Form No. 31

'16 APR 4 PM4:05

NEW MEXICO GAS COMPANY

SECOND REVISED SAMPLE FORM NO. 31
CANCELING FIRST REVISED SAMPLE FORM NO. 31

ON-SYSTEM STANDARD TRANSPORTATION CONTRACT

Please see attached On-System Standard Transportation Contract Form.

x

EFFECTIVE

APR 19 2016

REPLACED BY NMPRC

BY Final order Case No. 15-00106-UT

Advice Notice No. 55

Nicole Strauser
Director, Legal and Regulatory Affairs

NMGCO#3198249

NEW MEXICO GAS COMPANY

'16 APR 4 PM4:05

SECOND REVISED SAMPLE FORM NO. 31
CANCELLING FIRST REVISED SAMPLE FOR NO. 31

ON-SYSTEM STANDARD TRANSPORTATION CONTRACT

CONTRACT NO. _____

DATE _____

AND

NEW MEXICO GAS COMPANY

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NOTE: This page is not considered a part of the Contract, but is for the convenience of the parties and may be removed at any time by either party.

THIS GAS TRANSPORTATION CONTRACT is entered into this _____ day of ____, by and between _____ hereinafter referred to as "Transportation Customer", and NEW MEXICO GAS COMPANY, INC., hereinafter referred to as the "Company".

WITNESSETH

WHEREAS, the Company operates facilities for the transportation of Gas within the State of New Mexico;

WHEREAS, Transportation Customer has proper authority to transport certain Gas, which is currently connected to the Company's system or which can be Tendered at mutually agreeable Receipt Points and Transportation Customer wishes the Company to transport such Gas within the State of New Mexico to one or more Delivery Points as specified in Exhibit B, which during the life of the Contract may, by mutual agreement of the parties, be altered to mutually acceptable Receipt and Delivery Points for consumption within New Mexico;

WHEREAS, the Company, subject to the terms and conditions set forth herein, is willing to receive such Gas from Transportation Customer for transportation and delivery as herein provided; and

WHEREAS, this Gas Transportation Contract ("Contract") is entered into pursuant to the terms and conditions of Rule No. 17.10.660 NMAC, and the Company's Rule No. 21 and 28, and Rate No. 70 as approved by the New Mexico Public Regulation Commission, and all services provided for hereunder are subject to such regulation.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, Transportation Customer and the Company agree as follows:

I. DEFINITIONS

1.1 British Thermal Unit (Btu) shall mean the quantity of heat required to raise the temperature of one (1) pound of water one degree Fahrenheit (1°F) at sixty degrees Fahrenheit (60 °F).

1.2 Day shall mean a period of twenty-four (24) consecutive hours commencing at 8:01 a.m., Mountain Standard Time (MST).

1.3 Delivery Point(s) shall mean the point(s) specified in Exhibit B attached hereto.

1.4 Diligent Efforts shall mean the constant effort to accomplish an undertaking; the constancy or steadiness of purpose or labor, which is usual with people engaged in like enterprises who desire speedy accomplishment of their designs, the doing of an act or series of acts with practical expediency and without delay.

1.5 Emergency Gas Services or EGS shall mean an optional gas service provided by the Company as described in Rate No. 70.

1.6 Form shall mean the specified Form of the Company on file with the NMPRC and in effect from time to time in accordance with the rule(s) and regulation(s) of the NMPRC, including any successor Form.

1.7 Gas shall mean a mixture of gaseous hydrocarbons and noncombustible gases.

1.8 MMBtu shall mean one million Btus or a dekatherm, which is equivalent to ten (10) therms.

1.9 Month shall mean calendar month.

1.10 NMPRC shall mean the New Mexico Public Regulation Commission or any successor thereto.

1.11 Over-Delivery shall mean an imbalance, which reflects receipts of Gas into the Company's system x
excess of deliveries out of the Company's system, on behalf of a Transportation Customer. x

1.12 Psia shall mean pounds per square inch, absolute.

1.13 Psig shall mean pounds per square inch, gauge.

1.14 Rate shall mean the specified Rate of the Company filed with the NMPRC and in effect from time to time in accordance with the rule(s) and regulation(s) of the NMPRC, including any successor Rate.

1.15 Receipt Point(s) shall mean the point(s) specified in Exhibit A attached hereto.

1.16 Rule shall mean the specified Rule of the Company filed with the NMPRC, and in effect from time to time in accordance with the rule(s) and regulation(s) of the NMPRC, including any successor Rule.

1.17 Security shall mean such assurance as may be provided by Transportation Customer to the Company to ensure the performance of Transportation Customer's obligation under the Contract pursuant to Article XII.

1.18 Standby Contract shall mean a contract duly executed by the Company for the sale of Standby Gas by the Company under the terms and conditions as specified in the Standby Contract and described in the Company's Rate No. 70.

1.19 Standby Gas shall mean Gas sold by the Company pursuant to the terms of a Standby Contract.

1.20 System Administrator shall mean the entity designated by the Company to receive nominations of Gas and perform other functions in accordance with the Company's Nomination Procedure on file with the NMPRC and in effect from time to time in accordance with NMPRC rule(s) and regulation(s).

1.21 Tender shall mean making Gas available for receipt by the Company at the Receipt Point(s) listed on Exhibit A, in accordance with the Nomination Procedure of the Company on file with the NMPRC, and in effect from time to time in accordance with NMPRC rule(s) and regulation(s), and in conformance with the nominations or confirmations procedures of all upstream pipelines, gatherers or processors.

1.22 Under-Delivery shall mean an imbalance, which reflects deliveries out of the Company's system x
in excess of receipts of Gas into the Company's system, on behalf of a Transportation Customer. x

II. RECEIPTS AND DELIVERIES OF GAS

2.1 Transportation Customer shall nominate quantities of Gas to be transported by communicating with the Company's System Administrator in accordance with the Company's "Nomination Procedure" filed with the NMPRC as Form 38 as adjusted and in effect from time to time in accordance with NMPRC rule(s) and regulation(s). A copy of the Company's current Nomination Procedure is attached as Attachment 1 for ease of reference and is filed with the NMPRC as Form No. 38. In the event the Company files for a revision to the Nomination Procedure, the Company shall provide written notice to Transportation Customer at the time of filing the proposed revision with the NMPRC. Transportation Customer agrees to use Diligent Efforts to Tender Gas in accordance with its nomination.

