

GB
General Conditions For Natural
Gas Transportation Service

(Translation from Spanish)

GENERAL CONDITIONS FOR THE PROVISION OF NATURAL GAS TRANSPORTATION SERVICE

TRANSPORTATION SYSTEM

GASODUCTO BAJANORTE, S. DE R.L. DE C.V.

“GB”

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This translation is for information purposes only. In the event of a conflict between the English and the Spanish version, the Spanish version shall prevail.

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1. DEFINITIONS

Unless expressly indicated otherwise, the following terms shall have the meanings shown below:

- **10³m³:** 1,000 cubic meters of Gas.
- **Accepted Request:** the Service Request that has been accepted by the Shipper.
- **Act of God or Force Majeure:** any event, whether unpredictable or predictable but unavoidable, that prevents the compliance of the obligations of the Shipper or the User as defined in Section 28 of these General Conditions.
- **Applicable Legal Provisions:** any legal or regulatory provisions related to Natural Gas, including the Regulatory Law pertaining to Constitutional Article 27 as regards Petroleum, the Law of the Energy Regulatory Commission, Natural Gas Regulations, the Mexican Official Standards regarding Natural Gas, the Directives issued by the CRE, as amended, as well as any other civil and mercantile regulations of Mexico that may be applicable.
- **Assignee User:** the User who acquires through an agreement, the rights with respect to all or part of the Reserved Capacity of an Assigning User.
- **Assigning User:** the User who makes an offer to release capacity and who enters into an agreement by means of which it assigns its rights with respect to all or part of its Reserved Capacity.
- **Available Capacity:** the System Capacity that is not contractually committed on a Firm Basis.
- **BBB-:** Classification of credit capacity granted by rating agency Standard and Poor's indicating proper protection parameters.

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- **Calorie:** the amount of heat necessary to raise the temperature of one gram of water from fourteen and one half degrees centigrade (14.5°C) to fifteen and one half degrees centigrade (15.5°C), at sea level.
- **Capacity Charge:** the portion of the FTS rate, the object that is to recover the fixed costs incurred in the provision of the Service.
- **Contractual Year:** a period of 12 consecutive months commencing as of the first Day of a given Month of Service.
- **Contractual Rate:** Charge freely agreed between User and Shipper for a certain service specified in any Firm Transportation Service Agreement or Interruptible Base Transportation Service Agreement, according to the Directive on Prices and Rates. Contractual Rate may differ from Regulated Rate under the terms provided for in such Directive on Prices and Rates.
- **CRE Law:** the Law of the Energy Regulatory Commission (CRE) published in the Federal Official Gazette on October 31st, 1995 and any provision of a general nature that replaces it entirely or in part.
- **CRE:** Comision Reguladora de Energia (the Energy Regulatory Commission).
- **Cubic Meter or m³:** the Volume of Gas that occupies the space of one cubic meter when it is at a temperature of 20°C (twenty degrees Centigrade) and under an absolute pressure of ninety-eight point zero six hundred sixty-five (98.0665) Kpa under basic temperature and pressure conditions.
- **Dekatherm or Dth:** the quantity of heat energy equivalent to one million (1,000,000) British Thermal Units (MMBtu). Dth is the standard quantity for Nominations, confirmations and Scheduled Quantities in the United States. For purposes of this General Conditions and associated Service Agreements, the terms MMBtu and Dth are synonymous. As reference, and for commercial purposes, 1 Gigacalorie is equivalent to 1,000,000,000 calories; standard conversion system between one dekatherm and one Gigacalorie is 0.251996 Gigacalories per dekatherm.

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- **Delivery Volume:** the Volume to be delivered by the Shipper to the User and to be received by the User at the Delivery Point.
- **Design Capacity:** daily Firm capacity for which the system was designed in order to transport the volumes of contracted Gas to their respective Primary Delivery Points.
- **Directive:** General provision issued by the CRE such as criteria, guidelines and methodologies to which first sales and transportation, storage and gas distribution activities shall be subject to.
- **Directive on Accounting:** Directive on Accounting for Regulated Natural Gas Activities DIR-GAS-002-1996 published by the CRE in the Federal Official Gazette on June 3rd, 1996, and any other general provision fully or partially substituting such directive.
- **Directive on Insurance:** Directive regarding insurance for regulated natural gas and liquefied petroleum gas activities through pipelines DIR-GAS-005-2003, published by the CRE in the Federal Official Gazette on December 17th, 2003 and any other general provision fully or partially substituting such directive.
- **Directive on Prices and Rates:** DIR-GAS-001-1996, the Directive on the Determination of Prices and Rates for Activities Regulated as regards Natural Gas Matters, published by the CRE in the Federal Official Gazette on March 20, 1996 and any provision of a general nature that replaces it fully or partially.
- **Expansion or Expansion of System:** Modification of the System by constructing new branches outside the original path thereof or an addition to the system allowing Natural Gas Transportation from new Reception Points and/or towards new Delivery Points by constructing new pipelines. Extension of System requires amendment of the transportation permit granted by the CRE.
- **Extension or Extension of System:** Change of System intended to extend capacity thereof within the original route of System, through construction of additional facilities, such as compression stations, to the extent such extension does not constitute construction of new pipelines. Extension of System requires prior notice to CRE.

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- **Fair:** a credit rating assigned by Dun and Bradstreet that indicates that a company is currently able to meet its financial obligations but that in the future could face difficult economic or financial conditions that would not allow it to meet its financial commitments.
- **Financial Guaranty:** Instruments by means of which User guarantees Shipper compliance with obligations provided for in these General Conditions and in the Agreement.
- **Firm Transportation Service (FTS):** Firm Transportation Service through the System, which is not subject to reductions and interruptions, unless those provided for hereunder.
- **Firm Transportation Service Agreement:** Agreement for Firm Transportation Service (FTS) through the System.
- **Gas Day:** The term "Gas Day" shall be 9:00 a.m. to 8:59 a.m. Central Clock Time (7:00 a.m. to 6:59 a.m. Pacific Clock Time).
- **Gas Delivering Party:** the party, User or Shipper that delivers Gas to the Receiving Party.
- **Gas or Natural Gas:** the mixture of hydrocarbons mainly composed by methane.
- **General Conditions:** these General Conditions for the Provision of Natural Gas Transportation Service.
- **Gigacalorie or Gcal:** one billion calories.
- **Gross Calorific Power:** Power produced by full combustion at consistent pressure of dry Natural Gas with air, under basic pressure (98.0665 Kpa) and temperature (20° C) conditions.
- **Imbalance:** the difference between (i) the Delivery Volume that the User takes daily at the Delivery Point specified in the Service Agreement; and (ii) the Reception Volume that

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the User delivers daily to the Shipper at the Receipt Point specified in the Service Agreement.

- **Interruptible Base Transportation Service (ITS):** Interruptible Base Transportation service through Shipper's System, subject to reductions and interruptions provided for hereunder.
- **Interruptible Transportation Service Agreement:** an Agreement for the provision of a Transportation Service on an interruptible basis (ITS) through the System.
- **Intraday Order:** an Order that is presented after the Order deadline for timely and evening Order cycles. If accepted by Shipper, it shall have effect after the beginning of the Gas Day and shall continue until the end of the Gas Day.
- **Kpa:** measurement of absolute pressure expressed in kilopascals.
- **Kpag:** measurement of manometric pressure expressed in kilopascals.
- **List of Service Requests:** the chronological list of the requests for Transportation Service submitted by the Users for a given Contract Year.
- **Maximum Daily Quantity (MDQ):** the maximum Volume of Gas specified in the Service Agreement that the Shipper should be bound to transport daily for the User's account to a Delivery Point specified in the Service Agreement.
- **Mexican Official Standard (NOM):** the obligatory technical regulation issued by the competent authorities.
- **Month:** the period that begins at 9:00 a.m. Central Clock Time, on the first Day of the calendar Month, and that ends at 8:59 hours (CT) on the first Day of the immediately succeeding calendar month.
- **Natural Gas Regulation (Regulation):** the Natural Gas Regulation published in the Federal Official Gazette on November 8, 1995, and any provision of a general nature superseding it entirely or in part.

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- **North American Energy Standards Board Standards (NAESB Standards):** the standardized business practices promulgated by the North American Energy Standards Board from time to time and incorporated in the US Code of Federal Regulations by the US Federal Energy Regulatory Commission.
- **NOM 001:** Mexican Official Standard NOM-001-SECRE-2003 regarding the quality of Natural Gas published in the Federal Official Gazette on March 29, 2004, or any provision fully or partially modifying or superseding such standard.
- **NOM 006:** Mexican Official Standard NOM-006-SECRE-1999 regarding Natural Gas odorization published in Federal Official Gazette dated January 27th, 2000, or any other provision fully or partially modifying or superseding such standard.
- **NOM 007:** Mexican Official Standard NOM-007-SECRE-1999 regarding Natural Gas Transportation published in the Federal Official Gazette on February 4, 2000, or any provision fully or partially modifying or superseding such standard.
- **Order or Scheduling Notice:** the communication that User sends to Shipper indicating the amount of Gas that it requires to be transported from a Reception Point and to be delivered at a given Delivery Point, as well as the Day or Month that it requires said service to be provided according to the procedures contained in Section 11 of these General Conditions.
- **Open Season:** Process carried out by Shipper in order for Users to file FTS request to be evaluated by Shipper to assign Available Capacity, whether new or existent.
- **Permit of the Energy Regulatory Commission:** Refers to Permit Certificate G/100/TRA/2000 granted to Concessionaire by the Energy Regulatory Commission on December 15th, 2000 by means of Resolution No. RES/241/2000.
- **Primary Delivery Point:** the point or points at which the Shipper delivers Natural Gas to the User or on the latter's account, within the direction of flow of User's Primary Path on Shipper's System as set forth in the pertinent Service Agreement.

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- **Primary Path:** shall mean the most direct route on Shipper's system between the Primary Receipt Point(s) and Primary Delivery Point(s). The direction of flow for such Path shall be from the Primary Receipt Point(s) to the Primary Delivery Point(s) as indicated in the FTS and ITS Service Agreements. A User's capacity to change such Primary Receipt Points or Primary Delivery Points or to add Secondary Receipt Points or Secondary Delivery Points shall require the authorization of the Shipper and may include a rate change or surcharge and in no event will be authorized if such change will negatively impact existing levels of service or existing Service Agreements between Shipper and any User or may negatively impact Shippers ability to provide additional services to existing Users or potential Users consistent with Section 12 of these General Conditions.
- **Primary Receipt Point:** the point or points at which the User or User's Agent , delivers Natural Gas to the Shipper, within the direction of flow of User's Primary Path on Shipper's system as set forth in the pertinent Service Agreement.
- **Receiving Party:** the party, User or Shipper that receives the Gas from the Gas Delivering Party.
- **Reception Volume:** Volume to be delivered by User to Shipper for Transportation and to be received by Shipper at the Reception Point(s) specified in the Service Agreement.
- **Secondary Delivery Point:** the point or points at which the Shipper delivers Natural Gas to the User or on the latter's account, within the direction of flow of Users Primary Path on Shipper's system as set forth in the pertinent Service Agreement.
- **Secondary Path:** shall mean the most direct route on Shipper's system between two points other than the Primary Receipt Point(s) and Primary Delivery Point(s) within the Users Primary Path. The direction of flow for the Secondary Path shall be from the Primary Receipt Point (s) to the Primary Delivery Point (s) as indicated in the FTS and ITS Service Agreements. A User's capacity to change such Primary Receipt Points or Delivery Points or to add Secondary Receipt or Secondary Delivery Points shall require the authorization of the Shipper and may include a rate change or surcharge and in no

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event will be authorized if such change will negatively impact existing levels of service or existing Service Agreements between Shipper and any User or may negatively impact Shippers ability to provide additional services to existing Users or potential Users consistent with Section 12 of these General Conditions.

- **Secondary Receipt Point:** the point or points at which the User or User's Agent delivers Natural Gas to the Shipper, within the direction of flow of User's Primary Path on Shipper's system as set forth in the pertinent Service Agreement.
- **Service Agreement (Agreement):** any Firm Transportation Service Agreement or Interruptible Service Agreement executed by and between Shipper and User.
- **Service Request:** Document by means of which User requests Natural Gas Transportation Service to Shipper.
- **Shipper:** the holder of the permit to Transport the Gas subject matter of these General Conditions.
- **Specific Service Terms:** Document attached hereto containing specific terms for rendering different kinds of services offered by Shipper.
- **System Capacity:** the transportation capacity under operational conditions different from those of the Design Capacity.
- **System or Transportation System:** the overall array of pipelines, compressors, regulators, meters and other equipment for the Transportation of Natural Gas, that belong to the Shipper.
- **Transportation:** the activity of receiving, carrying and delivering Gas through pipelines.
- **USA:** the United States of America.
- **Usage Charge:** the portion of the FTS rate, the purpose of which is to recover the variable costs incurred in the provision of the Service.

