



BRADLEY ARANT
BOULT CUMMINGS

-2 PM 12:21

T.R.A. DOCKET ROOM

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July 1, 2014

Sharla Dillon
Tennessee Regulatory Authority
502 Deaderick Street
4th Floor
Nashville, TN 37243

Re: Petition of B&W Pipeline, LLC for a Certificate of Convenience and Necessity
Docket No. 13-00151

Dear Sharla:


Enclosed are the Petitioner's responses to the questions attached to the May 9, 2014 letter from David Foster. Some of the responses are confidential and are being filed under separate cover.

Hal Novak and I have prepared most of these answers and would be happy to meet with the staff to discuss any questions you may have about these responses. Hal will be in town for a TRA hearing on July 22. He and I are available to meet on the afternoon of the 22nd following the hearing, or on July 23.

Sincerely,

BRADLEY ARANT BOULT CUMMINGS LLP

By:



Henry Walker

HW/mkc
Enclosure
cc: David Foster

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

1. The Data Response states that B&W will have access to additional funds from its shareholders. Provide the name, address and phone number of each shareholder.

RESPONSE:

B&W Pipeline, LLC is a **wholly-owned** subsidiary of FIR Energy, LLC. FIR Energy, LLC's contact information is presented below.

FIR Energy
1728 SW 22nd Street, Ste 900
Miami, FL 33314
Tel. 931-563-0100 #350.

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

2. Provide financial reports (balance sheet, income statement and cash flow statement) for FIR Energy for each of the last three years.

RESPONSE:

Please see attached.

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Accrual Basis

FIR Energy, LLC
Balance Sheet
As of December 31, 2010

	Dec 31, 10
ASSETS	
Current Assets	
Checking/Savings	
11200 · BANKS	
11210 · BANK ACCOUNTS	
11213 · Chase Gen Checking (2414)	7,072.29
11214 · Chase Savings (6940)	5,244.18
11215 · Chase Debit Card Acct (9152)	16,432.35
Total 11210 · BANK ACCOUNTS	28,748.82
Total 11200 · BANKS	28,748.82
Total Checking/Savings	28,748.82
Accounts Receivable	
11420 · Accounts Receivable	
11423 · Claims Receivable CEF (M)	198,575.00
Total 11420 · Accounts Receivable	198,575.00
Total Accounts Receivable	198,575.00
Other Current Assets	
11000 · CURRENT ASSETS	
11500 · OTHER ACCOUNTS RECEIVABLE	
11550 · OTHER	
11551 · FWM intercompany	5,895.40
Total 11550 · OTHER	5,895.40
Total 11500 · OTHER ACCOUNTS RECEIVABLE	5,895.40
11800 · PREPAID EXPENSES	
11840 · PREPAID LEGAL	
11841 · Prepaid Legal Fees	34,548.19
Total 11840 · PREPAID LEGAL	34,548.19
Total 11800 · PREPAID EXPENSES	34,548.19
Total 11000 · CURRENT ASSETS	40,443.59
Total Other Current Assets	40,443.59
Total Current Assets	267,767.41
Other Assets	
13000 · DEFERRED ASSETS (NET)	
13100 · DEFERRED ASSETS	
13110 · DEFERRED ASSETS	
13113 · Organization Startup Costs	7,880.96
Total 13110 · DEFERRED ASSETS	7,880.96
Total 13100 · DEFERRED ASSETS	7,880.96
13200 · ACCUMULATED AMORTIZATION	
13210 · ACCUMULATED AMORTIZATION	
13213 · Organization Startup Costs	-5,131.00
Total 13210 · ACCUMULATED AMORTIZATION	-5,131.00
Total 13200 · ACCUMULATED AMORTIZATION	-5,131.00
Total 13000 · DEFERRED ASSETS (NET)	2,749.96

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Accrual Basis

FIR Energy, LLC
Balance Sheet
As of December 31, 2010

	Dec 31, 10
14000 · LONG TERM ASSETS	
14100 · LONG TERM ASSETS	
14110 · INVESTMENTS LT	
14111 · FWM Energy, LLC	
141111 · Income/Loss on Inv. FWM (2010)	-496,213.00
14111 · FWM Energy, LLC - Other	1,107,533.00
Total 14111 · FWM Energy, LLC	611,320.00
14112 · B&W Pipeline, LLC	
141121 · Income/Loss on Inv. B&W (2010)	-94,831.83
14112 · B&W Pipeline, LLC - Other	2,850,200.00
Total 14112 · B&W Pipeline, LLC	2,755,368.17
Total 14110 · INVESTMENTS LT	3,366,688.17
Total 14100 · LONG TERM ASSETS	3,366,688.17
Total 14000 · LONG TERM ASSETS	3,366,688.17
Total Other Assets	3,369,438.13
TOTAL ASSETS	3,637,205.54
LIABILITIES & EQUITY	
Equity	
31100 · CAPITAL	
31110 · CAPITAL CONTRIBUTIONS	
31111 · MI Energy LLC	4,250,000.00
31112 · HRP-GP, LLC	100.00
Total 31110 · CAPITAL CONTRIBUTIONS	4,250,100.00
Total 31100 · CAPITAL	4,250,100.00
Net Income	-612,894.46
Total Equity	3,637,205.54
TOTAL LIABILITIES & EQUITY	3,637,205.54

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Accrual Basis

FIR Energy, LLC
Balance Sheet
 As of December 31, 2011

	Dec 31, 11
ASSETS	
Current Assets	
Checking/Savings	
11200 · BANKS	
11210 · BANK ACCOUNTS	
11211 · Regions Checking (6775)	162,290.66
11212 · Regions Money Market (6864)	200,936.45
11213 · Chase Gen Checking (2414)	2,567.29
11215 · Chase Debit Card Acct (9152)	1,391.85
Total 11210 · BANK ACCOUNTS	367,186.25
Total 11200 · BANKS	367,186.25
Total Checking/Savings	367,186.25
Accounts Receivable	
11420 · Accounts Receivable	
11423 · Claims Receivable CEF (M)	239,895.00
Total 11420 · Accounts Receivable	239,895.00
Total Accounts Receivable	239,895.00
Other Current Assets	
11000 · CURRENT ASSETS	
11500 · OTHER ACCOUNTS RECEIVABLE	
11550 · OTHER	
11551 · FWM intercompany	180.00
11554 · ENREMA Intercompany	269,360.81
11555 · CHATTAVILLE Intercompany	821.25
11557 · FWM Drill Site #1	10,369.63
Total 11550 · OTHER	280,731.69
11500 · OTHER ACCOUNTS RECEIVABLE - Other	150.48
Total 11500 · OTHER ACCOUNTS RECEIVABLE	280,882.17
11800 · PREPAID EXPENSES	
11840 · PREPAID LEGAL	
11841 · Prepaid Legal Fees	720.43
Total 11840 · PREPAID LEGAL	720.43
Total 11800 · PREPAID EXPENSES	720.43
Total 11000 · CURRENT ASSETS	281,602.60
Total Other Current Assets	281,602.60
Total Current Assets	888,683.85
Other Assets	
13000 · DEFERRED ASSETS (NET)	
13100 · DEFERRED ASSETS	
13110 · DEFERRED ASSETS	
13113 · Organization Startup Costs	7,880.96
Total 13110 · DEFERRED ASSETS	7,880.96
Total 13100 · DEFERRED ASSETS	7,880.96
13200 · ACCUMULATED AMORTIZATION	
13210 · ACCUMULATED AMORTIZATION	
13213 · Organization Startup Costs	-5,323.00
Total 13210 · ACCUMULATED AMORTIZATION	-5,323.00
Total 13200 · ACCUMULATED AMORTIZATION	-5,323.00
Total 13000 · DEFERRED ASSETS (NET)	2,557.96

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Accrual Basis

FIR Energy, LLC
Balance Sheet
As of December 31, 2011

	Dec 31, 11
14000 · LONG TERM ASSETS	
14100 · LONG TERM ASSETS	
14110 · INVESTMENTS LT	
14111 · FWM Energy, LLC	
141111 · Income/Loss on Inv. FWM (2010)	-496,213.00
141112 · Income/Loss on Inv. FWM (2011)	-669,966.00
14111 · FWM Energy, LLC - Other	2,527,889.33
Total 14111 · FWM Energy, LLC	1,361,710.33
14112 · B&W Pipeline, LLC	
141121 · Income/Loss on Inv. B&W (2010)	-94,831.83
141122 · Income/Loss on Inv. B&W (2011)	-873,833.54
14112 · B&W Pipeline, LLC - Other	3,518,970.40
Total 14112 · B&W Pipeline, LLC	2,550,305.03
14113 · Rugby Energy, LLC	
141131 · Income/Loss on Inv. Rugby (2011)	-100,105.76
14113 · Rugby Energy, LLC - Other	101,700.00
Total 14113 · Rugby Energy, LLC	1,594.24
14114 · Enrema, LLC	
141141 · Income/Loss on Inv. Enrema(2011)	-22,077.67
Total 14114 · Enrema, LLC	-22,077.67
Total 14110 · INVESTMENTS LT	3,891,531.93
Total 14100 · LONG TERM ASSETS	3,891,531.93
Total 14000 · LONG TERM ASSETS	3,891,531.93
Total Other Assets	3,894,089.89
TOTAL ASSETS	4,782,773.74
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
21400 · ACCOUNTS PAYABLE ST	
21410 · ACCOUNTS PAYABLE	
21411 · Accounts Payable	94.33
Total 21410 · ACCOUNTS PAYABLE	94.33
Total 21400 · ACCOUNTS PAYABLE ST	94.33
Total Accounts Payable	94.33
Other Current Liabilities	
20000 · LIABILITIES	
21000 · CURRENT LIABILITIES	
21800 · OTHER LIABILITIES ST	
21801 · Andres Isaías	255.34
Total 21800 · OTHER LIABILITIES ST	255.34
Total 21000 · CURRENT LIABILITIES	255.34
Total 20000 · LIABILITIES	255.34
Total Other Current Liabilities	255.34
Total Current Liabilities	349.67
Total Liabilities	349.67

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Accrual Basis

FIR Energy, LLC
Balance Sheet
As of December 31, 2011

	Dec 31, 11
Equity	
31100 · CAPITAL	
31110 · CAPITAL CONTRIBUTIONS	
31111 · MI Energy LLC	
311111 · Income (Loss) FY - 2010 (MI)	-612,794.46
311112 · Income (Loss) FY - 2011 (MI)	-1,974,781.47
31111 · MI Energy LLC - Other	7,370,000.00
Total 31111 · MI Energy LLC	4,782,424.07
31112 · HRP-GP, LLC	
311121 · Income (Loss) FY - 2010 (HRP)	-100.00
31112 · HRP-GP, LLC - Other	100.00
Total 31112 · HRP-GP, LLC	0.00
Total 31110 · CAPITAL CONTRIBUTIONS	4,782,424.07
Total 31100 · CAPITAL	4,782,424.07
32001 · Members Equity	1,974,781.47
Net Income	-1,974,781.47
Total Equity	4,782,424.07
TOTAL LIABILITIES & EQUITY	4,782,773.74

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Accrual Basis

FIR Energy, LLC
Balance Sheet
As of December 31, 2012

	Dec 31, 12
ASSETS	
Current Assets	
Checking/Savings	
11200 · BANKS	
11210 · BANK ACCOUNTS	
11211 · Regions Checking (6775)	1,303.99
11212 · Regions Money Market (6864)	252,328.16
Total 11210 · BANK ACCOUNTS	253,632.15
Total 11200 · BANKS	253,632.15
Total Checking/Savings	253,632.15
Accounts Receivable	
11420 · Accounts Receivable	
11423 · Claims Receivable CEF (M)	239,895.00
11424 · Claims Receivable CAF (m)	1,200.00
Total 11420 · Accounts Receivable	241,095.00
Total Accounts Receivable	241,095.00
Other Current Assets	
11000 · CURRENT ASSETS	
11500 · OTHER ACCOUNTS RECEIVABLE	
11550 · OTHER	
11551 · FWM intercompany	-59.12
11554 · ENREMA Intercompany	300,000.00
Total 11550 · OTHER	299,940.88
Total 11500 · OTHER ACCOUNTS RECEIVABLE	299,940.88
Total 11000 · CURRENT ASSETS	299,940.88
Total Other Current Assets	299,940.88
Total Current Assets	794,668.03
Other Assets	
13000 · DEFERRED ASSETS (NET)	
13100 · DEFERRED ASSETS	
13110 · DEFERRED ASSETS	
13113 · Organization Startup Costs	2,880.96
Total 13110 · DEFERRED ASSETS	2,880.96
Total 13100 · DEFERRED ASSETS	2,880.96
13200 · ACCUMULATED AMORTIZATION	
13210 · ACCUMULATED AMORTIZATION	
13213 · Organization Startup Costs	-515.06
Total 13210 · ACCUMULATED AMORTIZATION	-515.06
Total 13200 · ACCUMULATED AMORTIZATION	-515.06
Total 13000 · DEFERRED ASSETS (NET)	2,365.90
14000 · LONG TERM ASSETS	
14100 · LONG TERM ASSETS	
14110 · INVESTMENTS LT	
14111 · FWM Energy, LLC	
141111 · Income/Loss on Inv. FWM (2010)	-496,213.00
141112 · Income/Loss on Inv. FWM (2011)	-669,966.00
141113 · Income/Loss on Inv. FWM (2012)	-806,326.00
14111 · FWM Energy, LLC - Other	4,482,868.33
Total 14111 · FWM Energy, LLC	2,510,363.33