2.2 Subject to the terms and conditions of this Contract, the Company agrees to transport Gas Tendered by Transportation Customer at the Receipt Point(s) and to deliver to the Delivery Point(s) on a firm basis equivalent quantities of Gas on a Btu basis up to a Maximum Daily Quantity (MDQ) of MMBtus, subject to the Company's Rule No. 21. A copy of the Company's Rule No. 21, currently on file with the NMPRC is attached as Attachment 2. To the extent that the Company has available capacity from time to time, the Company also will transport Gas in excess of the MDQ. For Company end-use Delivery Point(s), if the Company does not receive Gas at the Receipt Point(s) and the Transportation Customer or end-user is not entitled to Standby Gas, the Company may in its sole discretion, provide Emergency Gas Service, on the terms and conditions set forth in the Company's Rate No. 70. Transportation Customer agrees that the quantity of Gas received by the Company at the Receipt Point(s) shall be reduced by a specified quantity of Gas as set forth in Exhibit A. Such reductions in Gas quantity received shall be deemed to reflect Gas consumed as fuel and normal pipeline losses (also known as fuel and losses) according to the applicable NMPRC rule(s) and regulation(s), and the Company's Rate No. 70 and other Company tariffs on file with the NMPRC.

2.3 Any time after this Contract has been in effect for twelve (12) Months or more, the Company may, upon providing Transportation Customer with ten (10) Days written notice, reduce Transportation Customer's MDQ due to Transportation Customer's failure to use its contracted-for MDQ, at least during its peak consumption periods. Provided, however, that the Company shall not reduce the MDQ if Transportation Customer provides satisfactory written explanation to the Company. The Company's reduction of the contracted-for MDQ shall be to a level no lower than the following:

(a) If daily metering is not utilized for metering, the Gas delivered at the Delivery Point(s), one hundred fifty percent (150%) of the Average Daily Take (ADT) for the Month with the Highest Average Daily Take during the Applicable Period (HADT). For purposes of this Subsection, ADT shall be determined by dividing the aggregate daily deliveries for the Month by the number of Days in the month.

(b) If daily metering is utilized for metering the Gas delivered at the Delivery Point(s), one hundred thirty percent (130%) of the actual one (1) Day peak (highest daily volume) delivered by the Company during the Applicable Period (Daily Peak); or

(c) For purposes of this Section 2.3 the "Applicable Period" shall be defined as follows:

i. The twelve (12) Months of transportation service and/or Gas sales history immediately preceding the Month in which such notice is given; or

ii. If such history is not available, the Applicable Period may be based upon available history or as estimated by the Company

If the Daily Peak or the HADT during the Applicable Period is higher than the MDQ, Transportation Customer shall have the right to request in writing an increase in the MDQ. The Company shall grant such request upon its determination that such requested capacity is available. Any reduction or increase in the MDQ shall be effective prospectively commencing on the first (1st) Day of the Month following notification to Transportation Customer of the Company's decision to reduce the contracted-for MDQ or the Company's notification to Transportation Customer of the availability of the requested additional capacity.

2.4 Transportation Customer hereby consents to the disclosure by the Company to the end-user, listed in Exhibit B, of billing information and volumes transported to the end-user located at a Delivery Point under this Contract on behalf of Transportation Customer.

2.5 Transportation Customer agrees to use Diligent Efforts to secure the cooperation of any other entities in the transportation chain with respect to the Company's operating procedures under this Contract.

2.6 Transportation service hereunder shall be subject to interruption of service applicable to the Delivery Point(s) and/or Receipt Point(s) under the Company's Rule No. 21 or any other Company Rule(s) on file with the NMPRC or NMPRC rule(s) and regulation(s) concerning curtailments, interruptions and capacity allocation and the Company shall not be liable for any damages to Transportation Customer or other parties because of the operation of said Rules. The priority group for the Delivery Point(s) as defined in the Company's Rule No. 21 is specified in Exhibit B.

2.7 Nothing contained in this Contract shall limit either party's right to the take any action whatsoever to correct or remedy any potential hazardous situation or condition on such party's system. That party shall immediately give notice of the action to the other party.

2.8 Transportation Customer warrants and agrees that during the term of this Contract, Transportation Customer shall not cause directly or indirectly nor assist any end-user specified in Exhibit B to have any of the Gas, which is being transported to such end-user pursuant to this Contract, transported to such end-user through facilities not owned or controlled by the Company so long as the Company has facilities that are available and adequate for

transportation to such end-user. In the event that Transportation Customer breaches this Section 2.8, Transportation Customer shall pay to the Company, in addition to amounts paid or payable for Gas actually transported by the Company, and in addition to any other legal or equitable rights of the Company, an amount as liquidated damages equal to the cost of service rate applicable in accordance with Section 9.1 multiplied by the amount of Gas transported to such end-user through facilities not owned or controlled by the Company.

III. BALANCING

3.1 Transportation Customer shall have the sole responsibility for balancing the quantity of Gas Tendered to the Company at the Receipt Point(s) with the quantity of Gas taken at the Delivery Point(s) in accordance with the requirements of the Company's Rule No. 28. Transportation Customer shall use Diligent Efforts to balance on a daily basis the quantity of Gas Tendered at the Receipt Point(s) with the quantity of Gas taken at the Delivery Point(s) and monitor any imbalances.

IV. FACILITIES

4.1 Prior to receipt or delivery of Gas hereunder, the Company shall determine the meters, pressure regulators and other related equipment and facilities reasonably required at the Receipt(s) or Delivery(s) Points. If such meters, pressure regulators and other related equipment and facilities are not currently in place, the parties shall negotiate a separate facilities construction agreement.

