to submitting a bid or request.

(c) For the purposes of scheduling and curtailing Gas:

(1) Firm Gathering Service and service to Owners, shall have priority

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within MDQ over all Interruptible Gathering Service and Overrun Services.

(2) Firm Gathering Service and service to Owners shall have equal priority to Gatherer's System capacity proportionate to each Shipper's MDQ.

(3) To the extent capacity does not exist to provide Firm Gathering Service for all volumes nominated by Shippers and tendered by Owners within MDQ, Shippers' and Owner's MDQ shall be prorated based on MDQ (such quantity shall be Shipper's "Prorated MDQ"), and scheduling and curtailment shall be based on the Prorated MDQ.

(4) For purposes of applying this Section 2, the MDQ of each owner shall equal forty-five (45%) of System capacity.

2.2 SCHEDULING AND CURTAILMENT OF SERVICES.

(a) Capacity constraints may exist from time to time, or interruption of service may be necessary for certain other reasons. Gatherer may decline to schedule and/or may curtail Interruptible Gathering Service or Firm Gathering Service for any of the following reasons:

- (1) If Shipper tenders Gas which does not conform to the applicable pressure or quality requirements;
- (2) For reasons of Force Majeure;
- (3) Due to routine repair and maintenance of the System by Gatherer;
- (4) Pursuant to Section 10.6;
- (5) To rectify imbalances or to conform physical flows to nominations to the extent consistent with the specific Rate Schedule;
- (6) To maintain System integrity; or

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(7) If there is a dispute over title, ownership or right to tender or to receive Gas.

(b) Without limiting subsection (a) of this Section, Gatherer shall have the right to reduce receipts or deliveries of Gas on any Day below Shipper's MDQ to permit maintenance, repair, overhaul, replacement, or construction of pipelines, compressors, metering, regulating, or other transmission facilities and equipment, or to maintain System integrity; *provided*, however, that with respect to routine repair and maintenance, Gatherer will attempt to schedule such activity during a period when it will not result in prorating of Firm Gathering Service, or when such pro-rationing will be minimized, after consulting with the Shippers which could be affected.

2.3 POINTS.

(a) Owners, and Shippers under Rate Schedule FGS, shall have the right to use all available Receipt and Delivery Points on Gatherer's System. Service for Owners, and for Shippers within MDQ under any FGSA, shall have priority over Interruptible Gathering Service and Overrun Services.

(b) Interruptible Gathering Service and Overrun Service at Receipt and Delivery Points shall be provided to the extent capacity is available at such Points after all requirements of Owners and nominations for service of Shippers under FGSA's have been satisfied. Except during periods of prorating of capacity, service in excess of a Shipper's MDQ under a FGSA shall be provided and scheduled as interruptible Overrun Service.

2.4 INTERRUPTIBLE AND OVERRUN SERVICES; PRIORITY OF SERVICE.

This Section 2.4 governs the priority of Interruptible Gathering Services, including Overrun

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Service, on Gatherer's System. All interruptible services, including Overrun Service, shall have priority for capacity in accordance with the procedures set out in this Section 2.4.

(a) Service for Owners, and for Shippers within MDQ under any FGSA, shall have priority over all Interruptible Gathering Service and Overrun Services.

(b) Interruptible Gathering Service, including Overrun Service, shall be provided to the extent capacity is available after scheduling all Owner's requirements and Shippers' requests for Firm Gathering Service within MDQ. Gatherer may decline to schedule and/or may curtail Interruptible Gathering Service and Overrun Service for any of the following reasons:

- (1) If Shipper tenders Gas which does not conform to the applicable pressure or quality requirements;
- (2) For reason of Force Majeure;
- (3) Due to routine repair and maintenance to be reasonably determined by Gatherer;
- (4) Pursuant to Section 10.6;
- (5) To rectify imbalances or to conform physical flows to nominations to the extent consistent with the specific Rate Schedule;
- (6) To maintain System integrity;
- (7) If there is a dispute over title, ownership or right to tender or receive Gas; or
- (8) If capacity is required to provide a service with higher priority.

(c)(1) If nominations under Interruptible Gathering Service Agreements and for Authorized Overrun Service under FGSAs on any Day exceed Gatherer's available

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capacity on that Day to provide such services, Gatherer shall –

(A) schedule Authorized Overrun Service under FGSA's in priority over service under IGSA's; and,

(B) if capacity remains available after scheduling nominated Authorized Overrun quantities under FGSA's, schedule service under IGSA's based on the rate to be paid, from highest to lowest daily rate. Service for which the highest daily rate is being paid shall be scheduled first. If there is insufficient capacity to schedule all nominations for service under IGSA's for which the same rate is to be paid, Gatherer shall allocate the available capacity *pro rata* based on the confirmed nomination volumes within MDQ.

(2) Notwithstanding Section 2.4(c)(1), Gatherer reserves the right, after a one (1) calendar day notice, to interrupt service to any interruptible Shipper paying a Discounted, Negotiated, or Formula Rate to enable Gatherer to provide service to another Shipper if such service would result in a higher unit rate. Within such one (1) calendar day period, Shipper shall be allowed to increase its Discounted, Negotiated or Formula Rate by any amount up to the maximum rate for Interruptible Gathering Service set forth in the Summary of Rates of this SOC. A Shipper agreeing to increase its Discounted, Negotiated or Formula Rate under this SOC shall be entitled to any higher priority associated with such higher rate. Among Shippers paying less than the applicable maximum rate, priority shall be determined based on rate level. Among Shippers agreeing to pay the same rate as of the termination of the one (1) calendar day notice period, the priorities set out in this Section 2.4(c)(1) shall apply. No Shipper may obtain a higher priority during any period of interruption to which a notice relates by agreeing to

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an increased rate after the end of the one (1) calendar day notification period.

(d) Gatherer shall redetermine the priority of each Shipper under this Section 2.4 and allocate capacity on a daily or such other periodic basis as is necessary for Gatherer to recognize the priority of new Shippers or any changes in the priorities of existing Shippers, to assure service to its Owners and FGS Shippers and to accommodate the operational requirements of its System. The priorities under this Section 2 shall be applied on an Agreement-by-Agreement basis.

(e) An Agreement under Rate Schedule IGS may include all Receipt and all Delivery Points available on Gatherer's System. Notwithstanding the foregoing, a Shipper may not utilize a point for which there is no authorization to receive or deliver Gas under the Agreement.

2.5 CAPACITY CONSTRAINTS. If Gatherer experiences a capacity constraint on a portion of its System or at specific points, Gatherer shall (to the extent practicable) apply the scheduling and curtailment provisions hereof, for both Firm Gathering Service and Interruptible Gathering Service, only to those Shippers with service affected by that portion of the System or at those points. Gatherer shall endeavor to restrict curtailment to as limited a geographical area, number of Shippers and services as reasonably feasible, given the operational capabilities of Gatherer's System.

2.6 UNAUTHORIZED OVERRUN.

(a) No Shipper shall have any right to tender Unauthorized Overrun Gas. Unauthorized Overruns are subject to penalty as set out in the Summary of Rates of this SOC. To the extent Gatherer is unable to gather Unauthorized Overrun Gas without jeopardizing the safety of Gatherer's operations and/or its ability to meet its contractual

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obligations to Shippers, such decisions to be solely within the judgment and discretion of Gatherer, Gatherer shall have the right to vent, without incurring any liability to Shipper, or any third party, the quantity of Unauthorized Overrun Gas Gatherer is unable to gather. Gatherer shall use its reasonable efforts to avoid or minimize such venting.

(b) Any Gas tendered to Gatherer without an executed FGSA or IGSA shall be treated as free Gas, ownership of which shall vest in Gatherer for all purposes and Gatherer shall have no responsibility or liability to the Shipper or other person which delivered such free Gas to Gatherer for venting such Gas or for any proceeds received by Gatherer from the disposition or sale of such free Gas.

3. RECEIPT POINTS

3.1 FACILITIES AT RECEIPT POINTS. Unless otherwise agreed by Gatherer, Gatherer shall own, operate and maintain all pipeline and measurement facilities necessary to receive and measure Gas under this SOC. In the event any such facilities are installed by Gatherer, Section 5 shall apply.

3.2 OBLIGATION. Gatherer's maximum obligation to receive Gas at the Receipt Point(s) under the Agreement shall never exceed the lesser of:

- (a) the applicable MDQ under the Agreement in the aggregate or at individual points, as specified in the Agreement or as applicable at such point under this SOC;
- (b) the total daily volume Shipper or its designee is able and willing to tender at the Receipt Point(s); or
- (c) during periods of prorating of capacity, Shipper's Prorated MDQ.

