

July 14, 2006

\*\* APPLICATION FILED ELECTRONICALLY \*\*

Michigan Public Service Commission  
6545 Mercantile Way  
P.O. Box 30221  
Lansing, MI 48909

Attn: Ms. Mary Jo Kunkle  
Executive Secretary

Re: In the Matter of the Application of Cedarline, L.L.C.  
for Approval of Construction and the Operation of the  
Forest Home Pipeline in Forest Home and Kearney  
Townships, Antrim County, Michigan  
Case No. U-14966

Dear Ms. Kunkle:

Enclosed is our check in the amount of \$100 as payment of the  
filing fee for the referenced Application.

If you have any questions regarding this Application, please  
do not hesitate to contact me.

Very truly yours,  
Kimberly Dixon

Digitally signed by Kimberly Dixon  
DN: cn=Kimberly Dixon, c=US,  
o=Worman, Dixon, Manis,  
email=wdmpltc@core.com  
Date: 2006.07.14 14:23:00 -04'00'

Kimberly Dixon

KD/rg  
Enclosure

cc: D Hyzer  
S Dzierwa

**STATE OF MICHIGAN**  
**BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION**

IN THE MATTER OF THE )  
APPLICATION OF CEDARLINE, L.L.C. FOR )  
APPROVAL OF CONSTRUCTION AND THE )  
OPERATION OF THE FOREST HOME PIPELINE )  
IN FOREST HOME AND KEARNEY TOWNSHIPS )  
ANTRIM COUNTY, MICHIGAN )

**CASE NO. U-14966**

**APPLICATION**

Cedarline, L.L.C., a Michigan limited liability company ("Cedarline") files this Application pursuant to 1929 PA 9, as amended; MCL 483.101, and the Michigan Public Service Commission ("MPSC" or the "Commission") Rules for the Production and Transmission of Natural Gas, Mich Admin Code R 460.851, *et seq*, and in support shows the following:

1. Cedarline, L.L.C. is a Michigan limited liability company organized and existing under the laws of the State of Michigan with its principal office at 175 Thompson Road, P.O. Box 100, Bad Axe, Michigan 48413, and is engaged in the production, transmission, and sale of natural gas.

2. This Application is filed to obtain Commission approval for the construction and operation of approximately six and forty-six one hundredths (6.46) miles of pipeline, consisting of 4.5" outside diameter ("O.D.") steel pipe, identified as the Forest Home Pipeline ("Pipeline") and related interconnection facilities, as reflected on the map attached as Exhibit A-1. The Western terminus of the Pipeline begins at the proposed Forest Home (Gregory) Central Production Facility, owned and

operated by SRW, Inc., located in the SW/4 of NE/4 of Section 12, T30N, R8W, Forest Home Township, Antrim County, Michigan, and then proceeds South, East and North to where the proposed Pipeline will tie into a segment of the existing Radec sales line in the SW/4 of SE/4 of Section 10, T30N, R7W, Kearney Township, Antrim County, Michigan.

3. The Pipeline will be constructed within private easements or within the County Road and State Highway right-of-ways. Cedarline has filed application for use of the public roads and road easements and, based upon discussions with MDOT and the County Road Commission, the necessary easements to construct, own and operate the Forest Home Pipeline will be acquired so long as this certificate is issued. Cedarline has secured the appropriate agreements covering all private land.

4. No portion of the Pipeline will be constructed through any of the following:

- An area within the limits of a city or village;
- A designated residential or commercial area such as a subdivision, business or shopping center, or community development; or
- The property of a school, hospital, park or similar public place.

Where the Pipeline runs along the west side of Highway M-88, within the highway right-of-way in the NE/4 of NE/4 of Section 24, T30N, R8W, the proposed pipeline will pass alongside a parcel that houses

a church-related structure identified as "Saint Luke the Evangelist, Roman Catholic Parish". Also along the West side of Highway M-88, within the highway right-of-way but located in the NE/4 of SE/4 of Section 13, T30N, R8W, the pipeline will pass alongside a parcel that houses a structure identified as "Hope Lutheran Church". The proposed pipeline will also be constructed through property owned by Antrim County that currently houses the Antrim County Airport. A Pipeline Easement has been acquired from Antrim County and is attached as Exhibit B.

5. Attached to this application are the following Exhibits applicable to the Forest Home Pipeline and related facilities for which approval is sought:

Exhibit A-1: A map showing the location of the Cedarline Pipeline and its inter-connection with the Radec sales line;

Exhibit A-2: The General Engineering Specifications;  
and

Exhibit A-3: An Environmental Assessment Report for the Cedarline Pipeline.

6. The Forest Home Pipeline will be constructed by Cedarline and will be financed by funds generated by internal sources. The total cost of the Forest Home Pipeline is estimated to be One Million, Two Hundred Fifty-two Thousand, Three Hundred Sixty-seven Dollars (\$1,252,367.00). Exhibit C, attached hereto, details an estimate of the volumes of gas to be transported along with operating expenses and

revenue for the proposed Forest Home Pipeline for the next five (5) years.

7. The Forest Home Pipeline will transport Antrim gas only and will deliver that gas into the Radec sales line, allowing the gas to be delivered downstream for treatment at SRW's Chestonia 17 Gas Plant and ultimately for public use.

8. Cedarline has entered into an agreement to transport SRW's gas. The proposed contract, which has been agreed upon between the parties, is attached as Exhibit D.

9. Cedarline estimates that the initial volume of gas to be transported to market through the Forest Home Pipeline will be 700 Mcf/day, increasing to 4,000 Mcf/day in approximately one (1) year. Cedarline estimates the reserves available for production and transportation to be approximately 12.0 Bcf. In the event Cedarline enters into an agreement with a third party to transport gas on the Forest Home Pipeline, Cedarline will file with the Commission the initial contracts and shall comply with the requirements of 1929 PA 9.

10. Cedarline will operate the Forest Home Pipeline in accordance with the Michigan Gas Safety Code.

11. The Forest Home Pipeline will provide the most direct, reasonable and economical route for natural gas produced from wells in the Forest Home project to be transported from the Forest Home (Gregory) Central Production Facility, so as to make the gas available for the benefit of the public.

WHEREFORE, Applicant respectfully requests that the Commission, pursuant to Act 9:

A. Approve the routing and operation of the Forest Home Pipeline;

B. Find that the Forest Home Pipeline serves the convenience and necessity of the public;

C. Approve the transportation rate of \$0.361;

D. Approve this Application on an *ex parte* basis, without the time and expense associated with scheduling, noticing and convening a public hearing in view of the fact that Cedarline has acquired or has the contractual right to acquire agreements for all necessary rights-of-way; and

E. Grant such relief as it may find appropriate.

CEDARLINE, L.L.C.  
Applicant

Kimberly Dixon

Digitally signed by Kimberly Dixon  
DN: cn=Kimberly Dixon, c=US, o=Worman,  
Dixon, Manis, email=wdmple@core.com  
Date: 2006.07.14 14:23:44 -04'00'

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By: Kimberly Dixon (P43384)  
Attorney for Applicant

Dated: July 14, 2006

Business address:  
P.O. Box 219  
106 East Ash  
Mason, MI 48854  
(517) 244-9100

**VERIFICATION**

State of Michigan )  
                          ) ss  
County of Ingham )

Before me this 14th day of July, 2006, appeared Kimberly Dixon, who being first duly sworn, stated that she is the Attorney for Cedarline,

L.L.C., that she has executed the foregoing Application for and on behalf of Cedarline, L.L.C.; that she has read the foregoing Application and is familiar with the contents thereof; that the same are true to the best of her knowledge and belief; and that she is duly authorized to execute and file such Application on behalf of Cedarline, L.L.C..

Ruth Ann Gingrich

Digitally signed by Ruth Ann Gingrich  
DN: cn=Ruth Ann Gingrich, c=US, o=Worman,  
Dixon and Manis, email=ruth@wdmple.com  
Date: 2006.07.14 14:24:08 -04'00'

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Ruth Ann Gingrich, Notary Public  
Clinton County, Michigan  
Acting in Ingham County, Michigan  
My Commission Expires: 04/23/07



EXHIBIT A-2

## ENGINEERING SPECIFICATIONS

### Forest Home – Cedarline Pipeline

April 20, 2006

#### Class Locations:

The class location, as defined by Part 3 of the Michigan Gas Safety Code, of Cedarline L.L.C. pipeline are shown on the attached Engineering Data Summary sheet. This pipeline location does not include any cities or villages, designated residential or commercial areas, or the property of school, hospital or park.

#### Operating Data:

The 4" diameter steel pipeline will have a maximum allowable operating pressure of 1440 psig. The maximum allowable operating temperature is 150° F for the line. Normal operating conditions are approximately 810 psig and 60° F.

#### Pipe Design:

All pipes in the pipeline meet or exceed the requirements of Part 5 of the Michigan Gas Safety Code. All pipe was manufactured in accordance with API 5L, Grade X42, electric resistance welded, having a longitudinal joint factor 1.00 and temperature derating factor of 1.00. Calculated design pressures for the 4" pipeline are tabulated below:

| Outside<br>Diameter | Wall<br>Thickness | Design<br>Factor | SMYS<br>(psi) | Allowable<br>Design<br>Pressure<br>(psi) |
|---------------------|-------------------|------------------|---------------|------------------------------------------|
| 4,500"              | 0.188"            | 0.5              | 42,000        | 1,754                                    |

The design factors used in the above table allow for the roadway encroachment safety factors required by Rule 111 of the Michigan Gas Safety Code. All fabricated piping has been designed using a 0.50 design factor.

#### Valves and Fittings:

All valves and fittings and flanges used in the pipelines have pressure ratings of 1440 psig or higher and comply with Part 6 of the Michigan Gas Safety Code.

#### Bends:

Pipe bends were made in the field by the cold bend method in accordance with Part 9 of the Michigan Gas Safety Code.

**Welded Joints:**

All buried joints in the pipelines are welded in accordance with standards of Part 7 of the Michigan Gas and Safety Code. All welders and welding procedures used in the construction of the lines were qualified in accordance with API Standard 1104.

**Overpressure Protection:**

The pipelines are protected against overpressure by compressor discharge high pressure safety devices and relief valves at the production facilities feeding the pipelines.

**Corrosion Protection:**

The pipelines are factory coated with extruded polyethylene or fusion bonded epoxy coating. Welded connections are filed coated with compatible tape coating or shrink sleeves. Cathodic protection is provided by 17 pound magnesium anodes installed at intervals of approximately 750 feet for 3" lines, 500 feet for 4" lines, 400 feet for 6" lines. The pipelines are electrically insulated from adjoining facilities with flange insulation kits.

**Installation:**

The pipelines were installed by the trenching method with a minimum cover of 36 inches, 48 inches in road crossings. Crossings of streams and wetlands were installed by directional boring.

**Testing:**

The attached Engineering Data Summary sheet includes the dates, minimum test pressures and durations of the hydrostatic test of the pipelines. Pressure test records are also attached. These test exceed the requirements of Part 12 of the Michigan Gas Safety Code.

**Inspection:**

Construction of these pipelines was visually inspected as required by Part 9 of the Michigan Gas Safety Code. Welds were nondestructively tested in accordance with Rule 243 of the Code.

**General:**

The construction of these pipelines, including welding and corrosion control, has been completed in accordance with the Michigan Gas Safety Code as set forth in Parts 7, 9 and 11.

EXHIBIT A-3

**Great Lakes Ecosystems**

P.O. Box 156  
Indian River, Michigan 49749  
231-238-7615 Office / 231-238-4615 Fax

**ENVIRONMENTAL ASSESSMENT OF THE CEDARLINE (RADEC) FOREST  
HOME PIPELINE FOR ACT 9 CERTIFICATION PURPOSES**

Located in:

Forest Home (T30N, R8W) and Kearney (T30N, R7W) Townships,  
Antrim County, Michigan

**Submitted to:**

S.R.W. Inc.  
P.O. Box 2066  
Gaylord, Michigan 49734

**Prepared by:**

Bert C. Ebberts  
Consulting Biologist

19 April 2006

## **INTRODUCTION**

This report examines the potential environmental impacts of an approximately 6.46 mile long pipeline to be located in sections 12, 13, and 24 of Forest Home Township, T30N, R8W, as well as section 19 of Forest Home Township, T30N, R7W, and sections 10, 15, 19, 20, 21 and 22 of Kearney Township, T30N, R7W, Antrim County, Michigan. My assessment began at the western terminus of the pipeline, at the proposed Forest Home Production Facility (CPF) in the SW ¼ of the NE ¼ of section 12, T30N, R8W, and proceeded south, east and north to where the proposed pipeline will tie into a segment of the existing Radec Pipeline in the SW ¼ of the SE ¼ of section 10, T30N, R7W. The 4-inch diameter steel pipeline will be constructed by S.R.W. Inc. to transport natural gas derived from the Antrim formation.