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Accrual Basis

FIR Energy, LLC

Balance Sheet

As of December 31, 2012

	Dec 31, 12
14112 · B&W Pipeline, LLC	
141121 · Income/Loss on Inv. B&W (2010)	-94,831.83
141122 · Income/Loss on Inv. B&W (2011)	-873,833.54
141123 · Income/Loss on Inv. B&W (2012)	-1,073,669.33
14112 · B&W Pipeline, LLC - Other	4,709,070.40
Total 14112 · B&W Pipeline, LLC	2,666,735.70
14113 · Rugby Energy, LLC	
141131 · Income/Loss on Inv. Rugby (2011)	-100,105.76
141132 · Income/Loss on Inv. Rugby (2012)	-4,483.75
14113 · Rugby Energy, LLC - Other	113,700.00
Total 14113 · Rugby Energy, LLC	9,110.49
14114 · Enrema, LLC	
141141 · Income/Loss on Inv. Enrema(2011)	-22,077.67
1411412 · Income/Loss Inv. ENREMA (2012)	-28,618.36
Total 14114 · Enrema, LLC	-50,696.03
14115 · Chattaville, LLC	
141151 · Income/Loss Inv. Chattav (2012)	-77,970.62
14115 · Chattaville, LLC - Other	175,750.00
Total 14115 · Chattaville, LLC	97,779.38
Total 14110 · INVESTMENTS LT	5,233,292.87
Total 14100 · LONG TERM ASSETS	5,233,292.87
Total 14000 · LONG TERM ASSETS	5,233,292.87
Total Other Assets	5,235,658.77
TOTAL ASSETS	6,030,326.80
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
21400 · ACCOUNTS PAYABLE ST	
21410 · ACCOUNTS PAYABLE	
21411 · Accounts Payable	4,409.12
Total 21410 · ACCOUNTS PAYABLE	4,409.12
Total 21400 · ACCOUNTS PAYABLE ST	4,409.12
Total Accounts Payable	4,409.12
Total Current Liabilities	4,409.12
Total Liabilities	4,409.12
Equity	
31100 · CAPITAL	
31110 · CAPITAL CONTRIBUTIONS	
31111 · MI Energy LLC	
311111 · Income (Loss) FY - 2010 (MI)	-612,794.46
311112 · Income (Loss) FY - 2011 (MI)	-1,974,781.47
31111 · MI Energy LLC - Other	10,905,000.00
Total 31111 · MI Energy LLC	8,317,424.07

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Accrual Basis

FIR Energy, LLC
Balance Sheet
As of December 31, 2012

	Dec 31, 12
31112 · HRP-GP, LLC	
311121 · Income (Loss) FY - 2010 (HRP)	-100.00
31112 · HRP-GP, LLC - Other	100.00
Total 31112 · HRP-GP, LLC	0.00
Total 31110 · CAPITAL CONTRIBUTIONS	8,317,424.07
Total 31100 · CAPITAL	8,317,424.07
Net Income	-2,291,506.39
Total Equity	6,025,917.68
TOTAL LIABILITIES & EQUITY	6,030,326.80

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Accrual Basis

FIR Energy, LLC
Balance Sheet
As of December 31, 2013

	Dec 31, 13
ASSETS	
Current Assets	
Checking/Savings	
11200 · BANKS	
11210 · BANK ACCOUNTS	
11211 · Regions Checking (6775)	10,335.83
11212 · Regions Money Market (6864)	222.05
Total 11210 · BANK ACCOUNTS	10,557.88
Total 11200 · BANKS	10,557.88
Total Checking/Savings	10,557.88
Accounts Receivable	
11420 · Accounts Receivable	
11423 · Claims Receivable CEF (M)	239,895.00
11424 · Claims Receivable CAF (m)	1,200.00
Total 11420 · Accounts Receivable	241,095.00
Total Accounts Receivable	241,095.00
Other Current Assets	
11000 · CURRENT ASSETS	
11500 · OTHER ACCOUNTS RECEIVABLE	
11550 · OTHER	
11551 · FWM intercompany	-59.12
11554 · ENREMA Intercompany	30,000.00
Total 11550 · OTHER	29,940.88
Total 11500 · OTHER ACCOUNTS RECEIVABLE	29,940.88
Total 11000 · CURRENT ASSETS	29,940.88
Total Other Current Assets	29,940.88
Total Current Assets	281,593.76
Other Assets	
13000 · DEFERRED ASSETS (NET)	
13100 · DEFERRED ASSETS	
13110 · DEFERRED ASSETS	
13113 · Organization Startup Costs	2,880.96
Total 13110 · DEFERRED ASSETS	2,880.96
Total 13100 · DEFERRED ASSETS	2,880.96
13200 · ACCUMULATED AMORTIZATION	
13210 · ACCUMULATED AMORTIZATION	
13213 · Organization Startup Costs	-707.12
Total 13210 · ACCUMULATED AMORTIZATION	-707.12
Total 13200 · ACCUMULATED AMORTIZATION	-707.12
Total 13000 · DEFERRED ASSETS (NET)	2,173.84
14000 · LONG TERM ASSETS	
14100 · LONG TERM ASSETS	
14110 · INVESTMENTS LT	
14111 · FWM Energy, LLC	
141111 · Income/Loss on Inv. FWM (2010)	-496,213.00
141112 · Income/Loss on Inv. FWM (2011)	-669,966.00
141113 · Income/Loss on Inv. FWM (2012)	-806,326.00
141114 · Income/Loss on Inv. FWM (2013)	-464,940.00
14111 · FWM Energy, LLC - Other	4,680,968.33
Total 14111 · FWM Energy, LLC	2,243,523.33

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Accrual Basis

FIR Energy, LLC
Balance Sheet
As of December 31, 2013

	Dec 31, 13
14112 · B&W Pipeline, LLC	
141121 · Income/Loss on Inv. B&W (2010)	-94,831.83
141122 · Income/Loss on Inv. B&W (2011)	-873,833.54
141123 · Income/Loss on Inv. B&W (2012)	-1,073,669.33
141124 · Income/Loss on Inv. B&W (2013)	-1,165,926.15
14112 · B&W Pipeline, LLC - Other	5,673,154.33
Total 14112 · B&W Pipeline, LLC	2,464,893.48
14113 · Rugby Energy, LLC	
141131 · Income/Loss on Inv.Rugby (2011)	-100,105.76
141132 · Income/Loss on Inv.Rugby (2012)	-4,483.75
141133 · Income/Loss on Inv.Rugby (2013)	-54,209.97
14113 · Rugby Energy, LLC - Other	613,816.07
Total 14113 · Rugby Energy, LLC	455,016.59
14115 · Chattaville, LLC	
141151 · Income/Loss Inv. Chattav (2012)	-77,970.62
141152 · Income/Loss Inv. Chattav (2013)	-201,398.95
14115 · Chattaville, LLC - Other	626,200.00
Total 14115 · Chattaville, LLC	346,830.43
Total 14110 · INVESTMENTS LT	5,510,263.83
Total 14100 · LONG TERM ASSETS	5,510,263.83
Total 14000 · LONG TERM ASSETS	5,510,263.83
Total Other Assets	5,512,437.67
TOTAL ASSETS	5,794,031.43
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
21400 · ACCOUNTS PAYABLE ST	
21410 · ACCOUNTS PAYABLE	
21411 · Accounts Payable	19,363.30
Total 21410 · ACCOUNTS PAYABLE	19,363.30
Total 21400 · ACCOUNTS PAYABLE ST	19,363.30
Total Accounts Payable	19,363.30
Total Current Liabilities	19,363.30
Total Liabilities	19,363.30
Equity	
31100 · CAPITAL	
31110 · CAPITAL CONTRIBUTIONS	
31111 · MI Energy LLC	
311111 · Income (Loss) FY - 2010 (MI)	-612,794.46
311112 · Income (Loss) FY - 2011 (MI)	-1,974,781.47
31111 · MI Energy LLC - Other	12,810,000.00
Total 31111 · MI Energy LLC	10,222,424.07
31112 · HRP-GP, LLC	
311121 · Income (Loss) FY - 2010 (HRP)	-100.00
31112 · HRP-GP, LLC - Other	100.00
Total 31112 · HRP-GP, LLC	0.00
Total 31110 · CAPITAL CONTRIBUTIONS	10,222,424.07
Total 31100 · CAPITAL	10,222,424.07

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06/11/14
Accrual Basis

FIR Energy, LLC
Balance Sheet
As of December 31, 2013

	Dec 31, 13
32001 - Members Equity	-2,291,506.39
Net Income	-2,156,249.55
Total Equity	5,774,668.13
TOTAL LIABILITIES & EQUITY	5,794,031.43

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Accrual Basis

FIR Energy, LLC
Profit & Loss
January through December 2010

	Jan - Dec 10
Income	
40000 · REVENUES	
42000 · OTHER INCOME	
42100 · OTHER INCOME	
42130 · FINANCIAL INCOME	
42131 · Interest Revenue	3,882.18
42133 · Income/Loss on investment (FWM)	-495,301.00
42134 · Income/Loss on investment (B&W)	-94,831.83
Total 42130 · FINANCIAL INCOME	-586,250.65
Total 42100 · OTHER INCOME	-586,250.65
Total 42000 · OTHER INCOME	-586,250.65
Total 40000 · REVENUES	-586,250.65
Total Income	-586,250.65
Gross Profit	-586,250.65
Expense	
50000 · EXPENSES	
52000 · OVERHEAD EXPENSES	
52100 · MANAGENMENT EXPENSES	
52110 · PROFESSIONAL SERVICES	
52111 · Legal Expenses	20,451.81
Total 52110 · PROFESSIONAL SERVICES	20,451.81
52120 · ADMINISTRATIVE EXPENSES	
521214 · Bank Fees	135.00
Total 52120 · ADMINISTRATIVE EXPENSES	135.00
Total 52100 · MANAGENMENT EXPENSES	20,586.81
52600 · DEPRECIATIONS & AMORTIZATIONS	
52620 · AMORTIZATIONS	
52621 · Formation Costs Amortization	5,131.00
Total 52620 · AMORTIZATIONS	5,131.00
Total 52600 · DEPRECIATIONS & AMORTIZATIONS	5,131.00
52700 · OTHER EXPENSES	
52710 · OTHER EXPENSES	
52715 · Non Deductible Expenses	926.00
Total 52710 · OTHER EXPENSES	926.00
Total 52700 · OTHER EXPENSES	926.00
Total 52000 · OVERHEAD EXPENSES	26,643.81
Total 50000 · EXPENSES	26,643.81
Total Expense	26,643.81
Net Income	-612,894.46

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06/02/14

Accrual Basis

FIR Energy, LLC
Profit & Loss
January through December 2011

	Jan - Dec 11
Income	
40000 · REVENUES	
42000 · OTHER INCOME	
42100 · OTHER INCOME	
42130 · FINANCIAL INCOME	
42131 · Interest Revenue	991.67
42133 · Income/Loss on investment (FWM)	-668,096.00
42134 · Income/Loss on investment (B&W)	-873,833.54
42135 · Income/Loss on inv. (Rugby)	-100,105.76
42136 · Income/Loss on inv. (Enrema)	-22,077.67
Total 42130 · FINANCIAL INCOME	-1,663,121.30
Total 42100 · OTHER INCOME	-1,663,121.30
Total 42000 · OTHER INCOME	-1,663,121.30
Total 40000 · REVENUES	-1,663,121.30
Total Income	-1,663,121.30
Gross Profit	-1,663,121.30
Expense	
VOID	0.00
50000 · EXPENSES	
52000 · OVERHEAD EXPENSES	
52100 · MANAGENMENT EXPENSES	
52110 · PROFESSIONAL SERVICES	
52111 · Legal Expenses	259,944.92
52112 · Accounting Fees	20,968.00
Total 52110 · PROFESSIONAL SERVICES	280,912.92
52120 · ADMINISTRATIVE EXPENSES	
521210 · Travel Expense	16,331.69
521211 · Automobile Expense	4,758.00
521212 · Meals and Entertainment	1,309.42
521213 · Printing & Reproduction	957.00
521214 · Bank Fees	1,451.09
52129 · Licenses and Permits	3,567.11
Total 52120 · ADMINISTRATIVE EXPENSES	28,374.31
Total 52100 · MANAGENMENT EXPENSES	309,287.23
52200 · OFFICE EXPENSES	
52220 · OTHER EXPENSES	
52224 · Office Supplies	90.12
52227 · Postage and Shipping	215.82
Total 52220 · OTHER EXPENSES	305.94
Total 52200 · OFFICE EXPENSES	305.94
52600 · DEPRECIATIONS & AMORTIZATIONS	
52620 · AMORTIZATIONS	192.00
Total 52600 · DEPRECIATIONS & AMORTIZATIONS	192.00