3.3 LOCATION.

- (a) The Receipt Point(s) shall be located at the interconnection between the

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facilities of Gatherer and the facilities of Shipper or any third-party specified in the Shipper's Agreement.

(b) Except as provided on subsection (c), the Receipt Points shall be located at or upstream from the compressor station located in Section 30 of Township 10 South, Range 90 West, Gunnison County, Colorado.

(c) Gatherer may agree to a Receipt Point located downstream from the location described in subsection (b), in which event the gas quality specifications set forth in Section 15 shall not apply to gas tendered for receipt at such Receipt Point and, in lieu thereof, Shipper shall be required to deliver pipeline quality gas equal in composition to that of the gas flowing in the System at such Receipt Point. The cost of such Receipt Point shall be covered by Section 5.

4. DELIVERY OF GAS FOR THE ACCOUNT OF SHIPPER

4.1 DELIVERY VOLUMES. Commencing on the date of first acceptance by Gatherer of Gas delivered by or on behalf of Shipper at the Receipt Point(s) pursuant to an Agreement, and continuing thereafter during the term of that Agreement, Gatherer shall deliver Equivalent Volumes or cause Equivalent Volumes to be delivered in uniform hourly amounts to Shipper, or to a mutually agreeable third party for Shipper's account, at the Delivery Point(s) described in the Agreement or applicable to the Agreement under this SOC.

4.2 DELIVERY FACILITIES. Unless otherwise agreed by Gatherer, Gatherer shall own, operate and maintain all pipeline and measurement facilities necessary to deliver and measure Gas under this SOC. If any new or expanded such facilities are installed by Gatherer, Section 5 shall apply.

4.3 OBLIGATIONS. Gatherer's maximum obligation to deliver Gas at the Delivery

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Point(s) under an Agreement shall never exceed the lesser of:

(a) the applicable MDQ under the Agreement in the aggregate or at each point as specified in the Agreement or as applicable to any point under this SOC;

(b) the total daily volume Shipper or its designee is willing and able to receive at the Delivery Point(s);

(c) Equivalent Volumes to the quantity of Gas within MDQ plus the quantity of Authorized Overrun Gas delivered by or on behalf of Shipper at the Receipt Point(s);

or

(d) Equivalent Volumes to the quantity of Gas delivered by or on behalf of Shipper at the Receipt Point(s) within the prorated nomination confirmed by Gatherer during periods in which prorating of capacity is in effect.

4.4 LOCATION. The Delivery Point(s) shall be located at the interconnection between the facilities of Gatherer and the facilities of Shipper or any third-party specified in the Shipper's Agreement.

5. NEW FACILITIES

5.1 GENERAL. When new and/or expanded facilities are required to accommodate receipt and/or delivery of Gas under a request for new service, and Gatherer determines that installation of such facilities will not impair service to any existing Shipper or threaten the integrity of Gatherer's System, Gatherer may construct such facilities if Shipper agrees to prepay all construction costs and a reimbursement amount to compensate for federal income tax effects associated with such facilities, except that Gatherer may agree to pay the cost of such facilities subject to reimbursement over time by Shipper pursuant to a negotiated reimbursement agreement.

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5.2 FACILITIES. The nature of, and responsibility for, any facilities which must be acquired, modified or constructed to effectuate a Gathering Services Agreement shall be set out in a separate agreement between Gatherer and Shipper or the operator of a point. To the extent that Shipper builds facilities to interconnect with Gatherer's System, such facilities shall be in conformance with Department of Transportation regulations, and any other applicable governmental regulations, and shall be subject to inspection and prior approval by Gatherer.

5.3 TAX REIMBURSEMENT. Any prepayment of construction costs under Section 5.1 shall be increased by an amount (the "Tax Reimbursement") to compensate for the corporate income tax effects thereof.

5.4 SHIPPER REIMBURSEMENT. Where Gatherer has paid for Receipt or Delivery Point facilities under an agreement whereby the Shipper on whose behalf the facilities were constructed agreed to reimburse Gatherer for the cost of such facilities over time, if Shipper ceases operations at the facilities before Gatherer has fully amortized its cost of the facilities, including a rate of return thereon, promptly following Shipper's cessation of operations at the facilities Shipper shall pay to Gatherer Gatherer's net book value of such facilities.

6. NOMINATION/REPORTING AND BALANCING

6.1 PURSUANT TO POSTED PROTOCOLS. Nominations and confirmations shall be in accordance with protocols for scheduling service maintained on Gatherer's website. To the extent practicable and applicable to Gatherer's operations, Gatherer will adopt NAESB nomination, confirmation and scheduling protocols.

6.2 GROSS OVER- OR UNDER-NOMINATION. If Shipper's nominated receipt or delivery quantities vary respectively from the quantity actually delivered to, or received/accepted from, Gatherer by, or for the account of, Shipper by more than ten percent (10%), Gatherer

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may –

(a) reduce Shipper's nominated quantities respectively to the level(s) of the daily average quantity actually delivered to, or received from, Gatherer by, or for the account of, Shipper during the preceding Month,

(b) charge Shipper the Unauthorized Overrun Charge for the quantity of Gas actually delivered to, or received from, Gatherer by, or for the account of, Shipper on any Day that is more than ten percent (10%) greater or less than the respective nominated quantity, and/or

(c) in the case of a pattern of repeated over- or under-nomination by Shipper of more than ten percent (10%), prospectively terminate Shipper's Service Agreement.

6.3 OPERATIONAL BALANCING. Gatherer agrees that, if requested by a Shipper, Gatherer will negotiate with an entity that operates the facilities interconnecting with Gatherer at a Receipt Point (hereinafter "Balance Operator") in a good faith effort to reach an agreement to deal with imbalances at the Receipt Points specified (which would be a form of a Predetermined Allocation), subject to the following conditions:

(a) Such agreement must set out a mutually agreeable procedure for dealing, as between Gatherer and Balance Operator, with any difference between confirmed nominations and actual physical Gas flow caused by operational conditions, so that any such discrepancy does not affect any Shipper or Owner;

(b) The Balance Operator must meet the same creditworthiness standards as Shipper; and

(c) Gatherer and Balance Operator must not have previously entered into such an agreement which was terminated because of Balance Operator's failure to perform.

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Nothing herein shall restrict Gatherer's rights to terminate in accordance with its terms any agreement entered into under this SOC, including without limitation the right to terminate any agreement with any Balance Operator for Balance Operator's failure to perform its obligations under the agreement.

7. DETERMINATION OF DAILY RECEIPTS

7.1 ALLOCATION BY CONFIRMED NOMINATIONS. To the extent feasible, all volumes received by Gatherer at a Receipt Point shall be allocated in accordance with the confirmed nominations for that point. If the actual volumes received by Gatherer do not equal the confirmed nominations for that point, any underage or overage will be allocated as follows:

(a) First, in accordance with the effective predetermined allocation agreements (hereinafter "PDAs") submitted by those entities (hereinafter "Allocators") owning or controlling the Gas being delivered to Gatherer. An operational balancing agreement (hereinafter "OBA") is one type of a PDA. Shipper agrees that such an allocation is binding on Shipper.

(b) Second, if there is no effective PDA, *pro rata* to the extent applicable based on confirmed nominations. Shipper agrees that such an allocation is binding on Shipper.

7.2 PREDETERMINED ALLOCATION.

(a) No other PDA need be submitted if an OBA is in effect at a point.

(b) Unless otherwise agreed, all PDAs must be submitted to Gatherer before the start of the Gas Day the PDA is to be effective. Such PDA shall specify how any underage or overage from the confirmed nominated volumes should be allocated among the entities listed on the PDA. Gatherer shall acknowledge receipt and acceptance of the

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PDA. If Gatherer chooses, for any reason or no reason, not to accept a PDA, Section 7.1(b) shall apply.

(c) A PDA will be effective as of the date specified thereon (which may not be earlier than the date on which the PDA is submitted to Gatherer unless otherwise agreed) and will continue in effect through the end of the Month unless the Allocator submits a new PDA that is accepted by Gatherer. PDAs may be submitted to Gatherer on any Business Day during the Month and should be submitted if necessary to reflect any changes in the Shippers or the allocation method at the point.

(d) After the end of each Month, Gatherer shall provide each Allocator who submits effective PDA(s) with a monthly allocation statement showing the volumes allocated in accordance with such PDA(s).

(e) Gatherer may rely conclusively on effective PDAs in allocating the Gas received at a point. No retroactive changes to the PDA may be made unless Gatherer and all affected parties agree.

