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SOUTHERN UNION GAS COMPANY

BURT BUILDING

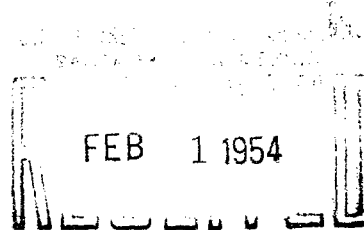
DALLAS 1, TEXAS

LEGAL DEPARTMENT

WILLIS L. LEA, JR.
GENERAL ATTORNEY

A. S. GRENIER
QUILMAN B. DAVIS
MILLARD F. CARR
EDWARD G. TAYLOR
JACK HERTZ

January 30, 1954



Mr. R. R. Spurrier
Oil Conservation Commission
State of New Mexico
Santa Fe, New Mexico

Dear Mr. Spurrier:

In accordance with the Commission's Order No. R-128-B, I am enclosing on behalf of Southern Union Gas Company, El Paso Natural Gas Company and Stanolind Oil and Gas Company a conformed copy of the Gas Purchase Contract entered into on August 31, 1953 between Southern Union Gathering Company, a wholly-owned subsidiary of Southern Union Gas Company, as seller, and El Paso Natural Gas Company, as Buyer, under which gas is to be sold to El Paso Natural Gas Company in the Blanco Field of San Juan County, New Mexico.

Since it was impossible at that time to work out a definite allocation or ratable-taking formula, the parties agreed in general terms to attempt to effect ratable withdrawal of gas in the San Juan Basin. These general provisions are contained in Article V of the enclosed contract.

With best personal regards, I am

Yours very truly,

Q. J. Davis

QBD:FG
Encl.

cc: Mr. Ben Howell
El Paso Natural Gas Company
El Paso, Texas

Mr. J. R. Smith
Stanolind Oil and Gas Company
Fort Worth, Texas

NATURAL GAS CONTRACT

THIS AGREEMENT, made and entered into this 31st day of August, 1953, by and between SOUTHERN UNION GATHERING COMPANY, a Delaware corporation authorized to transact business in New Mexico (herein sometimes called "Seller"), and EL PASO NATURAL GAS COMPANY, a Delaware corporation authorized to transact business in New Mexico (herein sometimes called "Buyer"),

W I T N E S S E T H :

WHEREAS, Buyer and Seller each is the owner and operator of facilities for the gathering of natural gas from wells producing from the Pictured Cliffs or Mesaverde formations in San Juan and/or Rio Arriba Counties, New Mexico, and Buyer and Seller are desirous that withdrawals of natural gas be ratable as between all such wells now or hereafter connected to their respective gathering facilities; and

WHEREAS, Buyer is engaged in the transportation and sale through pipe lines of large volumes of natural gas in New Mexico ^{and} / Arizona ~~and California~~, and it appears desirable that Buyer purchase from time to time quantities of natural gas from Seller to effectuate the aforesaid purpose of ratable withdrawal of gas from wells and for the supply of Buyer's markets:

BHT
JCR

NOW, THEREFORE, in consideration of the premises and of their reciprocal covenants and agreements herein contained, Seller and Buyer have agreed and do now agree together as follows, to wit:

ARTICLE I

AGREEMENT TO SELL AND BUY

Seller agrees to deliver and sell to Buyer and Buyer agrees to receive and purchase from Seller natural gas pursuant to the terms and provisions hereof.

ARTICLE II

POINT(S) OF DELIVERY AND METER(S)

1. Deliveries of gas hereunder shall be made to Buyer in Section 32, Township 30 North, Range 9 West, N.M.P.M., at the point of connection between the facilities of Seller and Buyer. The parties may in writing agree upon the delivery of gas at any alternate or additional locations on Seller's gathering

lines.

2. At such location(s) Seller will install, maintain, repair and operate a regulating and measuring station properly equipped with standard type meters, recording gauges, and thermometers and other appropriate devices, the readings of which shall, subject to Section 8 of this Article, fix and determine the volumes of natural gas delivered to Buyer.

3. All equipment so installed by Seller, together with any building(s) erected by it for such equipment, shall remain its sole property and exclusively under its control; provided that Buyer's representatives shall have access thereto, in company with a representative of Seller, at reasonable times.

4. The reading, calibration and adjusting of such equipment, as well as the changing of charts, shall be done only by the representatives of Seller.