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- **User:** the person who requests or uses the Shipper's services and/or has entered into a Service Agreement, pursuant to these General Conditions.
- **Working Day:** any day from Monday to Friday on which the credit institutions of the United Mexican States are open to the public.
- **Year:** period of 365 consecutive days, on the understanding that the leap years shall consist of 366 consecutive days.

2. INTRODUCTION

These General Conditions refer to the Natural Gas Transportation services to be furnished in the natural Gas Transportation System belonging to the Shipper. The holder of the Transportation Permit is Gasoducto Bajanorte, S. de R.L. de C.V. ("GB").

3. MATERIAL SCOPE

These General Conditions include the terms and conditions for open access and the provision of the different services, the Shipper's and the User's rights and duties related to the System and the services, as well as the arbitration procedure for the resolution of disputes arising out of the rendering of the services.

These General Conditions are applicable to all of the services that the Shipper provides or may provide in its System. These General Conditions as well as the NAESB Standards shall be at the disposition of any User requesting them, at the Shipper's offices and at the CRE itself.

In case of contradiction between the Applicable Legal Provisions and these General Conditions, the former shall prevail. In case of contradiction between these General Conditions and any Service Agreement, the former shall prevail. In case of contradiction between the Specific Service Terms and these General Conditions, the latter shall prevail.

Transportation Service shall only be rendered by entering into the corresponding Agreement executed by the Parties, according to forms contained in Annex 2 to these General Conditions.

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The parties may agree to modify such forms or special conditions for rendering the Transportation Service to the extent those modifications are consistent with the Applicable Legal Provisions, these General Conditions and upon notice to the CRE.

Concessionaire and User may enter into one or more Agreements providing for special conditions, provided that such special conditions so agreed shall govern their contractual relationship, to the extent: (a) User's circumstances are sufficient cause; (b) Concessionaire does not deny such conditions to other User in the same circumstances; and (c) such conditions do not constitute undue limitations or discrimination regarding FTS commitments previously acquired by Concessionaire. In the event such special conditions constitute rendering a new modality of Service, Concessionaire shall request CRE authorization of modification of its Permit, in order to incorporate such conditions to these General Conditions (GTC's).

3.1 Term

These General Conditions are an integral part of the Natural Gas Transportation permit granted to the Shipper by the CRE, and shall be in effect from the notification of the awarding of the permit by the CRE, as they may be amended with prior CRE approval, and until the Natural Gas Transportation permit is revoked or ceases to be in effect.

3.2 Applicable Legal Provisions

These General Conditions are issued pursuant to the Applicable Legal Provisions, the Regulatory Law pertaining to constitutional Article 27 as regards Petroleum, the Natural Gas Regulations, the Law of the Energy Regulatory Commission, the Directives issued by the Commission, the Mexican Official Standards, the civil and mercantile regulations, and any other legal disposition that may be applicable. These General Conditions shall at all times adhere to and comply with the aforementioned ordinances, and with the terms and conditions specified in the Permit granted to Shipper by the CRE.

3.3 Changes in the Law and Acts of Authority

Any modification or amendment that arises from the Applicable Legal Provisions shall be cause for a corresponding modification of these General Conditions, at the time that said

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modification or amendment takes effect, with no prejudice to the proceedings being carried out before the CRE to implement such change.

Notwithstanding the terms established in these General Conditions, if any competent authority exercises any act, or if any law, regulation, or applicable legal disposition is modified or issued in such a way that prohibits, makes impossible or not economically viable the rendering of the service according to these General Conditions or according to the Service Agreement by the Shipper, said act of law will constitute a justifiable reason of Force Majeure as provided for in Section 28 of these General Conditions.

3.4 Shipper's Address

The Shipper's address is as follows:

Gasoducto Bajanorte, S. de R.L. de C.V.

Bld. Paseo de los Héroes 10501 - 301

Zona Urbana Río Tijuana

Tijuana, B. C. 22320

Tel: (664) 634 76 94

Fax: (664) 634 77 39

All notices, communications, service requests and complaints shall be received at this address. Unless otherwise provided for, all notifications, communications, service requests, lawsuits, invoices or payments among the parties shall be in writing and be sent by courier or be hand delivered to a representative of the other party or may be sent by fax (provided that simultaneously an identical notice is sent by courier or hand delivered).

4. AVAILABILITY OF TRANSPORTATION

4.1 Provision of Firm Transportation Service: Shipper shall render the service to users on an open and non-discriminatory basis as follows:

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- Open and non-discriminatory service is limited to Available Capacity of the Shipper,
- Available Capacity shall be understood as that capacity that is not contractually committed to other User on a Firm Basis, and
- Users can only exercise the right to open access through the signature of the corresponding Agreement.

4.2 Eligibility for Capacity: In order to be eligible for capacity, a party requesting service (requestor) must be deemed credit-worthy as per Section 6 hereof and submit a Service Request in accordance with the provisions of this Section.

4.3 Renewal of Firm Transportation Service Agreement: Renewals of FTS Agreements will have priority over new Service Requests, provided that the renewal offer meets or exceeds net present value of the new Service Request. The User must notify the Shipper 12 (twelve) months prior to the termination of its FTS Agreement, its request to renew or extend its Agreement.

4.4 Construction of New Facilities for the Supply of Firm Capacity: In the event the Shipper receives requests for FTS in excess of Available Capacity, or market circumstances otherwise indicate that additional capacity or additional facilities may be desired, the Shipper may construct or may enter into an investment agreement to build the necessary facilities to meet additional market demand. Prior to constructing new capacity, the Shipper shall hold an Open Season as set forth in Section 8 below to solicit Requests for Service from creditworthy interested parties as defined in Section 8.2.1 hereof for the construction of technically and economically viable capacity as defined in Section 9 hereof that may be constructed.

Pursuant to article 65 of the Natural Gas Regulation, the Shipper shall be obligated to extend or expand its System, at the request of any User, provided that:

- (i) service is technically and economically viable in keeping with usual Gas industry parameters.

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- (ii) the creditworthy parties enter into an Agreement in which is set forth the manner in which the cost shall be covered for the pipelines and other facilities making up the Extension or Expansion;
- (iii) CRE has approved Extension of System;
- (iv) the provisions set forth in Sections 5 and 6 of these General Conditions are satisfied, with respect to the requested service; and
- (v) Shipper recovers its investment and a reasonable profit pursuant to the circumstances of the case, by means of rates approved by the CRE, extra charges, inputs from the User to investment costs or by other means agreed upon with the User. The contractual rates that, if applicable, are agreed upon by the parties for provision of the FTS may be different from the maximum rates approved by the CRE.

Service will be provided based on terms outlined in Sections 5, 6, and 9 of these General Conditions. The Shipper's refusal to provide service must be fully justified in accordance with this Section 4.3.

4.5 Interruptible Transportation Service: Provisions of this Section shall apply to the ITS described under the Specific Terms of ITS Service.

No ITS service shall be rendered without the execution of a Service Agreement.

5. QUALIFYING FOR SERVICE

A User requesting service on the Shipper's system must fully complete the Service Request attached hereto as Annex 1. The User shall complete and return the Service Request to Shipper at the following address:

Gasoducto Bajanorte, S. de R.L. de C.V.

Bld. Paseo de los Héroes 10501 - 301
Zona Urbana Río Tijuana
Tijuana, B. C. 22320

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The User shall submit the Service Request and the Shipper will determine if service is available. The Shipper will not supply the service FTS if there is no Available Capacity. The Shipper will not provide service until User has executed a Service Agreement. User also shall be required to meet other provisions of these General Conditions, including the financial guarantees set out in Section 6 of these General Conditions. Specimens of Service Agreements for each service offered by the Shipper are contained in Annex 2 hereto.

User shall not be entitled to receive Transportation service under these General Conditions if User is not current in its payments to the Shipper for any charge, rate, penalty or fee authorized by the CRE, for Transportation service; provided, however, if the amount due pertains to a bona fide dispute, including but not limited to Acts of God or Force Majeure claims relating to these General Conditions, User shall be entitled to receive or continue to receive Transportation service if User provides credit satisfactory to the Shipper to cover the payment due to the Shipper.

In the event that the Shipper denies the provision of Service due to lack of Available Capacity and User believes that the Shipper has made some undue discrimination or preference, User may also request the intervention of the CRE pursuant to the Applicable Legal Dispositions.

In order to ensure fair and equitable treatment for all potential Users desiring to enter into Firm Transportation Service Agreements with the Shipper, the Shipper shall keep on file for one Year a List of Service Requests, in accordance with the terms of these General Conditions.

After receiving a Service Request complying with the requirements set forth in these General Conditions, the Shipper shall determine whether Available Capacity exists in the System and, if so, shall determine whether same is sufficient to comply with its commitments acquired up to that time through FTS Agreements. The Shipper shall offer said capacity in accordance with the chronological order (by date and time) in which the Service Request for FTS are received. If Available Capacity still exists within the System, the process shall be repeated for each subsequent request.

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The Shipper will notify the User, within a term of thirty (30) Working Days from the date the Shipper receives the Service Request, whether it is able or not to supply the requested service with the Available System Capacity.

If the Shipper is able to accommodate the Service Request, it shall notify the User of the required financial guarantees according to Section 6 hereof, and shall send the User the Service Agreement for its execution.

Within a term of thirty (30) Days as from the date of receipt of the Service Agreement by the User, it shall:

- a) fulfill the provisions of Section 6 of these General Conditions; and
- b) execute and return the Service Agreement to the Shipper for its execution, including the pertinent financial guarantees;

The Shipper shall review the User's financial guarantees within a term of thirty (30) Working Days as from date of receipt of said financial guarantees, and should they are acceptable to the Shipper, the Shipper, shall execute the Firm Transportation Service Agreement. No service shall be provided without execution of a Service Agreement.

If the User fails to return Service Agreement executed and duly filled out within said term of thirty (30) Working Days, it shall be deemed to have rejected the Service Agreement. In the event that the User rejects the Service Agreement or it is deemed to be rejected, the corresponding accepted Request should be removed from the Contract Year's List of Service Requests.

Should insufficient capacity exists to meet the service requests, the Extension or Expansion of the System might be considered under Section 9 of these General Conditions.

Nothing contained in this Section shall require the Shipper to offer existing capacity at less than the maximum rate and/or for a term of less than five years. For purposes of System Expansions or Extensions, Shipper may require contract terms that exceed five (5) Years.

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With respect to renewal of an existing FTS Agreement, the User must deliver the Shipper the Notification of Renewal twelve (12) Months in advance of the expiration of such Service Agreement. The minimum renewal term for a Service Agreement is five (5) Years.

5.1 User's Information Package

The User's Information Package is the combined array of documents by means of which the User must verify its service needs for the period provided for in the formal request. The User must deliver the following information to the Shipper in the User's Information Package:

- a) Potential Gas consumption, upstream contracts or letters of intent, load profiles and the User's requirements forecasts. The market information must be sufficient to justify a minimum ten (10) Year period of operation.
- b) Copies of the last three (3) audited financial statements, description of the characteristics of the User's business, as well as the current economic-financial value of its business.
- c) The information required by the competent authorities and by applicable legal provisions in relation to the request and the construction of the facilities, and
- d) Monthly and daily Gas consumption profiles, indicating the maximum and average flows by Day and hour for the previous Year, and projected for the following five (5) Years.

5.2 Miscellaneous Provisions

The provision of the service and access thereto shall be subject to the Applicable Legal Provisions. The place corresponding to the User on the Contractual Year's List of Service Requests shall be non-transferable.

The Shipper shall establish a reasonable period of time, under the circumstances of the case, to process a Service Request involving new System capacity, in as much as said period has to allow it to design, request and obtain the necessary permits (including

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authorization from the CRE) and carry out necessary steps to supply the necessary additional capacity. The Shipper shall advise the Users having valid requests on the List of Service Requests for the corresponding Contract Year, concerning its intention to prepare and submit its proposal for Expansion or Extension of the facilities to the CRE. It is the User's responsibility to submit its Service Request for FTS to the Shipper and to timely advise the latter of any changes in its valid request.