7.3 SEQUENCE OF GAS RECEIPT. All Gas delivered to Gatherer by any Shipper under Rate Schedule FGS on any Day shall be deemed to have been received by Gatherer prior to the receipt of any Gas under Rate Schedule IGS from such Shipper on such Day.

8. DETERMINATION OF DELIVERIES

8.1 PREDETERMINED ALLOCATIONS. In accounting for the volumes delivered by Gatherer, in circumstances where multiple services are provided at any Delivery Point, the sequence of volumes delivered shall be determined by a predetermined allocation agreement ("PDA") between Gatherer and the operator of the facilities immediately downstream of the point at which Gatherer delivers Gas. In the absence of such an agreement, Sections 8.2 and 8.3

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shall control. Any new or proposed change to the methodology should be sent to Gatherer before the start of the Gas Day on which the methodology is to be effective.

8.2 DELIVERY SEQUENCE. Unless otherwise agreed, Gas at any Delivery Point shall be deemed to have been delivered in the following sequence:

- (a) Quantities delivered for Owners within MDQ and quantities scheduled under Firm Gathering Service Agreements consistent with confirmed nominations and within MDQ;
- (b) Quantities scheduled as Authorized Overrun Gas for Owners or under Firm Gathering Service Agreements consistent with confirmed nominations;
- (c) Quantities scheduled under Interruptible Gathering Service Agreements consistent with confirmed nominations and within MDQ;
- (d) Quantities of Authorized Overrun Gas under Interruptible Gathering Service Agreements consistent with confirmed nominations and allocated among Shippers based on confirmed nominations in excess of MDQ; and
- (e) Any remaining quantities shall be allocated as Unauthorized Overrun Gas.

8.3 SEQUENCE OF GAS DELIVERIES. All Gas delivered by Gatherer at any Delivery Point on behalf of a Shipper under Rate Schedule FGS on any Day shall be deemed to have been delivered by Gatherer prior to delivery of any Gas delivered under Rate Schedule IGS for the account of such Shipper on such Day. Any deficiency in takes from nominated or scheduled quantities of a Shipper shall, unless otherwise agreed, be identified to services by allocating quantities delivered in the sequence set out in Section 8.2 among the nominations of the Shipper. Quantities shall be allocated among Agreements of a Shipper within each class based on confirmed nominations.

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9. IMBALANCES

9.1 RESPONSIBILITY FOR BALANCING. Each Shipper has the obligation to ensure actual volumes delivered to Gatherer at Receipt Points and actual volumes taken from Gatherer at Delivery Points conform to the volumes nominated by the Shipper and confirmed by Gatherer each Day. In addition to delivering and receiving volumes of Gas in conformance with nominations, Shippers are responsible for conforming their takes at Delivery Points with their deliveries to Gatherer at Receipt Points each Day. Gatherer has no obligation to deliver for the account of a Shipper a greater quantity of Gas than the Equivalent Volume to the quantity of Gas Gatherer received for the account of the Shipper. Gatherer has no obligation to accept for the account of the Shipper on any Day a greater quantity of Gas than the quantity which corresponds to the Equivalent Volume being taken at the Delivery Point for the account of the Shipper on such Day.

9.2 MONTHLY IMBALANCES, NETTING AND OFFSETTING. At the end of each Month, to the extent the aggregate quantity received by Gatherer at Receipt Points from or for the account of Shipper under an Agreement do not correspond with the Equivalent Volumes delivered by Gatherer at Delivery Points under such Agreement on a Dth basis, the following procedures will apply:

(a) Imbalances under a Shipper's different Agreements will be netted together to obtain the Shipper's Total Monthly Imbalance. The Total Monthly Imbalance will be shown with the monthly billings sent to Shippers.

(b) Any remaining imbalance will be cashed out on a tiered basis pursuant to the imbalance cash-out table set forth in Section 9.2(d).

(c) Shippers with net underage imbalances shall pay Gatherer in accordance

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with the cash-out table set forth in Section 9.2(d). Shippers with net overage imbalances will be credited by Gatherer in accordance with the cash-out table set forth in Section 9.2(d).

(d)(1) Imbalance Cash-Out Table:

<u>IMBALANCE LEVEL</u>	<u>OVERAGE</u> (Gatherer pays Shipper)	<u>UNDERAGE</u> (Shipper pays Gatherer)
0% to 5%	100% x AMIP*	100% x AMIP
Greater than 5%	75% x AMIP	125% x AMIP

* "AMIP" means the Average Monthly Index Price as defined in paragraph (3) below.

(2) A Shipper's imbalance will be cashed out based on the percentage of that imbalance compared to the total receipts (excluding in-kind FL&U and in-kind Plant Thermal Reduction) for that Shipper during the Month. For example, if the total receipts were 10,000 Dth and the remaining underage imbalance was 1,000 Dth, the total imbalance level would be 10%. The first 5% (500 Dth) shall be cashed out at 100% of the AMIP and the remaining 500 Dth shall be cashed out at 125% of the AMIP.

(3) The Average Monthly Index Price ("AMIP") is the arithmetic average of the Daily Index Price ("DIP"). The DIP is the midpoint index spot price quoted for the NW, s. of Green River, delivery location reported in "Daily price survey" issued by *PLATTS GAS DAILY*. In calculating the AMIP, the DIPs will be based on the price reported in the issue of *PLATTS GAS DAILY* dated on Gatherer's nomination deadline for first of the Month service for that Month, and the subsequent issues dated prior to Gatherer's nomination deadline for the following Month's first of the Month service.

(4) If *PLATTS GAS DAILY* ceases to publish entirely or fails to publish the index price described in paragraph (3) above, Gatherer shall publish an alternative method for

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determining the AMIP.

9.3 OPERATIONAL DATA VS. ACTUALS. In determining the cash-out tier applicable under Section 9.2, Gatherer will utilize the operational data as of the end of the Month or the actual flow volumes, whichever results in a lower cash-out tier.

9.4 PRIOR PERIOD ADJUSTMENTS. Any imbalances for a Month that are booked after the gathering for that Month has been billed will be cashed out at 100% of the AMIP in effect during the Month the imbalance occurred.

9.5 PURCHASE AND SALE OF GAS. Gatherer does not provide a commodity supply service under any Rate Schedule. Without limitation of the foregoing, Gatherer may buy and sell Gas to the extent necessary to maintain System pressure, to implement the cash-out procedures under Section 9.2, and to perform other functions in connection with providing gathering service. Nothing herein shall impose on Gatherer any obligation to provide a supply function to any of its Shippers.

10. STATEMENTS, BILLING, PAYMENT AND DISCOUNTING POLICY

10.1 STATEMENT AND INVOICES. Gatherer shall, on or before the twentieth (20th) Business Day of each Month, render to Shipper a bill or bills for service under each applicable Rate Schedule during the preceding Month. As used in this Section 10, "render" is defined as postmarked, or time-stamped and delivered to the designated site. Invoices will be based on actuals (if available) or best available data. Quantities at points where OBAs exist will be invoiced based on scheduled quantities.

10.2 SHIPPER INFORMATION. If information is required from Shipper, or its designee, to actualize volumes or allocations, Shipper shall furnish the required information, or cause it to be furnished, to Gatherer, on or before the fifth (5th) calendar day of each Month.

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10.3 IMBALANCE STATEMENT. Imbalance statements will be generated at the same time or prior to the generation of the invoice. Prior to or with the required invoice for billing, Gatherer shall render the Gas imbalance statement which details in Dth the Gas received and delivered each Month at the Receipt and Delivery Point(s) based on the best information available.

10.4 PAYMENT. Shipper shall pay to Gatherer at the address indicated on the invoice or, if directed by Gatherer, by wire transfer to a bank designated by Gatherer, the amount due Gatherer for services provided pursuant to an Agreement during the appropriate Month as reflected in the billing invoice within ten (10) calendar days after the date of receipt of such billing invoice. For purposes of this Section 10.4, the billing invoice is deemed to be received by Shipper on the date sent to Shipper's designated address if sent electronically or three (3) calendar days after the postmark date if sent by mail. The invoice number should be identified on all payments and the Shipper should submit supporting documentation identifying what is being paid. Gatherer shall apply payment per such supporting documentation. If payment differs from the invoiced amount, remittance detail should be provided with the payment except when payment is made by electronic funds transfer, in which case the remittance detail is due within two (2) Business Days of the payment due date. Should Shipper fail to pay any undisputed portion of any bill as herein provided when such amount is due, interest on the unpaid portion of the bill shall accrue at the maximum allowable rate of interest permitted by law, or in the absence of such limit, four (4) percentage points above the prime rate published in the Wall Street Journal on the first Business Day of the month in which the invoice was rendered. For any amount to be considered "disputed," Shipper must provide appropriate documentation supporting and identifying the basis for the dispute. If Shipper fails to make payment in

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accordance with this Section 10.4, Gatherer may, in addition to any other remedy it may have under this SOC or under commercial law: (a) suspend deliveries as provided in Section 10.6; and (b) offset such deficient payments against any payments, refunds or credits owed by Gatherer to Shipper without limitation to the agreement under which such payments, refunds or credits are owed.