4.2 After initial receipts and deliveries of Gas have commenced, the Company shall operate and maintain all facilities for receiving and delivering of Gas hereunder. If damage occurs to the Company's facilities or Transportation Customer's facilities as the result of negligence by the other party, that other party shall be liable for all damages resulting from such negligence.

4.3 Subject to paragraphs 6.2 and 6.5, meter(s) and other related equipment and facilities installed or maintained by or on behalf of the Company shall be the exclusive means of determining the quantity of Gas received and delivered hereunder.

4.4 The Company may require Transportation Customer to install, at the expense of Transportation Customer and all other users of that Receipt Point(s), including the Company, pro rata, hydrogen sulfide monitoring equipment upstream of the Receipt Point(s) if the Company reasonably believes that such equipment is necessary.

4.5 Transportation Customer shall have the right, at its option and expense, to install and operate check meter(s) downstream of the Delivery Point(s), as long as the installation, operation, and maintenance of said equipment does not interfere with the operation of the Company's equipment.

V. QUALITY

5.1 All Gas Tendered at Receipt Point(s) shall be of merchantable pipeline quality. Gas Tendered through interstate pipelines and at tailgates of cryogenic or lean oil processing plants shall be deemed to be of merchantable pipeline quality. Currently, the cryogenic or lean oil processing plants located in New Mexico on the Company's system are the Williams Kutz 1 and Kutz 2 plants, Duke's Artesia and Eunice plants and Frontier's Maljamar and ABO plants. All Gas Tendered from other sources shall be reasonably free of objectionable material, and commercially free of dust, gums or gumforming constituents, liquids or solid matter and any other substance, which interferes with the intended purpose of merchantability of Gas, or causes interference with the proper and safe operation of the lines, meters, regulators, or other appliances through which it may flow; and which must conform to the following specifications.

(a) Shall not contain more than a trace indication of oils and other liquids that are employed in the operation of Gas processing and/or compression facilities.

(b) Shall be commercially free of water in their liquid state at the temperature and pressure at which delivered, and in no event contain water vapor in excess of seven (7) points per million cubic feet. The water vapor content shall be determined by use of dew-point apparatus approved by the Bureau of Mines, or by any other method that is deemed appropriate for the condition(s).

(c) Shall not contain more than three quarters (3/4) grains of total sulfur per one hundred (100) standard cubic feet, which includes hydrogen sulfide, carbonyl sulfide, carbon disulfide, mercaptans, mono- di- and poly- sulfides. The Gas shall also meet the following individual specifications for hydrogen sulfide (H_2S) and mercaptans:

i. Hydrogen sulfide: The Gas shall not contain more than one-quarter (1/4) grain per one hundred (100) standard cubic feet.

ii. Mercaptan sulfur: The gas shall not have mercaptan sulfur content greater than three tenths (0.3) grain per one hundred (100) standard cubic feet.

(d) Shall not contain in excess of 2-mol% of carbon dioxide (CO_2).

(e) Shall not contain in excess of 0.2-mol% of oxygen (O_2). Every effort shall be made to keep the Gas free of oxygen.

(f) Shall not contain in excess of 5-mol% of total inert gases.

(g) Shall be commercially free of hydrocarbons and not have a hydrocarbon dew point that exceeds fifteen degrees Fahrenheit (15°F) between 100 and 1,000 Psia.

(h) Shall not be delivered into any of the Company's transmission or distribution pipeline systems at a temperature less than forty degrees Fahrenheit (40°F) nor greater than one hundred twenty degrees Fahrenheit (120°F).

(i) Have a minimum heating value of not less than nine hundred fifty (950) British thermal units (Btu) per cubic foot, and not to exceed greater than eleven hundred (1,100) Btu per standard cubic foot.

(j) Shall not contain hydrocarbons with a molecular carbon content of C_5 and above (C_5+) in excess of 0.2 gallon per one thousand (1,000) standard cubic feet.

5.2 If, at any time, Gas Tendered to the Company at the Receipt Point(s) hereunder fails to conform to the applicable quality specifications, the Company shall promptly provide notice to Transportation Customer of the deficiency. Transportation Customer shall remedy any such deficiency within a reasonable period of time. If, in the Company's reasonable judgment, non-conforming deliveries threaten imminent physical danger or harm to the Company's system, operations, or facilities, then the Company, at its option, may immediately refuse to accept any further non-conforming Gas. In addition, in the event Gas Tendered to the Company at the Receipt Point(s) hereunder fails to conform to the applicable quality specifications and (a) are in close proximity to the Company's distribution system or (b) is a repeat offense, the Company at its sole option, may immediately refuse to accept any Gas Tendered by the Transportation Customer at said Receipt Point(s).

5.3 If Gas delivered to the Delivery Point(s) fails to conform to the applicable quality specifications, Transportation Customer shall notify the Company in writing of such deficiency. Transportation Customer, at its option, may refuse to take any non-conforming deliveries of Gas. The term of this Contract may be lengthened or extended by any period during which Transportation Customer has refused deliveries of non-conforming Gas by Transportation Customer submitting a written request for such extension to the Company. The Company may not unreasonably refuse such lengthening or extension.

5.4 The Company at its reasonable discretion and without undue discrimination may accept any Gas stream received into its pipeline provided such Gas will not result in a blended stream which does not comply with Gas Quality specifications in Section 5.1 or prevent delivery of the blended stream into a downstream pipeline or other Delivery Points, or cause a change of more than four percent (4%) to the Wobbe Number at the nearest distribution point, and that at the Company's reasonable judgment will not adversely impact the Company's facilities, pipeline integrity or operations.

5.5 Whenever the Company deems it necessary, the Company shall conduct or have conducted on its behalf a test or tests to determine the quality of Gas received at the Receipt Point(s) for transport. Upon Transportation Customer's written request the Company shall provide copies of such tests.