6. CREDIT-WORTHINESS

6.1 Credit-Worthiness for Existing Firm Transportation Service

The Shipper shall not be required to perform or to continue rendering Transportation service under these General Conditions to any User who is or has become insolvent or who, after the Shipper's request, fails to establish or confirm credit-worthiness. The User shall provide, initially and at any moment on Shipper's request, financial statements, evidence of debt and/or credit ratings in order to establish or confirm User's creditworthiness.

In order to request transportation service, User's credit-worthiness must be evidenced by at least a long term bond (or other senior debt) rating of BBB- or an equivalent rating. Said rating must be a "foreign currency" rating if the User is domiciled outside of the United States. The rating will be determined by Standard & Poor's or another recognized U.S. or Canadian debt rating service.

Should User does not establish or maintain credit-worthiness as described above or User's credit changes or causes Shipper reasonable grounds for uncertainty, User shall have the possibility of receiving Transportation service under these General Conditions by providing the Shipper one of the following options:

- a) A guarantee of User's financial performance in a form satisfactory to the Shipper and for the term of the Service Agreement, issued by a corporate affiliate or by a third party either of which meets the credit-worthiness standard abovementioned.

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- b) A Standby Letter of Credit (L/C) issued by a financial institution located in the United States or Mexico that has been reviewed and accepted by the Shipper for an amount equal to the annual revenue for the services to be provided.
- c) Deposit in guarantee for an amount equal to the services to be provided during eighteen (18) Months of service, or the term of the Service Agreement, whichever is shorter,
- d) Any other guarantee acceptable to the Shipper.

6.2 Credit-Worthiness for Extensions and Expansions

Pursuant to Section 9 hereof, Shipper may offer the Expansion or Extension of its existing facilities requesting credit terms differing from those contained in this Section.

6.3 Credit-Worthiness for the Interruptible Transportation Service (ITS).

The Shipper shall not be required to render or to continue rendering ITS under these General Conditions to any User who is or has become insolvent or who, after the Shipper's request, fails, within a reasonable period, to establish or confirm credit-worthiness. User's credit-worthiness shall be determined by providing proof of at least two (2) of the items listed below, to satisfaction of the Shipper:

- a) A long-term bond or commercial paper rating from Standard and Poor's or an acceptable equivalent US or Canadian rating agency equivalent to a "BBB-" or better.
- b) Audited financial statements for the three (3) preceding Years showing good financial standing.
- c) A Dun and Bradstreet composite credit appraisal of Fair or better.
- d) Evidence, by the User, that it has sufficient financial capacity or backing to warrant creditworthiness. This evidence may include proof of banking relationships sufficient

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to cover the Service Agreement, or a detailed listing of credit references, exhibiting a good credit history.

- If User fails to demonstrate credit-worthiness, User has the option of receiving ITS under these General Conditions if User issues in favor of the Shipper a letter of credit in the amount in United States Dollars equal to the cost of rendering the service requested for a three (3) month-period. The letter of credit must be issued by recognized financial institution and approved by the Shipper and be in place before the Transportation Service Agreement is executed by the parties. User may also chose to receive Transportation service upon advanced payment in the amount equivalent to three months of service.

7. INTERCONNECTION POLICY

According to Article 64 of the Natural Gas Regulation, the Shipper shall allow any concessionaire to interconnect to its System, subject to the following conditions:

- I. Available Capacity exists for the requested service, and
- II. The interconnection is technically viable.

The Shipper will allow any concessionaire to interconnect to its facilities on a non-discriminatory basis, but subject to the following conditions:

- a) The party seeking the interconnection must be willing to bear the costs of the construction, regardless that the Shipper is the one who performs the work. As an alternative,, the party seeking the interconnection shall build the facilities itself in compliance with the System's technical requirements.
- b) The proposed interconnection must not adversely affect the System's operations.
- c) The proposed interconnection and any resulting Transportation shall not diminish the service to the Shipper's existing customers or otherwise limit the Shipper's ability to market existing capacity or capacity for future Expansions or Extensions.

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- d) The proposed interconnection shall not cause the Shipper to be in violation of any applicable environmental or safety laws or regulations with respect to the facilities required to establish the interconnection.
- e) The proposed interconnection must not cause the Shipper to be in violation of its right-of-way agreements or any other contractual obligations regarding the interconnection facilities.

7.1 Operational Balancing Agreements.

The Shipper shall be obligated to allow the interconnection with other Transportation permit holders, pursuant to Article 64 of the Natural Gas Regulations and based on the principles of open and non-discriminatory access. Ownership of the interconnection between the Transportation systems shall belong to the Shipper, without detriment of the one bearing the cost thereof. When the System and other Transportation systems are interconnected, the Shipper and the Transportation permit holders of said systems shall enter into an Operational Balances Agreement (OBA). The OBA shall be an agreement between the Shipper and other Transportation permit holders that shall specify the procedures for managing and correcting the operational flow variations and the Gas Imbalances that occur between two or more interconnected Transportation systems.

The OBA shall be negotiated between the Shipper and other Transportation permit holder(s) case by case, depending on the technical and operational characteristics of the interconnected Transportation systems. The OBA should refer to all of the interconnection points where the Transportation systems subject to said OBA are interconnected, in order to make the operations, the accounting for the Gas and the management of imbalances at any point or points, as well as in the overall interconnected Transportation systems, more efficient, as well as to protect the Users against operational variations that are outside of their control.

In the interconnections between the Shipper and other Transportation permit holders, the OBA shall set forth the determination of the daily deliveries described in Section 11 of these General Conditions. The Transportation permit holders shall execute the OBAs

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pursuant to the applicable legal provisions indicated in Section 3 of these General Conditions. The OBA shall not limit the Shipper's obligations or rights to adjust the receipts and deliveries of Natural Gas with respect to any Agreement in order to protect the integrity of its System.

The interconnections, as well as the metering effected under an OBA, shall comply with Official Mexican Standards or, in the absence thereof, with the specifications set forth in the Shipper's Permit Title.

Without prejudice to admissible action, in the event of dispute, the shippers entering into an OBA may request the intervention of the CRE, pursuant to the provisions contained in Section 35 of these General Conditions.

8. OPEN SEASON PROCEDURES

8.1 First Time Open Season

Prior to construction of the System, the Shipper shall seek to obtain commitments from potential customers for initiation of the System's future operations, by launching an Open Season, prior notice to the CRE.

8.2 Subsequent Open Seasons for current capacity

At any time that the Shipper deems it appropriate, or when required by the CRE, the Shipper shall carry out an Open Season to obtain commitments for five (5) or more Years from potential customers for the currently Available Capacity of the System, as provided for in Sections 4.1 and 4.2 of these Terms and Conditions.

8.3 Open Seasons for Construction of New Firm Capacity. At any time that the Shipper deems it appropriate, it shall carry out an Open Season to obtain commitments for the construction of new Firm capacity consistent with Section 4.3 of these Terms and Conditions. Consistent with Section 9 of these Terms and Conditions, such Open

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Season may require contractual terms and conditions including, but not limited to, credit requirements, which differ from those contained in this General Terms and Conditions.

8.4 Open Season Procedure:

- a) The notice of Open Season shall be published in one of the major circulation daily newspapers in the regions in which the service is to be provided, at least 15 Days in advance of the start of the Open Season, that shall last not less than 10 Days.
- b) The notice shall state the start date and end date of the Open Season, the place at which the interested parties may submit their service requests, the minimum criteria to be applied, and the procedure for the interested parties to obtain the Service Request.
- c) The criteria for evaluating the offers shall be determined and made publicly known. The method established for awarding the capacity in case the service requests surpass the planned capacity, shall be fair and non-discriminatory.
- d) Access to the System Capacity shall not be conditioned upon other services offered by the Shipper or any of its affiliates or subsidiaries.

8.5 Information that the Open Season notice shall include:

- a) A description of the project describing the facilities and services proposed by the Shipper;
- b) The expected cost and the capacity of the proposed facilities;
- c) A list of the proposed Gas receipt and delivery Points and the associated capacities available at each point;
- d) A description of any special services or conditions that may be applicable to the Users;
- e) A schedule with the dates of service and other relevant dates;

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- f) A detailed description of the steps that a potential User shall take, and the minimum qualifications that a potential User shall meet in order to take part in the Open Season;
- g) A detailed description of the mechanisms that the Shipper will employ in awarding capacity among the Users;
- h) Credit Requirements;
- i) Minimum Term of Agreement.

8.6 Awarding of Capacity

The Shipper shall evaluate each valid Service Request, and shall allot the capacity among the valid service requests that offer the higher net present value in the date the Service Request is received, based on the volume, term and price, unless otherwise provided for during Open Season and if such provisions have been approved by CRE. If Available Capacity remains in the System, the process shall be repeated for each subsequent request. Notwithstanding the foregoing, the Shipper reserves the right to combine and/or select among the Users on a non-discriminatory basis in a manner designed to achieve maximum present value of the System, in determining the Service Agreements to be executed by Shipper.

9. FACILITIES CONSTRUCTION POLICY

If the Shipper determines that no capacity exists in the System (or that it is improbable that said capacity will become available) to satisfy the service requests, and pursuant to Article 65 of the Natural Gas Regulations, the Shipper shall be obligated to extend or expand its System, at the request of any qualified User, provided that:

- a) the service is technically and economically viable in keeping with customary Gas industry parameters;

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- b) the parties enter into an agreement in which is set forth the manner in which the cost shall be covered for the pipelines and other facilities making up the Extension or Expansion of the System;
- c) the CRE authorizes Extension of System;
- d) the provisions set forth in Section 5 of these General Conditions are satisfied, with respect to the requested service; and
- e) the Shipper recovers its investment and obtains a reasonable profit pursuant to the circumstances of the case, by means of rates, extra charges, inputs from the User to investment costs or by other means agreed upon with the User.

Contractual rates and credit requirements agreed by the parties under a FTS Agreement may differ from maximum rates stated in the List of Rates under the terms of the Directive on Prices and Rates.

10. PRIORITY OF SERVICE

The FTS shall have the highest priority in the Shipper's System. In some events, resulting from, including, without limitation, an Act of God or Force Majeure Event, there may be failures in facilities, maintenance works, extension or modification of facilities or problems with upstream supply in systems other than those owned by Shipper, the latter may not have sufficient capacity to supply all FTS Orders within certain portion of the System, at a certain Reception Point or Delivery Point. In this event, Shipper shall schedule FTS using the next order in priority:

10.1 Priority scheduling of Firm Transport Service in case of constraints at a System's segment.

The Shipper shall first schedule Orders within the User's Primary Path. In the event the Shipper has insufficient capacity to schedule all the Orders for service within Users' Primary Paths, the Shipper shall schedule service to such Users placing Orders for service along Primary Paths on a pro rata basis, in accordance with each User's MDQ.

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10.2 Priority scheduling of FTS in case of constraints at Receipt Points.

First, the Shipper shall schedule service to such Users for whom the constrained Receipt Point is a Primary Receipt Point, up to each User's MDQ at that point (plus an allowance for fuel). In the event full service cannot be provided to such Users, service will be scheduled on a pro rata basis based on each User's MDQ at that point.

The Shipper shall then schedule service to those Users for whom the constrained Receipt Point is a Secondary Receipt Point along that User's Primary Path. In the event full service cannot be provided, service will be scheduled on a pro rata basis based on each User's MDQ.

10.3 Priority scheduling of FTS in case of constraints at Delivery Points.

The Shipper shall first schedule service to those Users for whom the constrained Delivery Point is a Primary Delivery Point, up to each User's MDQ at that point. In the event full service cannot be provided to Users holding Primary Delivery Point rights, service will be scheduled on a pro rata basis based on each User's MDQ at that point.

The Shipper shall then schedule service to those Users for whom the constrained Delivery Point is a Secondary Delivery Point within that User's Primary Path. In the event full service cannot be provided, service will be scheduled on a pro rata basis based on each User's MDQ at that point.

10.4 Priority of Interruptible Service

ITS shall be provided when, and to the extent that, Available Capacity exists at the Shipper's current facilities, notwithstanding that said capacity is committed under a pre-existing FTS Agreement. The Shipper shall render interruptible service as set forth in these General Conditions, giving precedence to Users paying the highest rate. Then the Shipper shall allocate capacity to Users paying the next highest rate until all Available Capacity has been awarded. In the event of a tie, the Shipper shall award capacity on a pro rata basis.

10.5 Priority for the correction of daily Imbalances

According to Section 13 of these General Conditions, as soon as the parties are aware of any Imbalance, based on the best available information, the Programming Orders and Notices procedure shall be used to schedule correction thereof. Orders to correct FTS Imbalances shall have programming priority over orders to correct ITS Imbalances, and shall be subject to capacity availability and other operation restrictions to correct Imbalances.