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06/02/14
Accrual Basis

FIR Energy, LLC
Profit & Loss
January through December 2011

	Jan - Dec 11
52700 · OTHER EXPENSES	
52710 · OTHER EXPENSES	
52715 · Non Deductible Expenses	1,875.00
Total 52710 · OTHER EXPENSES	1,875.00
Total 52700 · OTHER EXPENSES	1,875.00
Total 52000 · OVERHEAD EXPENSES	311,660.17
Total 50000 · EXPENSES	311,660.17
Total Expense	311,660.17
Net Income	-1,974,781.47

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06/02/14
Accrual Basis

FIR Energy, LLC.
Profit & Loss
January through December 2012

	Jan - Dec 12
Income	
40000 · REVENUES	
42000 · OTHER INCOME	
42100 · OTHER INCOME	
42130 · FINANCIAL INCOME	
42131 · Interest Revenue	374.69
42133 · Income/Loss on investment (FWM)	-806,326.00
42134 · Income/Loss on investment (B&W)	-1,073,669.33
42135 · Income/Loss on inv. (Rugby)	-4,483.75
42136 · Income/Loss on inv. (Enrema)	-28,618.36
42137 · Income/Loss Inv.(Chattaville)	-77,970.62
Total 42130 · FINANCIAL INCOME	-1,990,693.37
Total 42100 · OTHER INCOME	-1,990,693.37
Total 42000 · OTHER INCOME	-1,990,693.37
Total 40000 · REVENUES	-1,990,693.37
Total Income	-1,990,693.37
Gross Profit	-1,990,693.37
Expense	
50000 · EXPENSES	
52000 · OVERHEAD EXPENSES	
52100 · MANAGENMENT EXPENSES	
52110 · PROFESSIONAL SERVICES	
52111 · Legal Expenses	216,213.73
52112 · Accounting Fees	18,296.00
52114 · Legal Expense (Other)	45,490.83
Total 52110 · PROFESSIONAL SERVICES	280,000.56
52120 · ADMINISTRATIVE EXPENSES	
521210 · Travel Expense	5,691.51
521211 · Automobile Expense	2,232.00
521212 · Meals and Entertainment	1,814.52
521214 · Bank Fees	1,817.49
52128 · Dues and Subscriptions	2,292.76
52129 · Licenses and Permits	3,366.03
Total 52120 · ADMINISTRATIVE EXPENSES	17,214.31
Total 52100 · MANAGENMENT EXPENSES	297,214.87
52200 · OFFICE EXPENSES	
52220 · OTHER EXPENSES	
52224 · Office Supplies	107.61
52227 · Postage and Shipping	520.71
Total 52220 · OTHER EXPENSES	628.32
Total 52200 · OFFICE EXPENSES	628.32
52500 · FINANCIAL EXPENSES	
52510 · INTEREST EXPENSES	
52511 · Interest Expenses	2,777.77
Total 52510 · INTEREST EXPENSES	2,777.77
Total 52500 · FINANCIAL EXPENSES	2,777.77

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06/02/14

Accrual Basis

FIR Energy, LLC
Profit & Loss
January through December 2012

	Jan - Dec 12
52600 · DEPRECIATIONS & AMORTIZATIONS	
52620 · AMORTIZATIONS	
52621 · Formation Costs Amortization	192.06
Total 52620 · AMORTIZATIONS	192.06
Total 52600 · DEPRECIATIONS & AMORTIZATIONS	192.06
Total 52000 · OVERHEAD EXPENSES	300,813.02
Total 50000 · EXPENSES	300,813.02
Total Expense	300,813.02
Net Income	-2,291,506.39

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06/02/14

Accrual Basis

FIR Energy, LLC
Profit & Loss
 January through December 2013

	Jan - Dec 13
Income	
40000 · REVENUES	
42000 · OTHER INCOME	
42100 · OTHER INCOME	
42130 · FINANCIAL INCOME	
42131 · Interest Revenue	13.89
42133 · Income/Loss on investment (FWM)	-464,940.00
42134 · Income/Loss on investment (B&W)	-1,165,926.15
42135 · Income/Loss on inv. (Rugby)	-54,209.97
42136 · Income/Loss on inv. (Enrema)	-35,977.17
42137 · Income/Loss Inv.(Chattaville)	-201,398.95
Total 42130 · FINANCIAL INCOME	-1,922,438.35
42140 · OTHER	
42149 · Gain/Loss on Sale of Property	87,651.22
Total 42140 · OTHER	87,651.22
Total 42100 · OTHER INCOME	-1,834,787.13
Total 42000 · OTHER INCOME	-1,834,787.13
Total 40000 · REVENUES	-1,834,787.13
Total Income	-1,834,787.13
Gross Profit	-1,834,787.13
Expense	
50000 · EXPENSES	
52000 · OVERHEAD EXPENSES	
52100 · MANAGEMENT EXPENSES	
52110 · PROFESSIONAL SERVICES	
52111 · Legal Expenses	129,773.32
52112 · Accounting Fees	6,405.42
52114 · Legal Expense (Other)	180,981.56
Total 52110 · PROFESSIONAL SERVICES	317,160.30
52120 · ADMINISTRATIVE EXPENSES	
521210 · Travel Expense	1,054.28
521211 · Automobile Expense	388.78
521214 · Bank Fees	1,167.00
52128 · Dues and Subscriptions	1,500.00
Total 52120 · ADMINISTRATIVE EXPENSES	4,110.06
Total 52100 · MANAGEMENT EXPENSES	321,270.36
52600 · DEPRECIATIONS & AMORTIZATIONS	
52620 · AMORTIZATIONS	
52621 · Formation Costs Amortization	192.06
Total 52620 · AMORTIZATIONS	192.06
Total 52600 · DEPRECIATIONS & AMORTIZATIONS	192.06
Total 52000 · OVERHEAD EXPENSES	321,462.42
Total 50000 · EXPENSES	321,462.42
Total Expense	321,462.42
Net Income	-2,156,249.55

FIR Energy, LLC
Statement of Cash Flows
January through December 2010

	<u>Jan - Dec 10</u>
OPERATING ACTIVITIES	
Net Income	-612,894.46
Adjustments to reconcile Net Income to net cash provided by operations:	
11420 · Accounts Receivable:11423 · Claims Receivable CEF (M)	-198,575.00
11000 · CURRENT ASSETS:11500 · OTHER ACCOUNTS RECEIVABLE:11550 ...	-5,895.40
11000 · CURRENT ASSETS:11800 · PREPAID EXPENSES:11840 · PREPAID L...	-34,548.19
Net cash provided by Operating Activities	-851,913.05
INVESTING ACTIVITIES	
13000 · DEFERRED ASSETS (NET):13100 · DEFERRED ASSETS:13110 · DEFER...	-7,880.96
13000 · DEFERRED ASSETS (NET):13200 · ACCUMULATED AMORTIZATION:13...	5,131.00
14000 · LONG TERM ASSETS:14100 · LONG TERM ASSETS:14110 · INVESTME...	-1,107,533.00
14000 · LONG TERM ASSETS:14100 · LONG TERM ASSETS:14110 · INVESTME...	496,213.00
14000 · LONG TERM ASSETS:14100 · LONG TERM ASSETS:14110 · INVESTME...	-2,850,200.00
14000 · LONG TERM ASSETS:14100 · LONG TERM ASSETS:14110 · INVESTME...	94,831.83
Net cash provided by Investing Activities	-3,369,438.13
FINANCING ACTIVITIES	
31100 · CAPITAL:31110 · CAPITAL CONTRIBUTIONS:31111 · MI Energy LLC	4,250,000.00
31100 · CAPITAL:31110 · CAPITAL CONTRIBUTIONS:31112 · HRP-GP, LLC	100.00
Net cash provided by Financing Activities	4,250,100.00
Net cash increase for period	28,748.82
Cash at end of period	<u>28,748.82</u>

FIR Energy, LLC
Statement of Cash Flows
January through December 2011

	<u>Jan - Dec 11</u>
OPERATING ACTIVITIES	
Net Income	-1,974,781.47
Adjustments to reconcile Net Income to net cash provided by operations:	
11420 · Accounts Receivable:11423 · Claims Receivable CEF (M)	-41,320.00
11000 · CURRENT ASSETS:11500 · OTHER ACCOUNTS RECEIVA...	-150.48
11000 · CURRENT ASSETS:11500 · OTHER ACCOUNTS RECEIVA...	5,715.40
11000 · CURRENT ASSETS:11500 · OTHER ACCOUNTS RECEIVA...	-269,360.81
11000 · CURRENT ASSETS:11500 · OTHER ACCOUNTS RECEIVA...	-821.25
11000 · CURRENT ASSETS:11500 · OTHER ACCOUNTS RECEIVA...	-10,369.63
11000 · CURRENT ASSETS:11800 · PREPAID EXPENSES:11840 · ...	33,827.76
21400 · ACCOUNTS PAYABLE ST:21410 · ACCOUNTS PAYABLE:2...	94.33
20000 · LIABILITIES:21000 · CURRENT LIABILITIES:21800 · OTHE...	255.34
Net cash provided by Operating Activities	<u>-2,256,910.81</u>
INVESTING ACTIVITIES	
13000 · DEFERRED ASSETS (NET):13200 · ACCUMULATED AMORTI...	192.00
14000 · LONG TERM ASSETS:14100 · LONG TERM ASSETS:14110 · I...	-1,420,356.33
14000 · LONG TERM ASSETS:14100 · LONG TERM ASSETS:14110 · I...	669,966.00
14000 · LONG TERM ASSETS:14100 · LONG TERM ASSETS:14110 · I...	-668,770.40
14000 · LONG TERM ASSETS:14100 · LONG TERM ASSETS:14110 · I...	873,833.54
14000 · LONG TERM ASSETS:14100 · LONG TERM ASSETS:14110 · I...	-101,700.00
14000 · LONG TERM ASSETS:14100 · LONG TERM ASSETS:14110 · I...	100,105.76
14000 · LONG TERM ASSETS:14100 · LONG TERM ASSETS:14110 · I...	22,077.67
Net cash provided by Investing Activities	<u>-524,651.76</u>
FINANCING ACTIVITIES	
31100 · CAPITAL:31110 · CAPITAL CONTRIBUTIONS:31111 · MI Ener...	3,120,000.00
31100 · CAPITAL:31110 · CAPITAL CONTRIBUTIONS:31111 · MI Ener...	-612,794.46
31100 · CAPITAL:31110 · CAPITAL CONTRIBUTIONS:31111 · MI Ener...	-1,974,781.47
31100 · CAPITAL:31110 · CAPITAL CONTRIBUTIONS:31112 · HRP-GP...	-100.00
32001 · Members Equity	2,587,675.93
Net cash provided by Financing Activities	<u>3,120,000.00</u>
Net cash increase for period	338,437.43
Cash at beginning of period	28,748.82
Cash at end of period	<u><u>367,186.25</u></u>

FIR Energy, LLC
Statement of Cash Flows
January through December 2012

	<u>Jan - Dec 12</u>
OPERATING ACTIVITIES	
Net Income	-2,291,506.39
Adjustments to reconcile Net Income to net cash provided by operations:	
11420 · Accounts Receivable:11424 · Claims Receivable CAF (m)	-1,200.00
11000 · CURRENT ASSETS:11500 · OTHER ACCOUNTS RECEIVABLE	150.48
11000 · CURRENT ASSETS:11500 · OTHER ACCOUNTS RECEIVABLE:11550 ...	239.12
11000 · CURRENT ASSETS:11500 · OTHER ACCOUNTS RECEIVABLE:11550 ...	-30,639.19
11000 · CURRENT ASSETS:11500 · OTHER ACCOUNTS RECEIVABLE:11550 ...	821.25
11000 · CURRENT ASSETS:11500 · OTHER ACCOUNTS RECEIVABLE:11550 ...	10,369.63
11000 · CURRENT ASSETS:11800 · PREPAID EXPENSES:11840 · PREPAID L...	720.43
21400 · ACCOUNTS PAYABLE ST:21410 · ACCOUNTS PAYABLE:21411 · Acc...	4,314.79
20000 · LIABILITIES:21000 · CURRENT LIABILITIES:21800 · OTHER LIABILI...	-255.34
Net cash provided by Operating Activities	-2,306,985.22
INVESTING ACTIVITIES	
13000 · DEFERRED ASSETS (NET):13100 · DEFERRED ASSETS:13110 · DEFER...	5,000.00
13000 · DEFERRED ASSETS (NET):13200 · ACCUMULATED AMORTIZATION:13...	-4,807.94
14000 · LONG TERM ASSETS:14100 · LONG TERM ASSETS:14110 · INVESTME...	-1,954,979.00
14000 · LONG TERM ASSETS:14100 · LONG TERM ASSETS:14110 · INVESTME...	806,326.00
14000 · LONG TERM ASSETS:14100 · LONG TERM ASSETS:14110 · INVESTME...	-1,190,100.00
14000 · LONG TERM ASSETS:14100 · LONG TERM ASSETS:14110 · INVESTME...	1,073,669.33
14000 · LONG TERM ASSETS:14100 · LONG TERM ASSETS:14110 · INVESTME...	-12,000.00
14000 · LONG TERM ASSETS:14100 · LONG TERM ASSETS:14110 · INVESTME...	4,483.75
14000 · LONG TERM ASSETS:14100 · LONG TERM ASSETS:14110 · INVESTME...	28,618.36
14000 · LONG TERM ASSETS:14100 · LONG TERM ASSETS:14110 · INVESTME...	-175,750.00
14000 · LONG TERM ASSETS:14100 · LONG TERM ASSETS:14110 · INVESTME...	77,970.62
Net cash provided by Investing Activities	-1,341,568.88
FINANCING ACTIVITIES	
31100 · CAPITAL:31110 · CAPITAL CONTRIBUTIONS:31111 · MI Energy LLC	3,535,000.00
Net cash provided by Financing Activities	3,535,000.00
Net cash increase for period	-113,554.10
Cash at beginning of period	367,186.25
Cash at end of period	<u>253,632.15</u>