## **CONSTRUCTION METHODS**

To the best of my knowledge, the proposed pipeline route runs entirely across private lands, Antrim County Airport property, and/or road rights-of-way (ROW) maintained by the Antrim County Road Commission. Prior to installation, trees will be cleared from the route wherever necessary, to permit the free movement of heavy equipment. For most of the alignment, except under state-regulated streams, selected portions of wetlands, and improved county roads, the pipeline will be installed using the open cut trenching method. Underneath streams, selected wetland areas and improved county roads, the directional drill or boring-and-jacking method will be utilized. To the best of my knowledge, the open-cut trench will average about 24 inches wide by 5 feet deep, intended to provide a minimum of 48 inches of soil cover over the steel pipe. All excavated materials are intended to be stored temporarily within workspace areas prior to the backfilling process. The individual pipeline segments will be welded together before being lowered into the excavated trench, or inserted during the directional drill or boring-and-jacking process. During construction, the welds are inspected visually and radiographically, then coated to protect against corrosion.

After a portion of pipeline is lowered into a section of excavated trench, the area above will be backfilled to original grade using an excavator, and then compacted, with a small ridge left over the center of the former trench if necessary to offset the effects of settling. For erosion control purposes, all exposed areas within the pipeline easement will be reseeded with a standard mix of perennial grasses and legumes and a temporary cover crop. Immediately after installation, the pipeline will be hydrostatically tested for leaks in accordance with industry standards and the Michigan Gas Safety Code. Water used for testing will be disposed of in an environmentally safe or appropriate manner. Upon pipeline completion, the entire route will be identified aboveground by distinctive, brightly colored carsonite markers.

## EXISTING ENVIRONMENT

On 3 January and 9 March 2006, for environmental impact assessment purposes, I walked or drove the entire pipeline route, to study and document the communities through which it passes. Except for bare patches of earth in south-facing farm fields, on the date of my inspection, the ground was covered by a layer of snow ranging from 3 to 6 inches deep. The lineal width of vegetation cover types intersected by the proposed route was determined in the field using a measuring wheel, or taken directly from black-and-white aerial photos enlarged to a scale of 1 inch = 600 feet (provided to S.R.W. Inc. by Gourdie-Fraser Associates of Traverse City, Michigan). These measurements, summarized below, provide an index of the current habitats and land use practices adjacent to the route:

| Cover Type                                                                                                                                           | Distance<br>In Miles | % of   |
|------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|--------|
| Total                                                                                                                                                |                      |        |
| Upland residential yard (mostly within county road rights-of-way)                                                                                    | 1.28 mi              | 19.8%  |
| Upland old field openings, including road rights-of-way, occasionally mowed, or fringed by mature trembling aspen or sugar maple trees               | 1.17 mi              | 18.1%  |
| Intermediate-aged, upland northern hardwood forest, heavily dominated by sugar maple with lesser amounts of American beech or bigtooth aspen         | 0.96 mi              | 14.9%  |
| Upland active hayfield (mostly alfalfa)                                                                                                              | 0.78 mi              | 12.1%  |
| Forested wetland dominated by trembling aspen, balsam fir, black ash and/or northern white cedar (0.23 mi of which will be directionally drilled)    | 0.56 mi              | 8.7%   |
| Shrub-scrub wetland, dominated by willow, alder & broad-leaved cattail, flanking Antrim County Airport improved (filled & mowed) areas               | 0.50 mi              | 7.7%   |
| Upland evergreen plantation, with old field vegetation edges & understory                                                                            | 0.32 mi              | 5.0%   |
| Upland inside Antrim County Airport fence (mowed grass + pavement)                                                                                   | 0.28 mi              | 4.3%   |
| Upland active cattle pasture                                                                                                                         | 0.16 mi              | 2.5%   |
| Upland active cornfield                                                                                                                              | 0.12 mi              | 1.9%   |
| Shrub wetland dominated by alder & willow, interspersed w/ scattered trees (pipeline to be installed here in conjunction w/ Intermediate River bore) | 0.10 mi              | 1.5%   |
| Upland yard (mowed / maintained) along edge of business property                                                                                     | 0.08 mi              | 1.2%   |
| Upland maintained yard / grounds in front of Hope Lutheran Church                                                                                    | 0.05 mi              | 0.8%   |
| Upland maintained grounds in front of St. Luke Roman Catholic Parrish                                                                                | 0.04 mi              | 0.6%   |
| Intermediate-aged, upland forest dominated by trembling aspen & balsam fir                                                                           | 0.04 mi              | 0.6%   |
| Open water (Intermediate River, along directional drill alignment)                                                                                   | 0.02 mi              | 0.3%   |
|                                                                                                                                                      | -----                | -----  |
| Total                                                                                                                                                | 6.46 mi              | 100.0% |

More than three-quarters of the total pipeline length (5.28 miles, or 82%) is upland and vegetated as described in general above. Approximately 1.18 miles (18%) of the total pipeline length is comprised of wetland, primarily shrub-scrub and forest cover types (1.16 miles), or surface water (0.02 mile). Of this 1.18 miles, 0.35 mile will be

directionally drilled (according to the above-referenced Gourdie-Fraser plan), meaning that direct impacts to wetlands from trenching will total approximately 0.83 mile.

Two bodies of surface water regulated by the Michigan Department of Environmental Quality (MDEQ), Land & Water Management Division (LWMD), in accordance with the definition contained in Part 301 (Inland Lakes and Streams) of Act 451 of the Public Acts of 1994 as amended (Michigan's Natural Resources and Environmental Protection Act), occur along the pipeline route, approximately located as follows:

- 1) Unnamed stream in NE ¼ of SE ¼ of section 13, T30N R8W; and
- 2) Intermediate River in NE ¼ of NW ¼ of section 19, T30N R7W.

All wetland areas represented by the above cover types are directly contiguous to either the Intermediate River (the unnamed stream appears to be a tributary of the River) or Intermediate Lake, which begins to the north and west of the Airport runway, and extends to within +/- 250 feet of the pipeline route at the closest point (along Highway M-88, where the pipeline cuts westward from the road ROW toward the Forest Home CPF). Beyond the stream and river listed above, the pipeline route does not cross or intersect any other MDEQ-regulated bodies of surface water (i.e. lakes, ponds, rivers or streams). To the best of my knowledge, **no** portion of the proposed pipeline will be constructed through any of the following:

1. An area within the limits of a city or village;
2. A designated commercial area such as a subdivision, business or shopping center, or community development;
1. The property of a school, hospital, park or similar public place.

Where it runs along the west side of Highway M-88, within the highway ROW in the NE ¼ of the NE ¼ of section 24, T30N R8W, the proposed pipeline will pass alongside a parcel that houses a church-related structure identified as "Saint Luke The Evangelist, Roman Catholic Parish". Also along the west side of Highway M-88, within the highway ROW, but located in the NE ¼ of the SE ¼ of section 13, T30N R8W, the pipeline will pass alongside a parcel that houses a structure identified as "Hope Lutheran Church". Lastly, as referenced above, the proposed pipeline will be constructed through property owned by Antrim County that currently houses the Airport County Airport.

### **ENVIRONMENTAL IMPACTS**

Environmental impacts of the proposed Cedarline (Radec) Forest Home Pipeline are minimal because the route passes through, or more commonly follows the edge, of a series of relatively common cover types, a significant majority of which are upland, and none of which are individually recognized as critical or vital habitat for any rare, special concern, threatened or endangered wildlife or plant species. Not a single unique, unusual or noteworthy species of any kind was encountered or noted during my field inspection. Approximately 88% of the route (5.69 miles) follows existing corridors, mainly falling inside or adjacent to road rights-of-way (5.39 miles total, including Eddy School Road, Montgomery Road, Bush Road and Highway M-88), or running alongside the existing access road (0.30 mile total) leading to the recently drilled Gregory B3-12 production well at the proposed Forest Home CPF site. Where the proposed pipeline route cuts "cross-country", it does not pass through any intermediate-aged or mature forest stands;

thus no significant forest habitat fragmentation is expected to occur. Where the pipeline route crosses regulated wetland areas, it can be installed without a MDEQ-LWMD permit pursuant to Section 30305(2) of Part 303 (Wetland Protection) of Act 451 as amended, which states that the following uses (among others) are allowed in a wetland without a permit subject to other laws of the state and owner's regulation: "(l) Maintenance, repair, or operation of gas or oil pipelines and construction of gas or oil pipelines having a diameter of 6 inches or less, if the pipelines are constructed, maintained or repaired in a manner to assure that any adverse effect on the wetland will be otherwise minimized." In its simplest interpretation, assuring "that any adverse effect on the wetland will be otherwise minimized" means keeping the pipeline corridor as narrow as safely possible and, after installation, returning the soil layers to the trench in reverse sequence, so that the original topsoil (muck) horizon is clearly visible at the surface, situated above the original subsoil (sand or clay) horizon. Small diameter pipelines that run adjacent to, and/or parallel with, existing corridors easily meet this exemption, because such routes almost always represent the most prudent and feasible alternative possible in terms of minimizing potential adverse effects to any adjoining wetland areas. Small diameter pipelines that are directionally drilled beneath wetlands also easily meet the exemption. Similarly, provided certain conditions are met, a Part 301 (Inland Lakes and Streams) permit from the MDEQ-LWMD is not required to install the proposed pipeline under either the unnamed stream listed above or the Intermediate River. Rule 281.832(2), for "Pipelines and conduits generally," states that "The use of directional drilling/boring methods to conduct lake and stream crossings will not be regulated by part 301 of the act if all of the following provisions are satisfied: (a) A minimum of 10 feet is maintained from the top of the conduit and the bottom of the lake or stream. (b) The entry and exit points are located far enough away from the lake or stream banks to assure that bank disturbance does not occur. (c) The drilling or boring sites (pits) are located outside of any applicable natural river designation setback requirements. (d) The drilling or boring operations will not result in the eruption/release of any drilling fluids up through the ground and into the lake or stream. If, however, the eruptions/releases occur below the ordinary high watermark of the water body, then an after-the-fact permit application shall be submitted with a detailed description of how the crossing was completed, how the eruption was minimized, contained, and cleaned up, and how the site was restored." It is my understanding that S.R.W. Inc. intends to install the proposed pipeline under any regulated bodies of surface water so that all of the exemption criteria are met. I did not review the pipeline route closely with respect to future soil erosion concerns, because this aspect falls under the authority of Part 91 (Soil Erosion and Sedimentation Control) of Act 451, administered by the Michigan Department of Environmental Quality or local units of government. My general observation is that the route topography varies from flat to gently undulating, not appearing to contain any significant grades where erosion is likely to be a problem. Once perennial plant cover becomes fully established on all raw earth disturbed by construction, the potential for erosion will cease to exist. In terms of the future, the possibility exists, however remote, of an accidental release of natural gas. Historically, underground pipelines have proven to be the safest method for transporting petroleum products, and the potential for such a release is extremely low. Because the gas will be in a vapor state, it is unlikely that a release would significantly harm plants, wildlife or

soils. Ignition and fire is also a potential danger, for people living in the project vicinity, but current population density there is relatively low overall. To the best of my knowledge, the Cedarline (Radec) Forest Home Pipeline will be constructed according to the Michigan Public Service Commission's Guidelines and the Office of Pipeline Safety Regulations, and will be inspected for leakage on an annual basis as outlined in the Michigan Gas Safety Code. Cathodic protection will help ensure the pipeline's structural integrity over an extended period of time.

NOTE: This report was transmitted electronically by the author to S.R.W. Inc. Internal verification code for the end of text = 2369.