11. ORDERS AND SCHEDULING NOTICES

11.1 Information to be provided with Order

The User may place Orders for Transportation service by phone, fax, or other method of electronic communication mutually agreed upon. Pursuant to NAESB Standard 1.3.5, Version 1.4, the User shall state in all Orders beginning and ending dates. All Orders, except for Intraday Orders, should have roll-over options. Specifically, Users should be able to Order for several Days, Months, or Years, provided that beginning and ending dates of such Orders are within the term of User's Service Agreement.

All Orders shall include, at least:

- The daily quantity of Gas to be transported,
- Previously approved Receipt and Delivery Points, and
- Beginning and ending dates.

User shall provide as a component of its Order, such information as may be required by Shipper in order to identify, confirm, and schedule the Order. User shall also designate priority to receipt and delivery Orders when there is more

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than one supplier and more than one customer. User designated priorities shall be used to allocate Gas when upstream and downstream Orders differ from User Orders.

User may place Orders for any period of Days, provided that the beginning and ending dates of the Order are within the term of the User's Service Agreement. Such Orders shall be deemed "Standing Orders." All types of Orders must be clearly and separately identified, so that priorities of service can be distinguished. As required by NAESB Standard 1.3.19, Version 1.4, overrun quantities should be requested on a separate Order.

The receipt of the Order assumes the receipt by the User of all necessary regulatory approvals and that valid upstream and downstream transportation and other contractual arrangements are in place.

11.2 Order Cycles.

Pursuant to NAESB Standard 1.3.2, Version 1.4, Shipper will utilize the following standard Order cycles:

11.2.1 Timely Order Cycle:

11:30 a.m. (CCT) (9:30 a.m. PCT) User sends Orders;

11:45 a.m. (CCT) (9:45 a.m. PCT) receipt of Orders by Shipper;

12:00 noon (CCT) (10:00 a.m. PCT) Shipper confirms receipt of Orders;

3:30 p.m. (CCT) (1:30 p.m. PCT) receipt of completed confirmations by Shipper from upstream and downstream connected parties;

4:30 p.m. (CCT) (2:30 p.m. PCT) reception of scheduled volumes confirmation by User and upstream and downstream connected parties (Central Time during the Day before flow).

11.2.2 Evening Order Cycle:

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6:00 p.m. (CCT) (4:00 p.m. PCT) User sends Orders;

6:15 p.m. (CCT) (4:15 p.m. PCT) receipt of Orders by Shipper;

6:30 p.m. (CCT) (4:30 p.m. PCT) Shipper confirms reception of Orders;

9:00 p.m. (CCT) (7:00 p.m. PCT) reception of filled-in volumes confirmation by User from upstream and downstream connected parties;

10:00 p.m. (CCT) (8:00 p.m. PCT) Shipper provides scheduled volumes confirmation to Users and operators of affected points, notifies scheduled volumes and notifies excluded parties. Prior notice to excluded parties shall be provided by telephone, facsimile, or electronic mail.

Scheduled quantities resulting from evening Orders will be effective at 9:00 a.m. (CCT) (7:00 a.m. PCT) on the following gas Day.

11.2.3 Intraday 1 Order Cycle:

10:00 a.m. (CCT) (8:00 a.m. PCT) User sends Orders;

10:15 a.m. (CCT) (8:15 a.m. PCT) receipt of Orders by Shipper;

10:30 a.m. (CCT) (8:30 a.m. PCT) Shipper confirms receipt of Orders;

1:00 p.m. (CCT) (11:00 a.m. PCT) reception of filled-in confirmations by Shipper from parties connected upstream and downstream;

2:00 p.m. (CCT) (12:00 noon PCT) Shipper supplies scheduled volumes to Users and operators of affected points, provides scheduled volumes, and notifies excluded parties. Prior notice to excluded parties shall be provided by telephone, facsimile, or electronic mail.

Quantities resulting from Intraday 1 Orders shall be effective at 5:00 p.m. (CCT) (3:00 P.M. PCT) on Gas Day.

11.2.4 Intraday 2 Order Cycle:

5:00 p.m. (CCT) (3:00 p.m. PCT) User sends Orders;

5:15 p.m. (CCT) (3:15 p.m. PCT) receipt of Orders by Shipper;

5:30 p.m. (CCT) (3:30 p.m. PCT) Shipper confirms reception of Orders;

8:00 p.m. (CCT) (6:00 p.m. PCT) reception of filled-in confirmations by Shipper from parties connected upstream and downstream;

9:00 p.m. (CCT) (7:00 p.m. PCT) Shipper provides scheduled volumes to Users and operators of affected points.

Scheduled quantities resulting from Intraday 2 Orders should be effective at 9:00 p.m. (CCT) (7:00 p.m. PCT) on Gas Day.

Intraday Firm Orders during Intraday 2 Cycle Orders shall not exclude nominated and scheduled ITS volumes.

For purposes of NAESB Standards 1.3.2 ii, iii, and iv (reflected in Paragraphs 11.2.2 to 11.2.4 above), for transmittals pursuant to NAESB Standards 1.4.x, "provide" shall mean receipt at the designated site, and for purposes of other forms of transmittal, shall mean send or post.

The Shipper shall have the option, at its discretion, to accept Orders at such later times as its operating conditions allow so, with no detrimental impact to other Users and upon confirmation that corresponding upstream and downstream arrangements, in a manner satisfactory to the Shipper, have been made. In the event later Orders are accepted, the Shipper shall schedule them after the Orders received before the Orders deadline, which is in accordance with NAESB Standard 1.3.6, Version 1.4, which states that Orders received after Orders deadline should be scheduled after the Orders received before the deadline.

11.3 Changes to Orders

11.3.1 Changes to Standing Orders

In accordance with NAESB Standard 1.3.7, Version 1.4, all Orders should be considered original Orders and to undergo modifications, they should be replaced. When an Order for a period including several dates is received, each Day within that period is considered an original Order. When a subsequent Order is received affecting one or more days within that period, the previous Order is superseded by the subsequent Order only to the extent of the specified Days. The Days of the previous Order outside the scope of the subsequent Order will remain unaffected. Orders do not guarantee the reception of the service. An Order for a period within the beginning and ending dates of a Standing Order replaces the Standing Order only for the specific Gas Day(s), not replacing the remainder of the Standing Order.

Such Orders shall be received by Shipper according to the schedules provided for in this Section. In the event Shipper does not receive information regarding upstream and downstream adjustments, it shall use the least of the new Order and the previous Order.

11.3.2 Intraday Orders

In accordance with NAESB Standard 1.3.8, Version 1.4, all Transportation service providers should allow for Intraday Orders. Requests to amend previously scheduled Orders may be accepted during the Gas Day, subject to operational conditions and, further, that corresponding upstream and downstream adjustments in a manner satisfactory to Shipper can be confirmed. Such Intraday Orders may be used to request increases or decreases in total flow, changes at Receipt Points, or changes at Delivery Points of scheduled Gas. A request to increase a Firm Order up to the MDQ specified in the Service Agreement will be accommodated to the extent operating conditions permit. Firm Orders other than those placed during the Intraday 2 Order Cycle, shall

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have priority over nominated and scheduled interruptible volumes. Requests to increase ITS Orders may only be accepted to the extent there is Available Capacity and not affecting other ITS. Such changes shall be effective only when the System's operation conditions allow such increases, as determined by Shipper.

Intraday Order dates may not be modified, and shall replace the Standing Order only throughout the Gas Day. Quantities for Intraday Nominations will be expressed in decatherms, and shall represent the total volumes to be delivered prior to the end of the current Gas Day.

In accordance with NAESB Standard 1.3.9, Version 1.4, all Orders, including Intraday Orders, should be based on a daily quantity; thus, requiring no submission of an hourly Order. Intraday Orders shall include effective date and time. The interconnected parties shall agree on the hourly flows of the Intraday Order, if not otherwise stated in the Service Agreement or the General Conditions of the Shipper.

11.4 Information Reliability

Shipper shall be allowed to rely conclusively on the information submitted as part of the Order upon confirmation of the Order for purposes of scheduling and allocation. User must provide Shipper by phone, fax or any other electronic means mutually agreed, the name and telephone number of User's current designated contact after hours and for emergencies. Such information must be updated as often as changes to such information occurs. Shipper may rely solely upon the information provided by User, and will not be liable to User if User's contact information is outdated and communication attempts with such User are unsuccessful.

11.5 Uniform Hourly Rates

Scheduled volumes shall be received and delivered at a uniform hourly rate unless otherwise authorized by the Shipper. Uniform hourly rate shall not exceed

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1/24th (one twenty-fourth) of its Order, nor of contractual MDQ, unless authorized by Shipper.

12. SECONDARY RECEIPT AND DELIVERY POINTS

Subject to prior written request from the User, the Shipper may allow the User to add Secondary Receipt Point(s) and/or Secondary Delivery Point(s) to its Firm Transportation Service Agreement. Eligible Secondary Receipt and Delivery Points are limited to those points, which maintain the same direction of flow as the Primary Path designated in the User's Transportation Service Agreement and that are located within said Primary Path.

Additions or removals of Secondary Receipt and Delivery Points shall not be deemed as new requests for service if the aggregate of User's Maximum Daily Quantities at all Primary and Secondary Reception and Delivery Points is not increased. In no event shall the Shipper be required to accept or deliver volumes exceeding User's Maximum Daily Quantity.

The User shall pay its applicable Capacity and Use Charges for Transportation Service provided from a Secondary Receipt Point and/or to a Secondary Delivery Point, just like the User would otherwise pay for transportation service from a Primary Receipt Point to a Primary Delivery Point. The User shall pay the Capacity Charges even if, within said Month, the User fails to deliver the Shipper the Volume to be received at the Secondary Receipt Point for whatever reason, including, without limitation, Act of God, Force Majeure or noncompliance by User with these General Conditions.

The Shipper shall not be required to schedule any receipt at a Secondary Receipt Point nor to schedule any deliveries at a Secondary Delivery Point if such receipt or delivery would impair deliveries to any Firm service User at a Receipt or Delivery Point.

13. BALANCING

Balancing of thermally equivalent quantities of Gas received and delivered by Shipper shall be achieved as accurately as feasible on a daily basis, with any unresolved cumulative Imbalances accounted for on a monthly basis. Correction of Imbalances shall be the responsibility of the User whether or not notified by the Shipper at the time of occurrence of the imbalance. Correction of Imbalances shall be scheduled with the Shipper using the Order process as soon as an imbalance is known to exist based on the best available current data. The Orders to correct imbalances shall have the lowest priority for scheduling purposes, and shall be subject to the availability of capacity and other operational constraints inherent to Imbalance correction. If on any Day capacity is insufficient to schedule all Orders intended to correct Imbalances, such Orders shall be prorated accordingly. To maintain the operational integrity of its System, the Shipper shall have the right to balance any User's volumes as conditions may warrant. Gas Imbalances shall be determined as defined below, and shall be subject to the applicable charges and penalties if not corrected.

Imbalance determinations shall be performed on a daily basis and each daily occurrence will constitute a separate event. It is recognized and understood that more than one penalty provision may apply to each Imbalance event.

The payment of a penalty pursuant to this Section shall under no circumstances be considered as giving any User the right to deliver or take overrun quantities.

Upon termination of a Service Agreement, User shall have sixty (60) Days to correct any remaining Imbalances. After this period has elapsed, the Shipper shall have the right to retain the Volume of any negative Imbalance without compensation to the User and shall assess a charge of US\$5/Dth for any positive Imbalance Volume as applicable.

The above penalty shall not apply should said situation is a direct consequence of any action or failure to take action by the Shipper or the failure of any facility under Shipper's control, or an event of Force Majeure as defined in these General Conditions.

13.1 Unauthorized Overrun

13.1.1 Gas Deliveries in excess of contractual maximums:

a) Excess Daily Deliveries shall exist if the actual delivered quantity on any Day exceeds the MDQ and the delivered quantity in excess of the MDQ has not been authorized by the Shipper (unauthorized overrun).

i) Penalty: User shall be assessed a penalty of US\$25/Dth for the Volume higher than 102% of the MDQ or 1000 Dth, whichever is greater.

ii) User shall be assessed a transportation charge equal to the product of the quantity delivered in excess of the MDQ and twice maximum interruptible rate.

b) Excess hourly delivery charges and penalties shall apply in circumstances where total deliveries on any Day are less than MDQ but said deliveries in any hour exceed 1/24th of MDQ and the excess hourly deliveries have not been authorized by The Shipper (unauthorized overrun).

i) Penalty: User shall be assessed a penalty of US\$25/Dth for the portion of cumulative excess hourly deliveries occurring during any hour that exceed 102% of 1/24 of the MDQ or 20 Dth, whichever is greater.

ii) User shall be assessed a transportation charge equal to the product of the cumulative excess hourly deliveries and twice maximum interruptible rate.