FIR Energy, LLC
Statement of Cash Flows
January through December 2013

	<u>Jan - Dec 13</u>
OPERATING ACTIVITIES	
Net Income	-2,156,249.55
Adjustments to reconcile Net Income to net cash provided by operations:	
11000 · CURRENT ASSETS:11500 · OTHER ACCOUNTS RECEIVABLE:11550 ...	270,000.00
21400 · ACCOUNTS PAYABLE ST:21410 · ACCOUNTS PAYABLE:21411 · Acc...	14,954.18
Net cash provided by Operating Activities	-1,871,295.37
INVESTING ACTIVITIES	
13000 · DEFERRED ASSETS (NET):13200 · ACCUMULATED AMORTIZATION:13...	192.06
14000 · LONG TERM ASSETS:14100 · LONG TERM ASSETS:14110 · INVESTME...	-198,100.00
14000 · LONG TERM ASSETS:14100 · LONG TERM ASSETS:14110 · INVESTME...	464,940.00
14000 · LONG TERM ASSETS:14100 · LONG TERM ASSETS:14110 · INVESTME...	-964,083.93
14000 · LONG TERM ASSETS:14100 · LONG TERM ASSETS:14110 · INVESTME...	1,165,926.15
14000 · LONG TERM ASSETS:14100 · LONG TERM ASSETS:14110 · INVESTME...	-500,116.07
14000 · LONG TERM ASSETS:14100 · LONG TERM ASSETS:14110 · INVESTME...	54,209.97
14000 · LONG TERM ASSETS:14100 · LONG TERM ASSETS:14110 · INVESTME...	-22,077.67
14000 · LONG TERM ASSETS:14100 · LONG TERM ASSETS:14110 · INVESTME...	-28,618.36
14000 · LONG TERM ASSETS:14100 · LONG TERM ASSETS:14110 · INVESTME...	-450,450.00
14000 · LONG TERM ASSETS:14100 · LONG TERM ASSETS:14110 · INVESTME...	201,398.95
Net cash provided by Investing Activities	-276,778.90
FINANCING ACTIVITIES	
31100 · CAPITAL:31110 · CAPITAL CONTRIBUTIONS:31111 · MI Energy LLC	1,905,000.00
Net cash provided by Financing Activities	1,905,000.00
Net cash increase for period	-243,074.27
Cash at beginning of period	253,632.15
Cash at end of period	<u><u>10,557.88</u></u>

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

- 3. Describe in detail all business ventures that FIR Energy is currently involved in. Please separate by state jurisdiction.**

RESPONSE:

FIR Energy, LLC was created as an investment vehicle to develop an oil and gas project in the Cumberland Plateau area. As a part of that project, FIR Energy acquired the former oil and gas assets of Titan Energy Group. All of these assets are located in Tennessee and FIR Energy has no other business ventures.

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

- 4. Provide a copy of the license to do business for FIR Energy. Provide the names, phone numbers and addresses of FIR Energy's principal officers.**

RESPONSE:

FIR Energy, LLC does not conduct any business in TN directly; its subsidiaries do. It's therefore it does not need to be qualified to do business in TN as all its subsidiaries do and indeed are.

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

- 5. Provide financials (balance sheet, income statement and cash flow statement) for MI Energy for each of the last three years.**

RESPONSE:

Attached is the proprietary ledger detail for the equity accounts of B&W Pipeline, LLC, Enrema, LLC, and FIR Energy, LLC which represent the total investment of MI Energy. Also refer to the Company response to question #8, narrative discussion item IV for a discussion of MI Energy's financial commitment to B&W Pipeline, LLC.

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

6. Provide Federal Income Tax Returns for B&W Pipeline, LLC for 2011, 2012 and 2013.

RESPONSE:

As noted elsewhere, B&W Pipeline, LLC is a wholly owned subsidiary of FIR Energy. As such, B&W Pipeline, LLC does not file a separate federal income tax return. Instead the earnings and losses of B&W Pipeline, LLC are consolidated and reported on FIR Energy's tax return.

Please see the Company's response to Item #7 of this data request for the federal income tax returns of FIR Energy.

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

- 7. Provide Federal Income Tax Returns for FIR Energy for 2011, 2012 and 2013.**

RESPONSE:

The Federal Income Tax Returns for these years is being provided as a separate proprietary filing.

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

8. Provide a copy of the contract between B&W Pipeline, LLC and Navitas. The contract provided is between the previous President of Gasco (Fred Steele) and Highland Rim Energy (no longer the management company of B&W Pipeline, LLC). In addition, the contract provided was signed and dated by both parties on October 13, 2010 (after the registered sale date). Therefore, provide the TRA with (1) a copy of a Transportation Agreement between B&W Pipeline, LLC and the new owners of Gasco (Navitas TN NG, LLC), (2) a document where Navitas has assumed the contract that was negotiated October 13, 2010, or (3) a tariff.

RESPONSE:

A narrative explanation is presented below describing how the transportation contract between Gasco and Highland Rim was assigned to, respectively, Navitas and B&W Pipeline, LLC. See also TRA Docket 11-00121, response to Staff Discovery filed September 8, 2011. Attached are copies of all relevant documents that are described in the narrative.

- I. On June 11, 2010, Titan Energy Group sold to Highland Rim Energy the B&W pipeline system. This was done in connection with the bankruptcy of Gasco Distribution Systems, the parent company of Titan Energy. Since Titan Energy itself was not in bankruptcy, the sale did not have to be approved by the bankruptcy court.

As a condition of the sale, Titan and Gasco entered into a transportation agreement for the transportation of gas through the B&W pipeline (owned by Titan) to the gas distribution systems owned by Gasco. That contract was then assigned by Titan to Highland Rim Energy as part of the sale of the B&W pipeline from Titan to Highland Rim.

On September 2, 2010, Highland Rim Energy assigned to B&W Pipeline, LLC, a wholly-owned subsidiary of FIR Energy, all of its rights under the purchase agreement with Titan. In other words, B&W Pipeline, LLC became the owner of both the pipeline system and the transportation contract with Gasco.

- II. As the TRA is aware (Docket No. 10-00220), Gasco Distribution Systems declared bankruptcy and sold its gas distribution systems to Navitas Assets, LLC. Navitas Assets then assigned its rights to Navitas TN NG, LLC, which is now the TRA-certified owner and operator of those gas distribution systems, including the transportation contract between Gasco and B&W Pipeline, LLC. (See the letter to the TRA dated September 8, 2011 in Docket 11-00121.)
- III. B&W Pipeline was formed on July 26, 2011 as an L.L.C. whose sole member was FIR Energy, LLC. FIR itself is also an LLC whose members were MI Energy LLC and Highland Rim Partners LLC. Initially, FIR had two managers, one appointed by MI Energy and the other appointed by Highland Rim. Today, Highland Rim is no longer involved in the management of FIR, which is now run exclusively by MI Energy.
- IV. MI Energy, LLC which now owns and controls FIR, is itself owned and controlled by two investor groups, one called MCNG Partners, LLC (which is a family-owned entity in the United

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

States) and ID Energy, LLC (also a family-owned entity based in the United States). To date FIR Energy, using funds invested by MI Energy, has invested \$5.7 million in B&W Pipeline, LLC. FIR Energy has also invested, using funds supplied by MI Energy, \$16.6 million in the larger gas and oil development in Tennessee. See ledger detail attached to question #5.

- V. Enrema, LLC is the manager of B&W Pipeline, LLC pursuant to a management agreement (attached). The Agreement gives Enrema the authority and responsibility to hire and fire “employees, independent contractors and service providers” including consultants, accountants and attorneys as needed to operate B&W Pipeline, LLC.

Agreement

This Agreement ("Agreement") is entered into on this 4th day of February, 2011 by and among FIR Energy, LLC, a Delaware limited liability company ("FIR"), FWM Energy, LLC, a Delaware limited liability company ("FWM"), B&W Pipeline, LLC, a Delaware limited liability company ("B&W"), Rugby Energy, LLC ("Rugby"), a Delaware limited liability company, MI Energy, LLC, a Delaware limited liability company ("MI"), Highland Rim Energy, LLC ("HRE"), Highland Rim Partners, L.P., a limited partnership ("HRP"), HRP GP, LLC, a limited liability company, as general partner of HRP ("GP"), Carlos A. Fonts ("Fonts Jr."), and Carlos E. Fonts ("Fonts Sr.").

WHEREAS, MI and HRP are the members of FIR, FIR is the sole member of B&W and Rugby, and FIR is the controlling member of FWM;

WHEREAS, FIR, MI and GP entered into an Amended and Restated Operating Agreement dated April 20, 2010 ("FIR Operating Agreement"), the Memorandum of Mutual Understanding dated August 25, 2010, ("MOU") and approved the Operating Manual ("Manual"; the Manual, MOU and Operating Agreement may be collectively referred to herein as the "FIR Governing Documents"), FWM, FIR, as a member and manager of FWM, and HRP entered into a Operating Agreement dated March 26, 2010 ("FWM Operating Agreement"), FIR as the sole member of B&W and FIR as manager of B&W entered into an Operating Agreement dated July 26, 2010 ("B&W Operating Agreement"), and the Operating Agreement between FWM and HRE dated March 26, 2010 ("Management Agreement"; and the Management Agreement along with the FIR Governing Documents, FWM Operating Agreement, and the B&W Operating Agreement may be referred to herein as the "Operating Agreements");

WHEREAS, immediately prior to the date hereof, and subject to the applicable Operating Agreements, Carlos Sr. and Carlos Jr. are currently listed as the managers of FIR, FIR is the manager of FWM and B&W, and no one has been appointed as manager of Rugby;

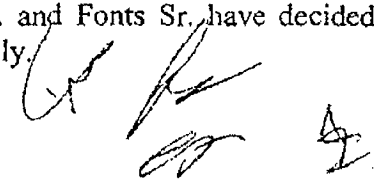
WHEREAS, the parties want to make certain changes to the Operating Agreements as provided below; and

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned parties agree as follows:

1. Incorporation. The recitals set forth above are true and correct and incorporated herein by reference.

2. FIR.

a. The parties believe it is in the best interests of FIR and its affiliates to create a streamline, clear and centralized organizational structure taking into account the duties and experience of various individuals. As a result, Fonts Jr. and Fonts Sr. have decided by signing below to resign as managers of FIR effective immediately.



b. FIR shall have two managers, one appointed by MI (the "MI Manager") and one appointed by HRP (the "HRP Manager"). MI shall have the sole and exclusive right (i) to appoint, remove (with or without cause), and replace the MI Manager at any time and (ii) to fill any vacancy in the MI Manager position created by the death, resignation or removal of such MI Manager at any time. HRP shall have the sole and exclusive right (x) to appoint, remove (with or without cause), and replace the HRP Manager at any time and (y) to fill any vacancy in the HRP Manager position created by the death, resignation or removal of such HRP Manager at any time

c. MI hereby appoints Andres Isaias as the MI Manager, effective immediately and HRP hereby appoints Fonts Sr. as the HRP Manager, effective immediately. The MI Manager may take any action permitted under the FIR Operating Agreement and this Agreement without the approval of the HRP Manager. The HRP Manager, however, cannot take any action on behalf of FIR unless approved in writing or email by the MI Manager. If the HRP Manager wants to take an action which the MI Manager does not approve and thus there is a deadlock, then either manager may at any time submit the deadlocked matter to MI. MI shall resolve the deadlock by notifying the managers of its decision (i.e. supporting the position of the MI Manager or the HRP Manager) and such decision shall be final and binding on both managers and FIR. Except as otherwise provided in this Agreement, the managers of FIR shall have the same authority and powers as indicated in the FIR Operating Agreement; it being understood that any deadlock among the managers as provided above shall be resolved by MI. If the HRP Manager takes any action in violation of this Agreement, the HRP Manager shall be deemed removed effective immediately and HRP shall immediately lose its right to appoint a new HRP Manager. Additionally, MI shall at such time have the sole and exclusive authority to appoint both managers rather than just one manager.

d. The current members of FIR shall retain their respective member voting rights as provided in the FIR Operating Agreement except MI shall resolve any deadlock among the managers.

e. The managers of FIR on behalf of FIR shall have the authority to appoint, remove, replace and add any manager of FWM, B&W, Rugby and any other entity in which FIR has a controlling ownership and voting interest.

f. The MOU and the Manual as it applies to HRE, HRP, and/or GP is hereby terminated effective immediately; it being understood that such termination shall not be considered a release of HRE, HRP and/or GP prior actions or inactions under the MOU and Manual.

g. The FIR Operating Agreement is hereby be deemed to be amended as provided in this Agreement; it being understood if there is a conflict between a provision in this Agreement and any provision in the FIR Operating Agreement (including, without limitation section 6.2 of the FIR Operating Agreement), this Agreement shall govern.