10.5 ADJUSTMENT OF ERRORS.

(a) The time limitation for disputes of allocations shall be six (6) months from the date of the initial Month-end allocation with a three (3) month rebuttal period. This standard shall not apply in the case of deliberate omission or misrepresentation or mutual mistake of fact.

(b) Prior period adjustment time limits shall be six (6) months from the date of the invoice with a three (3) month rebuttal period. This standard shall not apply in the case of deliberate omission or misrepresentation or mutual mistake of fact.

(c) In no event will any changes be made after twenty-four (24) months from the date of statements, billings or payment, based on actualized volumes, unless the parties mutually agree.

(d) Any error discovered as a result of a timely claim shall be corrected within thirty (30) calendar days of the determination thereof.

10.6 DELINQUENCY IN PAYMENT.

(a) Gatherer may suspend service to any Shipper which is delinquent in payments under any Agreement, subject to the following conditions:

(1) Gatherer shall give Shipper written notice of the delinquency and of Gatherer's intent to suspend service if the deficiency is not cured. If the

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delinquency is not remedied within ten (10) calendar days of such notice, Gatherer may suspend service.

(2) If a Shipper which has been deficient in payment under this SOC is again deficient in payment within six (6) Months after the prior deficiency, then Gatherer may suspend service to such Shipper within five (5) Business Days after providing notice under this SOC unless Shipper remedies the deficiency within that time period.

(b) In addition to or in lieu of suspension, Gatherer may terminate service if the Shipper fails to remedy a delinquency in payment. Any such termination requires ten (10) calendar days' prior notice to Shipper. Such notice may be given simultaneously with the notice under Section 10.6(a)(1) or Section 10.6(a)(2). To avoid termination, the Shipper must remedy the deficiency within this notice period.

(c) In the event of a good faith billing dispute, withholding of payment for the amount in dispute by Shipper shall not be considered a delinquency in payment.

(d) Gatherer may not take any action under this Section 10.6 which conflicts with any order of a U.S. Bankruptcy Court.

11. EVALUATION OF CREDIT

11.1 GENERALLY. In evaluating requests for service and for certain other purposes under this SOC, Gatherer will perform a credit appraisal of Shipper utilizing Gatherer's standard business practices for dealing with third-parties.

(a) To determine creditworthiness Gatherer shall apply consistent evaluation practices to all similarly situated Shippers in determining any Shipper's financial ability to perform the payment obligations due to Gatherer over the term of the requested or

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existing service agreement.

(1) If a Shipper has multiple service agreements with Gatherer, then the total potential fees and charges of all such service agreements shall be considered in determining creditworthiness.

(2) Shipper's creditworthiness shall be based upon the level of its current and requested service(s) on Gatherer relative to the Shipper's current and future ability to meet its obligations. Such credit appraisal shall be based upon Gatherer's standard business practices for evaluation of credit worthiness.

(b) Gatherer may consider the following information in determining Shipper's creditworthiness:

(1) S&P and Moody's opinions, watch alerts, and rating actions and reports, ratings, opinions and other actions by Dun and Bradstreet and other credit reporting agencies.

(2) Financial statement analysis to determine the acceptability of the Shipper's current and future financial strength. The Shipper's balance sheets, income statements, cash flow statements and auditor's notes may be analyzed along with key ratios and trends regarding liquidity, asset management, debt management, debt coverage, capital structure, operational efficiency and profitability.

(3) Bank and trade reference checks and credit reports demonstrating that the Shipper is paying its obligations in a timely manner.

(4) Whether (i) the Shipper is operating, or within the previous five (5) Years has operated, under any chapter of the bankruptcy laws, (ii) the Shipper is,

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or within the previous five (5) Years was, subject to liquidation or debt reduction procedures under state laws, or (iii) any petition for involuntary bankruptcy of the Shipper is, or within the previous five (5) Years, was pending. An exception may be made for a Shipper which is a debtor in possession operating under Chapter XI of the Federal Bankruptcy Act if Gatherer is assured that the service billing will be paid promptly as a cost of administration under the federal court's jurisdiction, based on a court order in effect, and if the Shipper is continuing and continues in the future actually to make payment.

(5) Whether the Shipper is subject to any lawsuits or judgments outstanding which could materially impact its ability to remain solvent.

(6) Whether the Shipper has or has had any delinquent balances outstanding for services provided previously by Gatherer and whether the Shipper is paying and has paid its account balances according to the terms established in its service Agreements (excluding amounts as to which there is a good faith dispute).

(7) The nature of the Shipper's business and the effect on that business of general economic conditions and economic conditions specific to it.

(8) Any other information, including any information provided by the Shipper, that is relevant to the Shipper's current and future financial strength and the Shipper's ability to make full payment over the term of the contract.

(9) Other information which Gatherer may request to be provided by Shipper to Gatherer in connection with such a credit evaluation, including:

(A) Audited Financial Statements;

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(B) Annual Reports;

(C) Most recent statements filed with the Securities and Exchange Commission (or an equivalent authority) or other similar publicly available information;

(D) For publicly held entities, the most recent publicly available interim financial statements, with an attestation by its Chief Financial Officer, Controller, or equivalent (“CFO”) that such statements constitute a true, correct, and fair representation of the Shipper’s financial condition prepared in accordance with Generally Accepted Accounting Principles (“GAAP”) or equivalent;

(E) For non-publicly held entities, the most recent available interim financial statements, with an attestation by its CFO that such statements constitute a true, correct, and fair representation of the Shipper’s financial condition prepared in accordance with GAAP or equivalent;

(F) A list of affiliates, parent companies, and subsidiaries;

(G) Publicly available credit reports from credit and bond rating agencies;

(H) Private credit ratings, if obtained by the Shipper;

(I) Bank references;

(J) Trade references;

(K) Statement of legal composition;

(L) Statement of the length of time the business has been in

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operation; and

(M) Such other information as may be mutually agreed to by the parties.

(c) If Gatherer concludes that a Shipper is not creditworthy, Gatherer shall provide written notice to Shipper within ten (10) calendar days after that determination is made.

(d)(1) If Gatherer determines that a Shipper is not creditworthy, such Shipper may nevertheless obtain or continue service under this SOC if the Shipper elects one of the following options:

(A) payment in advance of all fees and charges for three (3) Months' service;

(B) depositing with Gatherer a standby irrevocable letter of credit covering all fees and charges for six (6) Months' service drawn upon a bank acceptable to Gatherer;

(C) granting Gatherer a security interest in collateral satisfactory to Gatherer covering all fees and charges for six (6) Months' service; or

(D) obtaining a guarantee of all fees and charges for six (6) Months' service by a person or another entity which satisfies the creditworthiness appraisal criteria.

(2) Nothing herein shall be read to preclude Gatherer from requiring, and enforcing for the term of any initial Firm Gathering Service Agreement, security requirements covering more than three (3) Months of pre-paid fees and charges for service or security for more than six (6) Months of fees and charges in Agreements

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supporting construction of new or expanded facilities.

(e) If a Shipper selects the prepayment option under Section 11.1(d)(1)(A), the prepayment amounts shall be deposited in an interest-bearing escrow account if such an escrow account has been established by the Shipper which meets the criteria set out in this paragraph. The costs of establishing and maintaining the escrow account shall be borne by the Shipper. The escrow bank must be rated at least AA or better and shall not be affiliated with the Shipper. The escrow arrangement shall provide for the prepayment amounts to be applied against the Shipper's obligation under its service agreement(s) with Gatherer and shall grant Gatherer 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. Such escrow account shall at all times maintain the amount of prepayment required under Section 11.1(d)(1)(A). If Gatherer is required to draw down the funds in escrow, it will notify the Shipper and the Shipper must replenish such funds within three (3) Business Days after such notice.