VI. MEASUREMENT EQUIPMENT

6.1 Reading, calibration and adjustment of the Company's owned and controlled meter(s) and related measurement equipment shall be performed solely by the Company, but such reading, calibration, and adjustment

may be witnessed by representative(s) of Transportation Customer. Upon Transportation Customer's written request, the Company shall provide Transportation Customer with a schedule of dates for reading and calibration.

6.2 All meter(s) and related equipment shall be calibrated by and at the expense of the Company at reasonable intervals to be determined at the discretion of the Company, which shall be consistent with calibration intervals for meters and related equipment used for the Company's system purchases and sales as reflected by Rule No. 17.10.650 NMAC or any successor NMPRC rule(s) or regulation(s). Transportation Customer may request the Company to perform additional calibrations at any time at Transportation Customer's expense, subject to the limitations of Rule No. 17.10.650(4) NMAC or any successor NMPRC rule(s) or regulation(s). If, upon any test, the measuring equipment is found to be not more than two percent (2%) erroneous, previous readings of such equipment shall be considered correct in computing the volumes of Gas delivered hereunder, but such equipment shall be adjusted at once to read accurately at that time. If the percentage of inaccuracy of the measuring equipment is found to be in excess of two percent (2%) as a result of any test, such equipment shall be adjusted at once and the previous readings shall be corrected for a period extending back to the time such inaccuracy occurred, if such time is ascertainable, and if not ascertainable, then back one-half (1/2) of the time since the meter was last tested not to exceed six (6) Months, and the bills for service shall be recalculated for that period. In addition, if the percentage of inaccuracy of the measuring equipment is found to be in excess of two percent (2%), as a result of an additional calibration made at the request of and paid for by Transportation Customer, said payment shall be refunded.

6.3 When a Transportation Customer has been overcharged as a result of incorrect reading of the meter, incorrect application of the Company's Rate, incorrect calculation of volumes delivered, or other similar reasons, the amount of the overcharge, imbalance charges and penalties shall be adjusted, refunded or credited to the Transportation Customer. The period of adjustment shall not exceed thirty-six (36) Months from the date of such original billing, statement, or payment.

6.4 When a Transportation Customer has been undercharged as result of incorrect reading of the meter, incorrect application of the Company's Rates, incorrect calculation of volumes delivered, or other similar reasons, the amount of the undercharge shall be billed to the Transportation Customer. The period of adjustment shall not exceed thirty-six (36) Months from the date of such original billing, statement, or payment.

6.5 If, for any reason, any of the measuring equipment is out of service or out of repair so that the volume of Gas delivered cannot be ascertained, said volume shall be estimated on the basis of the best data available, using the first of the following methods which is feasible:

(a) By using the registration of Transportation Customer's check meter, if installed at Transportation Customer's cost and accurately registering (plus or minus two percent (2%); or

(b) By correcting the error, if the percentage of error is ascertainable by calibration, test or mathematical calculation; or

(c) By estimating the volume of delivery by comparison with deliveries made during preceding periods under similar conditions when the meter was registering accurately; or

(d) By estimating the volume of Gas delivered utilizing any other applicable data available.

VII. GAS MEASUREMENT

7.1 All measurement of Gas hereunder by orifice meter(s) shall be computed in accordance with specifications outlined in American Gas Association (AGA) Gas Measurement Manual Part No. Three "Orifice Meters" and with any updated specification outlined in AGA Report No. 3, current edition. All measurement of Gas hereunder by ultrasonic meter(s) shall be computed in accordance with specification outlined AGA Report No. 9, "Measurement of Gas by Ultrasonic Meters" and with any updated specification outlined in AGA Report No. 9, current edition. All measurement of Gas hereunder by positive displacement rotary, turbine or other non-orifice type meter(s) shall be computed in accordance with specification outlined in applicable AGA reports and standards or as specified in 17.10.650 NMAC. x

7.2 Corrections shall be made for deviation from the Ideal Gas Laws in accordance with AGA Report No. 8 "A Compressibility Factors of Natural Gas and Other Related Hydrocarbon Gases" and with any updated specification outlined in AGA Report No. 8, current edition.

7.3 The temperature of Gas flowing through the meter(s) may be determined by a temperature transducer, or a temperature sensing element, installed and maintained by or on behalf of the Company, to properly record the temperature of Gas. The arithmetic average of the temperature recorded during each Month, or any portion thereof during which Gas is flowing, shall be deemed to be the temperature for such period and shall be used to make proper correction in the computation of Gas volumes for such period.

7.4 The specific gravity of the Gas shall be determined by chromatographic analysis of Gas samples accumulated from the main stream.

7.5 A base pressure and assumed atmospheric pressure shall be utilized for measurement purposes x
regardless of any variation from the actual barometric pressure, or as specified in Company Rule No 20. x

7.6 The Btu content of Gas Tendered at the Receipt Point(s) shall be the total gross heating value thereof determined by analysis of Gas samples accumulated form the main stream in a sample bottle of a type generally used by the Company for its utility system supply. The analysis shall be made by means of passing the sample through a chromatograph to determine the chemical composition. For Tenders of Gas to the Company the heating value thus determined shall be expressed in terms of total gross heating value per cubic foot of Gas, dry (not saturated with water vapor) at 14.73 Psia and at sixty degrees Fahrenheit (60°F). The number of cubic feet of Gas Tendered hereunder, multiplied by the Btu content per cubic foot of such Gas, shall determine the total Btu quantity

Tendered hereunder. Alternately, the Btu content may be determined by use of an online chromatograph located at the Receipt Point(s).

7.7 The Btu content of Gas delivered at the Delivery Point(s) shall be the total gross heating value thereof determined as set forth in the Company's Rule No. 20 or by analysis of Gas samples accumulated form the main stream in a sample bottle of a type generally used by the Company for its system supply Gas. The analysis shall be made by means of passing the sample through a chromatograph to determine the chemical composition. Heating value thus determined shall be expressed in terms of total gross heating value per cubic foot of Gas, dry (not saturated with water vapor) at 14.73 Psia and sixty degrees Fahrenheit (60°F). The number of cubic feet of Gas delivered by the Company to the Delivery Point(s) hereunder, multiplied by the Btu content per cubic foot of such Gas, shall determine the total Btu quantity delivered.