Any charges or penalties assessed under this provision shall be applied in addition to any daily Imbalance charges or penalties or monthly cashout charges or fees.

13.2 Daily Physical Imbalances

13.2.1 Current Volume delivered exceeds received amount (Over-Pull Imbalance).

A net daily positive Imbalance shall exist if the difference between the delivered Volume and the Volume received, taking into account the reduction in quantity for fuel use, yields a positive result. User shall have three (3) Days to correct the Imbalance. If at the end of the three (3)-Day period, the difference between the actual Volume received and the delivered quantity is in excess of 2% of the delivered Volume or 500 Dth, whichever is greater, the User shall be assessed a penalty of \$5/Dth applied to the excess quantity.

At the end of each Month, Shipper shall determine Daily Gas Imbalances corresponding to FTS and ITS of User and shall calculate percentage represented in delivery Volume of each Day of the Month. Penalty to be paid by the parties in one Month shall be equivalent to the aggregate amount of daily fines calculated based on Imbalance percentage and price of Gas. Price of Gas shall be determined based on the highest price published in the Gas Daily for SoCalGas Large Packages for any applicable Day(s).

Based on percentage of positive Gas Imbalance, the fine to be paid by User shall be determined as follows:

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Percentage of Imbalance	Penalty
0-2.00 %	Price of the Gas
2.01-4.00 %	1.2 x Price of the Gas
4.01-6.00 %	1.5 x Price of the Gas
More than 6.00 %	2.0 x Price of the Gas

13.2.2. Actual Volume received exceeds delivered quantity

A net negative Gas Imbalance shall exist if the difference between the delivered Volume and the Volume received, taking into account the reduction in Volume for fuel use, yields a negative result. Upon notice by Shipper regarding the existence of the Gas Imbalance, User shall have three (3) Days to correct said Imbalance. If at the end of said three (3) Day-period the difference between the actual Volume received and the delivered Volume is in excess of 2% of the delivered quantity or 1000 Dth, whichever is greater, the User shall be assessed a penalty of \$2/Dth applied to the excess quantity.

At the end of each Month, Shipper shall determine Daily Gas Imbalances corresponding to FTS and ITS and shall calculate the percentage it represents as regards to delivery Volume during each Day of the Month. The penalty to be paid by the parties in one Month shall be equivalent to the aggregate amount of daily fines calculated based on Gas Imbalances and the Gas price. The Gas price shall be determined based on the lowest price published in the Gas Daily for SoCalGas Large Packages for any applicable Day(s).

Based on percentage of negative Gas Imbalances, Shipper shall purchase Gas according to the following table:

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Gas Imbalance Percentage	Purchase Price
0-2.00 %	0.95 x Gas Price
2.01-4.00 %	0.85 x Gas Price
4.01-6.00 %	0.65 x Gas Price
More than 6.00 %	0.50 x Gas Price

13.2.3 Scheduled delivery Volume exceeds actually delivered Volume

There will be a Gas Imbalance when scheduled Volume (nominated and confirmed) for delivery exceed actually delivered Volume.

Penalty: If difference between scheduled delivery Volume and actually delivered Volume exceeds 2% of actual deliveries, or 1000 Dth, whichever is higher, User shall pay ITS maximum rate over any exceeding quantities.

13.2.4 Volume actually delivered exceeds scheduled delivery Volume

A Gas Imbalance shall exist when delivered Volume exceeds scheduled Volume (nominated and confirmed).

Penalty: When the difference between the Volume actually delivered and scheduled delivery Volume exceeds 2% of scheduled Volume or 1000 Dth, whichever is higher, User shall pay a penalty of US\$5/Dth over the exceeding amount.

Shipper shall be entitled not to apply penalties to ITS Users that have incurred in any Gas Imbalance on the Day Shipper rejects Orders of those Users due to insufficient capacity in the System, to the extent Gas Imbalances do not affect System's integrity. Waiver to these penalties shall not release User from its obligation to take any corrective steps that are necessary to avoid further Gas Imbalances.

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13.3 Adjustment per Hour: It is presumed that User's Scheduled Volume up to its MDQ is evenly delivered throughout the Gas Day. If the use per hour of any User exceeds one twenty-fourth portion of scheduled Volume, Shipper may issue the User an Operative Flow Order, according to provisions of Section 15 hereof.

14. REDISTRIBUTION OF THE PENALTIES

Pursuant to Section 9.34 of the Directive on Prices and Rates, at the end of the Contract Year, the Shipper shall redistribute among the Users with FTS Agreements, the amount that the Shipper has collected during the Contract Year by reason of penalties, deducting the costs that the Shipper has incurred in order to remedy the unauthorized amounts or Imbalances. The amount to be redistributed to each User with FTS shall be proportional to the ratio that exists between the User's FTS Volume and the System Capacity. As an exception to the foregoing, the User who has been penalized by reason of unauthorized Volume or Imbalance shall not be entitled to redistribution of the penalty charges that said User has paid to the Shipper.

If the System Capacity is not totally reserved, the Shipper may withhold the part of the income from penalties that corresponds to the Available Capacity.

15. OPERATIONAL FLOW ORDERS ("OFO")

The Shipper, at its discretion, will have the right to issue OFOs when in its judgment it is necessary to maintain or restore the operational integrity of Shipper's System. Additional circumstances under which the Shipper may determine that OFOs may be issued include, but are not limited to:

- a) In response to an event of Force Majeure;
- b) To ensure current and future maintenance of pressure and/or line pack; and

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- c) To accommodate maintenance and repairs.

Whenever possible, Shipper shall identify the User(s) whose actions require issuance of an OFO and shall limit applicability of OFO to those User(s). If Shipper is not able to identify the User whose actions require issuance of an OFO, or if issuance thereof to individual Users is not sufficient to cure conditions requiring its issuance, Shipper may issue an additional OFO to be applicable to all Users.

Concessionaire shall be entitled to use an Operative Flow Order (“OFO”) by means of which any User is required to adjust its delivery and receipt Quantities, and/or Orders, as the case may be, when such action is necessary to reduce adverse operation condition threatening integrity or safety of System or the ability to provide the service. To the extent possible, before issuing an OFO, Concessionaire shall take all necessary measures to remedy such adverse operation conditions and shall notify Users that may be affected by such circumstances, and of the possibility of issuance of an OFO; it shall also request voluntary actions from such Users to diminish such adverse conditions.

Once an OFO is issued, the User(s) in question shall observe its instructions, otherwise, they may be subject to the penalties provided for in this Section. Each OFO shall include the following:

- a) time and date of issuance;
- b) time that OFO is considered to be effective (if no time is specified, the OFO will be effective immediately);
- c) duration of the OFO (if not specified, the OFO will be effective until further notice);
- d) the party or parties receiving the OFO;
- e) the quantity of Gas required to remedy the operational condition requiring the issuance of the OFO; and

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- f) any other term the Shipper may reasonably require to ensure the effectiveness of the OFO.

Shipper shall inform the User(s) of any cancellation of any OFO then in force.

At the Shipper's discretion, and upon notice to the responsible User(s), the Shipper shall have the right, but not the obligation, to take actions such as buying or selling Gas, to avoid or alleviate the causes or conditions that would necessitate the issuance of an OFO. If the Shipper takes such actions to prevent the issuance of an OFO, Shipper shall be reimbursed by the responsible User(s) for all costs that Shipper duly incurs.

Except in cases where the curtailment of ITS service would not alleviate the causes or conditions necessitating the issuance of an OFO, Shipper will, where practicable, curtail ITS service prior to issuing an OFO. Shipper shall not be required to curtail ITS Services to individual Users when curtailment of service to those Users would not affect the OFO.

Upon the issuance of an OFO by the Shipper, it shall be incumbent upon User to adjust Gas supplies as directed within the time frame specified in the OFO. Failure to comply in a timely fashion with an OFO may result in an immediate interruption of all or a portion of User's service and cause User to incur a penalty of US\$25 plus the Spot Index Price per Dth for all volumes in excess of that allowed under the OFO. The payment of unauthorized overrun penalties does not create the right to exceed the levels established by an OFO. In the event User does not respond to the OFO, and the Shipper believes it is necessary to take actions such as buying or selling Gas to maintain system integrity or to prevent interrupting service to another User, the Shipper shall have the right, but not the obligation, to take such remedial actions as it deems necessary. If the Shipper takes these actions, the non-responding User shall reimburse the Shipper all costs that the Shipper duly incurs. The Shipper shall not be liable for any costs incurred by any User/Operator in complying with an OFO.

The Shipper shall, at User's expense, install flow control devices at all User's Primary and Secondary Delivery Points. The flow control device will be under the control of the Shipper. In the event User does not respond to the OFO and the Shipper deems it is necessary, the

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Shipper will have the right to operate the flow control device to limit or completely curtail the deliveries to the User. The Shipper shall not be liable for any costs incurred by any User/Operator, as a result of such actions.

The Shipper shall not be responsible for any damages that result from any interruption in User's service that is a result of a User's failure to comply promptly and fully with an OFO and the non-complying User(s) shall indemnify the Shipper against any claims of responsibility.

Notwithstanding the foregoing, when Gas supplies necessary to effectuate transportation deliveries are not flowing on the System, the Shipper will not be responsible for backing up such supplies and the associated deliveries will be subject to interruption.

Where a Order is required by the User/Operator to make an effective physical change necessary to comply with an Operational Flow Order, unless critical circumstances dictate otherwise, an Operational Flow Order penalty should not be assessed unless the User is given the opportunity to correct the circumstance giving rise to the Operational Flow Order and fails to do so, or the action(s) taken fail to do so. The opportunity to correct the critical circumstance should include the opportunity to:

- a) make an Order, that, once confirmed and scheduled would cure the circumstance giving rise to the Operational Flow Order, or
- b) take other appropriate action that cures the circumstance giving rise to the Operational Flow Order.

A User's response to an Operational Flow Order should not be constrained by restrictions on the submittal and processing of intra-day nominations.

16. GAS PERCENTAGES AS FUEL, LINE LOSS, AND OTHER UNACCOUNTED GAS

The effective percentage for fuel, line loss, and other unaccounted gas will be 0.3%.

17. CURTAILMENTS AND INTERRUPTIONS OF SYSTEM'S CAPACITY WITHOUT SHIPPER'S RESPONSIBILITY

17.1 Whenever the Shipper needs to temporarily curtail or interrupt service to any User hereunder for the purpose of making necessary maintenance, expansion or modification of its works and facilities, the Shipper shall give notice to the User as soon as possible regarding such process, so that each User's Firm Transportation Service requirements are taken into account when scheduling such procedure.

17.2 During the spring of each Year the Shipper shall publish a schedule of planned major maintenance and repairs that might affect System capacity. Said schedule shall show the estimated Delivery Point capacity for the next twelve (12) months as from schedule publication..

17.3 In accordance with Article 76 of the Regulations, the Shipper will not incur any responsibility for suspending the service when this suspension is originated by:

- Act of God or Force Majeure;
- Defects in the User's facilities or improper operation of its facilities;
- Work necessary for the maintenance, expansion or modification of its works and facilities, subject to prior notice to the Users; or
- The User's failure to fulfill its contractual obligations.

In accordance with Article 79 of the Regulations, if suspension of the service is originated by causes other than the above mentioned, the Shipper shall pay the User when issuing the corresponding invoice in an amount equal to 5 (five) times the amount of the transportation service that would have been available should the suspension had not occur, and that User would have paid. The basis to calculate said amount will be the Capacity Charge of the last invoice. Should a

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suspension of the service occur due to any of the above causes, the Shipper shall only bill the User, during the period in which the suspension occurs, the corresponding Capacity Charge, that should be paid by the User pursuant Section 26 of these General Conditions.

18. SUSPENSION, RESTRICTION OR MODIFICATION DUE TO ACT OF GOD OR FORCE MAJEURE

18.1 Suspension, Restriction or Modification without Liability.

The Shipper shall incur in no legal liability whatsoever for suspension of the service, when this arises from:

- a) Act of God or Force Majeure;
- b) Defects in the User's facilities or improper operation of its facilities;
- c) Work necessary for the maintenance, expansion or modification of its works and facilities, subject to prior notice to the Users;
- d) The User's failure to fulfill its contractual obligations pursuant to its Service Agreement and these General Conditions.