(f) Gatherer's credit appraisal procedures involve the establishment of dollar credit limits on a standardized, non-discriminatory basis. To the extent that a Shipper's accounts with Gatherer do not exceed such limit, and Shipper has met all creditworthiness requirements as determined in periodic credit reviews by Gatherer, which reviews may be conducted on at least an annual basis, no new credit appraisals shall be required when an existing Agreement is amended or a request for a new Agreement is made, *provided* that Shipper's payment history has been satisfactory and

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there is no *bona fide* basis for questioning Shipper's creditworthiness.

11.2 DETERIORATION OF CREDIT

(a)(1) If at any time Gatherer reasonably determines based on adequate information available to it that a Shipper is not creditworthy under Section 11.1(a) or if Shipper fails to maintain assurance of future performance under Section 11.1(d)(1), Gatherer may notify such Shipper in writing (which writing shall set out the basis for Gatherer's determination) that it has five (5) Business Days to provide Gatherer with security consistent with Section 11.1(d)(1). If the Shipper has not satisfied the requirements of the preceding sentence by the end of the specified prior notice period, Gatherer may immediately suspend or terminate service to Shipper.

(2) If Gatherer does not have sufficient information to determine whether a Shipper is creditworthy, Gatherer may request additional information in writing from the Shipper consistent with Section 11.1(b)(9), and Shipper must provide such information within five (5) Business Days. If Shipper fails to provide the requested information, or if Gatherer determines that the Shipper is not creditworthy based on such information, Gatherer may immediately suspend or terminate service to Shipper.

(b) Any suspension or termination of service under this SOC may continue until Gatherer is reasonably satisfied that Shipper is creditworthy under Section 11.1(a) or until Shipper has provided adequate assurance of future performance under Section 11.1(d)(1).

(c) Gatherer shall not take any action under this Section 11.2 which conflicts with any order of a U.S. Bankruptcy Court.

12. CONTRACT ROLLOVERS AND RIGHT OF FIRST REFUSAL

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12.1 GENERAL. Subject to Section 12.3, service performed by Gatherer shall terminate upon termination or expiration of an Agreement unless service is continued pursuant to Sections 12.2.

12.2 CONTRACTUAL ROLLOVERS AND RIGHTS OF FIRST REFUSAL. Gatherer may negotiate rollover and rights-of-first-refusal provisions with Shippers under a FGSA or IGSA on a not unduly discriminatory basis.

12.3 VALID REQUEST CRITERIA. Unless waived by Gatherer, the requirements for a valid request under the applicable Rate Schedule (including the applicable credit analysis) apply to any rollover Agreement.

13. MEASUREMENT

13.1 UNIT OF MEASUREMENT AND METERING BASE. The volumetric measurement base shall be one (1) cubic foot of Gas at a pressure base of fourteen and seventy-three hundredths pounds per square inch absolute (14.73 psia), at a temperature base of sixty degrees Fahrenheit (60° F.), and without adjustment for water vapor.

13.2 ATMOSPHERIC PRESSURE. For the purpose of measurement, calculations, and meter calibration, the absolute Gas pressure will be measured directly, using an absolute pressure measuring device for continuous input to the electronic computer.

13.3 TEMPERATURE. The temperature of the Gas shall be determined at the points of measurement by means of a properly installed continuous electronic transducer input to a computer of standard manufacture approved by Gatherer in the exercise of its reasonable judgment. Average daily temperature will be computed as a running average of data determined during each computer scan.

13.4 DETERMINATION OF HEATING VALUE AND SPECIFIC GRAVITY. The

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Heating Value and specific gravity of Gas may be determined from chromatograph or calorimeter and gravitometer transducers which input data continuously into the computer for volume calculations. If a continuous Gas sampler is installed, then the Heating Value and specific gravity shall be determined in the laboratory by chromatograph and/or running a portion of test sample through a calorimeter and gravitometer. Such determinations shall be considered as the Heating Value and specific gravity of all Gas delivered during the applicable period of sampling. All Heating Value and specific gravity determinations made with a chromatograph shall use physical Gas constants for Gas compounds as outlined in ANSI/API 2530 First Edition (Orifice Metering of Natural Gas) with any subsequent amendments or revisions which Gatherer may adopt in exercise of its reasonable judgment. The calculations (for Btu) shall be based on dry Gas if the Gas at the measurement points contain less than seven (7) pounds of water per MMcf. If the Gas at the measurement points contains more than seven (7) pounds of water per MMcf, the appropriate factor determined by Gatherer in the exercise of its reasonable judgment for the actual water vapor content will be applied to the Btu calculations to correct for this water content.

13.5 GAS COMPOSITION ANALYSIS. Shipper shall provide to Gatherer, on at least a quarterly basis, a gas composition analysis from an independent natural gas analysis laboratory acceptable to Gatherer (a list of which may be found on Gatherer's website).

13.6 SUPERCOMPRESSIBILITY. The measurement under this SOC shall be corrected for deviation from Boyle's Law at the pressures and temperatures under which Gas is measured under this SOC by the use of the Formula NX-19 appearing in the manual entitled, "PAR Research Project NX-19, Extension of Range of Supercompressibility Tables," AGA Catalog No. 48/PR published by the American Gas Association in 1963 as supplemented or

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amended from time to time. Inert content of the metered Gas stream used in the Formula NX-19 calculations shall be determined by a chromatographic analysis using spot sample when deliveries begin and thereafter by continuous computer input at each of the points where the Gas is received and delivered.

13.7 MEASURING EQUIPMENT. Unless otherwise agreed upon, Gatherer will install, maintain and operate or cause to be installed, maintained and operated, measuring stations equipped with flow meters and other necessary metering and measuring equipment by which the volumes of Gas received and Equivalent Volumes delivered under this SOC shall be determined. Shipper may install check measuring equipment at its own cost and expense; *provided* such equipment shall be so installed as not to interfere with the operations of Gatherer. Gatherer and Shipper, in the presence of each other, shall have access to the other's measuring equipment at all reasonable times but the reading, calibrating and adjusting of electronic computer components and/or mechanical recording instruments thereof and the changing of charts shall be done only by the equipment owner or such owner's representative, unless otherwise agreed upon. Both Gatherer and Shipper shall have the right to be present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with the other's measuring equipment; *provided*, however, failure of either Gatherer or Shipper to witness such an operation shall not affect the validity of such operation in any way. The records from such measuring equipment shall remain the property of its owner, but upon request, each will submit within ten (10) calendar days to the other its records and charts, together with calculations therefrom, for inspection, subject to return within thirty (30) calendar days after receipt thereof. The measurement equipment of Shipper shall be for check purposes only and, except as expressly provided herein, shall not be used in the

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measurement of Gas for purposes hereof.

13.8 ACCEPTABLE METERS. Electronic Flow Measurement equipment of standard design and acceptable to Gatherer in the exercise of its reasonable judgment shall be installed at all Receipt and Delivery Points and used for custody transfer.

13.9 CALIBRATION AND TEST OF METERS. The accuracy of all measuring equipment shall be verified by Gatherer at reasonable intervals, and if requested, in the presence of representatives of Shipper, but neither Shipper nor Gatherer shall be required to verify the accuracy of such equipment more frequently than once in any thirty (30) calendar day period. If either party at any time desires a special test of any measuring equipment, it will promptly notify the other, and the parties shall then cooperate to secure a prompt verification of the accuracy of such equipment.

13.10 CORRECTION OF METERING ERRORS. If, upon any test, any measuring equipment is found to be inaccurate, such equipment shall be adjusted immediately to measure accurately. If, upon any test, the measuring equipment in the aggregate is found to be inaccurate by one percent (1%) or more at a recording corresponding to the average hourly rate of Gas flow for the period since the last preceding test, any payments based thereon shall be corrected pursuant to Section 10.5, at the rate of such inaccuracy for any period which is known definitely or agreed upon, but in case the period is not known definitely or agreed upon, such correction shall be for a period extending over one-half (1/2) of the time elapsed since the date of the last test. Measurement data corrections should be processed within six (6) months of the production month with a three (3) month rebuttal period. This standard shall not apply in the case of deliberate omission or misrepresentation or mutual mistake of fact. Parties' other statutory or contractual rights shall not otherwise be diminished by this standard.

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13.11 FAILURE OF MEASURING EQUIPMENT. If any measuring equipment is out of service, or is found registering inaccurately and the error is not determinable by test or by previous recordings, receipts or deliveries through such equipment shall be estimated based upon the first of the following methods which is feasible:

- (a) By correcting the error if the percentage of error is ascertainable by calibration, special test, or mathematical calculation; or
- (b) In the absence of (a), by using the registration of any check meter or meters, if installed and accurately registering; or
- (c) In the absence of both (a) and (b), then by estimating the quantity of receipt or delivery based on receipts or deliveries during preceding periods under similar conditions when the measuring equipment was registering accurately.