7.8 The method of obtaining Gas samples for analysis by Gas chromatography to determine the total heating value of Gas shall be s prescribed in Gas Processors Association Bulletin No. 2166-68, or its successor, including its appendices and revisions.

7.9 Upon giving ten (10) Days written notice, each party shall have access to the measuring equipment and all other instruments used by the other party in determining the quantity and quality of the Gas delivered; but the reading, calibrating, and adjusting thereof shall be done by the employees, agents or representatives of the party controlling the measurement equipment. In accordance with Rule No. 17.3.310 NMAC or any successor NMPRC rule(s) or regulation(s), the records shall be kept on file for a period of three (3) years for the mutual use of the parties. Tests of heating value will be kept on file for a period of three (3) years for the mutual use of the parties. Either party shall submit to the records from such equipment, subject to return by that party within thirty (30) Days after receipt thereof.

7.10 In the event Gas Tendered by Transportation Customer is delivered to a Receipt Point simultaneously with Gas for others, and is not separately measured, the amount of Gas Tendered by Transportation Customer shall be the amount confirmed by the upstream processor, gatherer, or pipeline at that Receipt Point for Transportation Customer in accordance with the Company's Form No. 38.

VIII. CONTROL, OWNERSHIP, AND WARRANTIES

8.1 As between Transportation Customer and the Company, the Company shall be deemed to be in control and possession of the Gas from the time said Gas is received by the Company at the Receipt Point(s) until said Gas is delivered to the Delivery Point(s).

8.2 Transportation Customer represents and warrants that it has title to all Gas Tendered to the Company and that such Gas is free from any liens and/or adverse claims. Upon request from the Company, Transportation Customer shall provide the Company with adequate written evidence of its title to all Gas Tendered.

8.3 Transportation Customer represents and warrants that all Gas delivered to the Delivery Point(s) shall be consumed in the State of New Mexico.

8.4 Transportation Customer warrants that, upon the Company's reasonable request, it shall take all necessary steps to ensure that all Gas Tendered to the Company at the Receipt Point(s) shall be odorized in compliance with Rule No. 17.10.650.15E NMAC and 49 CFR Section 192.625 or successor rule(s) and regulation(s) and any such odorization shall be at Transportation Customers expense.

8.5 Transportation Customer represents and warrants that it shall pay any applicable third party transportation and/or standby charges for all transportation of the Gas by parties other than the Company.

8.6 Transportation Customer shall fully indemnify and hold harmless the Company, its officers, agents, employees, and contractors from any loss, liability or damages, including costs and reasonable attorney's fees, suffered as a result of any claim, action or suit brought by any person arising from any breach by Transportation Customer of any warranty in this Contract.

8.7 Transportation Customer shall indemnify and hold harmless the Company, its officers, agents, employees, and contractors from any and all losses, liability, or damage whatsoever, including costs and reasonable attorneys' fees, suffered by the Company, its officers, agents, employees, or contractors arising either directly or indirectly, from any claim, action or suit brought by an person, association or entity, public or private asserting ownership of or interest in Gas Tendered for transportation under this Contract.

8.8 Each party agrees to give the other reasonable written notice of any claim, action or suit brought against it that is subject to the provisions of this Article VIII.

8.9 Transportation Customer further warrants that it will comply with all Federal Energy Regulatory Commission rules and regulations as applicable to this transaction.

IX. TRANSPORTATION CHARGES

9.1 Transportation Customer shall pay the cost of service Rates and other charges for transportation according to the Company's Rate No. 70 and/or other applicable Rates and Rules, as such tariffs may be in effect from time to time in accordance with the rule(s) and regulation(s) of the NMPRC, for all Gas taken by Transportation Customer at each Delivery Point(s). The applicable Rate schedules for the transportation service to be provided for each Delivery Point(s) at the time this Contract is executed are set forth in Exhibit B.

X. TAXES

10.1 Transportation Customer shall pay or cause to be paid, all applicable taxes, including fees or charges, now or hereafter levied or assessed by any governmental authority not otherwise included within the Company's transportation Rates, Rules and Forms, including specifically gross receipts, compensating use, or

franchise or other taxes, fees or charges imposed on the act, right or privilege of transporting, handling, delivery or use of the Gas, which is measured by volume, heating value, monetary value or sales price of the Gas. Such taxes, fees, or charges shall be in addition to the Company's charges ass specified in Article IX above.

XI. BILLING AND PAYMENT

11.1 The Company agrees that once each Month it will determine the transportation charges due for Gas transported during the previous Month. As soon as practicable thereafter, the Company shall render by first class mail to Transportation Customer a statement ("Statement") showing the payment due hereunder, including any assessments pursuant to Article III above. Transportation Customer agrees to pay the Company for all amounts so billed within twenty (20) Days of the invoice date, in accordance with payment methods mutually agreed upon between the parties.

11.2 If the Company owes Transportation Customer payment as a result of the provisions for handling of imbalances set forth in the Company's Rule No. 28, the Company agrees to pay Transportation Customer for all amounts so owed within thirty (30) Days thereafter.

11.3 If the Company owes Transportation Customer payment as a result of a prior Month adjustment, the Company shall submit an adjusted imbalance statement and agrees to pay Transportation Customer for all amounts so owed within thirty (30) Days thereafter, including interest accrued at the rate of six hundred sixty seven on thousandth percent (0.667%) per calendar Month or such other rate as may be specified by any applicable Company Rule in effect pursuant to NMPRC rules and regulations for delinquent accounts, beginning with the Month affected by the adjustment.

