

INTERRUPTIBLE HOURLY BALANCING SERVICE AGREEMENT

(For Use Under Rate Schedule IHBS)

This Agreement is made as of the _____ day of _____, _____, by and between TRES PALACIOS GAS STORAGE LLC, a Delaware limited liability company herein called "TRES PALACIOS," and _____, an _____, herein called "Customer," (each of TRES PALACIOS and Customer, a "Party," and collectively, the "Parties"), pursuant to the following recitals and representations:

WHEREAS, TRES PALACIOS owns and operates an underground natural gas storage facility known as the Tres Palacios Gas Storage facility, located in Texas, and is authorized to provide natural gas storage and related services in interstate commerce by way of the Tres Palacios Gas Storage facility; and

WHEREAS, Customer has requested that TRES PALACIOS provide certain interruptible hourly balancing natural gas storage services for Customer; and

WHEREAS, TRES PALACIOS has agreed to provide such interruptible hourly balancing storage services for Customer subject to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, TRES PALACIOS and Customer agree as follows:

ARTICLE I - SCOPE OF AGREEMENT

Following the commencement of service hereunder, in accordance with the terms of TRES PALACIOS' Rate Schedule IHBS, and of this Agreement,

TRES PALACIOS shall receive on any Day for injection into storage for Customer's account a quantity of Gas up to Customer's Maximum Daily Injection Quantity of _____ Dth, shall store quantities of Gas so injected in the Tres Palacios Gas Storage LLC underground gas storage facility located in Texas, up to a Maximum Storage Quantity of _____ Dth (on a cumulative basis) and on demand on any Day shall withdraw from Customer's Storage Inventory and deliver to Customer a quantity of Gas up to Customer's Maximum Daily Withdrawal Quantity of _____ Dth; and

TRES PALACIOS shall, for each hour during a Day, subject to maximum hourly limit of _____ Dth, receive or deliver at the Point(s) of Receipt/Delivery designated by Customer hourly balancing quantities of Gas which shall be the difference, on an hourly basis, between (i) the injections to or withdrawals from TRES PALACIOS' storage of Gas as nominated by Customer to meet Customer's desired hourly pattern of deliveries at its delivery point(s) on the Transporter's (s') pipeline system(s) and (ii) Customer's ratable flow quantities on TRES PALACIOS (1/24 of Daily nominated quantities).

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ARTICLE II - POINTS OF RECEIPT AND DELIVERY

The point(s) at which the Gas is to be tendered by Customer to TRES PALACIOS under this Agreement on any Day for injection to storage shall be any of the Point(s) of Receipt as posted on TRES PALACIOS' Internet Web Site.

The point(s) at which the Gas is to be tendered by TRES PALACIOS to Customer under this Agreement on any Day for withdrawal from storage shall be any of the Point(s) of Delivery as posted on TRES PALACIOS' Internet Web Site.

The point(s) at which the hourly balancing quantities of Gas are to be tendered by Customer to TRES PALACIOS under this Agreement shall be any of the Point(s) of Receipt as posted on TRES PALACIOS' Internet Web Site.

The point(s) at which the hourly balancing quantities of Gas are to be tendered by TRES PALACIOS to Customer under this Agreement shall be any of the Point(s) of Delivery as posted on TRES PALACIOS' Internet Web Site.

3.1. Customer agrees to pay TRES PALACIOS the following charges for all Gas storage service furnished to Customer hereunder:

Hourly balancing charge	_____
Storage inventory charge	_____
Storage injection charge	_____
Storage withdrawal charge	_____
Fuel reimbursement	_____

ARTICLE III - PRICE

3.2. Customer further agrees to pay TRES PALACIOS all other applicable fees and charges as set forth in the General Terms and Conditions and in Rate Schedule IHBS.

3.3. Customer shall reimburse TRES PALACIOS for all applicable taxes as may be assessed against TRES PALACIOS for the receipt, injection, storage, withdrawal and/or delivery of Customer's Gas. In addition, Customer shall reimburse TRES PALACIOS for Customer's pro rata portion, calculated using the same methodology as that used to assess the tax, of all ad valorem taxes, property taxes and/or other similar taxes on Customer's gas in storage assessed against and paid by TRES PALACIOS.

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ARTICLE IV - INCORPORATION OF RATE SCHEDULE AND TARIFF PROVISIONS

This Agreement shall be subject to the terms and conditions specified in TRES PALACIOS' Rate Schedule IHBS and the provisions of TRES PALACIOS' FERC Gas Tariff, as filed with the Federal Energy Regulatory Commission, together with the General Terms and Conditions applicable thereto (including any changes in said Rate Schedule, Tariff or General Terms and Conditions as may from time to time be filed and made effective by TRES PALACIOS).

