

GENERAL TERMS AND CONDITIONS

3. QUALITY

3.1 Gas Quality at Receipt Points. All Gas delivered by Shipper to Transporter shall conform to the applicable specifications in either Section 3.1(a) or Section 3.1(b). As used in this section, the La Plata Facilities are defined as those facilities commencing at a measurement facility downstream of the discharge side of Northwest's La Plata B compressor station southward to the Blanco Hub, including the La Plata A compressor station and certain plant interconnects, all located in southern Colorado and northern New Mexico.

(a) All Gas delivered by Shipper to Transporter at Receipt Points not connected to the La Plata Facilities shall conform to the following specifications:

(1) Hydrocarbon Liquids and Liquefiabiles: The hydrocarbon dew point of the gas delivered shall not exceed fifteen degrees Fahrenheit at any pressure between 100 psia and 1,000 psia as calculated from the gas composition and shall be free from hydrocarbons in the liquid state. At all times, any and all liquid or liquefiable hydrocarbons, or any other constituent or by-product, recovered from the gas by Transporter, after delivery of gas to Transporter shall be and remain the exclusive property of Transporter, except as specified in Section 20 of the General Terms and Conditions.

(2) Hydrogen Sulfide and Total Sulfur: The gas shall contain not more than one quarter grain of hydrogen sulfide per one hundred cubic feet and not more than ~~twenty five~~ grains total sulfur per one hundred cubic feet.

Formatted: Strikethrough

(3) Carbon Dioxide and Total Nonhydrocarbons: The gas shall contain not more than two percent by volume of carbon dioxide and shall contain not more than three percent by volume of combined nonhydrocarbon gases including, but not limited to, carbon dioxide, nitrogen and oxygen, except as otherwise provided in Section 3.5.

~~(4) Dust, Gums, etc.: The gas shall be commercially free of dust, gums, dirt, impurities and other solid matter.~~

(4) Dust, Gums, etc.: The gas shall be commercially free from objectionable odors, solid matter, dust, gums, and gum forming constituents, or any other substance which interferes with the intended purpose of merchantability of the gas, or causes interference with the proper and safe operation of the lines, meters, regulators, or other appliances through which it may flow.

(5) Heating Value: The total gross heating value of the gas deliverable hereunder shall not be less than 985 Btu.

(6) Oxygen: The gas shall not contain in excess of two-tenths of one percent by volume of oxygen, and the parties agree to exercise every reasonable effort to keep the gas completely free of oxygen.

(7) Temperature: The temperature of the gas at the point of delivery shall not exceed one hundred twenty degrees Fahrenheit.

(8) Water: The gas delivered shall be free from liquid water and shall not contain more than seven pounds of water in vapor phase per million cubic feet.

(9) Mercury: The gas shall be free from any detectable mercury.

(10) Toxic or Hazardous Substance: The gas shall not contain any toxic or hazardous substance in concentrations which, in the normal use of the gas, may be hazardous to health, injurious to pipeline facilities, or be a limit to merchantability or be contrary to applicable government standards.

(11) Bacteria: The gas, including any associated liquids, shall not contain any microbiological organism, active bacteria or bacterial agent capable of causing or contributing to: (i) injury to Transporter's pipelines, meters, regulators, or other facilities and appliances through which such gas flows or (ii) interference with the proper operation of the Transporter's facilities. Microbiological organisms, include, but are not limited to, sulfate reducing bacteria (SRB) and acid producing bacteria (ACB). When bacteria or microbiological organisms are considered a possibility, Shipper(s) desiring to Nominate such gas, upon Transporter's request, shall cause such gas to be tested for bacteria or bacterial agents utilizing the American Petroleum Institute test method API-RP38 or other acceptable test method as determined by both parties.

(b) All Gas delivered by Shipper to Transporter at Receipt Points connected to the La Plata Facilities shall conform to the following specifications:

(1) Hydrocarbon Liquids and Liquefiabiles: The hydrocarbon dew point of the gas delivered shall not exceed fifteen degrees Fahrenheit at any pressure between 100 psia and 1,000 psia as calculated from the gas composition and shall be free from hydrocarbons in the liquid state. At all times, any and all liquid or liquefiable hydrocarbons, or any other constituent or by-product, recovered from the gas by Transporter, after delivery of gas to Transporter shall be and remain the exclusive property of Transporter, except as specified in Section 20 of the General Terms and Conditions.

(2) Hydrogen Sulfide and Total Sulfur: The gas shall contain not more than one quarter grain of hydrogen sulfide per one hundred cubic feet of gas. The gas shall contain not more than 0.3 grains of mercaptan sulfur per one hundred cubic feet of gas. The gas shall contain not more than 0.75 grains of total sulfur per one hundred cubic feet of gas.

(3) Carbon Dioxide and Total Nonhydrocarbons: The gas shall contain not more than two percent by volume of carbon dioxide and shall contain not more than three percent by volume of combined nonhydrocarbon gases including, but not limited to, carbon dioxide, nitrogen and oxygen, except as otherwise provided in Section 3.5.

(4) Dust, Gums, etc.: The gas shall be commercially free from objectionable odors, solid matter, dust, gums, and gum forming constituents, or any other substance which interferes with the intended purpose of merchantability of the gas, or causes interference with the proper and safe operation of the lines, meters, regulators, or other appliances through which it may flow.

(5) Heating Value: The total gross heating value of the gas deliverable hereunder shall not be less than 985 Btu.

(6) Oxygen: The gas shall not contain in excess of two-tenths of one percent by volume of oxygen, and the parties agree to exercise every reasonable effort to keep the gas completely free of oxygen.

(7) Temperature: The temperature of the gas at the point of delivery shall not exceed one hundred twenty degrees Fahrenheit.