3. FWM.

a. FIR resigns as manager of FWM effective immediately.

b. HRE and FWM hereby terminate the Management Agreement effective immediately and acknowledge FWM owes no monies to HRE. HRE hereby releases FWM and its members and managers.

c. FIR as the voting member of FWM hereby appoints Marcelo Recchia to serve as the sole manager of FWM with the same powers and limitations of managers as indicated in the FWM Operating Agreement. FIR, as the sole member of FWM, may at any time remove and replace any manager and/or may add one or more managers to FWM.

d. FWM hereby agrees to hire Fonts Jr. as an independent contractor of FWM for monthly compensation of \$14,290. FWM may terminate this contract for any reason with ~~60~~ ³⁰ days advance notice. Fonts Jr. will take direction from the manager of FWM and will not take any action for or on behalf of FWM unless specifically authorized in writing.

e. The FWM Operating Agreement is hereby deemed to be amended as provided in this Agreement; it being understood if there is a conflict between a provision in this Agreement and any provision in the FWM Operating Agreement (including, without limitation section 6.2 of the FWM Operating Agreement), this Agreement shall govern.

4. B&W. FIR as the voting member of B&W hereby appoints Marcelo Recchia to serve as the sole manager of B&W with the same powers and limitations of managers as indicated in the B&W Operating Agreement. FIR, as the sole member of B&W, may at any time remove and replace any manager and/or may add one or more managers to B&W. B&W hereby agrees to hire Steve Longley as an independent contractor of B&W for monthly compensation of \$12,559. B&W may terminate this contract for any reason with 30 days advance notice. Steve Longley will take direction from the manager of B&W and will not take any action for or on behalf of B&W unless specifically authorized in writing.

5. Rugby. FIR hereby appoints Marcelo Recchia to serve as the sole manager of Rugby effective immediately. FIR may remove and replace the manager for any reason or no reason at any time.

6. Representations and Warranties. Each party to this agreement which is an entity, whether a limited liability company, limited partnership or otherwise ("Entity Party"), hereby represents and warrants to each of the other parties hereto the following: all appropriate members, managers and others of such Entity Party has approved the terms of this Agreement and all documents referred to herein and authorized the those individuals signing below for the applicable Entity Party to sign this Agreement.

7. Continuing Cooperation and Future Assurances. HRE, Fonts Jr., Fonts Sr., and GP shall: (a) within 3 business days deliver to Marcelo Recchia (for the benefit of FIR, FWM, and B&W, as applicable) all files, books, financial records, computer data containing any information regarding the entities described herein, financial data, permits, contact information, surveys, deeds, plans, warranties, manuals, electronic manuals, and any and all other documents and information pertaining to or relating to FIR, FWM and B&W; and (b) cooperate with FIR,

FWM and B&W, as applicable, in the future with any questions, issues, concerns or other matters that may arise with respect to such entities and their respective businesses. Fonts Jr. and Fonts Sr. hereby resign from all manager, officer and director positions at FIR, FWM, and B&W. Fonts Jr. and Fonts Sr. will not take any actions on behalf of or for FWM, FIR nor BW.

8. Counterparts. This Agreement may be executed in any number of counterparts, and each such counterpart shall for all purposes be deemed to be an original. Any signature delivered via electronic mail or facsimile shall be deemed an original.

9. Disputes. The parties agree in the event of any dispute that jurisdiction and venue shall lie in the courts of Miami-Dade County and Florida law shall govern regardless of its conflict of law provisions.

10. COUNSEL. This Agreement was prepared by WNF Law, PL on behalf of FIR and not any other party to this Agreement. In the event any ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by all parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement. Each of the undersigned acknowledges that they have been advised to seek the advice of independent counsel prior to signing this Agreement and during negotiations.

This Agreement is entered into effective February __, 2011.

FIR Energy, LLC

By: 

Carlos A. Fonts, Manager

By: 

Carlos E. Fonts, Manager

FWM Energy, LLC

By: FIR Energy, LLC, Manager

By: 

Carlos A. Fonts, Manager

By: 

Carlos E. Fonts, Manager

MI Energy, LLC, Member of FIR Energy, LLC

By: 

Mario Ribadeneria, Manager

By: 

Andres A. Isaias, Manager

HRP GP, LLC

By: 


Carlos A. Fonts, Manager

By: 

Carlos E. Fonts, Manager

B&W Pipeline, LLC

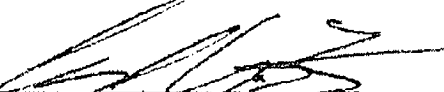
By: FIR Energy, LLC, Manager

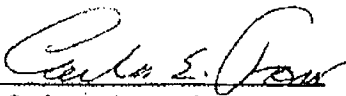
By: 
Carlos A. Fonts, Manager

By: 
Carlos E. Fonts, Manager

Rugby Energy, LLC

By: FIR Energy, LLC, Sole Member

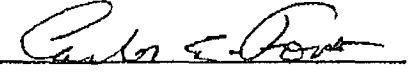
By: 
Carlos A. Fonts, Manager

By: 
Carlos E. Fonts, Manager

Highland Rim Partners, L.P.

By: HRP GP, LLC as the General Partner

By: 
Carlos A. Fonts, Manager of GP

By: 
Carlos E. Fonts, Manager of GP

~~Carlos A. Fonts, Individually~~

~~Carlos E. Fonts, Individually~~



ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this "Agreement") is dated as of this 11th day of June, 2010, by and between THE TITAN ENERGY GROUP, INC., an Ohio corporation (hereinafter sometimes referred to as "Seller"), and HIGHLAND RIM ENERGY, LLC, a Texas limited liability company (hereinafter sometimes referred to as "Purchaser").

Background Information

Whereas, Seller is the owner of a certain natural gas pipeline and the pipeline easements, pipeline leases, pipeline licenses, and pipeline rights of way on which said pipeline is located (the "Rights of Way"), oil and gas leases, wells, and fee simple parcels of land located in Fentress, Morgan, and Pickett Counties, Tennessee, as more particularly identified and described on the schedules attached to this Agreement, referred to herein as the Acquired Assets; and

Whereas, Seller desires to sell and transfer to Purchaser, and Purchaser desires to purchase from Seller, on the terms and subject to the conditions set forth in this Agreement, the Acquired Assets; and

Whereas, Seller is a wholly owned subsidiary of Gasco Distribution Systems, Inc., an Ohio corporation (sometimes hereinafter referred to as "Gasco"); and

Whereas, on June 1, 2009 Gasco filed a voluntary petition for reorganization under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Ohio, Eastern Division (the "Bankruptcy Court"), Case No. 09-056171; and

Whereas, on the terms and subject to the conditions set forth in this Agreement, and pursuant to that certain Letter of Intent dated April 19, 2010 entered into by Purchaser, Seller, and Gasco, Purchaser desires to purchase from Seller, and Seller desires to sell to Purchaser, the Acquired Assets. Since the Letter of Intent was executed, the parties have determined that, since Seller is not itself in a bankruptcy proceeding, it is not required that the sale of Titan's assets be approved by the Bankruptcy Court, nor shall it be required that the sale be subject to higher and better bids. Incident to this Agreement, however, Gasco and Titan will be entering into a certain gas transportation agreement for the transportation of gas through Seller's B & W Pipeline (part of the Acquired Assets) to the Albany, Byrdstown and Fentress utilities owned by Gasco. This gas transportation agreement will then be assigned by Seller to Purchaser as an

Assumed Contract (defined herein) as a condition of closing. The parties understand that Gasco will be filing a motion for the Bankruptcy Court to authorize Gasco to enter into the gas transportation agreement with Seller, pursuant to applicable sections of the Bankruptcy Code.

Now, therefore, in consideration of the foregoing and the respective representations, warranties, covenants, and undertakings herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Purchaser hereby agree as follows:

ARTICLE I DEFINITIONS AND TERMS

Section 1.1 Definitions. The following terms, as used in this Agreement, shall have the meanings set forth in this Section:

"Acquired Assets" has the meaning set forth in Section 2.1.

"Agreement" means this Asset Purchase Agreement and all Exhibits and Schedules hereto.

"Applicable Law" means, with respect to any Person, any current federal, state or local statute, law, common law, ordinance, rule, administrative interpretation, regulation, order, writ, injunction, directive, judgment, decree or other requirement of any Governmental Authority applicable to such Person, or any of its respective properties, assets or business.

"Assumed Contracts" has the meaning set forth in Section 2.1 (h).

"Assumed Liabilities" has the meaning set forth in Section 2.2.

"Books and Records" has the meaning set forth in Section 5.15.

"Closing" has the meaning set forth in Section 4.1.

"Closing Date" has the meaning set forth in Section 4.1.

"Confidential Information" has the meaning set forth in Section 7.6 a.

"Contracts" means any and all agreements, contracts, contractual rights, leases of personal and real property, rights of way, sales, supply and purchase orders, and all other agreements, whether written or oral associated with or related to the Pipeline or the other Acquired Assets, including without limitation the Rights of Way.

"Disclosure Schedule" has the meaning set forth in Article V.

"Deposit" has the meaning set forth in Section 3.2 a.

"Employee" means any employee or former employee of Seller.

"Environmental Claim" shall mean any claim, action, cause of action, investigation, or notice (written or oral) by any third person or entity alleging potential liability (including, without limitation, potential liability for investigatory costs, cleanup costs, corrective action, attorneys fees, governmental response costs, costs of closure of any waste treatment, storage, or disposal facility, natural resources damages, property damages, personal injuries, or penalties) which arises out of, is based upon, or results from (i) the presence or Release of any Hazardous Substance, at, in, or on the Acquired Assets, or (ii) the transport or disposal from the Acquired Assets of any Hazardous Substance, or (iii) circumstances forming the basis of any violation, or alleged violation, of any Environmental Law.

"Environmental Laws" means all federal, state or local statutes, laws, common law, interstate compact, ordinance, rule, administrative interpretation, regulation, agency, guidance, order, unit, injunction, directive, judgment, judicial or administrative decree, decision, ruling, permit or other requirement of any Governmental Authority relating to the protection of human health, safety or the environment, including, but not limited to ambient air, surface water, ground water, wetlands, endangered species habitat, land surface, or subsurface strata, and further including, without limitation, laws and regulations relating to Releases or threatened Releases and the remediation of Hazardous Substances, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transportation, management, or handling of Hazardous Substances, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C §§9601 et seq. Sometimes referred to as CERCLA; the Federal Water Pollution Control Act, 33 U.S.C. §§1251 et seq.; the Clean Air Act, 42 U.S.C §§7401 et sq; the Resource Conservation and Recovery Act, 42 U.S.C. §§6901 et seq.; the Safe Drinking Water Act, 42 U.S.C. §§300(f) et seq.; the Toxic Substances Control Act, 15 U.S.C. §§2601 et seq.; the Emergency Planning and Community Right-to-Know Act of 1986; 42 U.S.C. §§110001 et seq.; the Occupational Safety and Health Act of 1970, 29 U.S.C. §§651 et seq.; and analogous state laws.

"Escrow Agreement" has the meaning set forth in Section 3.2 a.

"Exhibit" means any exhibit or appendix attached to and incorporated in this Agreement.

"Governmental Authority" means any foreign, domestic, federal, state or local governmental authority, quasi-governmental authority, instrumentality,

court, government or self regulatory organization, tribunal or organization or any regulatory, administrative or other agency, or any political or other subdivision, department, or branch of any of the foregoing.

"Hazardous Substance" means any chemical substance (other than common cleaning products, business office supplies or paint supplies): (a) the presence of which requires investigation or remediation under any Environmental Law; or (b) that is defined as a "hazardous waste," "hazardous substance," "hazardous material," "solid waste," "extremely hazardous substance," "pollutant," "air pollutant," "toxic substance," or similarly designated substance under any Environmental Law; or (c) that contains gasoline, diesel fuel or other petroleum hydrocarbons, polychlorinated biphenyls (PCBs), infectious waste, radioactive material, lead or asbestos.

"Indemnitee" has the meaning set forth in Section 10.3 a.

"Indemnitor" has the meaning set forth in Section 10.3 a.

"Intellectual Property" means any and all (a) trademarks, service marks, trade names, trade dress, domain names, logos, and domestic and foreign registrations and applications for registration thereof, common law rights therein, associated goodwill, and all reissues, renewals and extension thereof; (b) works in which copyright may be claimed, whether or not domestic or foreign registrations or applications for registration thereof have been made; (c) inventions, including without limitation, all domestic and foreign patents, patent applications, inventors' certificates, reissues, reexaminations, continuations, continuations-in-part, other applications or patents claiming priority thereto, and related technical documents and information; (d) trade secrets; and (e) intellectual property rights substantially similar to any of the foregoing; in each case that are used in connection with or are otherwise necessary or desirable for the ownership and operation of the Pipeline or other Acquired Assets.

"Licenses" means the municipal, state and federal licenses, franchises, authorizations, orders, approvals, registrations, qualifications, permits and certificates which relate to or are necessary to operate the Pipeline or other Acquired Assets in accordance with Applicable Law.