200600006068  
Filed for Record in  
ANTRIM COUNTY MICHIGAN  
PATTY NIEPOTH - 368  
06-05-2006 At 12:02 pm.  
EASE / ROW      29.00  
OR Liber 752 Page 544 - 549

## **PIPELINE EASEMENT**

In consideration of the sum of Thirty Eight Hundred and NO/100 Dollars (\$3,800.00) and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Antrim County, a Municipal corporation, 203 East Cayuga Street, PO Box 520, Bellaire, Michigan 49615, hereinafter called Grantor, hereby grants and conveys to SRW, Inc., 175 Thompson Road, PO Box 100, Bad Axe, Michigan 48413, hereinafter called Grantee, its successors and assigns, a non-exclusive easement to lay, construct, use, operate, maintain, repair, remove, inspect, alter, and patrol a single pipeline, for the transportation of gas, CO<sub>2</sub>, water and other related hydrocarbons that can be transported through a pipeline, for the main, service laterals, drips, valves, regulators, fittings, meters and appurtenances as may be necessary or convenient for the operation, over, on, under and through a strip of land 30 feet wide, upon the following real estate in Antrim County Michigan, State of Michigan (called airport property) to wit:

Township 30 North, Range 7 West

Section 18:    The South three-quarters (S<sup>3</sup>/<sub>4</sub>) of Section 18 lying East of Intermediate River/Lake, EXCEPT the East 100 feet of the South 100 feet of the Southeast one-quarter of the Southeast one-quarter (SE<sup>1</sup>/<sub>4</sub> SE<sup>1</sup>/<sub>4</sub>);

Section 19:    The Northwest one-quarter (NW<sup>1</sup>/<sub>4</sub>) lying East of Intermediate River/Lake

### **DESCRIPTION FOR 30-FOOT WIDE PIPELINE EASEMENT**

SEE ATTACHED EXHIBIT for full description of pipeline.

Said 30-foot wide pipeline easement will be centered on the pipe as laid in the ground.

Together with rights of ingress and egress at agreed upon convenient points and times as set forth herein for such purposes, and with all rights necessary for the enjoyment of the privileges herein granted, to HAVE and TO HOLD the same unto said Grantee, its successors and assigns, until all rights granted in said easement be exercised, and so long as the pipeline and related structures installed hereunder remain in use. This pipeline easement in whole or in part is within restricted areas of the Antrim County Airport. While this pipeline easement does grant rights of ingress and egress, Grantee, its employees, associates, partners, affiliate companies, contractors, subcontractors, successors and assigns shall not enter upon any of the airport property without prior notice and approval and/or prior arrangements of the Grantor and/or airport personnel.

Nothing in this agreement shall prevent the Grantor from maintaining, improving, or repairing existing structures (i.e. fences, runways, taxiways, lighting, and any other aeronautical structures or appurtenances), or to construct, erect or place buildings, obstructions or other structures for aeronautical purposes upon, over or in the easement. Additional workspace contiguous to said strip may be used temporarily during the construction, maintenance or removal of said pipeline. **Grantee**

shall bury said pipeline below the surface at a depth as determined by the Grantor and/or Grantor's aeronautical engineer, or as may otherwise be required by state or federal law and/or rules and regulations related to the operation of airports. Upon Grantee electing to terminate its rights hereunder, Grantee agrees to execute and provide Grantor with a release of this Easement, and upon abandonment, Grantee agrees to restore to as near its original condition as is practical all of the above lands disturbed by Grantee.

Prior to construction of the pipeline, Grantee shall give prior notice to and obtain approval from the Grantor.

Nothing in this release shall be construed to grant Grantee an exclusive use of said land, and the operation by Grantee, or its use of the property shall be at no direct expense to the Grantor. This easement shall permit Grantee to construct and install **a single pipeline.**

The Grantor, without notice to Grantee, reserves the right to use the surface and subsurface for aeronautical related purposes. In the event Grantor intends to use the subsurface at a depth that exceeds 54 inches below the existing grade, Grantor shall give written notice to the Grantee. The Grantor also reserves the right to make a similar use itself, or to make a grant for a similar or different use by any other person. However, any similar or different use granted by the Grantee as to such other subsurface use shall be upon written notice to Grantee and shall be done in such a manner as not injure or disrupt the use of the pipeline.

As stated above Grantee shall pay to the Grantor the sum of Fifteen Thousand Two Hundred and NO/100 Dollars (\$15,200.00)(also hereinafter called additional payment), which sum, together with other consideration recited in this easement, shall constitute the full consideration for the right-of-way and easement herein granted, it being understood and agreed however, that Grantee is not obligated to construct the pipeline hereunder or to make additional payment unless its shall elect to do so. If Grantor has not installed such pipeline within one (1) year from the date of this agreement, in such event, this easement shall terminate unless an additional payment in an amount equal to that stated above shall be paid to the Grantor. In such case, this agreement shall be extended for one (1) additional year. Grantee is hereby granted the right to enter, with prior notice and approval, said described premises for survey purposes prior to and without any obligation to make such additional payment. By mutual consent, damage payment for the pipeline and appurtenances to be constructed under the terms of this agreement is included in the consideration. Grantee agrees to pay Grantor for any damages to fences, runways, taxiways, lighting, and any other aeronautical structures or appurtenances incidentally incurred arising from any work performed by Grantee or others acting for and on behalf of the Grantee in or outside of the easement strip, provided Grantee shall not be liable for damages caused by keeping the right-of-way area clear of trees, undergrowth, brush and obstruction.

Grantee shall obtain all required permits (Federal, State and/or local) before beginning any construction or other work on the property. Grantee shall comply with standard permit procedures of any Antrim County Departments and/or comply with any ordinances. In the event any of the above described permits are obtained by Grantor from the State of Michigan, vis-à-vis what is commonly

referred to as a forestry deed, which might place certain restrictions upon the County of Antrim as to the use of the property, including but not limited to, restrictions from granting any easements, then in such event, it shall be the Grantee's sole obligation, prior to entry upon the property, to obtain consent from the State of Michigan that this easement does not violate any prior deed restrictions. In the event this easement violates any such deed restriction, this easement shall be deemed null and void. It is the obligation of Grantee to determine if there are any prior restrictions upon the land that would prevent the granting of this easement. The Grantor may inspect Grantee's work on the property to ensure that work complies with any additional requirements or permits. The Grantee shall comply with all applicable state and federal laws, rules and regulations.

Before construction of the pipeline, Grantee shall submit plans for construction and its plan for surface restoration to the Grantor, and shall not commence any construction or preparation for construction until such plans are approved by the Grantor and/or Grantor's aeronautical engineer, subject to its sole judgment and discretion. Such approval shall not be unreasonably withheld. The Grantor shall give their approval no later than the first Board of Commissioners meeting following submittal of said plans, *provided at least seven days notice to the Board is given for their review.*

Upon completion of any construction work, Grantee shall, at its sole cost and in the manner approved by the Grantor in its sole judgment and discretion, promptly restore the property disturbed by such construction work, as nearly as practical to the condition in which it was found prior to the construction. Such approval shall not be unreasonably withheld.

When Grantee does any work on or affecting the property, it shall, at its own expense, promptly remove any obstructions and restore the property to as good a condition as reasonably possible as existed before the work was undertaken.

If weather or other circumstances do not permit the complete restoration required, Grantee, with approval of the Grantor, may temporarily restore the affected area of the property, provided that the temporary restoration is at Grantee's sole expense, and provided further that Grantor promptly undertakes and completes the required permanent restoration when the weather or the conditions no longer prohibit permanent restoration.

During construction, SRW, Inc., or its contractor, on or before any entry or work on the property will file and deposit with the County Clerk, and shall keep in effect, its Blanket Irrevocable Letter of Credit in the amount of \$100,000.00, to secure its obligations to Grantor to guarantee the restoration of the affected property. (Said Letter of Credit may also be used to satisfy SRW, Inc.'s obligation to provide a Letter of Credit for the D4-18 and C4-18 Site Releases.)

Grantee agrees to have the Grantor as a named insured for any such losses and to be indemnified for all losses incurred as a result of damage to any fences, runways, taxiways, lighting, and any other aeronautical structure or appurtenances and for contamination of any water, whether surface or subsurface, including reimbursement to the Grantor for all costs incurred in cleanup or containment of any pollution, of any nature, in any water, whether surface or subsurface.

Grantee understands that the land described above may be used for aeronautical purposes, and shall take all reasonable steps during construction and thereafter to maintain and use the easement so as not to be a danger to any person or aircraft upon the property or aircraft approaching the property. The Grantor may require Grantee to take such remedial action as to limiting access into the property, such as the placement of gates or other devices to limit access vis-à-vis roadway and pipelines.

Grantee shall indemnify and hold the Grantor, its officers, agents, employees, elected officials, invitees and the public in or on the property, harmless from any and all loss, damages, claims or liabilities arising from or in connection with its operations on the Grantor's premises, or with its failure to comply with any applicable rule, regulation, ordinance or law of any governmental authority having jurisdiction and against any and all liability, including but not limited to:

1. For loss or damage to property, (including but not limited to aircraft, runways, taxiways, lighting, and any other aeronautical structure or appurtenances) of the Grantor, its officers, agents, employees, elected officials, licensees, invitees or the members of the public in general in or on the property, or for injury to or death of any employee, agent, or member of the public while on the property, however arising;
2. For loss caused directly or indirectly from any act or omission of Grantee or any person acting for it or claimed to have been done by virtue of or pursuant to this Grantee or any right Grantee granted or any authorization, plan or specification approved, prescribed or issued pursuant to this agreement;
3. For loss caused directly or indirectly from any act or omission affecting the environment:  
or,
4. For loss directly or indirectly from the use of the property.

It is understood and agreed between the parties hereto that the benefits hereof shall accrue to, and the obligations shall bind the heirs, successors, administrators, executors and assigns of the parties. Prior to construction of the pipeline, the Grantee shall not have the right to assign its rights or privileges under this pipeline release or to otherwise transfer rights or privileges in any manner whatsoever without the prior written approval of the Grantor, which approval shall not be unreasonably withheld. Thereafter, it is understood and agreed between the parties hereto that the benefit hereof shall accrue to, and the obligation shall bind the heirs, successors, administrators, executors and assigns of the parties hereto. Grantee is expressly granted the right to assign this right-of-way and easement or any part thereof or interest therein, and the same shall be divisible among two or more parties as to any right or interest created hereunder.

Grantee shall not discriminate against any employee or applicant for employment or any contractor or potential contractor because of race, creed, color, religion, age, sex, or a handicap or disability or marital status. Grantee shall comply with all federal, state and county laws and/or ordinances, and/or rules and regulations.

This agreement, as written, covers the entire agreement between the parties and no other representatives or agreements have been made modifying, adding to or changing the terms hereof or inducing the executions hereof. The person obtaining this agreement on behalf of Grantee has no authority to make any promise, agreement or representation not expressly set forth herein.

Upon completion of the pipeline(s) and as soon as reasonably possible, Grantee agrees to fully restore and level the surface of subject lands as near as possible to the condition of same prior to any such operations. There will not be any permanent mounds, ridges, sinks or trenches left.

IN WITNESS WHEREOF, SRW, Inc. has executed this instrument or has caused this instrument to be executed by its duly authorized officer, this 23<sup>rd</sup> day of May, 2006.

WITNESS:

Richard L. Trowhill  
Richard L. Trowhill

Chasity B. Perzanowski  
Chasity B. Perzanowski

SRW, INC.

William Roberts  
By: William Roberts

Its: President

VICE  
SRW

STATE OF MICHIGAN )

)

ACKNOWLEDGMENT

COUNTY OF HURON )

)

The foregoing instrument was acknowledged before me this 23<sup>rd</sup> day of May, 2006,  
By William Roberts, Vice President of SRW, Inc., a Michigan corporation.

Chasity B. Perzanowski  
Chasity B. Perzanowski, Notary Public  
Tuscola County, Michigan.  
My Commission Expires: 9/15/10  
Acting in Huron County, Michigan

IN WITNESS WHEREOF, the County has executed this instrument or has caused this instrument to be executed by its duly authorized officer, this 2nd day of June, 2006.

WITNESS:

County of Antrim

R. McLeod  
R. McLeod

Jack White  
Jack White, Chairman  
Antrim County Board of Commissioners

Judy Eschedor  
Judy Eschedor

Laura Sexton  
Laura Sexton, County Clerk

STATE OF MICHIGAN )

COUNTY OF ANTRIM )

ACKNOWLEDGMENT

The foregoing instrument was acknowledged before me this 2nd day of June, 2006, by Jack White, Chairman, Antrim County Board of Commissioners and Laura Sexton, Antrim County Clerk.