Should a suspension of the service occur due to any of the causes above mentioned, the Shipper will only bill the User, during the period in which the suspension occurs, the corresponding Capacity Charge, that should be paid by the User pursuant Section 26 of these General Conditions.

18.2 Suspension, Restriction or Modification due to Act of God or Force Majeure.

When due to an Act of God or Force Majeure the Shipper is forced to suspend, restrict or modify the characteristics of the Transportation services provided, it shall make this known to the Users by means of electronic media, telefax, notification, or by means of the mass communications media with major coverage

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in the localities, indicating the duration of the suspension, restriction or modification, the Days and times on which same shall occur and the areas affected. When the suspension, restriction or modification of the characteristics of the Transportation service is to last for longer than five (5) days, the Shipper must submit to the CRE for its approval, the program that is to be applied in order to contend with the situation. Said program shall attempt to prevent the suspension, restriction or modification of the transportation Service from causing more than minor problems to the Users.

18.3 Notice of Suspension due to work

When the suspension is due to the causes provided for in subparagraph c) of Section 18.1 of these General Conditions, the Shipper must inform the Users by means of electronic media, telefax, mass communications media with major coverage in the localities, and through individual notification, in the case of hospitals and industries, at least 48 (forty-eight) hours in advance of the start of the respective work, indicating the Day, time and length of the suspension of the service and the time at which it will be restored, and must clearly indicate the limits of the affected area. Failure to give notice shall give rise to liability incurred by the Shipper. The Shipper shall attempt to have the work referred to herein carried out at the times and on the Days on which Gas consumption is low, so as to affect the Users as little as possible.

18.4 Suspension of Service due to User's Default

If any User fails to fulfill its obligations under the Service Agreement, the Shipper may immediately suspend the provision of the contracted Service through written notification addressed to the User, indicating the nonperformance and stating the Shipper's intention to rescind the agreement. The nonperforming User shall have ten (10) Working Days, as of the date of receipt of the notification, to remedy the cause or causes indicated therein. If within said ten (10) Working Day-period the nonperforming User remedies or eliminates said cause(s) and fully indemnifies Shipper for the consequences of its nonperformance, the Shipper shall proceed

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to notify the User that the nonperformance has been remedied and shall restore the provision of the contracted Service.

If during said ten (10) Working Day-period the User does not remedy or eliminate the cause or causes of the suspension or fails to indemnify the Shipper for all of the consequences of its nonperformance, the Shipper may rescind the Service Agreement, with no need of any judicial declaration whatsoever, but without waiving the actions to which the Shipper is entitled to for nonperformance of the Service Agreement. The termination of a Service Agreement pursuant to the provisions of this Section shall be effected without detriment to the Shipper's right to collect the amounts owing plus accrued interest to the date of payment thereof, for services provided or Gas delivered to the date of termination, as well as amounts to which Shipper may be entitled to as provided for in Section 26.3. Further, User has the right to receive any Volume of Gas that may be pending delivery and the value of which it has paid before the date of termination. The termination of a Service Agreement does not imply a waiving of the actions available to the Shipper by reason of the nonperformance with the Service Agreement.

18.5 Suspension of the Service due to Insolvency of the User

The Shipper has the right to suspend the service immediately in case of insolvency of the User or when the User no longer meets the requirements of Section 6 hereof. To the extent that there are amounts payable through the remaining term of the Service Agreement, the Shipper has the right to collect amounts payable as provided for in any letters of credit or other form of financial guarantees up to such amounts.

18.6 Priority in the suspension or reduction of the services

The ITS shall be the first services to be suspended or reduced.

18.6.1 Priority in the Suspension or Reduction of ITS

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The priority of the suspension or reduction shall be implemented with the following priorities: from the lowest rate to the highest. For Users with the same rate, the reduction of the Volume in question shall be assigned proportionally among all of the Orders at said rate.

18.6.2 Priority in the Suspension or Reduction of FTS

The priority of the suspension or reduction shall be implemented with the following priorities: from the lowest rate to the highest. For Users with the same rate, the reduction of the Volume in question shall be assigned proportionally among all of the Orders at said rate.

19. NOTICE OF CHANGES IN OPERATING CONDITIONS

The Shipper and User shall each ensure that the other is notified from time to time as necessary of expected changes in the rates of delivery or receipt of Gas, or in the pressures or other operating conditions, and the reason for such expected changes, so that they may be accommodated when they occur.

20. ASSIGNMENT OF SERVICE AGREEMENT

The User may temporally or permanently assign its rights and duties under the Service Agreement to a third party, provided that the Shipper consents to the assignment, on the understanding that the Shipper may deny or withhold its consent for justified cause. The fact that the Assignee User fails to comply with the Shipper's financial guarantee requirements set forth in these General Conditions constitutes a valid justified cause for the Shipper to deny its consent with respect to the assignment.

Assignments with rates negotiated between the User and the Assignee User are allowed; however, if the rates negotiated are less than the rates stipulated in the FTS

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Agreement entered into between the User and the Shipper, the User should pay the difference between the rates stipulated in the FTS Agreement and the rates to be paid by the Assignee User.

20.1 Temporary Assignment of Capacity.

20.1.1 General

Pursuant to Article 69 of the Regulations, the User may assign, whether directly or by authorizing the Shipper for said purpose, the rights to reserved capacity that it does not intend to use. The procedure for releasing capacity is described below.

20.1.2 Provisions

The Assigning User may release and assign capacity only under the terms and the conditions set forth in this Section.

The capacity that may be released under this Section shall not exceed the designated capacity under the FTS Agreement that the Assigning User has entered into with the Shipper.

The term during which the capacity can be released and assigned under this Section shall not be less than one Day nor more than the remaining term of the FTS Agreement that the Assigning User has entered into with the Shipper.

In the event that the Assignee User fails to comply with its obligations to the Shipper, the Shipper shall immediately notify the Assigning User of said nonperformance. In such a case, the Assigning User may terminate the assignment giving notice twenty-four (24) hour in advance.

The Shipper may directly demand the Assignee User to fulfill its obligations. After the Shipper has made reasonable efforts to get

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Assignee User to comply with its obligations arising out of the Service Agreement, the Shipper may demand that the Assigning User pay the Capacity Charges that are pending, and the Assigning User is obligated to do so.

If the Shipper agrees to take part in the marketing FTS services, it may receive a marketing fee by the Assigning User requesting that the Shipper actively market the Capacity; said fee shall be negotiated between the Shipper and the Assigning User and shall be billed separately to the Assigning User.

The Assignee User must comply with all of the requirements contained in these General Conditions, including those relative to financial guarantees, prior to the start of the Transportation service. The Assignee User's rights under the release and assignment of capacity shall not be greater than those of the Assigning User.

The release and assignment of capacity under this Section does not exempt the Assigning User from its obligations under its FTS Agreement, that shall remain in full force and without modifications, just as though Assigning User had never entered into the Temporary Assignment of Capacity Agreement with the Assignee User, except for the following:

- a) The Assigning User shall not be entitled to the Transportation capacity described in its FTS Agreement that has been liberated during the term of the assignment.
- b) The Assigning User shall be liable to the Shipper for all of the pending Capacity Charges payments by the Assignee User.

20.2 Information that should be furnished

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To carry out an assignment of capacity, the Assigning User must provide the Shipper with the following information in writing, by electronic means, telefax or notification:

1. Name and address of the Assigning User, name, telephone and telefax numbers of the person responsible for the operation. The same information should be provided with respect to the Assignee User;
2. The Volume of the Assigning User's capacity that is to be released and assigned;
3. The term of said assignment of the Assigning User's Capacity, including the start and end dates of said assignment.
4. The Receipt Point and the Delivery Point of the capacity that is to be released by the Assigning User; and
5. The Charge for Capacity or the FTS Agreement rate to be charged to the Assignee User.

The Shipper shall review the Assignee User's Financial Guarantees and if same comply with the requirements set forth in these General Conditions, Shipper shall enter into an Agreement with the Assignee User and shall execute the release of the capacity once the Assignee User has complied with all of the requirements of Section 6 of these General Conditions. These requirements must be fulfilled prior to the start of service.

20.3 Assignment Procedures through the Shipper

The Shipper may have the right, though not the obligation, to engage in assignment of capacity activities. The assignment of reserved capacity executed through the Shipper shall be considered as a business commission between the Shipper and the Assigning User. For such purposes, Shipper and Assigning User shall be deemed as acquiring the rights and obligations of agent and principal, respectively, contained in Book Two, Title Three, Chapter I of the

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Commerce Code; provided, however that Shipper in no event shall act on its own and shall not be empowered to formalize the corresponding assignment agreement of reserved capacity. In view of the foregoing, Shipper, acting as agent, shall be deemed as acting in said events according to interests of Assigning User, exercising due diligence and actions as applied to its own business and executing such commission as its own business-

Any User wishing to assign part or all of its reserved capacity through the Shipper must notify the latter in writing, stating the amount of reserved capacity to be assigned and the terms and conditions for execution of said assignment. The Shipper will have to agree to engage in such activity.

The notice of assignment of reserved capacity must contain the following information:

- a) Name, address, telephone number, Agreement number, and contact person;
- b) The reserved capacity that is intended to be assigned;
- c) The rate contracted for the reserved capacity that is intended to be assigned;
- d) The minimum rate at which the Assigning User is willing to assign the reserved capacity;
- e) Whether the assignment is temporary or definitive and, as the case may be, the period during which it is intended to assign the reserved capacity temporarily;
- f) Whether the assignment is revocable or irrevocable and, as the case may be, the terms and conditions for revoking the assignment;
- g) The Reception and Delivery Points corresponding to the Assigning User's Service Agreement;
- h) The methods to be employed by the Shipper to evaluate the offers for assigning the reserved capacity; and

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- i) The methods to be employed by the Shipper in order to decide between offers that are equal to one another (in case of a tie).

The Shipper shall publish the notice of assignment of reserved capacity during the five (5) Working Days following receipt thereof. The Shipper shall receive proposals for that reserved capacity during the five (5) Working Days following publication of the notice. Said proposals shall be received in writing at the Shipper's office or by fax.

The proposals received shall represent a unilateral declaration of willingness to acquire the rights to utilize the reserved capacity and shall obligate the offering parties to acquire it pursuant to the terms and conditions set forth in the publication of the notice. In the event that an offering party withdraws its proposal, it may not submit a new offer at a lower rate.

The Shipper shall determine the winning proposal according to the methods set forth in the Assigning User's notice, notifying the Assigning User and the Assignee User of the results of the procedure and shall publish this result in its information system within the following five (5) Working Days.

The Assigning User and the Assignee User shall execute a temporary or permanent assignment of capacity agreement (as the case may be). The Assigning User and the Assignee User shall advise the Shipper of said assignment and shall deliver a copy thereof to the Shipper.

The Assigning User shall comply with the obligations that the Shipper assumed in its name and behalf.

20.4 Rates

The rate agreed upon between the Assigning User and the Assignee User in the reserved capacity assignment agreement may be higher than, equal to or lower than that set forth in the Service Agreement between the Shipper and the Assigning User, but in no event shall the Shipper be obligated to accept any

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assignment resulting in Shipper receiving rates from Assigning User and/or Assignee User that are in total less than that applicable previously under the Agreement to be assigned.

20.5 Transportation Services to the Assignee User

The service to the Assignee User shall commence in the Month immediately following that in which the Shipper receives notice of the execution of the assignment agreement between the Assigning User and the Assignee User, and the corresponding copies thereof or, before the aforementioned period in the event that it is so decided by common agreement among the Shipper, the Assigning User and the Assignee User.

When an Assigning User recovers the reserved capacity, the Transportation Service to the Assigning User shall be restored during the Month following that in which the Assigning User gives notice to the Shipper of the recovery of the reserved capacity, or, before the aforementioned period in the event that it is so decided by common agreement among the Shipper, the Assigning User and the Assignee User. For such purpose, the Assigning User shall submit its Orders to the Shipper, pursuant to Section 11.

In temporary and/or revocable assignments, consistent with Section 20.4, the Assigning User shall continue to be jointly liable with the Assignee User to the Shipper in relation to the obligations that may arise by reason of the exercise of its assigned rights. In no event shall any assignment result in payment to the Shipper of less than the rate in the Agreement to be assigned.

When an Assigning User recovers the reserved capacity, it shall notify the Shipper of this fact as soon as possible, on the understanding that the Shipper shall continue to provide the service to the Assignee User until it receives notice of the recovery of reserved capacity. The notice of recovery of reserved capacity shall include the causes giving rise to that recovery.