13.12 PRESERVATION OF RECORDS. Shipper and Gatherer shall preserve for a period of at least three (3) Years, or for such longer period as may be required by appropriate authority, all test data, charts and other similar records.

14. PRESSURE AND DELIVERY CONDITIONS

14.1 RECEIPT POINT PRESSURE. Shipper shall deliver Gas to Gatherer at the pressure prevailing in Gatherer's System at the Receipt Point, as such pressure may vary from time to time.

14.2 DELIVERY POINT PRESSURE. Gatherer shall deliver Gas to Shipper or for Shipper's account at the Delivery Point at the pressure available in Gatherer's System at such point, as such pressure may vary from time to time.

15. QUALITY OF GAS

15.1 QUALITY SPECIFICATIONS. Gas delivered by Shipper to Gatherer for

GENERAL TERMS AND CONDITIONS

gathering under Rate Schedule IGS or FGS shall meet the quality specifications set forth in this Section 15.1.

(a) HEAT CONTENT. The Gas delivered at each of the Points of Receipt and Delivery shall contain a gross heating value of not less than 900 Btu per cubic foot nor more than 1,150 Btu per cubic foot.

(b) HYDROGEN SULFIDE. The Gas shall not contain more than 1/4 grain of hydrogen sulfide per 100 cubic feet.

(c) INERT SUBSTANCES. The Gas shall not contain inert substances (carbon dioxide, nitrogen, helium, oxygen, or any other diluents compound) of more than eleven percent (11%) by volume of which not more than ten percent (10%) by volume shall be carbon dioxide.

(d) MERCHANTABILITY. The Gas shall be commercially free from dust, gums, gum-forming constituents, dirt, impurities or other solid or liquid matter that might interfere with its merchantability or cause injury to or interference with proper operation of the pipelines, regulators, meters, or other equipment of Gatherer. The Gas shall also be free of all matter that is deemed hazardous or toxic and is subject to regulation by the Environmental Protection Agency or any State agency having similar jurisdiction or authority.

(e) OXYGEN. The Gas shall not have an oxygen content in excess of 10 parts per million by volume, and Shipper and Gatherer shall make every reasonable effort to keep the Gas free of oxygen.

(f) TEMPERATURE. The Gas shall be delivered at a temperature not in excess of 120° Fahrenheit or less than 20° Fahrenheit at any Receipt or Delivery Point.

GENERAL TERMS AND CONDITIONS

(g) TOTAL SULFUR. The Gas shall not contain more than 5 grains of total sulfur per Mcf, of which not more than 2 grains shall be mercaptan sulfur.

(h) WATER VAPOR. The Gas shall not contain in excess of 10 pounds of water per million cubic feet.

(i) LIQUIDS. Shall not contain any hydrocarbon fractions which might condense to free liquids in the line under prevailing pipeline operating conditions. Pursuant to Section 17, any hydrocarbon fractions which naturally condense to free liquids in Gatherer's System under prevailing pipeline operating conditions (heretofore described as "drips") shall be the property of Gatherer.

15.2 NON-CONFORMING GAS. If at any time, Gas tendered by Shipper fails to conform to any of the quality specifications set forth in Section 15.1, Gatherer may –

- (a) refuse to accept delivery pending correction of the deficiency by Shipper;
- (b) treat such non-conforming Gas to satisfy such quality specifications and bill Shipper the reasonable costs for such treating, including a reasonable return on Gatherer's investment in treating equipment and facilities; or
- (c) process such Gas pursuant to Section 15.3.

15.3 PROCESSING.

(a) Gatherer shall, on a nondiscriminatory basis, provide processing of Gas for the recovery of liquefiable hydrocarbons other than hydrocarbon fractions which naturally condense to free liquids in Gatherer's System under prevailing pipeline operating conditions (heretofore described as "drips").

(b) For purposes of Sections 1.9 and 1.29, the Plant Thermal Reduction associated with the recovery of liquid hydrocarbons from such Gas shall be allocated to

GENERAL TERMS AND CONDITIONS

Shipper based upon the hydrocarbon composition of Shipper's Gas.

(c) Shipper shall make arrangements for the disposition of such recovered natural gas liquids or, in the absence of such arrangements, Gatherer may dispose of such natural gas liquids on commercially reasonable terms and remit to Shipper the net proceeds therefrom, less the greater of a marketing fee of \$0.15/gallon or 15% of the value of the natural gas liquids so disposed.

16. FORCE MAJEURE

16.1 EFFECT OF FORCE MAJEURE. In the event of either Gatherer or Shipper being rendered unable by Force Majeure (on its part or that of a necessary third party) to carry out, wholly or in part, its obligations under the provisions of an Agreement, it is agreed that the obligations of the party affected by such Force Majeure, other than the obligation to make payments thereunder, shall be suspended during the continuance of any inability so caused but for no longer period, and such cause shall, so far as possible, be remedied with all reasonable dispatch.

16.2 DEFINITION OF FORCE MAJEURE

(a) The term "Force Majeure" as employed herein means acts and events not within the control of the party claiming suspension and shall include acts of God, strikes, lockouts or other industrial disturbances, inability to obtain pipe or other material or equipment or labor, wars, riots, insurrections, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraint of rulers and people, interruptions by government or court orders, present or future orders of any regulatory body having proper jurisdiction, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, freezing of wells or pipelines, and any other cause whether of

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the kind herein enumerated or otherwise, not within the control of the party claiming suspension and which, by the exercise of due diligence, such party is unable to overcome.

(b) Nothing contained herein, however, shall be construed to require either party to settle a strike against its will. Such causes or contingencies affecting the performance by either party, however, shall not relieve it of liability in the event of its concurring negligence or in the event of its failure to use reasonable diligence to remedy the situation and remove the cause in an adequate manner and with all reasonable dispatch, nor shall such causes or contingencies relieve either party of liability otherwise unless such party shall give notice and full particulars of the same in writing or by electronic means to the other party as soon as possible after the occurrence relied on.

17. POSSESSION OF GAS, TITLE AND RESPONSIBILITY

(a) Shipper warrants that it will at the time of delivery to Gatherer have good title to all Gas so delivered free and clear of all liens, encumbrances and claims whatsoever.

(b) As between Shipper and Gatherer, Shipper shall be deemed to be in control and possession of the Gas and responsible for and hold Gatherer harmless of and from any damage or injury caused thereby until it shall have been delivered to Gatherer at the Receipt Point(s), after which Gatherer shall be deemed to be in control and possession of such Gas until its delivery to Shipper, or for Shipper's account, at the Delivery Point(s) and while in such possession Gatherer shall be responsible therefor and hold Shipper harmless of and from any damage or injury caused thereby.

(c)(1) Gatherer shall have no responsibility with respect to any Gas on account of anything which may be done, happen or arise with respect to said Gas until it is

GENERAL TERMS AND CONDITIONS

received by Gatherer.

(2) Shipper shall have no responsibility with respect to said Gas after its receipt by Gatherer or on/account of anything which may be done, happen or arise with respect to said Gas after such receipt until its delivery to Shipper, or for Shipper's account, at the Delivery Point(s).

(3) The point of the division of responsibility shall be the point of interconnection between the facilities of Gatherer and Shipper, or their respective agents, at the Receipt or Delivery Point(s), as applicable.

(d) Gatherer shall have title to –

(1) all “free Gas” as described in Section 2.6(b), and

(2) all hydrocarbon fractions which naturally condense to free liquids in Gatherer's System under prevailing pipeline operating conditions (heretofore described as “drips”).

(e) The provisions of this Section 17 shall not relieve either party from responsibility for acts of gross negligence or willful misconduct of such party, its agents or employees.

18. NOTIFICATION

18.1 GENERAL. Except as provided otherwise in this SOC or the Agreement, operational communications may be made by telephone or other mutually agreeable means without subsequent written confirmation, unless written confirmation is requested by either party. Any notice, request, demand, statement or other formal communication shall only be deemed given when delivered by first class U.S. mail (postage pre-paid), overnight delivery, courier, telefax or e-mail. Such delivery shall:

GENERAL TERMS AND CONDITIONS

(a) be sent to Gatherer at the address specified in the Agreement, or through such electronic means as are available and authorized by Gatherer, or at an address otherwise stated in a notice by Gatherer to Shipper; and

(b) be sent to Shipper at the address in the Agreement pursuant to the Rate Schedule, through Electronic Notice Delivery or at an address otherwise stated in a notice by Shipper to Gatherer.