Judy Eschedor  
Judy Eschedor, Notary Public  
Antrim County, Michigan  
My Commission Expires: 4-12-2008

Prepared by: Charles H. Koop  
Prosecuting Attorney Antrim County  
205 E. Cayuga Street  
Bellaire, Michigan 49615

**JUDY A. ESCHEDOR**  
Notary Public, Antrim County, MI  
My Commission Expires April 12, 2008  
Acting in Antrim County, MI

# EXHIBIT C

## Forest Home Pipeline 5 year EBITDA

| <u>Year</u> | <u>Daily<br/>Flow</u> | <u>Transport<br/>Rate</u> | <u>Gross<br/>Annual<br/>Revenue</u> | <u>Annual<br/>Operating<br/>Expenses</u> | <u>EBITDA</u> |
|-------------|-----------------------|---------------------------|-------------------------------------|------------------------------------------|---------------|
| 1           | 910                   | \$0.361                   | \$117,607                           | \$66,275                                 | \$51,332      |
| 2           | 1,200                 | \$0.361                   | \$155,086                           | \$67,402                                 | \$87,684      |
| 3           | 1,420                 | \$0.361                   | \$183,518                           | \$68,563                                 | \$114,955     |
| 4           | 1,680                 | \$0.361                   | \$217,120                           | \$69,759                                 | \$147,361     |
| 5           | 1,827                 | \$0.361                   | \$236,118                           | \$70,991                                 | \$165,127     |

a) Gross Annual Revenues assume 358 operating days per calendar year.

b) Annual Expenses do not include Depreciation, Interest, Amortization or Taxes

EXHIBIT D

**FOREST HOME PIPELINE ANTRIM GAS TRANSPORTATION AND  
TREATING SERVICE AGREEMENT**



**FOREST HOME PIPELINE EXPANSION ANTRIM GAS TRANSPORTATION AND  
TREATING SERVICE AGREEMENT**

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**SCHEDULE OF APPENDICES**

| <b><u>APPENDIX</u></b> | <b><u>SUBJECT</u></b>                                        |
|------------------------|--------------------------------------------------------------|
| A.                     | RECEIPT POINTS                                               |
| B.                     | DELIVERY POINT(S)                                            |
| C.                     | ANTRIM GAS TRANSPORTATION AND TREATING<br>SERVICES AGREEMENT |
|                        | I. Gas Transportation Service                                |
|                        | II. Gas Treating Service                                     |
|                        | III. Nominations, Scheduling and Allocations                 |
|                        | IV. Paper Pooling                                            |
|                        | V. Monthly Imbalances                                        |
|                        | VI. Measurement and Measurement Equipment                    |
|                        | VII. Antrim Gas Quality Specifications                       |

VIII. Diversion of Gas

D.

RATE/FEE



**RADEC PIPELINE EXPANSION ANTRIM GAS TRANSPORTATION AND  
TREATING SERVICE AGREEMENT**

**THIS ANTRIM GAS TRANSPORTATION AND TREATING SERVICE AGREEMENT** ("Agreement") is entered into as of this \_\_\_\_ day of \_\_\_\_\_, 2006, by and between SRW, Inc., a Michigan corporation ("Shipper"), having an office at 175 Thompson Rd., Bad Axe, MI 48413 and CEDARLINE, L.L.C. ("CEDARLINE"), having its principal offices at 175 Thompson Rd., Bad Axe, MI 48413.

**RECITALS**

**WHEREAS** Shipper has requested CEDARLINE to transport and treat Antrim Gas on Shipper's behalf; and

**WHEREAS** CEDARLINE is willing to provide the requested transportation service and treating service subject to the terms and conditions contained in this Agreement:

**NOW, THEREFORE,** in consideration of the mutual promises, agreements and undertakings in this Agreement, Shipper and CEDARLINE agree as follows:



## ARTICLE I

### DEFINITIONS

- 1.1.1 "Antrim Gas" means natural gas from the Antrim shale formation having the quality specified in Appendix C, Article VII, transported and treated under this Agreement.
- 1.1.2 "Forest Home" means the Forest Home Pipeline to be authorized by the Michigan Public Service Commission Case No. U-\_\_\_\_\_.
- 1.1.3 "Chestonia 17 CO<sub>2</sub> Treating Plant" means the CO<sub>2</sub> Treating Plant on the Pipeline in the SW/4 of the NW/4 of Section 17, T30N, R6W, Chestonia Township, Antrim County, Michigan.
- 1.1.4 "CO<sub>2</sub>" means carbon dioxide.
- 1.1.5 "Commission" or "MPSC" means the Michigan Public Service Commission.
- 1.1.6 "Cubic Foot of Gas" means that quantity of Antrim Gas which occupies one cubic foot at a temperature of 60 degrees Fahrenheit and at a pressure of 14.65 Psia.
- 1.1.7 "Day" means a period of 24 consecutive hours beginning at 8 o'clock A.M. Eastern Time of one calendar day and ending at 8 o'clock A.M. Eastern Time on the next following calendar day. The reference date for any day shall be that of its beginning.
- 1.1.8 "Delivery Point(s)" means the point(s) connected to the tailgate of the Chestonia 17 CO<sub>2</sub> Treating Plant as set forth on Appendix B, attached hereto and/or those points as from time to time subsequently designated by CEDARLINE, at which CEDARLINE shall redeliver Equivalent Quantities of Antrim Gas to Shipper which has been transported by CEDARLINE on the Forest Home.
- 1.1.9 "Equivalent Quantity(ies)" means the Mcf volume of Antrim Gas delivered by or for the account of Shipper to CEDARLINE at the Forest Home on any Day pursuant to this Agreement multiplied by a fraction, the numerator of which is the average heating value per Mcf of the Antrim Gas delivered or caused to be delivered by Shipper and the denominator of which is the average heating value per Mcf of the Antrim Gas redelivered on the same Day by CEDARLINE, less any amount withheld by CEDARLINE for Pipeline Loss and Plant Shrinkage.
- 1.1.10 "Gas Transportation Rate" is the rate per Mcf for Antrim Gas transported on the Forest Home as set forth in Appendix D.
- 1.1.11 "Gas Transportation Service" means Antrim Gas transportation service by CEDARLINE on the Forest Home for Shipper on a daily basis pursuant to the terms and conditions set forth in this Agreement.
- 1.1.12 "Gas Treating Fee" is the fee per Mcf for Antrim Gas treatment at the Chestonia 17 CO<sub>2</sub> Treating Plant as set forth in Appendix D.
- 1.1.13 "Gas Treating Service" means the treating at the Chestonia 17 CO<sub>2</sub> Treating Plant or blending of Shipper's Antrim Gas stream to ensure the Antrim Gas redelivered by CEDARLINE meets the quality specifications at the Delivery Point(s).
- 1.1.14 "Mcf" means 1,000 Cubic Feet of Antrim Gas.
- 1.1.15 "Month" means the period commencing at 8 o'clock A.M. Eastern Time on the first calendar Day of a calendar month and extending until 8 o'clock A.M. Eastern Time on the first Day of the next following calendar month.
- 1.1.16 "Pipeline Loss" means 0.5% of all Nominated, Authorized and Unauthorized Overrun

- Quantities delivered to a Delivery Point for loss of Antrim Gas on the Forest Home.
- 1.1.17 "Plant Shrinkage" means the combined Antrim Gas stream loss associated with CO<sub>2</sub> removal and the fuel actually used each Month at the Chestonia 17 CO<sub>2</sub> Treating Plant on the Radec Pipeline.
- 1.1.18 "Prime Rate" means the rate announced by Bank One Trust Company, N.A. (or its successor) from time to time as its prime commercial lending rate or if the prime rate is discontinued, the rate announced from time to time as that being charged to its most creditworthy commercial borrowers for 90 Day unsecured loans.
- 1.1.19 "Receipt Points" means the points connected to the Forest Home set forth on Appendix A, attached hereto, or those points as from time to time subsequently designated by CEDARLINE, at which Shipper may deliver Antrim Gas to CEDARLINE for transportation on the Forest Home.
- 1.20 "Treat," "Treated" or "Treating" means the removal at the Chestonia 17 CO<sub>2</sub> Treating Plant or dilution of CO<sub>2</sub> in Antrim Gas stream so that the resulting stream will meet, or be deemed to meet, the prevailing CO<sub>2</sub> quality specification for Antrim Gas being transported on pipelines interconnected with the Forest Home.

#### **ARTICLE IIDEDICATION/COMMITMENT OF RESERVES**

- 1.2 Before any Antrim Gas is transported and treated on a firm basis pursuant to this Agreement, the party who owns or controls the acreage from which the Antrim Gas is produced shall dedicate/commit all previously undedicated/uncommitted Antrim Gas reserves which it owns or controls and which can be physically serviced by the Forest Home. Antrim Gas which is produced from after acquired or controlled acreage must also first be dedicated/committed to the Forest Home before it will be transported and treated on a firm basis. Such dedications/commitments must be made on a form provided or approved by CEDARLINE. CEDARLINE may refuse firm service for any Antrim Gas which has not been dedicated/committed as provided for above.

#### **ARTICLE IIITERM**

- 1.1.1 All terms and conditions of this Agreement are effective on \_\_\_\_\_, \_\_\_\_\_, and shall remain effective until\_\_\_\_\_,\_\_\_\_\_. This Agreement will continue in effect from year to year thereafter until terminated by either party giving written notice to the other at least ninety (90) Days prior to the next anniversary date. Notwithstanding the aforementioned, if CEDARLINE determines, at its sole discretion, that its performance hereunder is uneconomical, CEDARLINE may terminate this Agreement with thirty (30) Days' notice to Shipper.

#### **ARTICLE IVGAS TRANSPORTATION AND TREATING SERVICES**

- 1.3.1 Shipper shall deliver or cause to be delivered to CEDARLINE at the Receipt Points Antrim Gas for Gas Transportation Service and Gas Treating Service up to a maximum daily quantity ("MDQ") of \_\_\_\_\_ Mcf. CEDARLINE shall provide Gas

Transportation Service and Gas Treating Services for Shipper or for the account of Shipper and shall redeliver an Equivalent Quantity of Antrim Gas at the Delivery Points nominated pursuant to this Agreement. Gas Transportation Service shall be provided in accordance with Appendix C, Section I. Gas Treating Service shall be provided in accordance with Appendix C, Section II.

- 1.3.2 CEDARLINE shall allocate Plant Shrinkage proportionately among all Shippers who have quantities of Antrim Gas Treated during the Month. This proportional allocation of Plant Shrinkage will be based on the level of CO<sub>2</sub> in each Shipper's Antrim Gas as CEDARLINE determines by Antrim Gas analysis performed at least every ninety (90) Days and the Shipper's quantity of Antrim Gas that is delivered into the Forest Home during any Month. Plant Shrinkage will be calculated and withheld from the quantity of Antrim Gas that is redelivered for the account of Shipper at each Delivery Point.
- 1.3.3 CEDARLINE may also retain Pipeline Loss. Pipeline Loss will be calculated and withheld from the quantity of Antrim Gas that is redelivered for the account of Shipper at each Delivery Point.
- 1.3.4 The Chestonia 17 CO<sub>2</sub> Treating Plant at which Shipper's Antrim Gas will receive Gas Treating Service under this Agreement, will on a best efforts basis seek to operate on a run time of at least ninety-six percent (96%) of full capacity in any calendar year, inclusive of time allowed for shut downs due to scheduled and routine repairs and maintenance. If the percentage of the Chestonia 17 CO<sub>2</sub> Treating Plant's run time is less than ninety-six percent (96%) of full capacity for any calendar year and, as a result, Shipper cannot get its Antrim Gas to market because its untreated and/or blended Antrim Gas was not received, transported or exchanged by a designated downstream pipeline, then for each one percent (1%) deficiency below ninety-six percent (96%), CEDARLINE shall pay Shipper \$0.01 per Mcf of Antrim Gas that did not reach market. The provisions of Article XVI shall control over this Article IV, Section 4.4.

#### **ARTICLE VCHARGES, RATE AND FEE**

- 1.4.1 Shipper shall pay CEDARLINE a Monthly amount for Gas Transportation Service and Gas Treatment Service as follows:
  - 1.4.1.1 A Monthly Customer Administrative Charge of Three Hundred Dollars (\$300).
  - 1.4.1.2 A basic charge equal to the sum of (i) the quantities of Antrim Gas received by CEDARLINE and transported on the Forest Home for or on behalf of Shipper during the Month, multiplied by the Gas Transportation Rate, plus (ii) the quantities of Antrim Gas Treated for or on behalf of Shipper during the Month, multiplied by the Gas Treating Fee, each as set forth in Appendix D.
  - 1.4.1.3 An Overrun Charge, for any quantity of Antrim Gas that exceeds Shipper's MDQ on any Day ("Unauthorized Overrun Gas") equal to the sum of Ten and No/100 Dollars (\$10.00) per Mcf multiplied by such Unauthorized Overrun Gas; provided, however, no Overrun Charge will be charged under the following circumstances:
    - a.in any Month where Shipper, after meeting the criteria set forth in 5.1.4, delivers Antrim Gas in excess of its MDQ ("Authorized Overrun Gas");
    - b.in any Month where the daily quantities in excess

of the MDQ averages no more than five percent (5%) above (i) the MDQ or (ii) the MDQ plus any Authorized Overrun Gas; or in circumstances where Antrim Gas delivered in excess of the MDQ occurred temporarily for less than a 24-hour period and resulted from an inadvertent surge or increase of Antrim Gas from Shipper's facilities due to equipment failure. However, only one such failure will be allowed during any calendar Month.