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In definitive and irrevocable assignments, the Assigning User and the Assignee User may request the Shipper for a new Service Agreement to be executed. For such purpose, the Assignee User shall submit a Service Request and the Shipper shall evaluate said request in accordance with these General Conditions. The Shipper may receive this request even though there is no available capacity in the System and there is a List of Requests awaiting service. The rejection of this request by the Shipper shall not invalidate the assignment of reserved capacity agreement.

The Service Agreement between the Shipper and the Assignee User shall state the rate agreed upon between Assignee User and Assigning User in the assignment of reserved capacity. The remaining terms and conditions shall be the same as those of the Service Agreement in effect between the Shipper and the Assigning User, unless otherwise agreed upon between the Shipper and the Assignee User.

When the Shipper and the Assignee User execute a new Service Agreement, with a rate higher than or equal to that set forth in the Service Agreement between the Assigning User and the Shipper, the Assigning User shall be released from any liability or benefit with respect to the assigned portion and term of the assignment.

20.6 Billing and Payment

The services provided to the Assignee User shall be billed directly to same and must be paid by same according to the terms of these General Conditions. For the purposes of this billing, the Shipper must use the rate in effect agreed upon in the pertinent Service Agreement between the Shipper and the Assigning User.

When the Assignee User fails to comply with its obligation to pay, the Shipper shall inform the Assigning User and the latter must cover the payment within the five (5) following Days. Having exhausted this procedure without the debt being covered by the Assigning User or the Assignee User, the Shipper shall have the

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right to interrupt the service to the Assigning User and/or to the Assignee User, in relation to the assigned capacity, pursuant to the terms of these General Conditions.

Except in case of definitive and irrevocable assignment, with a rate equal to or higher than that set forth in the Service Agreement between the Assigning User and the Shipper, the Shipper shall continue to bill the Assigning User. For this billing, the Shipper shall apply the rate initially agreed upon between the Shipper and the Assigning User. Said invoices must reflect the crediting of the payments made by the Assignee User in the amount set forth in the rate agreed upon between the Shipper and the Assigning User.

Besides the payments due to the Shipper, the Assigning User may charge the Assignee User some other compensation, in accordance with the terms of any agreement that the Assigning User and Assignee User had entered into.

20.7 Irregular Assignments

Assignments made in violation of the stipulations of the present Section may not be accepted by the Shipper.

21. QUALITY OF GAS

21.1 The Gas that the User shall deliver to the Transportation System must comply with the most stringent provisions of NOM-001 as well as those of all downstream systems and/or interconnecting pipeline systems and its quality shall be merchantable to all downstream service destinations. The Shippers reserves the right to restrict the access to its System of any gas not complying the above specifications. The Gas that shall be delivered under a Service Agreement shall be Natural Gas, on the understanding that any content of helium, natural gasoline, butane, propane and any other hydrocarbon, except for methane, may be extracted therefrom prior to its delivery.

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- 21.2 Caloric Value: In the event that the Gross Caloric Value of the Gas delivered by the Shipper during any Month is out of the range established in NOM-001, the End User shall have the option of rejecting said Gas. The rejection of the Gas by the End User, shall not exempt the User from fulfillment of its obligations to pay the Charge for Capacity acquired by means of the Agreement, provided that, the decrease in the quality of the Gas is not directly imputable to the Shipper.
- 21.3 Absence of Undesirable Substances. The Gas that the Shipper receives from the User and that the Shipper delivers pursuant to these General Conditions:
- a) Shall be commercially free (at the conditions of pressure and temperature prevailing in the Shipper's System) from impurities and other objectionable substances that could be extracted from the Gas, and any other solids or liquids that can convert it into non marketable Gas or cause damage or interfere with the proper functioning of lines, regulators, meters or other apparatuses through which said Gas flows; it may not have any substance whatsoever that the Gas does not contain at the time of its production, except for traces of materials and chemical agents that are necessary to transport and deliver the Gas and which do not result in nonperformance with the quality specifications set forth in this Section.
 - b) If necessary, it must be dehydrated, and water in a state of vapor eliminated.
 - c) It shall be free of microbiological particles.
- 21.4 Failure to Comply with the Specifications Relative to Gas Quality

If the Gas that the Shipper receives from the User at a Receipt Point or Points or the Gas that the Shipper transports for delivery to the User at a Delivery Point or Points, at any time, does not meet the specifications of this Section, the receiving party shall advise the Gas delivering party of said deficiency and may, at its discretion, refuse to accept the delivery until the Gas delivering party corrects the deficiency. If the Gas delivering party does not proceed timely to correct the deficiency, the receiving party may then accept the Gas and submit it to the changes that may be necessary for it to comply with the specifications. The Gas

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delivering party must reimburse the receiving party for any reasonable expenses incurred by the latter in effecting said changes.

In the event that Gas delivered by the User to the Shipper is commingled with other natural gas prior to its measurement at the delivery point, the determination of the delivery of such mixture of Gas shall be satisfactory both for the User and the Shipper, as well as any other third party affected.

If, at any time, User delivers Gas that does not at any time meet the specifications in this section and Shipper for any reason does not detect that the Gas delivered by the User does not comply with any of the specifications of this section, and accepts to transport such Gas, such situation does not relieve User from any liability caused by the delivery of such Gas.

22. MEASURING EQUIPMENT

22.1 Installation: Unless the Shipper agrees otherwise, all assets from the interconnection point to the outlet flange of the meter station, including, but not limited to, volume measuring equipment, gas chromatographer, pressure and temperature transmitters, regulators, valves, filters and pipe, shall be furnished and installed by the Shipper at User's expense, including applicable taxes. All such equipment and devices shall be owned, maintained and operated by the Shipper. The overall design of the metering station should be approved by the Shipper. All meters and other metering equipment that are used to determine the Gross Caloric Value and/or relative density of the Gas must fulfill the requirements of the Official Mexican Standards in effect and the Federal Law of Metrology and Normalization. Meters shall have the capability of real-time transmission of data to Shipper. User may install and operate check measuring equipment provided it does not interfere with the use of Shipper's equipment.

22.2 Testing Meter Equipment: The accuracy of either the Shipper's or User's measuring equipment shall be verified by tests, using means and methods

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acceptable to the other party, at intervals mutually agreed upon, and at other times upon request. Notice of the time and nature of each test shall be given by the entity conducting the test to the other entity sufficiently in advance to permit convenient arrangement for the presence of the representative of the other entity. If, after notice, the other entity fails to have a representative present, the results of the test shall nevertheless be considered accurate until the next test. If any of the measuring equipment is found to be registering inaccurately in any percentage, it shall be adjusted at once to read as accurately as possible. All tests of such measuring equipment shall be made at the expense of the entity requesting the same. The Shipper shall bear the expense of tests made if the inaccuracy is found to be greater than one percent (1%) .

- 22.3 Correction and Adjustment: If at any time any of the measuring equipment is registering inaccurately by an amount exceeding one percent (1%) at a reading corresponding to the average hourly rate of flow, the previous readings of such equipment shall be corrected to zero error for any period definitely known or agreed upon, or if not so known or agreed upon, the lesser of one-half (1/2) of the elapsed time since the last test and six Months from the production Month when the failure in measurement occurred, with a three-Month rebuttal period; provided, however, that this limitation shall not apply in the case of a deliberate omission or misrepresentation or mutual mistake of fact. The parties' other rights or obligations shall not otherwise be diminished by this limitation. If the measuring equipment is out-of-service, the Volume of Gas delivered during such period shall be determined by using the data recorded by any check measuring equipment accurately registering. If such check measuring equipment is not registering accurately but the percentage of error is ascertainable by the calibration test, the registered and corrected to zero error information shall be utilized. If neither of the methods mentioned above can be used, estimations of the quantities delivered shall be made by reference to deliveries under similar conditions during a period when the equipment was registering accurately.

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No correction shall be made in the recorded volumes of gas delivered hereunder for measuring equipment inaccuracies of one percent (1%) or less, and in no event shall inaccuracies less than 1 m³ be considered for adjustment.

23. MEASUREMENTS

- 23.1 Metering: Gas shall be metered by one or more orifice, turbine, ultrasonic displacement or other type of meters, at the discretion of the Shipper. All meters shall be installed and maintained, and volumes shall be measured, in accordance with applicable A.G.A. (American Gas Association) standards for the meter in question.
- 23.2 Specific Gravity: The specific gravity of the Gas delivered hereunder shall be determined from the read-outs of continuously operating measuring instruments. The method shall consist of one of the following:
- a) gravitometer
 - b) gas chromatography
 - c) other instruments acceptable to both parties

Analysis of chromatograph shall comply with the standards set forth in ASTM D 1945. Calculation of the specific gravity from compositional analysis by gas chromatography shall comply with the standards set forth in ASTM D 3588. Measurement of the specific gravity with a gravitometer shall comply with the standards set forth in ASTM D 1070.

- 23.3 Flowing Temperature: Flowing Gas temperature shall be continuously measured and used in flow calculations.

24. INSPECTION OF EQUIPMENT AND RECORDS

- 24.1 Inspection of Equipment and Data: Shipper and User shall have the right to inspect equipment installed or furnished by the other, and the charts and other measurement or test data of the other, at all times during business hours; however, the reading, calibration and adjustment of such equipment and changing of charts shall be done only by the entity installing or furnishing same. Unless the Shipper and User otherwise agree, each shall preserve all original test data, charts and other similar records for a period of at least two (2) Years.
- 24.2 Information for Billing: When information necessary for billing by the Shipper is in the control of the User, the latter shall furnish such information to the Shipper on or before the third (3rd) Working Day of the Month following the Month Transportation service was rendered. If User does not have actual information, it may furnish estimated information, and the actual information shall be furnished to the Shipper on or before the fifth (5th) Working Day of the Month following the Month Transportation service was rendered.
- 24.3 Verification of Measurements: The Shipper and User shall have the right to examine, during Working hours and Days, the books, records and charts of the other party to the extent necessary to verify the accuracy of any statement, charge or computation made pursuant to these Transport General Conditions, and to the pertinent Specific Service Terms, within 2 (two) Years following any such statement, charge or computation. The deadline for disputing statements, charges or computations shall be 24 (twenty four) Months from the last day of the Month in which said statements, charges or computations were submitted, with a three-Month rebuttal period. However, this limitation shall not apply in the case of a deliberate omission or misrepresentation or mutual mistake of fact, and shall not diminish the parties' other rights and obligations. A meter adjustment or correction becomes a prior period adjustment after the 5th (fifth) Working Day

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following the Month. Any measurement of prior period adjustments is taken back to the Month when the meter failure occurred.

Measurement data corrections should be processed within 24 (twenty four) Months following the Month of occurrence, allowing a 3 (three) Month rebuttal period. However, it is recognized that this time limit shall not apply in the case of deliberate omission or misrepresentation or mutual mistake of fact. Parties' other rights and obligations shall not be affected by this provision.

25. BILLING

25.1 Billing: Unless otherwise mutually agreed between the parties, on or before the 9th (ninth) Working Day of each Month, the Shipper shall render a bill to each User under all applicable Rate Schedules for the service(s) rendered during the preceding Month.

25.2 Information for preparation of the bill: In the event that the Shipper does not have the receipt volumes, the User commits to furnish the Shipper with all the information and documentation required by the latter to calculate and verify the receipt and delivery quantities.

If the Shipper does not receive said information in sufficient time in advance to be able to bill the User as provided for in this Section, said invoices shall be calculated based on the best estimate realized by the Shipper of the delivery quantity provided by the User. Any excess or insufficient charges resulting from the differences between the aforementioned estimates and the real amounts shall be adjusted on the subsequent bill without any accrual of interests thereon.

The bill shall include the payment due date which shall be no later than the 10th (tenth) Day following the issuance date of the invoice.

26. PAYMENT

- 26.1 Ways of Payment: Unless otherwise mutually agreed between the parties, on or before the 10th (tenth) Day following the date the Shipper issues its invoice in accordance with Section 25 of these General Conditions, each User shall pay to the Shipper in Mexican currency in the form of wire transfer directed to a bank account designated by the Shipper. For invoiced amounts of less than the equivalent of US\$50,000 (fifty thousand U.S. dollars) the payment may be made by certificate check. Party making payment shall submit supporting documentation, and the party receiving payment shall acknowledge payment reception per supporting documentation provided by the paying party. User shall identify invoice numbers on all payments. In the event that the User disputes any portion of the invoice, User shall fully pay the invoice and provide supporting documentation identifying the basis for the dispute.
- 26.2 Interest on unpaid amounts: In the case the User fail to pay the amount of any invoice submitted by the Shipper when such amount is due, interest thereon shall accrue from the due date until paid at the daily rate of interest equivalent to the average interbank interest rate (TIIP) published by the Banco de Mexico in the Federal Official Gazette plus 7% (seven percent), on the day before the payment is made; both the principal amount and the interest earned to date shall be immediately due and payable at the request of the Shipper.
- 26.3 Remedies for default: If a User's failure to pay an invoice continues for ten (10) Days after payment is due, the Shipper, in addition to any other remedy it may have, may suspend further delivery of Gas until such amount is paid, and/or terminate the Service Agreement.
- 26.4 Late billing: If submission of an invoice by the Shipper is delayed after the date the payment is due, then the time for payment shall be extended correspondingly unless User is responsible for such delay.