5. The point(s) of delivery of gas to Buyer shall be at the point(s) of connection of its facilities with those of the Seller at the outlet of Seller's measuring devices on the downstream side thereof.

6. Upon request of Buyer, Seller will submit to Buyer the charts and records of such measuring equipment together with Seller's calculations therefrom for Buyer's inspection and verification subject to return by Buyer within ten (10) days after receipt thereof, after which return the charts and records shall be kept on file by Seller for the use of either party for a period of five (5) years and then may be destroyed by Seller.

7. If either party desires at any time to test any meter of Seller or any check meter of Buyer (if installed and in service), it will notify the other party of the desire for such test and the time for such test shall be set promptly by the other party. Each party will then cooperate to secure a joint calibration test and observance of any adjustment, and the meter or meters involved shall be adjusted to accuracy.

8. If upon any test any such measuring equipment is found to be incorrect by two per cent (2%) or more, fast or slow, adjustment shall be made for gas deliveries during the period when such equipment was registering inaccurately, which period shall not in any event be deemed to extend prior to the period covered by the monthly statement immediately preceding the one giving rise to

complaint or request for test unless the parties shall agree to a different period. Following any test, the measuring equipment found to be inaccurate shall be restored as quickly as is feasible to a condition of accuracy by the owner thereof. If for any reason Seller's measuring equipment at any location is out of service or repair so that the amount of natural gas cannot be ascertained or computed from the readings thereof, the natural gas delivered through such equipment during such period shall be estimated and agreed upon by the parties on the basis of the best data available, using the first of the following three methods which is feasible:

- (a) By using the registration of any check meter or meters of Buyer if installed and correctly registering.
- (b) By correcting the error if the percentage of error is ascertainable by calibration test or mathematical calculation.
- (c) By estimating the quantity of delivery from the deliveries made during preceding periods under similar conditions when accurate measurement was being obtained.

ARTICLE III

MEASUREMENT

1. The unit of measurement shall be one thousand (1,000) cubic feet of natural gas at a base temperature of sixty degrees (60°) Fahrenheit, and at a base pressure of fifteen and twenty-five thousandths pounds (15.025#) per square inch absolute, and the readings and registration of the measuring equipment shall be computed into such units.

2. For the purpose of measurement the average atmospheric (barometric) pressure shall be the mean barometric pressure for each point of delivery hereunder, and correction for deviation from Boyle's law shall be made, as determined in accordance with Bulletin T. S. 402, copyrighted 1941, and with Bulletin T. S. 461, copyrighted 1947, by the California Natural Gasoline Association, at intervals of not more than three (3) months or at such other intervals as may be found necessary because of varying operating conditions. The deviation so determined shall be used in computing volumes until the next succeeding such determination, and due consideration shall be given to the gravity and average daily temperature of the gas. Buyer shall have the right and opportunity to check Seller's determinations of deviation.

3. For meters of the orifice type, the following factors shall be given due consideration, to wit:

- (a) The temperature of the natural gas flowing through Seller's meters shall be obtained by the use of a recording thermometer so installed that it may properly record the temperature of the natural gas flowing through the meters. The average temperature recording during each twenty-four (24) hour day shall be used in computing gas volumes.
- (b) The specific gravity of the natural gas shall be determined by an Edward's balance or other mutually acceptable instrument of standard type. The gravity tests shall be made by Seller at least once each three (3) months and the gravity so determined shall be used in the computation of gas volumes until the next ensuing gravity test.

4. Seller's meters shall be calibrated by Seller at least once each three (3) months at Seller's expense, in the presence of a representative of Buyer if Buyer so elects.

5. Buyer may at its option and expense install and operate check meter(s) downstream of and adjacent to any point of delivery, and such equipment, together with any building erected by Buyer therefor, shall be and remain its property. If check metering equipment is installed by Buyer, representatives of Seller shall have access thereto in company with a representative of Buyer at all reasonable times, but the reading, calibration and adjusting of such equipment and changing of charts shall be done only by Buyer's representatives. Charts and records from Buyer's said equipment shall remain the property of Buyer, but on the request of Seller Buyer shall submit the same to Seller, together with Buyer's calculations therefrom, for Seller's inspection and verification, subject to return by Seller within ten (10) days after receipt thereof.