11.4 If Transportation Customer fails to make timely payment on all amounts so billed, interest on the unpaid portion of the Statement shall accrue at the rate of six hundred sixty seven one thousandths percent (0.667%) per calendar Month or such other rate as may be specified by an applicable Company Rule in effect pursuant to NMPRC rules and regulations for delinquent accounts, from the date upon which the payment was due. Upon such failure to pay in full, the Company, in addition to any other remedy if may have hereunder, may suspend deliveries of Gas upon five (5) Days (excluding Sundays and holidays observed by the Company) written notice, provided that deliveries to residential end-users will be governed by the Company's Rule No. 18.

11.5 In the case of disputed amounts, Transportation Customer shall pay the entire amount of the Statement under protest. Within thirty (30) Days after receipt of Transportation Customer's written protest, the Company shall make a complete investigation of the matter and, if the Statement is found to be correct, shall promptly submit as corrected Statement to the Transportation Customer, together with any necessary refund and interest at a rate of six hundred sixty seven one thousandth percent (0.667%) per calendar Month or such rate specified by any NMPRC approved Company Rule for delinquent accounts, from date of payment. All Statements,

billings, and payments hereunder shall be final unless questioned within thirty-six (36) calendar Months from the date of such billing, Statement, or payment. Nothing contained herein shall limit either party's legal and equitable rights under this Contract.

XII. FINANCIAL RESPONSIBILITY

12.1 Prior to delivery of Gas pursuant to this Contract, Transportation Customer shall provide the Company with evidence satisfactory to the Company of Transportation Customer's financial responsibility. If Transportation Customer is unable to provide reasonable evidence of financial responsibility satisfactory to the Company, then Transportation Customer shall provide one of the following, at the sole option of the Company, as Security for performance of Transportation Customer's obligations under the Contract:

(a) An irrevocable standby letter of credit from a federal or state chartered financial institution, which meets the requirements and specifications of and is in a format to be provided by the Company.

(b) A surety bond from a surety authorized to conduct business in the State of New Mexico, which meets the requirements and specifications of and is in a format to be provided by the Company.

(c) An escrow account with a federal or state chartered financial institution doing business in the State of New Mexico, which shall be for the benefit of the Company. Transportation Customer shall be entitled to retain any interest paid on the principal balance in such escrow fund.

12.2 Final acceptance of any Security or replacement Security contemplated by Section 12.1 above shall be at the sole discretion of the Company.

12.3 If the Company requires that Transportation Customer provide Security for the performance of its obligations under the Contract, such Security shall equal or exceed an amount equal to two (2) times the total estimated charges under this Contract for the Month during which the Company estimates the greatest amount of Gas will be transported for Transportation Customer, and shall include estimated penalties.

12.4 In the event that Transportation Customer has entered into more than one Gas Transportation Contract with the Company, Transportation Customer shall provide Security for all Gas Transportation Contracts between Transportation Customer and the Company in the form of a single letter of credit, surety bond or escrow account for ease of Contract administration.

12.5 If Transportation Customer provides Security pursuant to Section 12.1 above, such Security must be effective and subject to being drawn upon in the full amount required no later than ten (10) business Days prior to delivery of Gas pursuant to the Contract, such that the Company can access the required amount of the Security in full as of that date. Such Security shall not expire or be cancelled prior to hone hundred twenty (120) Days following the termination of this Contract, unless Transportation Customer furnishes replacement Security that meets the criteria of Section 12.1 above and is acceptable to the Company. Failure of the Transportation Customer

to provide replacement Security to the Company within ten (10) Days shall constitute an incident of default in performance of this Contract, and delivery of Gas may be withheld by the Company until Transportation Customer provides the required Security.

12.6 The Company may, at its sole option, release its interest in Security, provided pursuant to this Article XII, to Transportation Customer, if Transportation Customer has maintained a good payment record, or Company may retain its interest in the Security. Upon termination of the Contract and within twenty (20) Days of Transportation Customer paying all sums due the Company resolving all outstanding imbalances pursuant to this Contact, the Company shall release its interest in the Security to the Transportation Customer.

12.7 If, during the term of the Contract, the Company determines that the financial responsibility of Transportation Customer has become impaired or unsatisfactory based upon any material adverse change in Transportation Customer's financial condition, including but not limited to credit history information pertaining to Transportation Customer, Transportation Customer's payment history with the Company or its imbalance management, the Company may demand Security, and Transportation Customer must provide Security in accordance with Section 12.1 above within ten (10) Days of the Company's written demand. Failure of the Transportation Customer to provide the required Security to the Company within ten (10) days of such demand shall constitute an incident of default in performance of this Contract and delivery of Gas may be withheld by the Company until Transportation Customer provides the required Security. The term of this Contract shall not be deemed to be lengthened or extended by any period during which delivery of Gas is withheld pursuant to this Section.

12.8 Company and Transportation Customer agree and acknowledge that the nature of Transportation Customer's business may change over time, particularly with respect to the volumes of Gas transported and number of Delivery Points. The Company reserves the right to reevaluate the adequacy of the Security required from Transportation Customer from time to time and to increase or decrease the amount of Security required based on that reevaluation. In the event that the Company makes demand on Transportation Customer for increased Security as a result of such reevaluation, failure of the Transportation Customer to provide increased Security to the Company within ten (10) Days shall constitute an incident of default in performance of this Contract, and delivery of Gas may be withheld by the Company until Transportation Customer provides the required Security.

12.9 In case of an event of default by Transportation Customer in the performance of its obligations under this Contract, the Company shall have the unconditional right to set off all obligations of Transportation Customer, whether arising out of this Contract, any other contract between the Company and Transportation Customer, or the provision to Transportation Customer of goods or services of any kind by the Company, against any Security held by the Company to secure any obligation of Transportation Customer.