1.4.1.4 Shipper may deliver to CEDARLINE for transportation on the Forest Home Authorized Overrun Gas if any of the following criterion is met:

a. Shipper has obtained CEDARLINE's written permission to flow

Antrim Gas in excess of Shipper's MDQ prior to submitting a nomination; b. Shipper has notified CEDARLINE 24 hours prior to the deadline for submitting a nomination of its intent to submit a nomination to deliver Antrim Gas in excess of Shipper's MDQ.

Such intent shall be clearly identified on the request. Unless Shipper receives notification of CEDARLINE's denial of Shipper's request for Authorized Overrun Gas by the nomination deadline, then Shipper has authorization to deliver Antrim Gas in excess of its MDQ up to the amount indicated in the transmittal to CEDARLINE. This approval shall be good only for one Month at

a time.

1.4.1.5 If CEDARLINE is not able to transport Shipper's nominated quantity up to Shipper's MDQ due to Unauthorized Overrun Gas on the system, Shipper shall receive, on a calendar year quarterly basis, its proportionate share of eighty percent (80%) of the actual funds CEDARLINE collects as Overrun Charges from all Shippers. Shipper's proportionate share will be an amount equal to Shipper's quantity of Antrim Gas, up to its

MDQ, that did not flow during the calendar quarter as a result of Unauthorized Overrun Gas divided by the total quantity of Antrim Gas that did not flow on the Forest Home because of Unauthorized Overrun Gas during the calendar quarter. CEDARLINE shall have no obligation to pursue any Overrun Charges nor any obligation to pay Shipper hereunder in the event no Overrun Charges are collected.

- 1.4.2 All charges set forth in this Article V, except the Monthly Customer Administrative Charge, will be applied to quantities in units of Mcf delivered at the Receipt Point as measured in accordance with the terms of Appendix C, Section VI.

#### **ARTICLE VINOMINATIONS, DELIVERIES**

- 1.5.1 Shipper must nominate all quantities of Antrim Gas that will be transported and Treated pursuant to this Agreement and as further detailed in Appendix C, Section III.

#### **ARTICLE VI RECEIPT POINTS**

- 1.6.1 Shipper shall deliver or cause to be delivered Antrim Gas at the Receipt Points. All Antrim Gas delivered to CEDARLINE for transportation on the Forest Home must meet the quality specification set out in Appendix C, Section VII.
- 1.6.2 CEDARLINE, at its sole option, may refuse to accept Antrim Gas at any Receipt Points that is not subject to an executed Receipt Point Agreement between CEDARLINE or its designee and the party responsible for the Receipt Point.

#### **ARTICLE VII DELIVERY POINT(S)**

- 1.7.1 For all Antrim Gas delivered by Shipper to CEDARLINE at the Receipt Points, CEDARLINE shall redeliver to Shipper, or for the account of Shipper, Equivalent Quantities of Antrim Gas at the Delivery Point(s).

#### **ARTICLE IX DISPOSITION OF GAS**

- 1.8.1 Because of the inability of CEDARLINE and Shipper to maintain precise control over the rate of flow and quantities of Antrim Gas to be received and delivered, the parties shall exercise reasonable efforts to keep Antrim Gas receipts and deliveries in balance. In the case of new Receipt Points, that is Receipt Points installed after the effective date of this Agreement, CEDARLINE will install Electronic Gas Measurement ("EGM") pursuant to its then prevailing Receipt Point program on all new interconnects. All costs associated with the installation of any EGM shall be borne by the Shipper(s) using the Receipt Point related thereto. As to existing Receipt Points, that is Receipt Points installed prior to the effective date of this Agreement, CEDARLINE shall retrofit existing Receipt Points with EGM only in those cases where the Shipper(s) at that Receipt Point request such a retrofit in writing and agree to pay any costs associated with the retrofit. However, if CEDARLINE determines that retrofitting Receipt Points with EGM is reasonable and appropriate for the efficient operation of the Forest Home, then CEDARLINE may mandate installation of EGM at such points and the associated costs shall be borne by the Shipper(s) at such Receipt Points. All Receipt Points are owned and operated by CEDARLINE.
- 1.8.2 CEDARLINE may commingle Antrim Gas delivered under this Agreement with Antrim Gas owned by CEDARLINE and/or transported on the Radec by CEDARLINE for others

if the resulting commingled Antrim Gas stream meets the Delivery Point(s) quality specifications in Appendix C or any quality specifications subsequently authorized by the MPSC.

#### **ARTICLE X POSSESSION AND RESPONSIBILITY**

- 1.9.1 As between the parties, Shipper is deemed to be in exclusive control and possession of the Antrim Gas transported under this Agreement and is responsible for any damage or injury caused thereby until the Antrim Gas is delivered by Shipper to CEDARLINE at the Receipt Points and after it is redelivered by CEDARLINE at the Delivery Point(s). CEDARLINE is deemed to be in exclusive control and possession of the Antrim Gas and responsible for any damage or injury caused thereby after it is delivered to CEDARLINE, by Shipper or for Shipper's account, at the Receipt Points with the Forest Home, and before it is redelivered by CEDARLINE at the Delivery Point(s).
- 1.9.2 Shipper shall be responsible for lost revenues, equipment repair or replacement cost and additional operating expenses of Forest Home for any damage to real or personal property of Forest Home or any other entity and for injury to any person caused by any breach of the operating parameters or other provisions of this Agreement.
- 1.9.3 Shipper agrees to file and be responsible for all reports and accounts required of it by any governmental authority with respect to the Antrim Gas transported on the Forest Home for its account.

#### **ARTICLE XI DELIVERY PRESSURE**

- 1.10.1 CEDARLINE has no obligation to receive Antrim Gas at Receipt Points from Shipper unless such Antrim Gas is delivered at pressures set forth in Appendix B for each Delivery Point. CEDARLINE will not and has no obligation to compress the Antrim Gas it transports on the Forest Home in order to redeliver such Antrim Gas at the Delivery Point(s).

#### **ARTICLE XII WARRANTY OF TITLE AND RIGHT TO DELIVER**

- 1.11.1 With respect to Antrim Gas delivered into the Forest Home by or on behalf of it, Shipper warrants that it has good title to such Antrim Gas, free and clear of all liens, encumbrances and claims whatsoever and Shipper further warrants that at the time of delivery it will have the right to deliver the Antrim Gas to CEDARLINE at the Receipt Points. Shipper agrees as to the aforementioned warranties that Shipper shall indemnify, defend, and save CEDARLINE harmless from suits, actions, debts, accounts, damages, costs, losses and expenses, including attorney's fees, arising from or out of adverse claims of any and all persons and/or entities to the Antrim Gas or to royalties, taxes, license fees or charges thereon.

#### **ARTICLE XIII TAXES**

- 1.12.1 Shipper shall pay all taxes, tariffs, and duties however designated, levied, or charged resulting from services provided under this Agreement, including, without limitation, all state and local privilege or excise taxes, and any amount in lieu of such taxes, tariffs and duties paid or payable by CEDARLINE; exclusive, however, of taxes based on the income of CEDARLINE, property taxes, and CEDARLINE'S single business taxes.

Shipper shall reimburse CEDARLINE for any such taxes, tariffs and duties which are collected and remitted or paid on Shipper's behalf by CEDARLINE because of Shipper's failure to pay. CEDARLINE and its Vendors are not entitled to Internal Revenue Code-Section 29 tax credits on any Antrim Gas under this Agreement.

**ARTICLE XIV BILLING AND PAYMENT**

- 1.13.1 On or before the twentieth (20th) Day of each calendar Month, CEDARLINE will render a statement and supporting documentation to Shipper based on the applicable charges set forth in Section 5.1 for the previous calendar Month. Shipper shall tender payment to CEDARLINE for the amount billed in the statement on or before the later of (i) the 25th Day of the Month in which the statement was received or (ii) ten (10) Days after the receipt of the statement.
- 1.13.2 The statements rendered pursuant to this Agreement will be denominated in U.S. Dollars (\$U.S.), and all payments must be made in \$U.S.
- 1.13.3 Shipper has the right at all reasonable times to examine the books, records and charts of CEDARLINE to the extent necessary to verify the accuracy of any statement, charge or computation made under or pursuant to any provisions of this Agreement.
- 1.13.4 Shipper shall notify CEDARLINE of any disputed amount in any statement, so that reasonable efforts may be made to resolve the dispute as quickly as possible.
- 1.13.5 If Shipper fails to pay any amount in any statement rendered by CEDARLINE that is not in dispute when such amount is due, unless otherwise agreed by CEDARLINE, interest will accrue on the unpaid, undisputed amount at a rate equal to the Prime Rate from the due date until the date of payment.
- 1.13.6 If either CEDARLINE or Shipper discovers any error or inaccuracy in invoices, statements, billings, payment, calculations or determinations under this Agreement, then proper adjustment and correction thereof will be made as promptly as practicable. If errors or inaccuracies are not identified by either Shipper or CEDARLINE and reported to the other party within thirty-six (36) Months from the date of such invoices, statements, billings, payments, calculations, or determinations, the same are deemed conclusively to be correct.
- 1.13.7 If Shipper fails to pay the uncontested amount of any invoice when it is due, CEDARLINE may, after ten (10) Days' prior notice, suspend Gas Transportation Service and Gas Treating Service to Shipper until such amount is paid. Shipper may continue to receive Gas Transportation Service and Gas Treating Service if Shipper deposits with CEDARLINE and maintains, on prepaid account, an amount equal to amounts which would be due for three (3) Months' of such services at the full MDQ; or furnishes, within fifteen (15) Days, good and sufficient security, acceptable to CEDARLINE, of a continuing nature and in an amount equal to such three (3) Months' amounts which would be due. The obligation to maintain a deposit will terminate if Shipper has made a prepaid account deposit as described above each Month over six (6) consecutive Months, but if Shipper has a late payment in any subsequent Month, it must again comply with the foregoing.
- 1.13.8 The foregoing remedies shall be in addition to any other remedies CEDARLINE may have, at law or in equity, with respect to Shipper's failure to pay the amount of any such statements.

## **ARTICLE XVNON-WAIVER OF FUTURE DEFAULTS**

- 1.14.1 No waiver by either party of any one or more defaults by the other in the performance of any provision of this Agreement will operate or be construed as a waiver of any future default or defaults, whether of a like or a different character.

## **ARTICLE XVIFORCE MAJEURE**

- 1.15.1 Neither Shipper nor CEDARLINE will be liable in damages, or in any other remedy, legal or equitable, to the other for failure to perform obligations under this Agreement due to any force majeure event, which is defined as any act, omission or circumstances occasioned by or in consequence of any acts of God, strikes, lockouts, acts of the public enemy, wars, sabotage, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests, restraints of rulers and peoples, civil disturbances, explosions, breakage or accident to machinery, lines of pipe, wells, flowlines, production facilities of related equipment, or CO<sub>2</sub> treating plants or the necessity to make unscheduled shutdowns (for purposes of necessary maintenance, repairs, tests, or alterations to machinery, lines of pipe or CO<sub>2</sub> treating plants), well or line freezeups, the binding order of any court or governmental authority which has been resisted in good faith by all reasonable legal means, or any other cause, whether of the kind herein enumerated, or otherwise, not within the control of the party claiming force majeure and which by the exercise of due diligence such party is unable to prevent or overcome. Provided, however, none of the aforementioned causes or contingencies shall relieve either party of liability unless such party shall give notice and full particulars of the same in writing, including by mail, facsimile or e-mail, to the other party as soon as reasonably possible after the occurrence relied on. A failure to settle or prevent any strike or other controversy with employees or with anyone purporting or seeking to represent employees shall not be considered to be a matter within the control of the party claiming force majeure.
- 1.15.2 Any force majeure event affecting the performance of this Agreement by either party, however, will not relieve such party of liability (i) in the event of its continuing negligence; (ii) in the event of its failure to use due diligence to remedy the event of force majeure and to remove the cause of such force majeure in an adequate manner and with all reasonable dispatch; or (iii) from its obligations to make payments of amounts then due thereunder.