ARTICLE IV

QUALITY OF GAS

1. Gas delivered hereunder shall be dry natural gas with a gross heating value of not less than 950 B.T.U. per standard cubic foot, determined by means of a flow calorimeter of the Junkers or other standard type according to the method prescribed by the U. S. Bureau of Standards for determining the total calorific value of natural gas. It shall be free from dilution or contamination to any significant degree by vapors, liquids, solid matter, air or other foreign substance. It shall have been subject to no treatment changing the chemical

composition of its hydrocarbon content or impairing its usefulness or characteristics as fuel, provided that nothing herein shall be construed to prevent the extraction from gas of any acid gas or nitrogen or helium content or water by ordinary commercial methods. Seller also reserves the continuing right, prior to delivery of gas to Buyer hereunder, to remove and extract therefrom all gasoline and other liquids by means, but only by means, of non-absorptive processes such as the use of drips and ordinary fields separators. Any gasoline or other natural content of the gas when delivered to Buyer shall become its property without the payment of additional consideration, and Seller's warranties shall apply thereto.

2. Gas delivered hereunder shall not contain in excess of .25 grains of hydrogen sulphide (H_2S) or 5 grains of total sulphur (including compounds thereof) per 100 standard cubic feet.

ARTICLE V

QUANTITIES OF GAS

1. Buyer agrees to receive and purchase hereunder volumes of natural gas which, with the volumes being sold by Seller to others from time to time, will enable Seller to withdraw gas from the Pictured Cliffs and Mesaverde wells in San Juan and Rio Arriba Counties, New Mexico, connected to Seller's gathering facilities, on not less than the same basis of ratable withdrawal being practiced by Buyer with respect to other wells producing from said formations in said counties and connected to Buyer's gathering facilities, without any unnecessary or unreasonable difference in treatment being accorded to Seller's sources at any time.

2. All withdrawals from the aforesaid wells shall at all times be kept in reasonably close balance according to the principles of ratable withdrawal contemplated above, and Buyer's purchases of gas from Seller shall be such that any overage or underage at any January 1 or July 1 during the term hereof in the withdrawals from any such well connected to Seller's lines may be adjusted and absorbed within a period of six (6) months thereafter.

3. During the first three full calendar years, Buyer shall have the right to purchase hereunder from Seller, and Seller hereby agrees to deliver hereunder

to Buyer, up to but not exceeding the following maximum volumes of gas in any 24-hour period (herein referred to as "Contracted Maximum Daily Demand"):

<u>Year</u>	<u>M.M.C.F.</u>
1954	40
1955	30
1956	20

Seller also agrees, from time to time during the term of this agreement, to deliver to Buyer hereunder such additional volumes of gas, if any, as may be necessary to permit Buyer to fulfill its purchase obligations under Sections 1 and 2 of this Article.

4. Deliveries and purchases of gas as provided in Section 1 of this Article shall commence as soon as the parties may with due diligence prepare themselves, respectively, to deliver and to receive such gas, and shall commence, in any event, not later than September 1, 1953, to the end that ratable withdrawal of gas hereunder may be achieved and in effect from that date.

5. It is contemplated that from time to time the parties hereto may, by mutual consent, expressed in the form of a written supplement to this agreement, effect changes in the schedule of Contracted Maximum Daily Demands set forth in Section 3 of this Article, so as to provide for Contracted Maximum Daily Demands to be applicable to years after 1956 or so as to increase, decrease or eliminate the Contracted Maximum Daily Demand applicable to any year(s) during the term of this agreement.

6. If and whenever during the term hereof Buyer and Seller shall agree that within the next six (6) months the pressure being maintained in Buyer's lines through natural wellhead flowing pressures (i.e., unincreased by any compression) will be such, in relation to the pressure(s) available to Seller at the point(s) of delivery hereunder, that Seller will be unable to deliver to Buyer hereunder the quantities of gas provided for in this Article, and that such condition can economically be corrected through installation and operation of compression facilities, Seller shall have a period of thirty (30) days after the date of such agreement within which to determine and to signify to Buyer whether or not Seller is able and willing to install, maintain and operate the necessary compression facilities upon its gathering system to increase appropriately the

pressure of gas to be delivered hereunder. Unless Seller elects to proceed with the timely installation and operation of such compression facilities and so notifies Buyer in writing within the said thirty (30) day period, then Buyer shall proceed to install, maintain and operate such compression facilities as are necessary to enable it to receive and purchase the volumes of gas provided for in this Article. Any agreement on the part of Seller or obligation on the part of Buyer to install compression facilities as contemplated in this Section shall be subject to such party's ability to obtain all necessary consents or authorizations of governmental authorities.