12.10 Further, in case of an event of default by Transportation Customer in the performance of its obligations under this Contract, the Company shall have the unconditional right to withhold payment of any obligation owed by the Company to the Transportation Customer however such obligation shall have arisen. The Company's right to withhold payment shall extend up to and including an amount equal to the to the sum of all obligations owed by Transportation to the Company under this Contract plus any obligation owed by Transportation Customer to the Company under any other contract or agreement. The Company shall also have the unconditional right to set off such amount owed to Transportation Customer against any obligation(s) due from Transportation Customer to the Company. The Company shall notify Transportation Customer of any set-off under this Section.

12.11 In the even there are instituted by or against Transportation Customer proceedings in bankruptcy or under any insolvency law or law for reorganization, receivership or dissolution, or if Transportation Customer makes an assignment for benefit of creditors or any general arrangement with creditors, the Company may refuse acceptance of Tenders of Gas and withhold deliveries and/or terminate this Contract without notice. The Company's exercise of any right reserved under this Article shall be without prejudice to any claim for damages or any other legal or equitable rights of the Company.

XIII. REGULATION

13.1 This Contract shall be subject to all present and future applicable and valid laws, orders, rules and regulations of any duly constituted governmental authority, Federal, State, Tribal, or Local, having jurisdiction over the parties, their facilities, or any provision of this Contract.

13.2 If any governmental authority having jurisdiction over the parties shall take any action which may affect any terms or conditions of this Contract, such action shall apply to the terms and conditions of this Contract, such action shall apply to the terms and conditions of this Contract upon the effective date of the governmental action or order; provided, however, that the Company shall give timely notice to Transportation Customer of such change, prior to the effective date of the governmental action or order if possible and in any event no later than ten (10) Days after that effective date. In the event Transportation Customer deems such change unacceptable, in addition to pursuing any other rights or remedies available to Transpiration Customer, it may terminate this Contract within thirty (30) Days of the effective date of the governmental action or order. Any changes in the terms and conditions of this Contract pursuant to this Paragraph shall not affect the remaining terms and conditions of this Contract.

13.3 This Contract, and all its terms and provisions, shall at all times be subject to modification by order of the NMPRC upon notice and hearing and a finding of good cause therefore. In the event that any part to this Contract requests the Commission to take any action which could cause a modification in the provisions of this

Contract, that party shall provide written, electronic, or facsimile notice to the other party at the time of filing the request with the Commission.

XIV. TERM

14.1 Subject to the other terms and provisions hereof, this Contract shall be effective from the date first written above. If Transportation Customer does not commence to Tender Gas under this Contract within forty-five (45) Days from the date first written above, the Company may terminate this Contract upon five (5) Days written notice. Unless otherwise terminated in accordance with the provisions herein, performance under this Contract shall continue and remain in full force and effect until _____ and from Month-to-Month thereafter unless terminated by either party upon thirty (30) Days prior written notice.

14.2 In the event Gas ceases to be transported under this Contract for a period of at least six (6) consecutive Months, the Company may submit a letter of termination to Transportation Customer. Upon receipt of the letter of termination, the Transportation Customer must notify the Company in order to elect to have the Contract remain in effect. If during the next six (6) Month period the Transportation Customer resumes transportation service under this Contract the Contract will not be terminated.

XV. FORCE MAJEURE

15.1 In the event the Company is rendered unable, wholly or in part, by force majeure to carry out its obligation under this Contract, it is agreed that upon the Company giving notice and full particulars of such force majeure to the Transportation Customer within a reasonable time after the occurrence of the cause relied on, in writing by registered or certified mail then the obligations of the Company, so far as they are affected by such force majeure, shall be suspended from the inception of and during the continuance of any inability so caused but for no longer period, and such cause shall, as far as possible, be remedied with all reasonable dispatch. The term of this Contract shall not be deemed lengthened or extended by any period of force majeure.

15.2 In the event a Transportation Customer is rendered unable, wholly or in part, by force majeure to carry out its obligations under this Contract, and said Transportation Customer having shown diligent efforts to locate alternative sources of Gas from all reasonably available sources, it is agreed that upon the Transportation Customer giving notice and full particulars to the Company of such force majeure event both by e-mail and by certified mail within a reasonable time after the occurrence of the event relied on, shall not be obligated to pay any Critical System Condition (CSC) Event penalty imposed under Rule No. 28 on the Transportation Customer suffering the force majeure event, but said Transportation Customer shall remain obligated to make all diligent efforts to balance. Such force majeure event shall, as far as possible, be remedied by the affected Transportation Customer with all reasonable dispatch. During the force majeure event, the Transportation Customer that has x x x x x x x x x x

suffered the force majeure shall be obligated to compensate the Sales Customers for the actual cost of any Gas supplied by the Sales Customers used to make up Gas that should have been supplied by the affected Transportation Customer during the force majeure event. Actual cost shall be the highest paid for Gas during the CSC Event on the segment of the system for which the CSC Event has been declared.

15.3 The term "force majeure" as employed herein, shall mean acts of God, strikes, lockouts or other industrial disturbances (not including market or similar economic conditions), acts of public enemy, wars, blockages, insurrections, riots, arrests and restraints of rulers and people, civil or military disturbances, explosions, sabotage, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, inability to secure labor, inability of either party hereto to obtain necessary materials, supplies or permits due to future rules, orders and laws of governments or courts, Federal, State, Tribal or Local, future orders of any regulatory body having jurisdiction, breakage or accident to machinery or pipelines, the necessity for making repairs or alterations to machinery or pipelines, freezing of pipelines, other unforeseen operational problems or any other cause (not including market or similar economic conditions), whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming force majeure.

15.4 Transportation Customer shall not be liable for any penalties pursuant to Rule No. 28 caused by force majeure invoked under Section 15.1.

15.5 It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the party affected, and that the requirement of the use of diligence in restoring normal operating conditions shall not require the settlement of strikes or lockouts by acceding to the demands of the parties involved in such strikes or lockouts when such course is inadvisable in the discretion of the party affected.