18.2 NOTIFICATION PROCEDURES.

(a)(1) If, from time to time, Gatherer changes or updates its SOC, each Shipper shall be notified by Gatherer of such change or update and provided a copy thereof.

(2) Shippers desiring a rate under any Agreement other than the maximum rate are required to submit such requests in writing or by electronic medium to Gatherer. Any lower rate agreed to by Gatherer is evidenced in writing to such Shipper, and such rate is considered confidential.

(b) When available capacity is affected by construction projects or unforeseen conditions, Gatherer shall communicate such information to its Shippers. Gatherer shall be permitted to utilize any appropriate communication medium to communicate capacity information to Shippers on a timely basis.

19. COMMENCEMENT AND TERMINATION OF SERVICE

19.1 COMMENCEMENT OF SERVICE. Notwithstanding other provisions of a Gathering Services Agreement, Gatherer shall be under no obligation to commence service thereunder unless and until:

(a) all facilities, of whatever nature, as are required to permit (as applicable) the receipt, measurement, gathering and delivery of Gas under the Agreement have been

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installed and are in operating condition;

(b) any payments due Gatherer thereunder have been received; and

(c) Gatherer has, in its reasonable discretion, determined that such service is authorized under all applicable regulations.

19.2 ABANDONMENT.

(a) If Gatherer determines to abandon all or any portion of the System and to terminate providing of services through all or any portion of the System under this SOC, Gatherer shall have the right, following ninety (90) days prior written notice to Shipper, to terminate Shipper's Agreement and cease providing service thereunder through such portion of the System as is designated in Gatherer's notice. Any termination under this Section shall apply to all Shippers and all classifications of service provided through the abandoned facilities.

(b) Promptly following any partial abandonment of facilities and termination of service, Gatherer shall recalculate maximum rates for remaining services consistent with Gatherer's historic ratemaking principles and excluding the costs associated with the abandoned facilities and services. Such recalculated rates shall be applicable to remaining services provided under this SOC commencing immediately following the effective date of such partial abandonment.

(c) For purpose of this Section, the reference to Shipper shall include Owners.

(d) Gatherer may not take any action under this Section 19.2 which conflicts with any order of a U.S. Bankruptcy Court.

19.3 CANCELLATION OF AGREEMENT FOR CAUSE.

(a) Notwithstanding anything to the contrary in this SOC and the terms of any

GENERAL TERMS AND CONDITIONS

Agreement with any Shipper for service under this SOC, in addition to Gatherer's remedial rights under Section 10.6 respecting delinquency or non-payment of invoices when due, Gatherer shall have the right to cancel and terminate any such Agreement based upon –

(1) repeated tender by Shipper of Gas not conforming to the Gas quality specifications set forth in Section 15 (without regard to whether Gatherer accepted such non-conforming Gas);

(2) a pattern of noncompliance by Shipper with terms and conditions of this SOC other than those relating to payment of invoices;

(3) repeated breaches by Shipper of material terms of Shipper's Agreement other than those relating to payment for services.

(b) Prior to termination of Shipper's Agreement under this Section, Gatherer shall provide Shipper thirty (30) days written notice of such termination.

(c) Gatherer may not take any action under this Section 19.3 which conflicts with any order of a U.S. Bankruptcy Court.

20. INDEMNIFICATION

20.1 GENERAL. Shipper will indemnify and hold Gatherer harmless from and against any and all suits, actions, causes of action, claims and demands arising from or out of any adverse claims by third parties claiming ownership of or an interest in the Gas tendered under an Agreement. Gatherer will indemnify and save Shipper harmless from and against any and all suits, actions, causes of action, claims and demands, and any damages, costs, losses, expenses (including reasonable attorney fees), arising from or out of any adverse claims by third parties claiming ownership of or an interest in the Gas delivered by Gatherer to Shipper, or for Shipper's

GENERAL TERMS AND CONDITIONS

account, under an Agreement.

20.2 ELIGIBILITY FOR SERVICE. Shipper warrants that its requested service meets the requirement for service under the applicable Rate Schedule and these GT&C, and Shipper further agrees to abide by the terms of the applicable Rate Schedule and these GT&C. Shipper will indemnify Gatherer and hold Gatherer harmless from any and all suits, actions, causes of action, claims and demands, any damages, costs, losses, expenses (including reasonable attorney fees), arising from Shipper's breach of this warranty or this agreement. Shipper further agrees to indemnify Gatherer and save Gatherer harmless from any claims asserted by any person because of any curtailment or interruption of service which is consistent with the applicable Rate Schedule and these GT&C.

21. **SUCCESSORS AND ASSIGNS** Any company which shall succeed by purchase, merger or consolidation to the properties, substantially as an entirety, of Shipper or Gatherer shall be entitled to the rights and shall be subject to the obligations of its predecessor in title under the Agreement; *provided*, however, that Gatherer reserves the right to evaluate and approve the creditworthiness of the new entity in accordance with Section 11. No other assignment of an Agreement or any of the rights or obligations thereunder shall be made by Shipper unless there first shall have been obtained the written consent thereto of Gatherer. Shipper or Gatherer may pledge or assign their respective right, title and interest in and to and under the Agreement to a trustee or trustees, individual or corporate, as security for bonds or other obligations or securities without the necessity of such trustee or trustees becoming in any respect obligated to perform the obligations of the assignor under the Agreement and, if any such trustee be a corporation, without its being required to qualify to do business in any State in which performance of the Agreement may occur.

GENERAL TERMS AND CONDITIONS

22. REGULATION The provisions of this SOC shall be subject to any and all governmental statutes and all lawful orders, rules, and regulations affecting the receipt, gathering or delivery of Gas under this SOC or the equipment required in connection with such receipt, gathering or delivery. It is understood that performance under any Gathering Service Agreement shall be subject to all valid laws, orders, rules and regulations of duly constituted governmental authorities having jurisdiction or control of the matter related hereto. Should either of the parties, by force of any such law, order, rule or regulation, at any time during the term of such an Agreement be ordered or required to do any act inconsistent with the provisions thereof, then for that period only during which the requirements of such law, order, rule or regulation are applicable, such Agreement shall be deemed modified to conform with the requirement of such law, order, rule or regulation; *provided*, however, nothing herein shall alter, modify or otherwise affect the respective rights of the parties to cancel or terminate such Agreement consistent with its provisions.

23. LIMITATION ON LIABILITY Any claim by Shippers against Gatherer which may arise under this SOC shall be made only against Gatherer, and all rights to proceed against the Owners thereof, individually or collectively, or against their assets other than those of the Ragged Mountain Gathering System as a result of such claim, or any obligations arising therefrom, are hereby expressly waived by Shippers.

24. WAIVERS

24.1 IN GENERAL. To the extent that any provision imposes upon Gatherer a discretionary obligation or authority, Gatherer is authorized to waive, in whole or in part, the application of such SOC provision, *provided* that the exercise of any such waiver authority is applied by Gatherer in a non-discriminatory manner to similarly situated Shippers.

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24.2 NON-WAIVER OF FUTURE DEFAULT. No waiver by either Shipper or Gatherer of any one or more defaults by the other in performance of any of the provisions of the Agreement shall operate or be construed as a waiver of any other existing or future default or defaults, whether of a like or of a different character.

25. OPERATIONAL CONTROL

25.1 IN GENERAL.

(a) Gatherer shall endeavor to maintain adequate pressure throughout its System and to preserve the overall operational integrity of its System; *provided*, however, that Gatherer shall not be obligated to buy or sell Gas or to install additional compression or otherwise modify its System for these purposes. Operating personnel for Shippers and other entities which are physically taking delivery of Gas from Gatherer or tendering Gas to Gatherer shall cooperate with Gatherer in furtherance of this Section 25. Each Shipper shall designate the telephone and telefax numbers of one or more persons, but not more than two (2) primary and two (2) backup persons, for Gatherer to contact on operating matters (including the receipt of Operational Flow Orders and notices of a Critical Time) at any time, on a 24-hour a calendar day, 365-day a Year basis. Such contact persons must have adequate authority and expertise to deal with such operating matters.

(b) The overall operational integrity of Gatherer's System shall encompass the integrity of the physical System and the preservation of physical assets and their performance, the overall operating performance of the entire physical System as an entity (or any portion thereof), and the maintenance (on a reliable and operationally sound basis) of total System deliverability and the quality of Gas delivered.

25.2 FACILITY CONTROL. Gatherer shall maintain actual physical and operational

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control of all gathering, compression, metering, flow control and other facilities on its System.