## **ARTICLE XVII LAWS, ORDERS, RULES AND REGULATIONS**

- 1.16.1 The performance by the parties of their obligations set forth in this Agreement shall be subject to all valid and applicable laws, orders, rules and regulations of any duly constituted authority having jurisdiction.
- 1.16.2 Authority for Gas Transportation Service under this Agreement is provided pursuant to 1929 PA 9, as amended (Act 9); MCL 483.101 *et seq.*
- 1.16.3 THIS AGREEMENT IS GOVERNED BY THE LAW OF THE STATE OF MICHIGAN. IT IS AGREED THAT ANY AND ALL LITIGATION RELATED TO THIS AGREEMENT MUST BE BROUGHT IN EITHER A STATE OR FEDERAL COURT IN MICHIGAN, AND EACH PARTY, FOR PURPOSES OF ANY SUCH

LITIGATION, SUBMITS TO THE EXCLUSIVE JURISDICTION AND VENUE OF SUCH COURT.

**ARTICLE XVIII NOTICE**

- 1.17.1 Unless otherwise provided herein, all notices given hereunder by one party to the other shall be sent to the addresses provided below by registered mail, overnight mail, by facsimile transmission, or by e-mail and shall be effective upon receipt thereof. However, routine communications, including monthly statements, will be considered as duly delivered when mailed by either registered, overnight or ordinary mail or transmitted by facsimile or e-mail.

SRW, INC.: P.O. Box 100175 Thompson Rd. Bad Axe, MI 48413 FAX:

(989) 269-8622 CEDARLINE, L.L.C.: P.O. Box 100175 Thompson Rd. Bad

Axe, MI 48413 FAX: (989) 269-2519

- 1.17.2 Each party may, by prior written notice to the other, change its address or addresses given above at any time.

- 1.17.3 Payments to CEDARLINE shall be made by wire transfer for the account of CEDARLINE at the following location, which may be changed by CEDARLINE providing notice to Shipper in writing:

Northstar Bank 833 S. Van Dyke Bad Axe, MI 48413 Paid to the Order  
of: CEDARLINE, L.L.C. Account #0001578

**ARTICLE XIX MISCELLANEOUS PROVISIONS**

- 1.18.1 Assignment: Shipper or CEDARLINE may not broker, assign, convey or transfer its interests, rights and obligations under this Agreement without the prior written consent of the other party, which shall not be unreasonably withheld. Either Shipper or CEDARLINE may, however, without relieving itself of its obligations, assign any of its rights and obligations hereunder to a corporation with which it is affiliated at the time of such assignment, provided that such assignment does not materially change the duty of the other party, or increase the burden or risk imposed on the other party under this Agreement, or impair the other party's entitlement to performance.
- 1.18.2 Reorganization: Any company which succeeds by purchase, merger, or consolidation to the properties, substantially as an entirety, of Shipper or of CEDARLINE, as the case

may be, will be entitled to the rights and will be subject to the obligations of its predecessor in title under this Agreement.

- 1.18.3 Successors and Assigns: This Agreement will be binding upon and enure to the benefit of the parties and their respective successors and permitted assigns.
- 1.18.4 Headings: The headings used throughout this Agreement are inserted for convenience of reference only and are not to be considered or taken into account in construing the terms or provisions hereof nor are they to be deemed in any way to qualify, modify or explain the effect of any such provisions or terms.
- 1.18.5 Gender, Number and Internal References: Unless the context otherwise requires, words importing the singular include the plural and vice versa, and words importing gender include all genders. The words "herein," "hereunder" and words of similar import refer to the entirety of this Agreement and not only to the section in which such use occurs.
- 1.18.6 Entirety: This Agreement and Appendices A, B, C and D constitute the entire agreement between CEDARLINE and Shipper concerning the subject matter hereof. Any prior understandings, representations, promises, undertakings, agreements or inducements, whether written or oral, concerning the subject matter hereof not contained herein shall have no force and effect. This Agreement may be modified or amended only by a writing duly executed by both parties.
- 1.18.7 Cedarline Processing, LLC: Cedarline Processing, LLC is the owner of the Chestonia 17 CO2 plant and will be processing all gas for CO2. Cedarline Processing, LLC agrees to be bound by the terms and conditions of this Agreement and directs that all payments for gas treating be forwarded to Cedarline, LLC, for the convenience of the parties.

**IN WITNESS WHEREOF**, the parties have caused this Agreement to be executed in

counterparts, each of which is an original and all of which are identical, as of the day and year

first above written.

**SRW, INC.**\_\_\_\_\_By:  
David Hyzer

Title: President

**CEDARLINE PROCESSING, L.L.C.**\_\_\_\_\_By: David Hyzer

Title: Managing Member



APPENDIX A

Receipt Points

| Receipt<br>Name | Receipt<br>Number | Point<br>Name | Point<br>Transportation & Treating | Allocation | Allocation | Shipper's %<br>Shipper's % of Gas Flow | Dedicated to | Number |
|-----------------|-------------------|---------------|------------------------------------|------------|------------|----------------------------------------|--------------|--------|
| Gregory         | CPF               | NA            | NA                                 | 100        | 100        |                                        |              | NA     |
| NA              | 100               | 100           |                                    |            |            | NA                                     | NA           | 100    |



## APPENDIX B

| <u>Location</u><br><u>MMcf/d</u><br>17 | <u>Delivery Point(s)</u> |                                       | <u>Facility Name</u> |
|----------------------------------------|--------------------------|---------------------------------------|----------------------|
|                                        | <u>Pressure (psig)</u>   | <u>Total Meter Number</u><br>Capacity |                      |
|                                        | 48148 MichCon Meter      | Chestonia 17                          | at Chestonia         |



**APPENDIX C ANTRIM GAS TRANSPORTATION AND TREATING  
SERVICES AGREEMENT**

- I. Gas Transportation Service
- II. Gas Treating Service
- III. Nominations, Scheduling and Allocations
- IV. Paper Pooling
- V. Monthly Imbalances
- VI. Measurement and Measurement Equipment
- VII. Antrim Gas Quality Specifications
- VIII. Diversion of Gas

I. **GAS TRANSPORTATION SERVICE**

A. Gas Transportation Service provided pursuant to this Agreement will be offered on a firm basis until 100% of the capacity of the Forest Home is subscribed. Thereafter, service will be offered on an interruptible basis. CEDARLINE may provide service on an interruptible basis only to the extent capacity exceeds its firm commitments.

B. The parties hereto agree that the Forest Home may be used for the purchase and resale of Antrim Gas by CEDARLINE and for transportation of Antrim Gas by CEDARLINE. Such Antrim Gas may be commingled with Antrim Gas delivered to the Forest Home for the account of others.

C. If more capacity is requested than is available, then all requests will be filled by prorating the total system capacity among shippers

with dedicated/committed reserves received by CEDARLINE . System capacity reallocations will be made at the end of each calendar quarter for the term of this Agreement.

D. One year after the date of this Agreement, if for any consecutive twelve (12) Month period, Shipper transports an amount of Antrim Gas on a daily basis that averages less than ninety percent (90%) of Shipper's total MDQ, then CEDARLINE may, in its sole discretion, adjust the MDQ downward to equal Shipper's daily average of transported quantities for such prior twelve (12) Month period. If a Force Majeure event occurred during any of the prior twelve Months, or if Shipper's MDQ was reduced during any of the prior twelve Months due to CEDARLINE'S lack of capacity on the Forest Home, then such Month(s) shall be excluded and the next prior Month(s) used in its stead. Furthermore, if Shipper's transported quantities of Antrim Gas on a daily basis for a three (3) Month period exceed Shipper's total MDQ, then Shipper may request an increase of its MDQ, and CEDARLINE may, in its sole discretion, at the end of the calendar quarter, grant Shipper's request on pro rata basis with all other shippers' requests for MDQ increases subject to capacity restraints on the Forest Home.

## II. GAS TREATING SERVICE

A. Shipper shall have transported and delivered by way of the Forest Home and Radec Pipeline to the inlet of the Chestonia 17 CO<sub>2</sub> Treating Plant any Antrim Gas that it desires treated, provided that such Antrim

Gas meets the quality specifications set out in Appendix C, Article VII, of this Agreement.

B. CEDARLINE shall receive, Treat and redeliver the Antrim Gas for the account of Shipper, less an allocated share of the actual shrinkage experienced and fuel used during the Month at the Chestonia 17 CO<sub>2</sub> Treating Plant, as hereinafter described. The Antrim Gas will be redelivered for the account of Shipper at the outlet of the Chestonia 17 CO<sub>2</sub> Treating Plant.

C. Shipper agrees to supply Antrim Gas free of charge to CEDARLINE from time to time for use in the operation of its Chestonia 17 CO<sub>2</sub> Treating Plant as follows:

- i. Fuel gas in proportion to Shipper's share of the Antrim Gas delivered for Treating in the Chestonia 17 CO<sub>2</sub> Treating Plant wherein Antrim Gas is utilized as fuel; *provided, however*, that such fuel Antrim Gas usage shall not exceed two percent (2%) of the total Antrim Gas volumes delivered by Shipper to CEDARLINE during any Month.
- ii. Shrinkage in proportion to Shipper's share of total Antrim Gas delivered on that Day from the Chestonia 17 CO<sub>2</sub> Treating Plant.

D. Shipper shall accept redelivery of the Antrim Gas at the outlet of the Chestonia 17 CO<sub>2</sub> Treating Plant and is solely responsible for the downstream transportation of said Antrim Gas. CEDARLINE shall have the right to suspend and/or reduce the quantities of Shipper's Antrim Gas accepted for

Treating in the event Shipper fails to accept redelivery of Antrim Gas that has been Treated or otherwise fails to obtain adequate downstream transportation capacity for said Antrim Gas.

E. Shipper and CEDARLINE agree and acknowledge that any CO<sub>2</sub> removed during Treating is a waste byproduct. CEDARLINE shall have title to and sole responsibility for disposal of such CO<sub>2</sub>, and shall bear the cost thereof and shall retain any salvage value thereof.

F. CEDARLINE shall have the right to suspend and/or reduce the quantities of Antrim Gas received at its Chestonia 17 CO<sub>2</sub> Treating Plant during periods of shut down for planned maintenance or unplanned outages.

G. Shipper shall not inject any corrosion inhibitor into the Antrim Gas without first giving written notice to CEDARLINE of the specifications of such corrosion inhibitor. CEDARLINE will reject for Treating any Antrim Gas containing any corrosion inhibitor which is incompatible with the CO<sub>2</sub> removal process used by the Chestonia 17 CO<sub>2</sub> Treating Plant or otherwise not reasonably acceptable to CEDARLINE.

H. Temperature. The delivery temperature of the Antrim Gas shall range between forty (40) and eighty (80) degrees Fahrenheit.

I. Shipper shall notify CEDARLINE of any other product or substance contained within the Antrim Gas, including the specifications of such product or substance. The Antrim Gas shall not contain

anything which reasonably could be expected to adversely affect the safe and efficient operation of the Chestonia 17 CO<sub>2</sub> Treating Plant or the Forest Home.

J. If Shipper's Antrim Gas fails at any time to comply with the quality specifications provided in Appendix C, Article VII, of this Agreement, CEDARLINE may notify Shipper and, after giving notice, decline to accept or Treat such Antrim Gas until such time as the failure of compliance has been corrected in the sole judgment of CEDARLINE.

K. To the extent attributable to its Antrim Gas, Shipper agrees to reimburse CEDARLINE for costs associated with any remedial repairs or maintenance to the Chestonia 17 CO<sub>2</sub> Treating Plant necessitated by Shipper's failure to deliver Antrim Gas which meets the quality specifications contained in Appendix C, Article VII, of this Agreement.

L. Shipper hereby reserves such daily capacity as is required for Treating, and CEDARLINE will, subject to this Agreement, accept for processing up to Shipper's MDQ of Antrim Gas.

M. Shipper shall pay CEDARLINE each Month during the term of this Agreement a Gas Treating Fee described in Appendix D to this Agreement per Mcf of daily capacity reserved in Section L above multiplied by the number of Days in the Month.

N. The Treating which Shipper will receive, depending on Shipper's location, may be direct physical Treating through the Chestonia 17 CO<sub>2</sub> Treating Plant capacity or by dilution using low CO<sub>2</sub> Antrim

Gas in the Forest Home. In either case, the Gas Treating Fee referenced in Section M and described in Appendix D is applicable and governs. Shipper acknowledges that regardless of whether it has its Antrim Gas Treated directly at the Chestonia 17 CO<sub>2</sub> Treating Plant or Treated by dilution, it is receiving the benefit of the Chestonia 17 CO<sub>2</sub> Treating Plant capacity, and it agrees that it will pay the Gas Treating Fee in consideration for that benefit.