7. The provisions and obligations of this Article are of the essence of this agreement. Anything in this Article to the contrary notwithstanding, however, all Buyer's purchase obligations hereunder shall be subject to such limitations as may be imposed from time to time by the then capacity of Buyer's facilities, and Buyer's said purchase obligations shall at all times be limited to production from an aggregate of not to exceed one hundred (100) Pictured Cliffs or Mesaverde wells connected to Seller's gathering facilities.

ARTICLE VI

PRICES

1. The price to be paid by Buyer to Seller for all gas delivered hereunder shall consist of (a) the gathering charge provided for below in this Article, plus (b) the average wellhead cost to Seller of the gas delivered hereunder; provided, however, that in computing such average wellhead cost of gas to Seller the price paid by Seller for any gas, if higher than the highest price being paid at the time by Buyer for gas of like quality, volume and pressure at the wellhead in the San Juan Basin, shall be reduced to such highest price being paid by Buyer; and provided, further, that for purposes of such computations Buyer's said highest price per M.C.F. shall never be taken to be less than that prevailing at the time under its existing gas purchase contracts in the San Juan Basin, which contracts currently provide

for prices per M.C.F. at the wellhead of not less than the following:

<u>Years</u>	<u>Mesaverde Gas</u>	<u>Pictured Cliffs Gas</u>
1954-1958	12¢	10¢
1959-1963	13¢	11¢

nor shall Buyer's said highest price in any event be taken to be less than that stated ~~immediately~~ above during the years 1954 to 1956, both inclusive.

2. The gathering charge to be paid by Buyer to Seller hereunder shall consist of (a) a commodity component and (b) during those periods for which there is in effect a Contracted Maximum Daily Demand hereunder, a demand component.

3. Until January 1, 1957, it is agreed that the demand component of the gathering charge hereunder shall be 58-1/3¢ per month per M.C.F. of then effective Contracted Maximum Daily Demand, and that the commodity component of such gathering charge shall be 2-1/2¢ per M.C.F. of gas delivered hereunder.

4. The demand component and the commodity component of the gathering charge above provided for shall be revised as of January 1, 1957, and as of January 1 of each third year thereafter during the term of this agreement, so as to be respectively equal for each such three-year period to the demand component and the commodity component of the gathering charge payable during such period to Buyer herein for equal volumes of gas or of Contracted Maximum Daily Demand under the natural gas contract being entered into of even date herewith between Buyer herein, as seller, and Southern Union Gas Company, as buyer. It is recognized, however, that gas is to be delivered under said natural gas contract between Buyer and Southern Union Gas Company at a pressure of not less than 600 pounds per square inch gauge and that from time to time deliveries of gas may be made hereunder at lesser pressure(s). Accordingly, if as of any said January 1 it appears that during the three-year period commencing on such date Seller will be delivering gas hereunder at an average pressure for the period of less than 600 pounds per square inch gauge, in computing the demand and commodity components of the gathering charge to be paid during such period by Buyer to Seller hereunder, adjustments shall be made for any differences in costs of service attributable to the difference between (a) the average pressure at which it is estimated gas will be delivered hereunder during such three-year period and (b) a pressure of 600 pounds per square inch gauge.

5. During the twelve months preceding January 1, 1957, and preceding January 1 of each third year thereafter, Buyer shall submit in written form to Seller complete data pertinent to ascertainment, pursuant to Section 4 of this Article, of the demand component and the commodity component of the gathering charge to be paid by Buyer hereunder during the three-year period commencing on such January 1.

6. Should the price payable for gas delivered hereunder during any three-year period after December 31, 1956, not be finally settled prior to the beginning of such period, deliveries of gas hereunder may nevertheless be continued and Buyer will deposit monthly with Seller sums estimated by Seller as appropriate to compensate it on the basis provided for by Section 4 of this Article, subject to adjustment between the parties by cash payment promptly following establish-

ment of the price therefor.