25.3 OPERATIONAL CONTROL.

(a) If Gatherer's observations or projections indicate that a situation is or may be developing in which adequate pressures may not be maintained or the overall operational integrity of its System (or any portion thereof) could be threatened, or if such a situation actually occurs, Gatherer is empowered by this Section 25.3 to take action on a nondiscriminatory basis to alleviate this situation.

(1) In exercising its authority pursuant to this Section 25.3, Gatherer shall generally direct its actions to Shippers in the following sequence, to the extent such actions and/or sequencing will tend to alleviate the situation to be addressed:

(A) First, to any Shipper which is causing disruption due to its failure to maintain receipts and deliveries in balance or to match physical flows with nominated receipts or deliveries;

(B) Second, to any Shipper which has failed or is failing to take action to anticipate a change in demand;

(C) Third, to any Shipper which is operating in a manner which conflicts with sound operational practices in relation to Gatherer's System;
and

(D) Lastly, to all other Shippers.

(2) Notwithstanding paragraph (1) of this Section 25.3(a), any Shipper which has taken voluntary action to alleviate a situation shall be exempted from further action under this SOC to the extent of its voluntary action until Gatherer

GENERAL TERMS AND CONDITIONS

has applied equivalent measures to other Shippers.

(b) A Critical Time may be declared when:

(1) the total physical receipts to all or a portion of the System are approaching or expected to approach, a level that is in excess of the total physical deliveries;

(2) the total physical deliveries from all or a portion of the System are approaching or expected to approach, a level that is in excess of the total physical receipts;

(3) System pressure on one or more pipeline segments is falling and approaching a level or is expected to fall and approach a level that is at or below the minimum that Gatherer considers necessary for System integrity or to fulfill its Committed contractual obligations;

(4) System pressure is rising and approaching a level or is expected to rise and approach a level that is at or above the maximum pressure at which Gatherer's facilities may be safely operated; or

(5) Gatherer is unable or anticipates it may not be able to fulfill its Committed contractual obligations or otherwise when necessary to maintain the overall operational integrity of all or a portion of Gatherer's System.

(c) A Critical Time may not be declared on all or a portion of the System for the purpose of maintaining Interruptible Services on that portion of the System, but interruptible Gas may flow at times or on portions of the System when such flow would not violate any operational control restrictions or provisions. Gatherer shall notify Shippers by posting the reason(s) why a Critical Time was declared.

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(d) Gatherer shall attempt to give actual notice of a Critical Time via telefax or telephone (*provided* a Shipper has given the numbers to Gatherer as required in Section 25.1) at least four (4) hours prior to the start of the Day on which a Critical Time will be effective as to a Shipper. Such notice shall specify the anticipated duration of the Critical Time. A Critical Time will be effective at the start of a Day and will continue until the end of the Day and through the end of successive Days until Gatherer posts notice to Shippers that there is no longer a Critical Time.

(e) Gatherer may issue Operational Flow Orders during a Critical Time or take unilateral action to maintain System pressure and preserve the overall operational integrity of Gatherer's System (or any portion thereof). Operational Flow Orders shall require action within any Shipper class proportionate to appropriate and relevant parameters, such as applicable contract quantities or current or recent flowing Gas volumes.

(1) In issuing Operational Flow Orders or taking other operational control action under subsection (b) of this Section, Gatherer shall apply consistent and objective engineering and operational criteria to define the overall operational integrity of the System and acceptable pressure levels to be protected, to evaluate the imminent nature of any threat to these factors, and to determine what steps are necessary to preserve such factors. Such criteria may be changed from time to time as operating experience indicates.

(2) In applying this Section 25.3, Gatherer shall operate its System on a non-discriminatory manner, without regard to the source of supply, the identity or nature of any Shipper or the identity of any entity tendering or receiving Gas

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except as otherwise explicitly provided herein.

(f) If a Shipper fails to comply with an Operational Flow Order during a Critical Time, the quantity of such Shipper's Gas determined to be in violation of such Operational Flow Order shall be deemed to be Unauthorized Overrun Gas subject to the Unauthorized Overrun Rate set forth in this SOC.

FORM OF INTERRUPTIBLE GATHERING SERVICE AGREEMENT

In consideration of the representations, covenants and conditions contained below, Ragged Mountain Gathering System (“Gatherer”) and Shipper agree, as of [DATE], that Gatherer will provide gathering service for Shipper on an interruptible basis in accordance with the provisions contained in this Interruptible Gathering Service Agreement (“IGSA”).

1. SHIPPER’S NAME AND ADDRESS:

2. TERM OF SERVICE: [DATE] to [DATE].

3. MAXIMUM DAILY QUANTITY (“MDQ”): _____ Dth

4. RATES (Includes Authorized Overrun Service) [Check as applicable]:

- Maximum IGS rate under Gatherer’s SOC. \$____/Dth
- Discounted rate \$____/Dth
- Negotiated rate. (Fixed for _____): \$____/Dth
- Negotiated rate formula: _____
- Fuel Reimbursement Percentage: _____%
- L&U: _____%
- PTR: _____%
- Negotiated FL&U and PTR Reimbursement: _____% and/or \$____/Dth gathered

5. NOTICES:

To Gatherer:

To Shipper:

6. SUBJECT TO GATHERER’S STATEMENT OF OPERATING CONDITIONS:

Gathering services provided hereunder shall be in accordance with and subject to Gatherer’s Statement of Operating Conditions, including Rate Schedule IGS and the General Terms and Conditions thereof, which are incorporated herein as if set forth in their entirety.

7. PRORATING OF CAPACITY NOT APPLICABLE: It is expressly understood and agreed that service under this IGSA is interruptible and that shipper is not entitled to receive prorated capacity if Gatherer’s capacity is inadequate to provide service to all requirements of the Owners plus all requests for gathering service from third parties. It is

expressly understood and agreed that in order to be entitled to prorated capacity during periods when Gatherer's capacity is inadequate to serve all requirements of the Owners plus all requests for gathering service from third parties, and capacity is prorated pursuant to Section 2 of the GT&C of Gatherer's SOC, Shipper must subscribe to, and pay the applicable rate for, Firm Gathering Service.

8. ADDITIONAL TERMS: _____

William Demarest
Oct 27, '10, 3:13 PM
Added: Paragraph Break

**RAGGED MOUNTAIN GATHERING
[Shipper] SYSTEM**

**By: Gunnison Energy Corporation,
Operator**

TITLE: _____
DATE: _____

TITLE: _____
DATE: _____

FORM OF FIRM GATHERING SERVICE AGREEMENT

In consideration of the representations, covenants and conditions contained below, Ragged Mountain Gathering System (“Gatherer”) and Shipper agree, as of [DATE], that Gatherer will provide Firm Gathering Service for Shipper in accordance with the provisions contained in this Firm Gathering Service Agreement (“FGSA”).

1. SHIPPER’S NAME AND ADDRESS:

2. TERM OF SERVICE: [DATE] to [DATE].

3. MAXIMUM DAILY QUANTITY (“MDQ”): _____ Dth

4. RATES (Includes Authorized Overrun Service):

Maximum FGS Rate under Gatherer’s SOC. \$____/Dth
 Fuel Reimbursement Percentage: _____%
 L&U: _____%
 PTR: _____%
 Negotiated FL&U and PTR Reimbursement: _____% and/or \$____/Dth gathered

5. ADDITIONAL FACILITIES CHARGES:

_____ None
_____ Lump sum payment of: \$_____
_____ Monthly fee of: \$_____
_____ See additional terms

6. SUBJECT TO GATHERER’S STATEMENT OF OPERATING CONDITIONS:

Gathering services provided hereunder shall be in accordance with and subject to Gatherer’s Statement of Operating Conditions, including Rate Schedule FGS and the General Terms and Conditions thereof, which are incorporated herein as if set forth in their entirety. It is expressly understood and agreed that, on payment of the rate applicable to service under the FGS Rate Schedule in accordance with the FGS Rate Schedule, service under this Agreement entitles Shipper to prorated capacity during periods when Gatherer’s capacity is inadequate to serve all requirements of the Owners plus all requests for gathering service from third parties and capacity is prorated pursuant to Section 2 of the GT&C of Gatherer’s SOC.

7. NOTICES:
To Gatherer: _____ To Shipper: _____

8. ADDITIONAL TERMS: _____

[Shipper]

**RAGGED MOUNTAIN GATHERING
SYSTEM**

**By: Gunnison Energy Corporation,
Operator**

TITLE: _____
DATE: _____

TITLE: _____
DATE: _____