III. NOMINATIONS, SCHEDULING and ALLOCATIONS

A. Nominations must be made through CEDARLINE or its designated agent. Shipper shall include for each nomination the daily quantities of Antrim Gas that it desires CEDARLINE to Treat and transport during each Month from each Receipt Point and the daily quantities that Shipper desires CEDARLINE to redeliver at each Delivery Point. Shipper shall also identify the quantity it intends to deliver to each downstream shipper by name, by downstream contract number for interstate deliveries, and the order of priority in the event CEDARLINE must make adjustments pursuant to allocations below. The sum of the quantities nominated at all Receipt Points hereunder may not exceed the aggregate MDQ as specified in this Agreement, unless by Authorized Overrun Service.

B. Initial Monthly Nominations. Each Shipper shall submit a nomination at least five (5) working Days prior to the first Day of each Month.

C. Nomination Changes after the beginning of the Month. Shipper shall give CEDARLINE at least twenty-four (24) hours' notice prior to any proposed change of a daily nomination to be effective for the next Day. CEDARLINE may waive such notice upon request if, in CEDARLINE'S sole judgment, the Forest Home operating conditions permit such waiver. Shipper may, if in CEDARLINE'S sole judgment the Forest Home operating conditions permit, be allowed to change the order of priority of receipts and deliveries by providing twenty-four (24) hour notice.

D. Shipper's nominations are not effective until confirmed in writing. Nominations will be confirmed or rejected within 24 hours of receipt.

E. Shipper's Agent. Shipper may designate in writing an agent to nominate and schedule Antrim Gas Transportation and Treating Service on Shipper's behalf. Such designation must be in writing. An agent may provide nomination(s) for multiple Shippers. Shipper shall indemnify and save CEDARLINE harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising in any way from Shipper's agent's actions on behalf of Shipper.

F. Hourly Variation. Shipper shall maintain uniform hourly rates at all Receipt Points hereunder to the extent practicable.

G. Delivery of Antrim Gas. CEDARLINE shall make daily delivery of Equivalent Quantities of Antrim Gas, at each Delivery Point that

Shipper nominates, provided, however, that Shipper shall not take delivery of Antrim Gas for quantities it has not nominated and delivered to CEDARLINE at Receipt Points.

H. Scheduling and Allocation of Capacity. There are four service levels: Firm Service, Authorized Overrun Gas, Unauthorized Overrun Gas, and Interruptible Service. For each Day, CEDARLINE will schedule receipts and deliveries of Antrim Gas on the basis of Shippers' confirmed nominations pursuant to the following:

- i. If the Forest Home is not at full capacity as a result of Shippers not transporting the full firm MDQ, then excess capacity will exist such that CEDARLINE is able to receive (a) Authorized Overrun Gas nominations in excess of a Shipper's MDQ, or (b) Interruptible Service nominations;ii.

Unauthorized Overrun Gas shall occur when a Shipper exceeds its MDQ and fails to comply with the criteria set forth in Section 5.1.4 of the Agreement;iii. Firm Service, Authorized Overrun Gas, or Interruptible Service will be curtailed on a pro rata basis within each service category; however, any Authorized Overrun Gas is subordinate to Firm Service and shall be curtailed if any other Firm Shipper(s) wish to nominate up to their MDQ; and further provided that any Interruptible Service is subordinated to Authorized Overrun Gas and shall be curtailed if a Firm Shipper wishes to use Authorized Overrun Gas;iv. CEDARLINE may, in its sole discretion,

allocate Receipt Point capacity pro rata by confirmed nominations up to the Firm MDQ at each Receipt Point;v. CEDARLINE may, in its sole discretion, allocate Delivery Point capacity pursuant to each Shipper's Antrim Gas transportation priority (Firm, Authorized Overrun Gas, or Interruptible Service) up to the MDQ at each Delivery Point. If allocation of Delivery Point capacity is required among Shippers with firm transportation priority, then such allocation will be based on each Shipper's instructions to CEDARLINE and each Shipper's pro rata share of the Delivery Point capacity as determined by Shipper's nominations and MDQ;vi. In the event that Shipper is transporting Unauthorized Overrun Gas and CEDARLINE determines that it will curtail such Unauthorized Overrun Gas, then CEDARLINE may identify any volumes by Receipt Points as the volumes that must be curtailed in order to bring Shipper into compliance with its MDQ.

I. Accounting for Receipts and Deliveries.

i. Following each Month, CEDARLINE will forward to Shipper a written report which contains the Monthly Plant Shrinkage, any Pipeline Loss and each Shipper's quantities.ii.

Allocation of Deliveries. All deliveries will be allocated throughout the Month based on confirmed nominations at each Delivery Point. Delivery Point quantity allocations will be reconciled at the end of each calendar Month.iii. Allocation of Receipts. Where there is

more than one Shipper at a Receipt Point, then allocation of actual quantities will be made throughout the Month pro rata, based on Shipper's confirmed nominations for each such Receipt Point. Receipt Point quantities will be reconciled at the end of each calendar Month.

IV. PAPER POOLING

A. Once CEDARLINE has allocated Antrim Gas pursuant to this Agreement, then any overdeliveries or underdeliveries by Shipper at one Receipt or Delivery Point may be offset by underdeliveries or overdeliveries by Shipper at another Receipt or Delivery Point, respectively ("Paper Pooling"). Such netting will be used by CEDARLINE for determining any imbalance penalties under this Agreement.

B. Paper Pooling does not relieve Shipper from its obligation to make valid nominations or its obligation for Antrim Gas imbalances under the terms of this Agreement.

V. MONTHLY IMBALANCES

A. At the end of each Month, CEDARLINE will provide each Shipper with a written Antrim Gas imbalance statement for that Month ("Imbalance Month"). Shipper will be afforded the opportunity to make up the imbalance during the subsequent Month, as follows:

- i. If the imbalance resulted from an overdelivery of Antrim Gas based on Receipt Point volumes less Pipeline Loss and Plant Shrinkage, then for the Month following the Imbalance Month, Shipper shall nominate and

receive for redelivery at the Delivery Point, volumes equivalent to the amount of the overdelivery.ii. If the imbalance resulted from an underdelivery of Antrim Gas based on Receipt Point volumes less Pipeline Loss and Plant Shrinkage, then for the Month following the Imbalance Month, Shipper shall nominate and deliver to the Receipt Point, volumes equivalent to the amount of the underdelivery.iii. A n t r i m G a s nominated pursuant to Sections V A.i. and V A.ii. ("Pay-back Gas") must be the first Antrim Gas nominated for the Month following the Imbalance Month. If Pay-back Gas is not the first gas nominated, CEDARLINE, at its sole discretion, may refuse nominations for Shipper's transport Antrim Gas.

B. If at the end of any Month following an Imbalance Month, Shipper's net imbalance, after Paper Pooling, exceeds its confirmed nomination by a tolerance of ten percent (10%) or greater, then Shipper shall incur an imbalance penalty of \$.10 per Mcf for the amount of the imbalance in excess of the ten percent (10%) tolerance. Such penalty will apply to any Antrim Gas imbalance not resolved by the end of the Month as provided in Section V.A. above and for each Month thereafter until the imbalance is resolved.

C. If upon termination of this Agreement, Shipper has not caused to be delivered to CEDARLINE at the Receipt Points, quantities of Antrim Gas that are equal to those that Shipper has taken at the Delivery Point(s), plus those quantities retained by CEDARLINE as compensation for Pipeline Loss

and Plant Shrinkage, the term of this Agreement will be extended for a period of up to sixty (60) Days during which time Shipper shall cause the deficient quantity of Antrim Gas to be delivered to CEDARLINE pursuant to this Agreement at a mutually agreeable daily rate of delivery. Should Shipper fail to correct this imbalance within the sixty (60) Day period, Shipper shall pay CEDARLINE, as liquidated damages, an amount equal to one hundred and ten percent (110%) of the average price of gas at the MichCon City Gate for the period during which the imbalance existed for any remaining deficient quantities.

D. If upon termination of this Agreement, Shipper has delivered to CEDARLINE at the Receipt Points, quantities of Antrim Gas that are in excess of those that Shipper has taken at the Delivery Point(s), plus those quantities retained by CEDARLINE as compensation for Pipeline Loss and Plant Shrinkage, the term of this Agreement will be extended, for a period of up to sixty (60) Days, during which time Shipper may receive the excess quantities of Antrim Gas from CEDARLINE pursuant to this Agreement at a daily rate of receipt that will not adversely affect the operations of the Forest Home which determination shall be in the sole discretion of CEDARLINE. Should any imbalance fail to be corrected within the sixty (60) Day period, the ownership of said remaining Antrim Gas excess volume shall be transferred to CEDARLINE except to the extent the excess quantities are the result of the actions of CEDARLINE, in which event CEDARLINE shall pay Shipper, as liquidated damages, an amount equal to one hundred and ten percent (110%) of the average

price of gas at the MichCon City Gate for the period during which the imbalance existed for any remaining deficient quantities.

VI. MEASUREMENT AND MEASUREMENT EQUIPMENT

A. Measurement

i. The unit of volume for the purpose of measurement shall be one thousand cubic feet of Antrim Gas at a temperature base of sixty degrees (60°) Fahrenheit and a pressure base of 15.025 pounds per square inch absolute (psia).ii. The average atmosphere (barometer)

pressure at each point of receipt and each point of delivery shall be assumed to be fourteen and four-tenths (14.4) pounds per square inch, irrespective of the actual location or elevation above sea level of the Delivery Point or of any variation in actual atmospheric pressure from time to time.iii. The flowing temperature of the gas(es)

shall be determined by means of an instrument of standard manufacture accepted in the industry for this purpose.iv. The supercompressibility factor used in computing the volume of Antrim Gas delivered through an orifice meter shall be determined in a manner consistent with the method contained in the American Gas Association "Manual for the Determination of Supercompressibility Factors for Natural Gas" ("AGA Report No. 8") as such publication may be revised from time to time.v.

The specific gravity of the Antrim Gas used in computing the volume of Antrim Gas delivered shall be determined in

intervals of not more than ninety (90) Days by means of an instrument(s) of standard manufacture accepted in the industry for this purpose using a sample of Antrim Gas, or a representative sample of Antrim Gas, of the Antrim Gas stream flowing to the Receipt Points or Delivery Point(s).vi.

The compressibility ratio factors "s" used in computing the volume of Antrim Gas delivered through a turbine meter or a positive displacement meter shall be determined by the equation  $s = (F_{pv})^2$ , in which "Fpv" is the supercompressibility factor determined as described in Subsection iv hereof.vii. In determining the flow temperature factor, supercompressibility factor, and compressibility ratio factor "s" for use in computing the volume of Antrim Gas delivered through a meter, the flowing Antrim Gas temperature for only the period(s) of time Antrim Gas was flowing through the meter shall be used.

B. Measurement Equipment

i. The volume of Antrim Gas delivered at the Receipt Points or Delivery Point(s) shall be measured by utilizing one of the following, as mutually agreed to between CEDARLINE and Shipper:

- (a) An orifice meter designed, installed, maintained and operated as recommended in the latest issue of American National Standard ANSI/API 2530 (American Gas Association Gas measurement Report No. 3), entitled "Orifice Metering of Natural Gas and Other Related Hydrocarbon Fluids," as such publication may be revised

from time to time (hereinafter referred to as "AGA Report No. 3") (revisions will be incorporated within a reasonable time period); or(b) A turbine meter designed, installed, maintained and operated as recommended in the latest issue of American Gas Association Transmission Measurement Committee Report No 7 entitled "Measurement of Fuel Gas by Turbine meters," as such publication may be revised from time to time (hereinafter referred to as "AGA report No. 7") (revisions will be incorporated within a reasonable time period); or(c) A p o s i t i v e displacement meter installed and operated in accordance with generally accepted industry practices. The construction and installation of the metering facilities shall be in accordance with the recommendations and specifications set forth by the reports specified in Section i(a) hereof or by the meter manufacturer specified in Section i(b) hereof.