ARTICLE V - TERM OF AGREEMENT

This Agreement shall be effective as of _____, _____, and shall remain in force and effect until _____, _____ (the "Primary Term").

ARTICLE VI - NOTICES

Except as otherwise provided in the General Terms and Conditions applicable to this Agreement, any notice under this Agreement shall be in writing and may be sent by facsimile transmission or mailed to the post office address of the Party intended to receive the same, as follows:

TRES PALACIOS: _____

Attention: _____

CUSTOMER:

NOTICES: _____

Attention: _____

BILLING: _____

Attention: _____

or to such other address as either Party shall designate by formal written notice to the other. In all instances, the Parties shall use their best efforts to provide notice by facsimile prior to 5 p.m. Eastern Time. Notice received before 5 p.m. Eastern Time shall be deemed effective the day of receipt. Notice received after 5 p.m. Eastern Time shall be deemed effective the day following receipt.

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ARTICLE VII - TRANSFER AND ASSIGNMENT OF ALL AGREEMENTS

Any company which shall succeed by purchase, merger or consolidation to the properties, substantially as an entirety, of TRES PALACIOS or of Customer, as the case may be, shall be entitled to the rights and shall be subject to the obligations of its predecessor in title under this Agreement. Otherwise, no assignment of this Agreement or any of the rights or obligations thereunder shall be made by Customer, except pursuant to the General Terms and Conditions of TRES PALACIOS' FERC Gas Tariff.

It is agreed, however, that the restrictions on assignment contained in this Article shall not in any way prevent either Party to the Agreement from pledging or mortgaging its rights thereunder as security for its indebtedness.

ARTICLE VIII - LAW OF AGREEMENT

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

ARTICLE IX - LIMITATION OF REMEDIES, LIABILITY AND DAMAGES

Unless expressly herein provided, neither Party shall be liable to the other for indirect, special, consequential, incidental, punitive or exemplary damages.

ARTICLE X - PRIOR AGREEMENTS CANCELLED

TRES PALACIOS and Customer agree that this Agreement, as of the date hereof, shall supersede and cancel the following Agreement(s) between the parties hereto:

Storage Service Agreement dated _____, ____.

ARTICLE XI - WAREHOUSEMEN'S LIEN

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

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

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

(ii) THE LOCATION OF THE WAREHOUSE, TO WHOM THE GAS WILL BE DELIVERED, RATE OF STORAGE AND HANDLING CHARGES, AND DESCRIPTION OF THE GOODS ARE AS SET FORTH, RESPECTIVELY, IN THE PREAMBLE OF THIS AGREEMENT, ARTICLE II OF THIS AGREEMENT, THE MONTHLY INVOICE (AS DESCRIBED IN SECTION 14.1 OF THE GENERAL TERMS AND CONDITIONS) AND SECTION 2.16 OF THE GENERAL TERMS AND CONDITIONS;

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

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

(v) THE SIGNATURE OF TRES PALACIOS ON THE CONTRACT SHALL BE DEEMED TO BE THE SIGNATURE OF THE WAREHOUSEMAN.

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ARTICLE XII - MISCELLANEOUS

12.1. This Agreement sets forth all understandings and agreements between the Parties respecting the subject matter hereof, and all prior agreements, understandings and representations, whether written or oral, respecting the subject matter hereof are superseded by this Agreement. No modification of the terms and provisions of this Agreement shall be made except by the execution by both Parties of a written agreement.

12.2. No waiver by a Party of any default(s) by the other Party in the performance of any provision, condition or requirement of this Agreement shall operate or be construed as a waiver of any future default(s), whether of a like or of a different character, nor in any manner release the defaulting Party from performance of any other provision, condition or requirement set forth herein.

12.3. If any provision of this Agreement is declared null and void or voidable by a court of competent jurisdiction, such declaration shall in no way affect the validity or effectiveness of the other provisions of this Agreement, which shall remain in full force and effect, and the Parties shall thereafter use their commercially reasonable efforts to agree upon an equitable adjustment of the provisions of this Agreement with a view to effecting its purpose.

12.4. No presumption shall operate in favor of or against any Party as a result of any responsibility or role that any Party may have had in the drafting of this Agreement.

12.5. This Agreement shall not create any rights in third parties, and no provisions hereof shall be construed as creating any obligations for the benefit of, or rights in favor of, any person or entity other than TRES PALACIOS or Customer.

12.6. This Agreement may be executed in counterparts, and all such executed counterparts shall form part of this Agreement. A signature delivered by facsimile shall be deemed to be an original signature for purposes of this Agreement.

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

TRES PALACIOS GAS STORAGE LLC

By _____

Title _____

Customer _____

By _____

Title _____