XVI. OTHER CONTRACTS OR AGREEMENTS

16.1 The following Company contracts or service agreements are superseded by this Contract:

CONTRACT NUMBER:

If any monies owed by Transportation Customer under a superseded Contract or service agreement are not paid within twenty (20) Days of the date set forth above, deliveries may be suspended upon five (5) Days written notice.

XVII. NOTICES

17.1 Except as herein otherwise provided, any notice demand or request required or permitted under this Agreement shall be in writing and shall be deemed properly served, given or made to the address of the receiving party set forth below: (i) upon delivery if delivered in person; (ii) upon the date of receipt if sent by United States mail, return receipt requested; (iii) upon receipt of confirmation by return electronic facsimile if sent by

facsimile; (iv) upon delivery if delivered by prepaid commercial courier service; or (v) "read" e-mail confirmation by receiving party, if sent by e-mail, or e-mail with telephonic confirmation.

TO TRANSPORTATION CUSTOMER:

NOTICES:

COMPANY NAME

ADDRESS

ATTN:

Telephone No. ( ) _____

E-mail address _____

INVOICES:

COMPANY NAME

ADDRESS

ATTN:

Telephone No. ( ) _____

E-mail address _____

TO:

New Mexico Gas Company

ADDRESS:

ATTN:

Telephone No. ( )_____

E-mail Address _____

Or at such address as either party may from time to time designate by providing notice as set forth above. In the event of emergency, notice may be given by telephone, telefax and e-mail and confirmed in writing delivered as provided above within three (3) Days of telephone, telefax and e-mail notice.

17.2 For the purposes of Paragraph 2.1, notices to the Company's System Administrator shall be made to:

Telephone No. ( ) _____

Telefax No. ( ) _____

E-mail address _____

XVIII. MISCELLANEOUS

18.1 A waiver by either Transportation Customer or the Company or any one or more defaults by the other in the performance of any provision of this Contract shall not operate or be construed as a waiver of any future default or defaults, whether of a like or of a different character.

18.2 This Contract shall be binding upon and inure to the benefit of the successors, assignees, and legal representatives of the parties hereto.

18.3 Neither party may assign its rights nor delegate its obligations under this Contract to any entity not affiliated with that party without the prior written consent of the other party, which shall not be unreasonably withheld; provided however, that in the event the Company shall transfer all or any portion of its Gas operations to a third party, which shall continue such Gas operations, the Company may assign its rights and delegate its obligations hereunder without prior consent. In the event of such assignment and delegation, Transportation Customer may at its option terminate this Contract upon thirty (30) Days written notice.

18.4 Any change, modification, or alteration of this Contract shall be in writing and signed by the parties hereto.

18.5 This Contract contains the entire agreement between the parties and, except as stated herein, there are no promises, agreements, warranties, or conditions affecting it.

18.6 The interpretation and performance of this Contract shall be construed in accordance with the laws of the State of New Mexico.

18.7 The provisions of this Contract are severable, and if any provision is set aside or found to be invalid by a court or regulatory agency having jurisdiction over the parties, the other provisions of this Contract shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this Contract to be executed by duly authorized officers as of the Day, Month, and year first written below.

ATTEST:

_____

Title: _____

Date: _____

Transportation Customer

By: _____

Title: _____

Date: _____

ATTEST:

_____

Title: _____

Date: _____

New Mexico Gas Company

By: _____

Title: _____

Date: _____

CONTRACT NO. _____

EXHIBIT A

Dated _____

Between _____

and NEW MEXICO GAS COMPANY

RECEIPT POINTS

Station Name	Station No.	MMBTU Point MDQ** B.E.*	Fuel and Losses Percentage

*Best Efforts
**Total MDQ of all Receipt Point(s) shall not exceed MMDQ of ####### MMBtus.

CONTRACT NO. _____

EXHIBIT B

Dated _____

Between _____

and NEW MEXICO GAS COMPANY

DELIVERY POINTS

Name	Location/ Street Address	Town	Station No.	Account Number	Point MDQ MMBtu	Priority Code	Rate Schedule

Total Delivery MDQ #### MMBtu

Capacity at each Delivery Point is subject to the Company's procedures on capacity allocations as such may be adjusted from time to time. The designation of MDQ for a Delivery Point above does not constitute a determination that capacity may exist at such point to flow the full MDQ for any given period of time. The MDQ as specified above for a Delivery Point shall not exceed the physical capacity of the Delivery Point as determined by the Company. If nominations from Transportation Customer when combined with nominations from other Transportation Customers (including nominations for the Company's Gas) exceed the capacity at a specific point, Transportation Customer's volumes of gas shall be allocated in accordance with the capacity allocation procedure (Rule No. 21) of the Company. In the event of capacity allocation, Transportation Customer's nomination at a constrained point may not exceed the lesser of the MDQ for such point or the capacity available at the constrained point as determined by the Company.

Total delivery MDQ = Contract MDQ – fuel.

CONTRACT NO. _____

EXHIBIT C

Dated _____

Between _____

and NEW MEXICO GAS COMPANY

LETTER AGREEMENT

The undersigned parties agree to the following exceptions to the Company's standard quality specifications for the receipt of natural Gas for transportation:

For: _____

By: _____ Date: _____

NEW MEXICO GAS COMPANY

By: _____ Date: _____

CONTRACT NO. _____

ATTACHMENT 1

Dated _____

Between _____

and NEW MEXICO GAS COMPANY

FORM NO. 38

New Mexico Gas Company's Form No. 38 as in effect upon execution of this Contract is included as Attachment 1 and is filed as a standard from with the NMPRC.

CONTRACT NO. _____

ATTACHMENT 2

Dated _____

Between _____

and NEW MEXICO GAS COMPANY

RULE NO. 21

New Mexico Gas Company's Rule No. 21 as in effect upon execution of this Contract is included as Attachment 2.

CONTRACT NO. _____

ATTACHMENT 3

Dated _____

Between _____

and NEW MEXICO GAS COMPANY

RULE NO. 28

New Mexico Gas Company's Rule No. 28 as in effect upon execution of this Contract is included as Attachment 3.