7. If and whenever Buyer places in operation compression facilities as contemplated by Section 6 of Article V hereof, Buyer will supply the necessary compression at its actual full cost of service for such compression, including a six per cent (6%) rate of return (or such higher rate of return as the Federal Power Commission is then allowing to Buyer in rates fixed for its sale of gas in interstate commerce) upon Buyer's rate base in the compression facilities installed, maintained and operated for purposes of receiving gas delivered hereunder, such cost of service, including rate of return, being developed in the manner employed by the Federal Power Commission in the exercise of its authority under the Natural Gas Act, as amended and then in effect, Seller to reimburse Buyer for its said cost of service monthly as provided in Section 8 below.

8. Not less than thirty (30) days prior to the date upon which Buyer intends to put into operation compression facilities as contemplated in Section 6 of Article V hereof, Buyer shall notify Seller in writing of its estimate for the remainder of the then current calendar year of the average cost of service to Buyer, as aforesaid, per M.C.F. of gas to be compressed. Not less than thirty (30) days prior to each January 1 that this agreement remains in effect thereafter, similar notice shall be given by Buyer to Seller of its estimate of such compression costs for the next ensuing calendar year. Each month in which Buyer is due reimbursement for compression costs, the sum due Buyer on the basis of Buyer's estimate, as aforesaid, shall be deducted from the sums otherwise payable hereunder for such month by Buyer to Seller. As promptly as feasible following the close of each calendar year, Buyer shall definitively determine its actual cost of service for compression for such year on the basis provided for in Section 7 of this Article and shall submit to Seller in written form complete data pertinent to the making of such determination. If Seller concurs in Buyer's determination, it shall promptly so notify Buyer and adjustment shall be made forthwith between the parties by cash payment to compensate for any difference between (a) the aggregate of the compression charges deducted for the year on the basis of Buyer's estimates, and (b) the aggregate of Buyer's actual costs of service for compression for the year as finally determined. If the parties

fail to agree upon any such determination after reasonable efforts and negotiations, resort shall be had to arbitration in the manner provided for in Article XVII hereof for the purpose of establishing Buyer's reimbursible compression costs for the year.

ARTICLE VII

BILLING AND PAYMENT

1. Buyer agrees to pay to Seller at the latter's offices in Dallas, Texas, not later than the 25th day of each month for all gas delivered during the preceding month (including the applicable monthly demand component of the gathering charge) provided Buyer shall have at least ten (10) days after receipt of Seller's bill before payment thereof is due. Should Buyer fail to pay when due any amount owing Seller for gas delivered hereunder, Seller may charge Buyer interest at the rate of six per cent (6%) per annum from such due date until paid, and shall also have the right to discontinue deliveries hereunder whenever any gas bill due, to the extent not excepted to as provided in Section 2 of this Article, remains unpaid for thirty (30) days after written notice to Buyer of Seller's intention to discontinue.

2. Unless exceptions shall be made in writing by Buyer to Seller within ninety (90) days after Buyer's receipt of any gas bill, the bill and the volumes of gas represented thereby shall be conclusive upon the parties except as to retroactive adjustments on account of meter inaccuracy as provided in Section 8 of Article II.

ARTICLE VIII

TERM

This agreement shall be in full force and effect continuously from its mutual execution and delivery by the parties for and during a term ending December 31, 1973, at midnight, and from month to month thereafter unless and until terminated by written notice of termination by one party to the other at least one full calendar month in advance of the date so fixed for termination, which may be December 31, 1973, or at the end of some subsequent calendar month.

ARTICLE IX

FORCE MAJEURE

1. In the event either party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement (other than to make payments of amounts due hereunder), it is agreed that the obligations of the party whose performance is prevented by such force majeure shall, to that extent only, be suspended during the continuance of any inability so caused but for no longer period, and such cause shall, so far as possible, be remedied by such party with all reasonable dispatch. The term "force majeure", as employed herein, shall mean acts of God, strikes, and similar disturbances, inability during periods of national emergency to obtain pipe or other materials or equipment in the exercise of diligence by commercial methods, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraint of rulers and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, freezing of wells or lines of pipe, sudden partial or entire failure of natural gas wells, and any other cause, whether of the kind herein enumerated or otherwise, not within the control of the party claiming suspension and which, by the exercise of due diligence, such party is unable to anticipate or overcome. Nothing contained herein, however, shall be construed to require either party to settle a strike or other labor dispute or disturbance against its will. The party whose performance is affected by force majeure shall promptly notify the other party, using the speediest means of communication reasonably available under the circumstances, stating the force majeure and its probable effect and duration, and shall confirm such notice in the manner provided in Article XII.