"Lien" means with respect to any asset, any mortgage, pledge, hypothecation, title defect, assignment for security purposes, deposit arrangement, encumbrance, lien (statutory or other), charge or other security interest or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever.

"Litigation Conditions" has the meaning set forth in Section 10.3 a.

"Losses" shall mean any and all actual losses, liabilities, judgments,

assessments, damages, penalties (including, without limitation, governmental penalties), obligations, awards, fines, deficiencies, interest, claims (including third party claims), costs and expenses whatsoever (including, without limitation, reasonable attorneys', consultants' and other professional fees and disbursements).

"Material Adverse Effect" means any event, change, condition, circumstance or breach of this Agreement that, individually or in the aggregate, results in, or would reasonably be expected to result in, a material adverse effect on, or a material adverse change in, the Pipeline or the other Acquired Assets.

"Organizational Documents" means (i) for any corporation, the certificate or articles of incorporation, the bylaws, any certificate of designation or instrument relating to the rights of preferred shareholders of such corporation, and any shareholder rights agreement, (ii) for any general or limited partnership, any partnership certificate and the partnership agreement and (iii) for any limited liability company, any articles of organization and the operating agreement.

"Permitted Liens" means (i) Liens securing Assumed Liabilities, (ii) Liens with respect to the Acquired Assets relating to (A) minor encumbrances or imperfections of title, if any, none of which materially detracts from the value or materially impairs the use of the Acquired Assets subject thereto, or materially impairs the ownership or operation of the Pipeline, or the other Acquired Assets, and (B) zoning laws, easements, licenses and other restrictions that do not materially impair the use of the Acquired Assets subject thereto and (iii) the Liens designated as Permitted Liens on Schedule 5.9.

"Person" means an individual, corporation, limited liability company, partnership, association, trust, estate or other entity or organization including a Governmental Authority.

"Pipeline" means the B & W Pipeline system located in Morgan, Fentress, and Pickett Counties, Tennessee, being an intrastate pipeline consisting of four inch (4"), six inch (6"), and eight inch (8") diameter pipe which originates at the East Tennessee Gas Meter Station No. 3 approximately 1,500 feet south of Tennessee State Highway 62 located at Deer Lodge in Morgan County, Tennessee; beginning as a four inch (4") diameter steel line and running thence in a Northerly direction a distance of approximately 1,600 feet to a GASCO/Titan compressor station on the North side of Tennessee State Route 62; thence becoming a six inch (6") diameter plastic line and running in a Northwesterly direction a distance of approximately 3,000 feet to a point where the line becomes an eight inch (8") diameter steel line and runs in a Northerly direction a distance of approximately ten (10) miles to a point where it becomes an eight inch (8") diameter plastic line and continues running in a northerly direction a distance of approximately four (4) miles to a point in the Baseline Road in Fentress County, Tennessee; thence becoming a six inch (6") diameter plastic

line and continuing to run in a Northwest direction a distance of approximately thirty-two (32) miles to a point where the pipeline intersects the Albany LDC system at a double regulator set on lands owned, now or formerly, by J. E. Mullins et ux. in Pickett County, Tennessee (being its point of termination), and being a total distance of approximately forty-seven and one-half (47.5) miles, or 250,800 feet, situated upon the Rights of Way and being more particularly identified on the plats attached as Schedule 2.1 a hereto, together with all of Seller's piping, valves, taps and side valves, regulators, meters, compressors, station piping and other equipment and fixtures used for the transportation of natural gas through such pipeline.

"Purchase Price" has the meaning set forth in Section 3.1.

"Purchaser" has the meaning set forth in the introductory paragraph of this Agreement.

"Required Consents" means any approval, consent, exemption, authorization, or other action by, or notice to, or registration, declaration, or filing with, any Person which is necessary or required in connection with the execution, delivery or performance by Seller of this Agreement or the consummation of the transactions contemplated hereby and which is listed on Schedule 5.4.

"Requirements of Law" means, as to any Person, the Organizational Documents of such Person, and any Applicable Law.

"Release" means spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, discarding, burying, abandoning, migration, or disposing into the environment.

"Rights of Way" has the meaning set forth in the Recitals.

"Schedule" has the meaning set forth in Article V.

"Seller" has the meaning set forth in the introductory paragraph of this Agreement.

"Taxes" means all Federal, state, local and foreign taxes, and other assessments of a similar nature (whether imposed directly or through withholding), including any interest, additions to tax, or penalties applicable thereto.

"Tax Returns" means all Federal, state, local and foreign tax returns, declarations, statements, reports, schedules, forms and information returns and any amendments thereto relating to Taxes.

"Transaction Documents" (individually, a "Transaction Document") means

this Agreement and all other documents delivered by Seller and Purchaser in order to effect the transactions contemplated by this Agreement.

"Transportation Agreement" shall mean that agreement to be entered into as between Gasco and Seller prior to the Closing providing for the terms and conditions of the transportation of gas through the B & W Pipeline to Gasco's utilities known as the Albany, Byrdstown and Fentress Utilities. The Transportation Agreement shall be an Assumed Contract.

ARTICLE II PURCHASE AND SALE OF THE ASSETS

Section 2.1 Transfer of Acquired Assets. At the Closing, and upon the terms and conditions herein set forth, Seller shall sell, assign, transfer, and convey to Purchaser, and Purchaser shall acquire from Seller, all of Seller's right, title, and interest in, to, and under the Acquired Assets. The term "Acquired Assets" shall mean any and all right, title and interest of Seller in and to all those assets, properties and rights, of any kind or character, tangible, intangible, known or unknown, choate or inchoate, accrued, absolute, contingent or otherwise which comprise, are used in, associated with, material to, located at or necessary or desirable for the ownership or operation of, the Pipeline and the other Acquired Assets including, without limitation:

a. the B & W Pipeline System, and all appurtenances, fixtures, personal property, and equipment related thereto, including pipe, valves, taps and side valves, regulations, meters, compressors, station piping, launchers and receivers, communication equipment, cathodic protection equipment, and other equipment used for the transportation of natural gas through such pipeline, as depicted on the plat(s) attached hereto as Schedule 2.1 a;

b. all of the pipeline easements, permits, licenses, authorizations, and pipeline leases (the "Rights of Way") related to the B & W Pipeline System, including, but not limited to, those listed on Schedule 2.1 b attached hereto;

c. fee simple title to the real property owned by Seller and listed on Schedule 2.1 c attached hereto (the "Real Property"), together with any improvements owned by Seller erected thereon;

d. all oil and gas leases, and the leasehold estates created thereby, overriding royalty interests, and carried interests covering lands located in Fentress, Morgan, and Pickett Counties, Tennessee that are associated with the B & W Pipeline System, including, but not limited to, those oil and gas leases and the leasehold estates created thereby listed on Schedule 2.1 d attached hereto (collectively, the "Oil and Gas Leases");

e. all producing, non-producing, shut-in, and abandoned oil and gas wells located on the Oil and Gas Leases or lands pooled or unitized therewith, including the wells listed on Schedule 2.1 e (collectively, the "Wells"), and all well equipment, Christmas trees, casing, tanks, tubing, motors, gathering lines, personal property, equipment, fixtures, and improvements located on and appurtenant to the Oil and Gas Leases or elsewhere insofar as they are used or obtained in connection with the operation of the Oil and Gas Leases or relate to the production, treatment, sale, or disposal of hydrocarbons produced from the Oil and Gas Leases or attributable thereto;

f. all roadway easements, other easements, and rights of way (except pipeline easements) listed on Schedule 2.1 f used or held for use in connection with the ownership or operation of the Pipeline, Rights of Way, Real Property, Oil and Gas Leases, and Wells (the "Other Easements"); and

g. all personal property and all equipment not listed on Schedule 2.1 a (including, without limitation, pipeline maintenance equipment), vehicles, furniture, fixtures, spare parts, other tangible property comprising or used in connection with the Acquired Assets, including, without limitation, the equipment listed on Schedule 2.1 g (collectively, the "Equipment");

h. all Contracts relating to or affecting any period following the Closing Date and which are listed on Schedule 2.1 h (collectively, the "Assumed Contracts");

i. all certificates, books, property, engineering and other records, geological, geophysical, and seismic records, data, and information, title records (including title opinions, abstracts of title, and title curative documents), oil and gas lease files, land files, well files, contracts, land surveys, maps, plats, ledgers, correspondence, sales, marketing and promotional literature and reports, manuals, files, technical data and information, records and data (including customer and supplier lists, bid records and credit histories and legal records), digital or computer software programs, computer printouts, manuals, specifications, design and test procedures, and all written, photographic or printed materials or similar documents, pipeline and production records, electric logs, core data, pressure data, decline curve and graphical production curve data and all related matters; copies of all business records, and all other agreements and records, and all copies of the foregoing, relating to the Pipeline and the other Acquired Assets;

j. all causes of action, judgments, rights or damages in past, present or future breach or infringement of rights under any of the items set forth in subparagraphs (a) through (i) above, claims and indemnity or other rights, including rights under guarantees, representations and express or implied warranties of third parties, except to the extent the foregoing pertain to any obligation or liability of Seller that is not an Assumed Liability.

Section 2.2 Assumption of Liabilities. On the Closing Date, as further consideration for the purchase and sale of the Acquired Assets, and subject to the terms and conditions contained herein, Purchaser shall, from and after the Closing Date, assume, perform and otherwise pay, satisfy and discharge, and hold Seller harmless from those certain obligations and liabilities of Seller relating to the Acquired Assets that are listed on Schedule 2.2 attached hereto (the "Assumed Liabilities"). In no event shall Purchaser otherwise assume, become responsible, or have any liability for any liabilities or obligations of Seller that are not listed on Schedule 2.2.

ARTICLE III PURCHASE PRICE

Section 3.1 Purchase Price. The total purchase price for the Acquired Assets shall be Two Million Six Hundred Fifty Thousand Dollars (\$2,650,000), subject to any applicable adjustments as hereinafter provided.

Section 3.2 Payment of Purchase Price.

a. Deposit. Upon execution of this Agreement, Purchaser shall deposit into an escrow account with an escrow agent pursuant to an escrow agreement (the "Escrow Agreement") to be entered into by Seller, Purchaser, and the escrow agent, the sum of Eighty Thousand Dollars (\$80,000) (the "Deposit"). In the event the Closing occurs, the Deposit shall be paid over to Seller by the escrow agent and credited against the Purchase Price payable at Closing. Such Deposit shall be fully refundable to Purchaser in the event Seller does not consummate the sale of the Acquired Assets for any reason not the fault of Purchaser. In the event Purchaser withdraws from the proposed sale of the Acquired Assets, half (Forty Thousand Dollars, \$40,000) of the Deposit shall be refunded to Purchaser and the other half shall be paid to Seller.

b. Balance of Purchase Price. In the event the Closing occurs, Purchaser shall tender to Seller the balance of the Purchase Price.

Section 3.3 Adjustments to Purchase Price. The Purchase Price shall be adjusted as follows and the resulting amount shall be referred to herein as the "Adjusted Purchase Price":

a. Upward Adjustments. The Purchase Price shall be increased by any amount agreed upon by Seller and Purchaser.

b. Downward Adjustments. The Purchase Price shall be decreased by an amount equal to the sum of the following amounts:

(i) The amount of all proceeds received by Seller attributable to the Acquired Assets for periods of time after the Effective Time (excluding, however, proceeds from all production prior to the Effective Time, which proceeds shall be for the account of Seller);

(ii) An amount equal to all ad valorem, severance, and similar taxes and assessments based upon or measured by the ownership of the Acquired Assets that are unpaid as of the Closing Date and attributable to periods of time prior to the Effective Time, which amount shall be computed upon such taxes and assessments for the preceding calendar year;

(iii) An amount agreed to by Seller and Purchaser pertaining to a material title defect which is not cured by Seller and not waived by Purchaser.

(iv) Any other amount agreed upon by Seller and Purchaser.

ARTICLE IV CLOSING

Section 4.1 Closing. The sale, transfer, conveyance, assignment, and delivery by Seller of the Acquired Assets to Purchaser and assumption by Purchaser of the Assumed Liabilities (the "Closing"), shall take place at the offices of _____ at _____ at 10:00 a.m. eastern prevailing time on the day that is the first business day occurring (i) fourteen (14) days after the expiration of the ninety (90) day due diligence period set forth in that certain Letter of Intent to Purchase dated April 19, 2010 between the Parties or (ii) fourteen (14) days after an appropriate order entered by the Bankruptcy Court authorizing Gasco to enter into the Transportation Agreement with Seller, whichever is later, or on such other date or at such other place and time as may be agreed to by the Parties (the "Closing Date"). The purchase and sale of the Acquired Assets shall be effective for all purposes as of the time on the Closing Date that all closing transactions have been completed (the "Effective Time").