(8) Water: The gas delivered shall be free from liquid water and shall not contain more than seven pounds of water in vapor phase per million cubic feet.

(9) Mercury: The gas shall be free from any detectable mercury.

(10) Toxic or Hazardous Substance: The gas shall not contain any toxic or hazardous substance in concentrations which, in the normal use of the gas, may be hazardous to health, injurious to pipeline facilities, or be a limit to merchantability or be contrary to applicable government standards.

(11) Bacteria: The gas, including any associated liquids, shall not contain any microbiological organism, active bacteria or bacterial agent capable of causing or contributing to: (i) injury to Transporter's pipelines, meters, regulators, or other facilities and appliances through which such gas flows or (ii) interference with the proper operation of the Transporter's facilities. Microbiological organisms, include, but are not limited to, sulfate reducing bacteria (SRB) and acid producing bacteria (ACB). When bacteria or microbiological organisms are considered a possibility, Shipper(s) desiring to Nominate such gas, upon Transporter's request, shall cause such gas to be tested for bacteria or bacterial agents utilizing the American Petroleum Institute test method API-RP38 or other acceptable test method as determined by both parties.

3.2 Gas Quality at Delivery Point(s). The gas delivered by Transporter to Shipper at the Delivery Point shall be natural gas containing a gross heating value of at least 985 Btus. Such gas shall be commercially free of dust, gums, dirt, impurities and other solid matter and shall not contain more than one-quarter grain hydrogen sulfide per one hundred cubic feet as determined by using commercially available on-line analyses and/or such analytical methods that are generally accepted in industry practice; provided that Transporter may install and utilize a recording hydrogen sulfide analyzer to monitor the gas at points at which it deems such continuous monitoring to be desirable. The gas to be delivered shall not contain more than twenty grains of total sulfur per one hundred cubic feet.

The gas shall be free of water and hydrocarbons in liquid form at the temperature and pressure at which the gas is delivered and in no event shall have a water content in excess of seven pounds in vapor phase per million cubic feet.

3.3 Determination of Gross Heating Value and Component Analysis. The party operating the measurement equipment shall determine the gross heating value of the gas delivered and its component analysis at reasonable intervals. Such determination shall be made using either an on-line chromatograph or by chromatographic analysis of a representative sample of gas taken with a continuous sampler. Transporter may at its option allow the use of spot samples. If at any time and for any reason Shipper or Transporter should question the results of any spot sampling, a redetermination shall be made and the redetermination mutually acceptable to the parties shall be used; provided, however, if neither party questions such results within a period of sixty (60) days following the determination thereof, then such results shall be deemed conclusive and binding upon the parties. Btu measuring equipment shall be installed at a location or locations where the gross heating value of the gas received or delivered hereunder may be reasonably determined.

3.4 Failure to Meet Specifications. Transporter or Shipper shall have the right, exercisable by the giving of written or oral notice to the other party, to require the remedy of any failure to deliver or redeliver gas in accordance with the quality specifications set forth in Sections 3.1 and 3.2. In the event gas delivered by either party fails to conform to such specifications, as evidenced by the latest chromatograph analysis derived from an on-line chromatograph or from a sample taken manually and analyzed by a chromatograph, or from any other verifiable evidence, the receiving party may refuse to accept all or any portion of such gas.

3.5 Accepting Gas Which Fails to Meet Specifications. To the extent Transporter can accept gas that does not meet quality specifications without jeopardizing Transporter's ability to meet its obligations to deliver gas to downstream interconnecting pipelines or markets, it will do so on a non-discriminatory basis to all similarly situated Shippers. When such ability is jeopardized by gas not meeting the quality specifications as set forth in Section 3.1, Transporter will implement the following steps in the following order:

- (a) Transporter will identify the receipt point(s) from which gas is flowing that contain more than 2% by volume of carbon

dioxide and/or more than 3% by volume of total nonhydrocarbon gases and which are contributing to the gas quality problem.

(b) Transporter will then rank these receipt points according to the highest percentage by volume of carbon dioxide and/or nonhydrocarbon gas entering the system (depending on which violation of quality specifications is impacting or may impact Transporter's ability to deliver). Transporter will make reasonable efforts to notify receipt point operators by telephone and via Transporter's Designated Site at the earliest time possible as to the action required and the time within which compliance is required, depending on the operational situation existing at the time. Transporter will notify the receipt point operators in the order of the ranking starting with the receipt point with the highest percentage of applicable contaminant until the problem is resolved. The required action may include any alternative that will alleviate the gas quality problem.

(c) Within two business days after resolving a gas quality problem, Transporter will post to its Designated Site: a description of the problem, the receipt point, the receipt point operator, the action required, the action taken, and the date and time that the problem was resolved.

3.6 Gas Analysis Equipment. If Transporter, in its reasonable judgment, determines that any additional or modified Gas analysis or control equipment is needed to accurately monitor the quality of Gas received at an existing Receipt Point and control the receipt of Gas failing to conform to the applicable quality specifications, then the Shipper(s) desiring to nominate at such Receipt Point will cause the interconnecting party at such Receipt Point to install such necessary additional or modified equipment.

Unless otherwise mutually agreed, if Transporter installs such additional or modified Gas analysis or control equipment, the interconnecting party will provide a contribution in aid of construction to Transporter for all actual costs incurred by Transporter, and reimburse Transporter for any related income taxes. The related income taxes will be the difference between Transporter's current federal and state income tax liability resulting from the contribution in aid of construction and the present value of Transporter's future tax benefits resulting from tax depreciation on such facilities, grossed-up for income taxes. The cash flow discount factor for the present value calculation will be the most recent weighted cost of capital percentage specifically approved by the Commission for deriving Transporter's Recourse Rates.