2. It is expressly agreed that Seller may interrupt or curtail its deliveries hereunder, and that Buyer may interrupt its acceptance of deliveries hereunder, for the purpose of making necessary alterations and repairs to its pipelines or compression facilities, but only for such time and to such extent as may be reasonable and unavoidable, and shall give the other party, except in case of emergency, reasonable advance notice of its intention so to do, and shall endeavor to arrange such interruption so as to inconvenience the other

party as little as possible.

ARTICLE X

WARRANTY OF TITLE

Seller warrants (general warranty) its title to and right to sell and deliver all gas hereunder, free and clear of liens and adverse claims of whatever nature in money or in kind; and agrees to indemnify and hold harmless the Buyer from all suits, claims, damages, liens, costs and expenses arising from or out of adverse claims or liens, howsoever arising or asserted, with respect to the title to said gas or any interest therein or the proceeds of sale thereof.

ARTICLE XI

OTHER PERSONS

1. This agreement shall bind and benefit the respective successors and assigns of the parties hereto but shall not be transferred or assigned by either party without the consent of the other party; provided, however, that this agreement and all rights and obligations of either party hereby created may be transferred or assigned by such party without the consent of the other party pursuant to any plan of reorganization, merger and/or consolidation and/or concurrently with the mortgage or sale, pursuant to the foreclosure of any mortgage or deed of trust, of all or any part of the properties of such party affected by this agreement. If all or any part of the facilities of Seller at the time required for the delivery of gas hereunder and/or all or any part of the facilities of Buyer at the time required for its resale of gas hereunder be voluntarily sold or exchanged by the party then owning same (including transfer by merger or consolidation), then and in such event the parties respectively agree that they will cause the person, firm or corporation so acquiring all or any part of such facilities expressly to agree to take and hold the same subject to the obligations created by this agreement applicable to the facilities so sold or exchanged; provided, however, without consent of the other, either party may assign its right, title and interest in, to and under this agreement to a trustee or trustees, individual or corporate, as security for bonds or other obligations or securities, without such trustee or trustees assuming or becoming in any respect obligated to perform the obligations of the assignor under this

agreement and, if any such trustee be a corporation, without its being required to qualify to do business in any state in which such property(ies) in whole or in part may be located; and provided, further, no assignment or transfer herein contemplated shall operate to relieve the assigning party of any obligation hereunder.

2. This agreement shall not, in whole or in part, either bind or inure to the benefit of any person, firm or corporation other than the original parties hereto, their respective successors and assigns, and no other shall at any time have or claim any interest herein or benefit hereunder.

ARTICLE XII

NOTICES

Any notice to be given hereunder shall be deemed sufficiently given and served when and if posted in the United States mail, registered and postage prepaid, addressed to Buyer at El Paso, Texas, or to Seller at Dallas, Texas, as the case may be, or at such other address as either may hereafter designate in writing to the other for such purpose. Routine matters, such as monthly statements and ordinary correspondence, shall be considered posted when sent by ordinary mail. In cases of emergency, notice shall be given by telephone or telegram or in person to the nearest office of Seller or Buyer, as the case may be, and thereafter confirmed in writing as in this Article above provided.

ARTICLE XIII

LAWS AND REGULATIONS

Any provision herein to the contrary notwithstanding, this agreement is subject to and in contemplation of all valid laws and rules, regulations and orders of duly constituted regulatory authorities, State and Federal, applicable to the subject matter hereof and effective from time to time. This agreement having been made with reference to the laws of New Mexico, such laws shall be applied in the determination of any substantive question which may arise hereunder.

ARTICLE XIV

LIABILITY

As between the parties hereto, Seller shall be in control and possession

of its natural gas deliverable hereunder and responsible for any damage or injury caused thereby until the same shall have been delivered to Buyer at any point of delivery, at which point the title to such gas delivered as well as the responsibility for its safe conduct and handling shall pass from Seller to Buyer.