Section 4.2 Seller's Deliveries. At the Closing, Seller shall deliver to Purchaser the following documents (all in form and substance reasonably satisfactory to Purchaser):

a. Such deeds, bills of sale, and other assignment and assumption documents as may be necessary or desirable to transfer all of Seller's right, title and interest in and to the Acquired Assets and Assumed Liabilities to Purchaser, each of which shall be executed (and, if necessary, acknowledged) by Seller;

b. The certificates, consents and other documents required to be obtained or delivered pursuant to Section 5.4 hereof;

c. All books, records, maps, engineering reports, files, contracts of Seller relating to the Acquired Assets and the Assumed Liabilities, and all information and material referred to in Section 2.1h and i;

d. Resolutions of the board of Directors of Seller, Gasco, and of Gasco's shareholders authorizing the execution and delivery of this Agreement by Seller and the performance of its obligations hereunder, certified by the secretary of Seller, and Gasco, as appropriate;

e. An affidavit that Seller is not a non-resident "alien", "foreign corporation", "foreign partnership", "foreign trust" or "foreign estate" within the meaning of Internal Revenue Code and Regulations thereunder; and

f. Such other documents, certificates, agreements and other writings as may be reasonably necessary or desirable to effectuate the transactions contemplated by this Agreement.

Section 4.3 Possession of Acquired Assets. At the Closing, Seller shall deliver to Purchaser possession of the Acquired Assets.

Section 4.4 Purchaser's Deliveries. At the Closing, Purchaser shall deliver, or cause to be delivered, to Seller (all in form and substance reasonably satisfactory to Seller):

a. The Purchase Price in accordance with in accordance with Article III;

b. Such assumption agreements and such other agreements as may be necessary or desirable for the assumption of the Assumed Liabilities by Purchaser executed (and, if necessary, acknowledged) by Purchaser;

c. The certificates, consents and other documents required to be obtained or delivered pursuant to by Section 5.4 hereof;

d. A Closing Statement showing the Purchase Price and all charges or credits to Purchaser or Seller provided herein;

e. Resolutions of the directors or members, or, as the case may be, the General Manager of Purchaser, authorizing the execution and delivery of this Agreement and the performance of its obligations hereunder, certified by the secretary or General Manager of Purchaser; and

f. Such other documents, certificates, agreements and other

writings as may be reasonably necessary or desirable to effectuate the transactions contemplated by this Agreement.

Section 4.5 Reasonable Steps. Prior to the Closing Date, Seller shall take such reasonable steps as may be necessary or appropriate so that on the Closing Date, Purchaser shall be placed in actual possession and control of all of the Acquired Assets.

ARTICLE V REPRESENTATIONS AND WARRANTIES OF SELLER

As an inducement to Purchaser to enter into this Agreement, Seller represents and warrants to Purchaser, except as set forth in the disclosure schedule delivered by Seller to Purchaser in connection with the execution of this Agreement (the "Disclosure Schedule"), as follows (references in this Agreement to any "Schedule" are to the various schedules contained in the Disclosure Schedule):

Section 5.1 Entity Organization and Standing. Seller is a corporation duly organized, validly existing, and in good standing under the laws of the State of Ohio, and is duly authorized to conduct business and is not currently in good standing under the laws of the State of Tennessee, but will become in good standing as of the closing (with proceeds from the Purchase Price payable pursuant to Article 3.). Seller has all requisite power and authority to own, lease, and use its properties, including all the Acquired Assets, and to conduct its business as now being conducted.

Section 5.2 Authorization and Validity. Subject to any Consents set forth on Schedule 5.4, Seller has all requisite corporate power and authority to enter into this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement and the performance by Seller of its obligations hereunder have been duly authorized by all necessary corporate action on the part of Seller, and no other proceedings or action on the part of Seller is necessary to authorize such execution, delivery, and performance. This Agreement has been duly executed by Seller and constitutes or will constitute its valid and binding obligation, enforceable against it in accordance with the terms herein, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other similar laws relating to or affecting creditor's rights generally, or general principles of equity.

Section 5.3 No Conflict or Violation. Seller has the full right, power and authority to execute, deliver and perform its obligations under this Agreement and all other Transaction Documents and to consummate the transactions contemplated hereby and thereby. Except for the consents set forth on Schedule 5.4, the execution, delivery and performance by Seller of this Agreement and all

other Transaction Documents and the consummation by Seller of the transactions contemplated hereby and thereby will not:

- a. conflict with or violate any of the Organizational Documents of Seller;
- b. result in any breach or violation of, or constitute a default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of, or require the consent of any party to, any contract of Seller;
- c. result in the creation of any Lien on any of the Acquired Assets; or
- d. conflict with or violate any Applicable Law, regulation, rule or other legal requirement of any Government or any order, judgment, or decree of any court or Government applicable to Seller.

Section 5.4 Required Consents. Schedule 5.4 sets forth a complete and accurate list of all consents, approvals, and preferential rights required to be obtained for the conveyance, assignment, and transfer of the Acquired Assets to Purchaser. Except as set forth on Schedule 5.4, no approval, consent, certificate, exemption, authorization, or other action by, or notice to, or registration, declaration or filing with any Governmental Authority or any other Person is necessary or required in connection with the execution, delivery or performance by, or enforcement against, Seller of this Agreement or any other Transaction Document.

Section 5.5 Compliance with Law. Except as would not reasonably be expected to result in a material liability of carrying on the business of operating and maintaining the Acquired Assets after the Closing or materially impair the operation of the Acquired Assets after the Closing, (a) Seller is in compliance in all material respects with all laws, (b) Seller has not received written notice of, nor to Seller's knowledge has Seller been under investigation for, any material violation of any law, including Seller's obligations to provide accurate information to state agencies and regulatory bodies, and (c) Seller is not in material default with respect to any order, judgment, or decree of any court or government, applicable to the Acquired Assets or operating and maintaining same.

Section 5.6 Litigation. As of the date of this Agreement and except as otherwise set forth on Schedule 5.6, there are no claims, suits, or proceedings pending or, to the knowledge of Seller, threatened, at law, in equity, in arbitration, or before any Governmental Authority, against or related to Seller, the Pipeline or the other Acquired Assets or relating to the transactions contemplated by this Agreement or any action taken or to be taken in connection herewith, and there are no unsatisfied or outstanding judgments, orders, decrees or stipulations

affecting the Pipeline or any of the other Acquired Assets. Seller is not a party to or bound by any order, judgment, injunction, decree, or settlement agreement under which it may have continuing obligations as of the date hereof and, which may restrict or affect Purchaser's ownership or operation of the Pipeline or the other Acquired Assets.

Section 5.7 Brokers. Seller has not incurred any liability for any finders' or brokerage fees or commissions in connection with this Agreement.

Section 5.8 Taxes.

a. Seller has (i) duly and timely filed (or there has been filed on its behalf) with the appropriate Governmental Authorities all Tax Returns, or extensions of the time to file such Tax Returns, required to be filed by it, and all such Tax Returns are true and correct in all material respects, and (ii) timely paid (or there has been paid on its behalf at Closing) all Taxes due or claimed to be due from it by any Governmental Authority other than such Taxes as are being contested in good faith by appropriate proceedings.

b. No audit is pending or to Seller's knowledge threatened with respect to any Taxes due from Seller and no deficiency or adjustment for any Taxes has been threatened, proposed, asserted or assessed against Seller.

Section 5.9 Title and Adequacy of Acquired Assets. To the best of Seller's knowledge and belief, and with certain exceptions that may be discovered upon the review of the various documents of title relating to easements, Rights of Way and leases, Seller owns good, marketable and indefeasible title to, or a valid and enforceable leasehold interest in, all of the Acquired Assets, including valid, recorded Rights of Ways covering the entire pipeline length, free and clear of all Liens and future payments, other than Permitted Liens. Schedule 5.9 attached hereto contains a complete and accurate list of all Permitted Liens. In no event shall Purchaser assume, become responsible for, or have any liability for any liens that are not listed on Schedule 5.9. The Acquired Assets constitute all of the assets which are necessary for the ownership and operation of the Pipeline in a commercially reasonable manner. All of the Acquired Assets are adequate for the purposes for which they are used, are adequate in all respects for the operation of the Pipeline, and have been repaired or maintained regularly and are in good working order.

Section 5.10 Seller's Encumbrances. Schedule 5.10 hereto sets forth a correct and complete list, prepared and certified by an officer of Seller having knowledge of same, of all indebtedness, borrowings, loan agreements, promissory notes, pledges, deeds of trust, mortgages, guaranties, and similar liabilities (direct and indirect) that are secured by or constitute an encumbrance on the Acquired Assets or are obligations of Seller as of the date of this Agreement ("Seller's Encumbrances"). All Seller's Encumbrances shall be

satisfied as of the Closing Date, with satisfactory evidence thereof provided at Closing, and any and all releases necessary to evidence such satisfaction shall be promptly obtained and recorded.

Section 5.11 Contracts. Set forth on Schedule 5.11 hereto is a complete and current list as of the date hereof of all contracts, agreements, undertakings, (whether written or oral), and instruments that are not described in any other schedule to this Agreement that constitute a part of the Acquired Assets or by which the Acquired Assets are bound or subject. Seller has delivered to Purchaser true and complete copies of each of the Contracts listed on Schedule 5.11. Except as may be disclosed on Schedule 5.11 hereto, (i) each of the Contracts listed on Schedule 5.11 is valid and enforceable in accordance with its terms, except to the extent that enforcement may be limited by bankruptcy, insolvency, moratorium or other similar laws presently or hereinafter in effect relating to or affecting the enforcement of creditors rights generally and by general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law); (ii) neither Seller nor, to Seller's knowledge, any other party thereto, is in default in the performance, observance or fulfillment of any material obligation, covenant or condition contained therein, and no event has occurred that with or without the giving of notice or lapse of time, or both, would constitute a default thereunder; and (iii) as of the date hereof no advance payments have been received by Seller by or on behalf of any party to any of the Contracts listed on Schedule 5.11 for services to be rendered or products to be delivered to such party after the Closing Date.

Section 5.12 Licenses. Seller has all Licenses (including without limitation those required under any Environmental Law) necessary to own and operate the Pipeline and the other Acquired Assets, and Seller is in compliance in all material respects with the terms and conditions of the Licenses. Schedule 5.12 hereto sets forth a correct and complete list of all Licenses held by Seller, each one of which is in full force and effect. To Seller's knowledge, no suspension or cancellation of any of the Licenses held by Seller is threatened and no cause exists for such suspension or cancellation. Any Licenses that cannot be transferred to Purchaser are identified on Schedule 5.12 hereto.

Section 5.13 Real Property, Rights of Way, Oil and Gas Leases, Wells, Etc.

a. Owned Real Property. Except as may be set forth on Schedule 2.1 c, Seller has good and marketable title to all real property owned in fee simple and listed on Schedule 2.1 c attached hereto free and clear of all encumbrances.

b. Pipeline. The Pipeline has been maintained in good maintenance and repair, and is in good working order as of the date of this Agreement, in a manner consistent with good and efficient operating principles.

There are no outstanding citations or notices of violation relating to the Pipeline from the Gas Pipeline Safety Division of the Tennessee Regulatory Authority or any other governmental regulatory agency. The Pipeline is free and clear of all encumbrances and Seller has good and marketable title thereto, subject to the representations contained in Section 5.9. Seller has not granted, and there is no outstanding, any option, right, agreement or other obligation pursuant to which any Person has or could claim a right to acquire in any way all or any part of, or any interest in, the Pipeline.

c. Rights of Way. Schedule 2.1 b sets forth a complete list of all pipeline easements, permits, licenses, and pipeline leases covering the entire length of the Pipeline. Subject to the representations contained in Section 5.9, such Rights of Way are in full force and effect and valid as to all of their terms, together cover the entire Pipeline length, and are free and clear of all Liens. Seller is not aware that it is in default under any Right of Way, however, such default if any, may be determined in due diligence based upon whether any required payments have been made. Seller has such access to such Rights of Way as is necessary and convenient for the ownership and operation of the Pipeline and every portion thereof. Subject to the representations contained in Section 5.9, Seller has good and marketable title to such Rights of Way, which are freely assignable.

d. Oil and Gas Leases. Schedule 2.1 d sets forth a complete list of all oil and gas leases owned by Seller associated with the B & W Pipeline System. Except as indicated on Schedule 2.1 d, and subject to the representations set forth in Paragraph 5.9, the Oil and Leases are in full force and effect, are valid and subsisting, and cover the entire estates they purport to cover. Unless otherwise indicated on Schedule 2.1 d, all production royalties, shut-in royalties, rentals, and other payments due under the Leases have been properly and timely paid and all conditions necessary to keep the Oil and Gas Leases in force have been fully performed. As to the Oil and Gas Leases, there are no obligations to engage in continuous development operations in order to maintain any such Lease in force and effect. Seller is not in default under any such Oil and Gas Lease, except as indicated on Schedule 2.1 d. Except as set forth on said schedule, Seller has not been advised, directly or indirectly, by any lessor under any of the Oil and Gas Leases or by any other party of a default under an Oil and Gas Lease, which claim or default has not been resolved. Except as set forth on said schedule, Seller has good and marketable title to the Oil and Gas Leases, which are freely assignable.

e. Wells and Well Status. Schedule 2.1 e sets forth a complete list of all Wells owned by Seller associated with the B & W Pipeline System. Except as indicated on Schedule 2.1 e, and subject to the representations in Section 5.9, Seller has good and marketable title to the Wells, except as follows: Seller has an outstanding obligation to the Oil & Gas Board, State of Tennessee ("Board") to provide a schedule to plug any non-producing wells. As part of its

due diligence, Purchaser will become familiar with any such requirements and may contact the Board, at its discretion, to determine if the Board will agree to a schedule to be proposed by Purchaser post-Closing.. Schedule 2.1 e sets forth the net revenue interest and working interest Seller has in each well, as well as any overriding royalty interests or other burdens to which any of such Wells may be subject. Schedule 2.1 e identifies those Wells which (i) Seller is currently obligated by law or contract to plug and abandon, (ii) which are not currently obligated by law or contract to be plugged and abandoned but which may be candidates for plugging and abandonment because such Wells are not currently capable of producing oil or gas in commercial quantities, and (iii) to the best of Seller's knowledge have been plugged and abandoned but were not plugged in accordance with applicable regulations of the Tennessee Oil and Gas Board.

f. Personal Property. All personal property, fixtures, and equipment constituting a part of the Acquired Assets have been maintained in all material respects in a state of repair so as to be adequate for normal operations and are in all material respects in good working order.