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26.5 Adjustment of billing errors: In accordance with NAESB Standard 3.3.15, Version 1.4, prior period invoices adjustment time limits should be six (6) Months from the date of the date of the invoice originating correction, allowing a 3 Month-rebuttal period. This deadline shall not apply to carry-forward charges under the Directive on Prices and Rates, which shall be adjusted in the corresponding invoice, according to the particular conditions of the case. This standard shall not apply in case of deliberate omission, misstatement, or mutual mistake of a fact. Parties' other rights and obligations shall not otherwise be diminished by this standard.

27. OWNERSHIP AND RESPONSIBILITY ON GAS

According to articles 753 and 763 of the Federal Civil Code, Gas to be transported in the System shall be deemed as personal property due to its nature and as a fungible good.

Provided that User shall, at all times, keep ownership of gas delivered for transportation, it shall be liable before Concessionaire of any damage or liability if delivered Gas has any lien, limitation in domain or any other encumbrance. Consequently, User shall be liable before Concessionaire in the event of any claim or judicial or administrative action brought to as a result of any such events.

Transported gas shall be deemed as delivered in deposit for transportation with Concessionaire, who shall bear all risks and have control of Gas from the time it receives it at the Reception Point until delivery thereof at the Delivery Point, under these General Conditions.

Concessionaire shall be responsible of gas during transportation thereof and shall deliver it to User free of any lien, encumbrance or claim resulting from actions of Concessionaire, considering provisions of Section 16 of these General Conditions. Consequently, Concessionaire shall be liable before User of any claim or judicial or

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administrative action that User may be subject to regarding default by Concessionaire to deliver Gas under the terms of the preceding paragraph.

In the event either Concessionaire or User fail to comply in full or in part with the obligations provided for above, they shall indemnify the other party for any expense arising from such default, therefore, the parties shall prove that they have incurred in such expenses by providing the corresponding documentary evidence.

Concessionaire shall be liable of any damages caused to third parties while it is under control of Gas until delivery thereof to User, and shall procure the insurances provided for in the Permit of the CRE.

These provisions do not release either party, their agents or employees of any responsibility they incur in due to their negligent actions, willful misconduct or bad faith.

28. ACT OF GOD AND FORCE MAJEURE

For the purposes of these General Conditions, Act of God or Force Majeure shall be understood to mean any occurrence foreseeable or unforeseeable, but unavoidable, that hinders or prevents the affected party from compliance of its contract obligations. Act of God or Force Majeure shall mean any event, predictable or not, that is beyond the control of the party that invokes the Act of God or Force Majeure, provided that:

- (A) said party has exercised the care and the diligence that is expected of a prudent operator of a business similar to the business carried out by the party, taking into account the particular natural conditions of the area of the United Mexican States where the business is operated; and
- (B) that the event in question hinders or prevents the party, partially or totally, from executing its obligations.

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Subject to compliance with conditions a) and b) provided for in the preceding paragraph, an Act of God or Force Majeure Event shall include, without limitation, the following events:

- (A) Events of nature, explosions, floods, downfalls, earthquakes, lightning and storms;
- (B) War, rebellion, revolution, military site or usurpation, civil war, insurrection, sabotage, invasion;
- (C) Riots or civil disturbances;
- (D) Acts or omissions of any Governmental Agency, including orders and resolutions, licenses, permits and concessions issued by judicial or administrative authorities, to the extent it is evidenced that those were requested in due time and form, issuance or pronouncement of any dispositions or laws issued by any governmental agency that have not been promoted by the affected Party, nor caused by failure to comply with its obligations contained in Permit Certificate or under any other Applicable Legal Provision, and preventing operation of System or rendering the services under these General Conditions.

If as a result of an Act of God or Force Majeure event, Shipper or User are not able to comply in full or in part with their obligations hereunder, such party shall notify the other, in writing via facsimile and as soon as possible after the event, of the occurrence of such Act of God or Force Majeure event, detailing circumstances thereof. Upon receiving such notice, except for the obligation to pay any due amounts as of such date and payment of capacity charge payable by User, obligations of the parties shall be suspended during the time such event prevails; but, in no event, after termination thereof. Such party shall continue complying with the obligations that are not affected by the Act of God or Force Majeure event, and to carry out its best efforts to cure such condition.

In no circumstance, financial and technical problems shall be deemed as an Act of God or Force Majeure event.

Any Act of God or Force Majeure event claimed by User shall not release it from its payment obligations of Capacity Charges for the remainder of the term of the Service

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Agreement. Notwithstanding the foregoing, after two (2) consecutive Years from the date any party hereto had received notice of an Act of God or Force Majeure Event affecting materially and significantly the benefits of the other party, and if such event is not cured, either party may terminate the Services Agreement without incurring in any further liability other than those that may prevail as of such date, and without need of judicial order.

29. INDEMNIFICATION

User agrees to indemnify and hold harmless the Shipper, its officers, agents, employees and contractors from and against any liability, loss or damage whatsoever occurring in connection with or relating in any way to the executed Service Agreement, including costs and attorneys' fees and disbursements, whether or not such liability, loss or damage results from any demand, claim, action, cause of action, or suit brought by User or by any other person, association or entity, public or private, that is not a party to the executed Service Agreement, where such liability, loss or damage is suffered by the Shipper, its officers, agents, employees or contractors as a direct or indirect result of any breach of the executed Service Agreement or sole or concurrent negligence or gross negligence or other tortuous act(s) or commission(s) by the User, its officers, agents, employees or contractors.

30. WAIVER OF DEFAULT

No waiver by either the Shipper or the User of any default by the other in the performance of any provisions of an executed Service Agreement shall operate as a waiver of any continuing or future default, whether of a like or different character. All waivers shall be in writing.

31. ASSIGNMENT CRITERIA

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The executed Service Agreement shall bind and apply to any third party assuming the rights and obligations stated in the Agreement through an assignment. However, no assignment shall release either party from such party's obligations without the written consent of the other party, which consent shall not be unreasonably withheld. Either party may lien, mortgage or assign its rights as security for its indebtedness, and either party may assign to the creditor any money due or to become due under any Service Agreement.

32. REPORTS AND COMPLAINTS

32.1 Complaints and Incidents

The Shipper shall have a telephone and a telefax number to allow the User to immediately complaint as to the safety of the equipment or the services provided by the Shipper. Pursuant to Article 80 of Natural Gas Regulations, the Shipper shall review the User's complaints and claims within ten (10) Days.

The Shipper will record service-related complaints, and this record shall available at all times to the CRE.

The Shipper's complaints telephone number will be published in due time

32.2 Obligations of Shipper in Safety Matters

According to provisions of Articles 70 and 71 of the Regulations, Shipper shall have the following obligations:

Safety obligations

Under Article 70 of the Natural Gas Regulations, Shipper shall have the following safety obligations:

1. Immediately advise the CRE and other competent authorities on any event resulting from Shipper's authorized activities that endanger public health and safety. Said advice shall include the possible causes of the event, as well as those actions planned and taken in order to handle same;

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2. In case of an incident, deliver to the CRE within ten (10) Days as from the incident is under control, a detailed report on the originating causes of the incident and the actions taken to control same;
3. File on a yearly basis, under the terms of any applicable Mexican Official Standard, the maintenance program of system and evidence compliance thereof by means of report prepared by the verification unit duly certified;
4. To keep a log book for supervision, operation and maintenance of works and installations that shall be available to the CRE;
5. Train all personnel in prevention and action in the event of incidents;
6. To assist any competent agency, as it may be required in the event of an emergency or incident;
7. Any other obligation provided for in the Mexican Official Standards

Specific obligations of Shipper:

Under Article 71 of the Natural Gas Regulations, Shipper shall have the following specific obligations regarding rendering services:

1. Render efficient services according to the principles of uniformity, homogeneity, promptness, safety and continuance;
2. Timely publication, as the CRE may determine by means of Directives, information regarding Available Capacity;
3. Promptly notify CRE of any circumstance that may constitute any change to these General Conditions;
4. Procure and maintain in effect the insurance obtained for Natural Gas Transportation Permit to cover any liability Shipper may incur in during rendering services;
5. Have a permanent complaint-reception system and emergencies reports;

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6. Answer immediately any emergency calls made by Users;
7. Inform on a timely basis the CRE of any circumstance that affects or may adversely affect the service;
8. Not to carry out undue and discriminatory practices; and
9. Answer all service requests within the Month after the date it receives such request

33. EMERGENCY PROCEDURES AND REPORTS

The Shipper will maintain on file in its offices procedures for handling emergencies, and incidents.

The Shipper's emergency procedures shall include:

- a) a detailed description of those facilities where emergency procedures shall be applied;
- b) a description of Gas pressure and flow, as well as a description of other normal operation conditions of the System;
- c) location and ways of access to facilities;
- d) the initial actions that must be taken when an emergency situation arises;
- e) names and telephone numbers of the Shipper's staff that must be reached in case of an emergency, as well as each staff member responsibilities;
- f) names and telephone numbers of public services and other authorities that could be reached in the case of an emergency;
- g) a description of the available emergency equipment, including its location;
- h) security procedures to follow in the location where the emergency occurs;
- i) safety actions to be taken in the case of an emergency, including isolation and closing of facilities procedures, as well as the methods to monitor the risk level; and
- j) evacuation procedures.

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The Shipper shall distribute to the civil protection authorities, as well as to local media, documents on the identification of emergency situations involving the System, and on the procedures to be observed in such cases.

Reports on all emergencies and incidents will also be kept in the Shipper's offices.

34. CONFIDENTIALITY

The information furnished by the User with respect to Agreements or services shall be handled on a confidential basis, and shall not be revealed without User's express consent.

Notwithstanding the foregoing, this obligation shall not apply to:

- a) Information previously known by the Shipper prior to any disclosure in connection with any Service Agreement;
- b) Information that becomes available to the public at any time from a source other than the Shipper;
- c) Information delivered to Shipper from any third party, provided that such information delivery is not in violation of a confidentiality agreement;
- d) Information that must be revealed pursuant to Laws, or governmental or judicial requirements, provided that such information disclosure is compulsory and that not revealing it would involve civil, administrative or criminal liability. Any such disclosure shall be limited, however, to the information specifically required to be revealed.

35. SETTLEMENT OF DISPUTES

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Without detriment of the proceeding actions, any dispute between the Shipper and the User shall be settled, on mutual agreement by Shipper and User, through the arbitration procedure proposed by the Shipper or by the one established by the CRE.

The arbitration procedure proposed by the Shipper, as well as the competent entity of dispute settlement, will be recorded in the public document mentioned in Section XVI of Article 3 of CRE Law. In absence of such recording, the arbitration procedure shall be assumed as the one stated in Article 9 of CRE Law and said procedure will be pursuant to Title Four, Book Five of The Commerce Code and will be substantiated before the CRE itself.

Whenever the Users fall into the category of consumers according to the Federal Law of Consumer Protection, the disputes shall be settled under such Law.

36. PUBLICATION OF RATES LIST

Shipper shall publish its full Rates List at least once a year, five (5) Days before said List's entry into force. Rates List and any changes shall be published in the Federal Official Gazette and in the official newspapers of the states in which the System is located.

37. AUTHORIZED PRIMARY DELIVERY POINTS

The Shipper undertakes to keep an updated list of authorized Primary Delivery Points.

38. AUTHORIZED PRIMARY RECEIPT POINTS

The Shipper shall keep an updated list of authorized Primary Receipt Points.

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I, Olivia A. Lugo Alcántara, Expert Translator, duly authorized by the Superior Court of Justice of the Federal District, as per publication in Judicial Bulletin dated February 7, 1997, do hereby Certify that the foregoing is, to the best of my knowledge and belief, a true and correct translation of the document in Spanish.

Mexico City, Federal District, April 25, 2004

Olivia A. Lugo Alcántara