- ii. Any auxiliary measuring equipment, if utilized, shall be installed, maintained and operated in accordance with generally accepted industry practices. Chromatographs calculating the heating value (Btu) of the Antrim Gas shall be programmed having the Gas Processors Associated (GPA) Standard 2145 Table of Paraffin Hydrocarbons and Other Components of Natural Gas.iii. The volume of Antrim Gas delivered at each Receipt Point or Delivery Point shall be calculated by means of an

electronic flow computer located at, or by the processing of meter charts recorded at, each Receipt Point or Delivery Point. The calculation or processing, in either case, shall be performed in the following manner:

- (a) When the measuring equipment is an orifice meter, the flow of Antrim Gas through the meter shall be computed in the manner recommended in AGA Report No. 3, properly using all factors set forth therein.
- (b) When the measuring equipment is a turbine meter, the volume of Antrim Gas delivered through the meter shall be computed in the manner recommended in AGA Report No. 7, properly using all facts set forth therein.
- (c) When the measuring equipment is a positive displacement meter, the volume of Antrim Gas delivered through the meter shall be computed by properly applying, to the volume delivered at flowing Antrim Gas pressures and temperatures, correction factors for (1) absolute static pressure, (2) flowing Antrim Gas temperature, (3) compressibility ratio and (4) specific gravity.

- iv. The operator of the measurements and measurement equipment, for purposes of this subsection shall be CEDARLINE, or such other person as designated by CEDARLINE. All flow, measuring, testing and related equipment shall be of standard manufacture, and type and designated by CEDARLINE. Shipper may install check-measuring equipment, provided that such equipment shall be installed so as not to interfere with the

operations of CEDARLINE or the Forest Home. Shipper, in the presence of CEDARLINE may have access to measuring equipment at CEDARLINE'S regular business hours and may be present at the time of the installing, reading, cleaning, changing, repairing, inspection, testing, calibrating or adjusting done by CEDARLINE. The reading, calibrating and adjusting of the measuring equipment and the changing of charts, if any, shall be done by CEDARLINE. The records from such measuring equipment shall remain the property of CEDARLINE; however, Shipper may request records, including charts, if any, together with calculations therefrom for inspection, which review shall occur at the office of CEDARLINE or at CEDARLINE'S sole option copies of said records may be sent to Shipper, subject to return by Shipper within ten (10) working Days after receipt thereof or extended by mutual agreement, provided the cost of such copying, delivery and return shall be borne by Shipper. The accuracy of all measuring equipment shall be verified by CEDARLINE or its designee at intervals of not more than three (3) Months for orifice meters and six (6) Months for turbine and positive displacement meters, and if requested and time permits, in the presence of representatives of the Shipper. CEDARLINE shall not be required to verify the accuracy of such equipment more frequently than once in any thirty (30) Day period but may do so in CEDARLINE'S sole discretion. However, if an electronic measurement system is utilized, its components shall be

calibrated as provided in Section viii below. If Shipper desires a special test of any measuring equipment, it will promptly notify CEDARLINE and the parties shall then cooperate to secure a prompt verification of the accuracy of the equipment. The expense of any special test shall be borne by the Shipper if the measuring equipment is found to be in error by not more than two percent (2%) for manual equipment or for EGM equipment the percentage cited in viii(a). If, upon any test, any measuring equipment is found to be in error, such errors shall be taken into account in a practical manner in computing the deliveries. If the resultant aggregate error in the computed receipts or deliveries is not more than two percent (2%) for chart records or pursuant to viii(a) for EGM equipment, then previous receipts or deliveries shall be deemed accurate. All equipment shall, in any case, be adjusted at the time of testing to record correctly. If, however, the resultant aggregate error in computing receipts or deliveries exceeds two percent (2%) for chart records or pursuant to viii(a) for EGM equipment, at a recording corresponding to the average hourly rate of Antrim Gas flow rate for the period since the last preceding test; the previous recordings of such equipment shall be corrected to zero error for any period that is known definitely or agreed upon, but in case the period is not known definitely, or agreed upon, the correction shall be for the period extending over one-half of the time elapsed since the date of the last test.v. In the event any measuring equipment is

out of service, or is found registering inaccurately, previous recordings of receipts or deliveries through such equipment shall be corrected using the following procedures:

(a) by using the registration of any check meter or meters, if installed and accurately registering, or in the absence of (a);(b) b y correcting the error if the percentage of error is ascertainable by calibration, special test or mathematical calculation, or in the absence of both (a) and (b) then; (c) by estimating the quantity of receipt or delivery based on receipts or deliveries during preceding periods under similar conditions when the meter was registering accurately. The correction period shall not exceed twelve (12) Months from the most recent test.

vi. If at any time during the term of service a new method or technique is developed with respect to Antrim Gas measurement or the determination of the factors used in Antrim Gas measurement, the new method or technique may be substituted upon mutual agreement of the parties to this Agreement.vii.

The parties hereto agree to preserve for a period of at least two (2) years or such longer period as may be required by contract, public authority, or applicable governmental bodies having or asserting jurisdiction, all test data, charts, and other similar records.viii.

Electronic Gas Measurement (EGM)

Technical Requirements

- (a) Accuracy: The meter system should use instruments that will provide an overall measurement accuracy of + or - 0.5% of flow, taking into account all the sources of error, including calibrated span of instruments, linearity, hysteresis, repeatability, ambient temperature, stability, vibration, and power supply fluctuation. Generally, this accuracy can be achieved only by the use of high accuracy smart transmitters with a published accuracy of  $\pm 0.1\%$ . If the EGM is a retrofit to replace existing mechanical chart recorders, an overall accuracy of  $\pm 1.0\%$  of flow will be acceptable. This accuracy can generally be achieved by utilizing transmitters with a published accuracy of  $\pm 0.25\%$ . Differential Pressure Transmitters shall be of a type that self compensate for static pressure effect or manufacturer's published compensation factor shall be programmed into the flow computer (RTU). All instruments should operate on a temperature range of 30 degrees Fahrenheit to +120 degrees Fahrenheit and a non-condensing relative humidity range of 0 to 95%. The unit must be able to withstand mechanical shock of at least 1 G and Shipper will be held responsible for any accidental damage to the equipment as a result of mechanical shock of over 1 G.
- (b) Computation: the flow computer of the meter system shall as a minimum perform flow calculation per AGA Report No. 3, AGA Report No. 7, and

AGA Report No. 8 requirements. As the aforementioned calculation methods are revised from time to time, new releases shall be implemented within twelve (12) Months from the release data. All measured variables for differential pressure, static pressure, and temperature shall be sampled at least once per second. All volume calculations shall be made at least once per second. Calculation of supercompressibility shall occur at least once every thirty (30) seconds.(c) Data Security: The flow computer must have password protection before data can be accessed or any parameters be changed. The computer must have a log of all changes made to the configuration.(d) Safety: The EGM system must meet standards for Class I, Division 2, Group D installations.(e) Power: The flow computer (RTU) and the related hardware should run on re-chargeable batteries. These batteries can be charged by either 120 VAC, 24 VDC or solar panels. For previously installed equipment, the battery capacity shall not be less than eight (8) hours. For future EGM installation, the battery capacity shall be at least twenty-four (24) hours when fully charged.(f) Local Display: Shipper shall be provided with capability to monitor volume information being recorded by measurement system on an ongoing basis with either RTU display or transmitters with local display.(g) Calibration:

All equipment used for EGM shall be tested and calibrated every ninety (90) Days, or in accordance with the requirements of the agency(ies) having jurisdiction, or in accordance with contractual agreements, whichever of these requirements are more stringent. All test and calibration equipment shall be certified to one-tenth percent (0.1%) accuracy and traceable back to an NGS primary standard. All test and calibration equipment shall be re-certified by a third party at least annually. In addition, CEDARLINE shall perform such inspections and test of the accuracy of the equipment used in the EGM system calibrations. A copy of any inspection, test or certification report, whether performed monthly or annually by CEDARLINE or an outside third party, including the annual certification planned for the equipment used to calibrate the EGM equipment shall be made available to Shipper upon written request. Calibration equipment must satisfy all applicable safety codes for the location in which it is being used, or the area must be checked and confirmed as gas free (less than five percent (5%) LEL) prior to and during use. A full loop (end device through RTU) test/calibration is required on all ANALOG inputs. Any adjustments to or calibration of the equipment shall be documented and kept as part of the audit trail. Upon separate requests by Shipper and approval by CEDARLINE, Shipper may tap into

meter run with an electronic transmitter for periodic calibration comparison, provided, however, any such tap shall not interfere with CEDARLINE'S measurement operations at that point. The flow computer and/or RTU shall freeze the analog transmitter values during transmitter calibration and orifice plate removal and use the frozen values or the flow computation during calibration and orifice plate removal and re-installation. (h) Audit: The following information must be kept for a minimum of two (2) years following the calendar year of production, unless required to be kept longer by contract, public authority, or by the applicable governmental bodies having or asserting jurisdiction:

- (1) All calculated volumes, energies, and daily averages must be maintained in their original unaltered form.
- (2) Any changes to the data to correct for inaccuracies must be fully documented, including assumptions and factors used in calculating the adjustment.
- (3) All event logs, test/calibration reports, Antrim Gas analyses, preventive maintenance documentation, or any other document containing EGM data.

All audit information will be available to Shipper during CEDARLINE'S regular business hours, upon request.

## VII. ANTRIM GAS QUALITY SPECIFICATIONS

A. Unless prior approval is obtained from CEDARLINE, all Antrim Gas received and delivered under the terms of this Agreement must conform to the following specifications:

- i. The Antrim Gas must be commercially free from dust, gum, gum-forming constituents, and all other solid and liquid matters which may interfere with its merchantability or cause injury to or interfere with proper operation of the pipelines, regulators, meters or other appliances through which it flows;ii. The Antrim Gas may not contain anything which might adversely affect the safe and efficient operation of the Forest Home or the Chestonia 17 CO<sub>2</sub> Treating Plant;iii. The water content of the Antrim Gas may not exceed seven (7) pounds per million cubic feet, however, every reasonable effort must be made to keep the water content at or below five (5) pounds per million cubic feet;iv. The Antrim Gas may not contain oxygen. Shipper is responsible for ensuring that its operator maintains its equipment to ensure the Antrim Gas is free of oxygen;v.

At each Delivery Point the CO<sub>2</sub> content of the Antrim Gas may not exceed two mole percent (2%); at any Receipt Point, the CO<sub>2</sub> content of the Antrim Gas may not exceed twenty-five mole percent (25%), provided, however, that Shipper's aggregate Receipt Point Antrim Gas hereunder may not exceed fourteen mole percent (14%);vi.

The Antrim Gas may not contain more than 1/4 grain of hydrogen sulfide per 1,000,000 cubic feet;vii. The Antrim

Gas may not contain more than 1/2 grain mercaptan sulfur per 100 cubic feet;viii.

The Antrim Gas may not contain more than 5 grains of total sulfur per 100 cubic feet, including the sulfur in any hydrogen sulfide, mercaptan, sulfides and residual sulfur.ix. The Antrim Gas at each Receipt Point must have a total heating value per cubic foot of not less than 730 British thermal units at a base pressure of 14.65 pounds per square inch at 60 degrees Fahrenheit on a dry basis; however, Shipper's aggregate Receipt Point Antrim Gas must have a total heating value per cubic foot of not less than 834 British thermal units.x.

In the event the Antrim Gas delivered by Shipper at the Receipt Point(s) fails at any time to meet these quality specification, CEDARLINE shall notify Shipper of such deficiency and thereupon may, at CEDARLINE'S option, refuse to accept deliveries pending correction. Upon demonstration acceptable to CEDARLINE that the Antrim Gas being tendered for delivery meets these quality specifications or that Shipper has arranged for the necessary treatment, processing or other action required for the Antrim Gas to meet these quality specifications, CEDARLINE shall commence or resume, as the case may be, taking delivery of the Antrim Gas.xi. Shipper agrees to indemnify and hold CEDARLINE harmless from any and all liability and to pay any costs, expenses, and damages resulting from CEDARLINE'S movement of Antrim Gas received from or by Shipper which fails to meet

the specifications hereunder and which have not been waived in writing by CEDARLINE, including contamination or damage to other Antrim Gas being transported.

VIII. DIVERSION OF GAS.

The Forest Home has no direct end user or distribution markets, but rather interconnects with the Radec pipeline. The parties to this Agreement acknowledge and agree the Forest Home is thus not subject to diversion of gas. However, when Forest Home Antrim Gas is delivered to the MichCon pipeline, then such Antrim Gas is subject to the diversion rules that apply to the MichCon pipeline.



## **APPENDIX D**Rate/Fee

GAS TRANSPORTATION RATE: FOREST HOME \$0.361  
per Mcf

GAS TREATING FEE: \$0.165