ARTICLE XV

TERMINATION

If either party shall fail to perform any of the covenants or obligations imposed upon it under and by virtue of this agreement (except where such failure shall be excused under provisions of this agreement), then in such event the other party may at its option terminate this contract by proceeding as follows: The party not in default shall cause a written notice to be served on the party in default, stating specifically the cause for terminating this contract and declaring it to be the intention of the party giving the notice to terminate the same, thereupon, the party in default shall have sixty (60) days after the service of the aforesaid notice in which to remedy or remove the cause or causes stated in the notice for terminating the contract, and if within said period of sixty (60) days the party in default does so remove or remedy said cause or causes and fully indemnify the party not in default for any and all consequences of such breach, then such notice shall be ineffective and this agreement shall continue in full force and effect. In case the party in default, within said period of sixty (60) days, does not so remedy and remove the cause or causes or does not indemnify the party giving the notice for any and all consequences of such breach, then this agreement shall become null and void from and after the expiration of said period. Any cancellation of this agreement pursuant to the provisions of this Article shall be without prejudice to the right of the party not in default to collect any amounts then due it and without waiver of any other remedy to which the party not in default may be entitled for violation of this agreement.

ARTICLE XVI

DEFINITIONS

When used herein:

- (a) The term "day or "daily" means a consecutive period of twenty-four

(24) hours.

- (b) The term "year" means a calendar year, and the term "month" means a calendar month.
- (c) The term "M.C.F." means 1,000 cubic feet and the term "M.M.C.F." means 1,000,000 cubic feet of gas, under the conditions set forth in Section 1 of Article III.
- (d) The term "Federal Power Commission" includes any successor federal agency exercising jurisdiction similar to that conferred under the Natural Gas Act, as amended and in effect from time to time.
- (e) The terms "Seller" and "Buyer" and "parties" include the respective successors and assigns of the original parties hereto.

ARTICLE XVII

ARBITRATION

1. The arbitration provided for in Section 8 of Article VI, and all other matters of dispute which the parties hereto shall agree to submit to arbitration, shall be submitted for determination to a Board of Arbitrators chosen as provided below.

2. On the written demand of either party and within five (5) days from the date of demand, each party shall name an arbitrator, and these two so named shall promptly thereafter choose a third. If either party shall fail to name an arbitrator within five (5) days from said demand, the other party shall name the second arbitrator as well as the first, or if the two arbitrators shall fail within ten (10) days from their appointment to agree upon and appoint the third, then upon written application by either party such third arbitrator shall be appointed by the American Arbitration Association, and if said American Arbitration Association shall not be in existence or shall fail to act, then such third arbitrator shall be appointed by the person who is the Judge then in office of the District Court of the United States of America having jurisdiction over San Juan County, New Mexico.

3. The Board of Arbitrators so chosen shall proceed immediately to hear and determine the question in dispute, deciding same in accordance with the terms of this agreement. The Board of Arbitrators shall have no authority to

supplement or in any way modify the terms and provisions of this agreement.

4. The decision of the Board of Arbitrators, or a majority thereof, shall be made within forty-five (45) days after the appointment of the third arbitrator, subject to any reasonable delay due to unforeseen circumstances. In the event the Board, or a majority thereof, fails to make a decision within sixty (60) days after the appointment of the third arbitrator, new arbitrators may at the election of either party be chosen in like manner as if none had been previously selected.

5. The decision of the arbitrators shall be drawn up in writing and signed by the arbitrators or a majority of them, and shall be final and binding on the parties hereto as to any question or questions submitted, and the parties hereto shall abide by such decision and perform the conditions thereof. All expenses in connection with such arbitration, including a reasonable compensation to the arbitrators, shall be divided equally between the parties hereto, with the exception of the expenses of counsel, witnesses and employees of the parties hereto, which will be borne by the party incurring them.

6. It is contemplated that arbitrators selected to act hereunder shall be qualified by education and training to pass upon the particular question in dispute. Therefore, it is agreed that if an engineering question is involved, qualified engineers shall be appointed; if a legal question is involved, qualified lawyers shall be appointed; and similar procedure shall be followed in connection with other questions.

IN WITNESS WHEREOF, the parties have caused this agreement to be duly executed by their proper corporate officers hereunto duly authorized and their corporate seals to be affixed, so as to be binding upon themselves and their respective successors and assigns.

ATTEST:

/s/ E. O'W. Johnson
Asst. Secretary

(Seal)

ATTEST:

/s/ V. M. Plummer
Asst. Secretary

(Seal)

SOUTHERN UNION GATHERING COMPANY

By /s/ J. C. Reid ASG
Vice President

SELLER

EL PASO NATURAL GAS COMPANY

By /s/ D. H. Tucker
Vice President

BUYER