Section 5.14 Condemnation. To Seller's knowledge, there are no pending or threatened (i) condemnation proceedings or eminent domain proceedings against the Acquired Assets, or (ii) Governmental Authority assessments or impositions which could affect any part of the Acquired Assets, subject to the representations in Section 5.14(b). Seller shall notify Purchaser immediately upon learning that any Governmental Authority assessment, imposition, or any condemnation, eminent domain, or similar proceeding has been commenced or is threatened, which could affect any part of the Acquired Assets.

Section 5.15 Books and Records. All material of account and other financial records of Seller relating to the Pipeline, the other Acquired Assets and the Assumed Liabilities are true, complete and correct in all material respects and have been made available to Purchaser. All of the Books and Records have been prepared and maintained in accordance with good business practices.

Section 5.16 Intellectual Property.

a. Schedule 5.16 a(i) hereto sets forth, as of the date hereof, a correct and complete list of all Intellectual Property (other than unregistered copyrightable works and other than shrink-wrap) owned by Seller and used in connection with or otherwise material to the ownership and operation of the Pipeline as of the date hereof. Schedule 5.16 a(ii) hereto sets forth, as of the date hereof, a correct and complete list of all Intellectual Property (other than shrink-wrap) owned by Persons other than Seller and used in connection with the ownership and operation of the Pipeline, the owner of such Intellectual Property, and the applicable license granting rights thereto to Seller. Except where expressly indicated in Schedule 5.16 a(ii), all licenses identified in Schedule 5.16 a(ii) are transferable to Purchaser without any additional payment obligations on Purchaser. Except as disclosed in Schedule 5.16 a(ii): (i) Seller owns or

possesses adequate licenses or other valid rights to use (without the making of any payment to others or the obligation to grant rights to others in exchange) all the Intellectual Property, free and clear of all Liens other than Permitted Liens; (ii) the Intellectual Property included in the Acquired Assets constitute all such rights necessary to ownership and operation of the Pipeline and are being conveyed to Purchaser together with the other Acquired Assets; (iii) the validity of the Intellectual Property and the rights therein of Seller have not been questioned in any administrative proceeding or in any litigation to which either Seller or any licensee of Seller is a party, nor, to Seller's knowledge, is any such administrative proceeding or litigation threatened against Seller or any other Person; and (iv) to Seller's knowledge, the conduct of the ownership and operation of the Pipeline does not conflict with patent rights, licenses, trademark rights, trade name rights, copyrights or other intellectual property rights of others.

b. Schedule 5.16 b hereto sets forth, as of the date hereof, a true and complete list of all contracts pursuant to which Seller has granted any Person rights to use Intellectual Property. Except as disclosed in Schedule 5.16 b hereto, to Seller's knowledge, no use of any Intellectual Property owned by Seller has heretofore been, or is now being, made by any Person other than Seller. To Seller's knowledge, there is no infringement of any Intellectual Property owned or licensed by Seller. No present or former member, manager, officer, employee or consultant of Seller has any interest in any of the Intellectual Property.

c. Seller has paid all maintenance fees, taxes, annuities and other payments due to, and has filed all documents and other items required with, any applicable Governmental Authority required to maintain the Intellectual Property listed in Schedule 5.16 a(i).

Section 5.17 Environmental Matters.

a. Seller has not received, and Seller has no knowledge of any other Person having received, any Environmental Claim relating to its business, the Pipeline, or the other Acquired Assets alleging any violation of any Environmental Law or any written request for information from any Governmental Authority or other Person pursuant to any Environmental Law. Seller is, and always has been with respect to its business, the Pipeline, and the other Acquired Assets, in compliance in all material respects with all applicable Environmental Laws. Seller has obtained all material permits, licenses, certificates and other authorizations which are required with respect to its operation under any Environmental Law and all such permits, licenses, certificates and other authorizations are set forth on Schedule 5.17 a hereto.

b. To the best of Seller's knowledge and belief based upon a due inquiry made by Seller's executive officers, there is no condition and there are no Hazardous Substances on or beneath the Pipeline or any of the other

Acquired Assets, and there has been no Release, or treatment of Hazardous Materials on or beneath the Pipeline or other Acquired Assets, in quantities or concentrations that could give rise to any material obligations, responsibilities, liabilities or debts of Seller or Purchaser under any Environmental Law.

c. Seller has not received and Seller has no knowledge of any pending or threatened Environmental Claim or order from any Governmental Authority or private or public entity in connection with the Pipeline or other Acquired Assets advising it that either Seller or any owner or operator of the Pipeline or other Acquired Assets is responsible for or potentially responsible for remediation or paying for the cost of investigation or remediation of any Hazardous Substance, and Seller has not entered into any agreements pertaining thereto.

d. To Seller's knowledge, the Pipeline and the other Acquired Assets do not now, and did not in the past, contain any: (i) underground storage tanks, (ii) underground injection wells; (iii) septic tanks in which process wastewater or any Hazardous Substances have been disposed; (iv) asbestos; (v) equipment using PCBs; or (vi) drums buried in the ground.

e. Schedule 5.17 e hereto identifies, as of the date hereof, all environmental studies in the possession of Seller or its parent or affiliates relating to the Acquired Assets, and true and complete copies of such studies have been delivered to Purchaser.

Section 5.18 Insurance. Schedule 5.18 sets forth, as of the date hereof, a complete list of all insurance policies maintained by Seller covering the Acquired Assets.

Section 5.19 Accuracy of Representations and Warranties. No representation or warranty by Seller in this Agreement or any agreement or document delivered by Seller pursuant to this Agreement contains an untrue statement or a material fact or omits to state a material fact necessary to make the statements contained in any representation or warranty, in light of the circumstances under which it was made, not misleading. There is no fact known to Seller that materially and adversely affects (or may materially and adversely affect) the operation, prospects, or condition of any portion of the Acquired Assets that has not been set forth in this Agreement.

ARTICLE VI REPRESENTATIONS AND WARRANTIES OF PURCHASER

As an inducement to Seller to enter into this Agreement, Purchaser represents and warrants to Seller as follows:

Section 6.1 Organization. Purchaser is a limited liability company duly

organized, validly existing, and in good standing under the laws of the State of Texas, and is duly authorized to conduct business and is in good standing under the laws of the State of Tennessee. Purchaser has all requisite power and authority to own, lease, and use the Acquired Assets and to conduct the business related thereto as now being conducted Seller.

Section 6.2 Power and Authorization. Purchaser has all requisite legal and limited liability company power and authority to enter into this Agreement and the other Transaction Documents to which it is a party and to carry out and perform its obligations under the terms hereof and thereof. The execution, delivery and performance of this Agreement and all other Transaction Documents by Purchaser and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary limited liability company action on the part of Purchaser and no other action on the part of Purchaser is necessary to authorize this Agreement, the other Transaction Documents or the consummation of the transactions contemplated hereby and thereby.

Section 6.3 Binding Effect. This Agreement has been duly authorized, executed and delivered by Purchaser. This Agreement constitutes, and each other Transaction Document when executed and delivered by Purchaser in accordance with the terms hereof, will, assuming the due authorization, execution and delivery by Seller, constitute the valid and binding obligation of Purchaser enforceable against Purchaser in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other similar laws relating to or affecting creditor's rights generally or general principles of equity.

Section 6.4 No Conflict. Purchaser has the full right, power and authority to execute, deliver and perform its obligations under this Agreement and all other Transaction Documents, and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance by Purchaser of this Agreement and all other Transaction Documents and the consummation of the transactions contemplated hereby and thereby will not:

- a. conflict with or violate any of the Organizational Documents of Purchaser;
- b. result in any breach or violation of, or constitute a default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any agreement of Purchaser; or
- c. conflict with or violate any Applicable Law.

Section 6.5 Brokers. Purchaser has not incurred any liability for any finders' or brokerage fees or commissions in connection with this Agreement.

Section 6.6 Litigation. As of the date of this Agreement, there are no claims, suits, or proceedings pending or, to the knowledge of Purchaser, threatened, at law, in equity, in arbitration, or before any Governmental Authority, against or related to Purchaser, or that in any manner challenges or seeks to prevent, enjoin, alter or materially delay the transactions contemplated by this Agreement or any other Transaction Document.

Section 6.7 Consents. No consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Authority or other Person is required to be made or obtained by Purchaser in connection with Purchaser's execution, delivery and performance of this Agreement or the other Transaction Documents or Purchaser's consummation of the transactions contemplated hereby and thereby.

ARTICLE VII COVENANTS

Section 7.1 Examinations and Investigations.

a. At all times prior to the Closing Date, subject to the confidentiality provisions set forth in Section 7.6 hereof, Seller shall reasonably cooperate with Purchaser and with its counsel, management, employees, accountants, lenders and other representatives in the conduct of their due diligence investigation of the Pipeline and the other Acquired Assets and, in connection with such due diligence investigation, shall grant to Purchaser and such representatives reasonable access, during normal business hours and upon reasonable prior notice, to its Books and Records and to the Pipeline and the other Acquired Assets; provided, however, that at no time shall Purchaser or any such representative interfere with the normal business operations of Seller. Such due diligence investigations may include site visits, physical, environmental, and structural inspections and testing of portions of the Pipeline and any Rights of Way, Oil and Gas Lease, or Wells. The inspections may include a review of the operating records of portions of the Pipeline and other Acquired Assets relating to environmental compliance and building construction, operation and maintenance, interviews with appropriate personnel and on-site visual inspections, review of legal, contractual, financial, and operational data, including real and personal property records, maps, plats, asset lists, gas purchase contracts, gas sales contracts, gathering contracts, condensate and other commercial contracts, general ledger review, volumetric (by receipt and delivery point) review, liability associated with abandoned oil and gas wells, and information regarding any current or threatened lawsuits, claims, or liabilities related to the Acquired Assets. Purchaser may make copies of such information as it deems necessary, but shall bear the copying expense thereof.

b. On or before Closing, Purchaser shall deliver to Seller, if it

so elects, internal or third party due diligence reports (the "Due Diligence Reports"). Purchaser shall be solely responsible for the cost of obtaining the Due Diligence Reports. Purchaser shall, at the same time, give written notice to Seller identifying each objection, other than Permitted Liens, which Purchaser may have concerning the Acquired Assets including, without limitation, any items revealed in any Due Diligence Reports or otherwise. In the event Purchaser chooses to terminate this Agreement within ninety (90) days of the execution by Seller of that certain April 19, 2010 Letter of Intent entered into by the parties, at Seller's request Purchaser agrees to share the results of its due diligence investigation with Seller.

c. If Seller receives from Purchaser a written notice of Purchaser's objections to any matter concerning the Acquired Assets, as provided in the preceding subsection, Seller shall have seven (7) business days following Seller's receipt of Purchaser's notice to give written notice to Purchaser (i) that Seller shall take all necessary action at Seller's expense to cure Purchaser's objections as set forth in said written notice of Purchaser; or (ii) that Seller is unwilling or unable to cure the matters giving rise to Purchaser's objections, in which event Purchaser shall have three (3) business days after receipt of Seller's notice to terminate this Agreement by notice in writing to Seller. If no election to terminate is made in writing by Purchaser within such five (3) business day period, Purchaser shall be deemed to have irrevocably waived all objections to such matters and shall take title to the Acquired Assets subject thereto.

d. From and after receipt of the Deposit, Seller's parent, Gasco shall use reasonable best efforts to obtain entry by the Bankruptcy Court of an order approving Gasco entering into the Transportation Agreement. Gasco shall file all pleadings with the Bankruptcy Court as are necessary or appropriate to secure such order. Provided, however, that Seller shall first obtain the comment and approval of Purchaser prior to entering into the Transportation Agreement. Purchaser shall cooperate with Seller and Gasco in connection with the furnishing of any information or documents as may be necessary to satisfy the requirements of obtaining the order.

Section 7.2 Compliance with Contracts and Applicable Law. From the date hereof through the Closing Date, Seller shall in all material respects comply with (i) all terms, conditions and requirements set forth in all Contracts, (ii) all Requirements of Law, and (iii) all Licenses.

Section 7.3 Preservation of Business and Assets.

a. From the date hereof through the earlier of the Closing Date or the date upon which this Agreement is terminated, except as contemplated by this Agreement or with the prior written consent of Purchaser, Seller shall conduct its businesses in all material respects in the ordinary course and

consistent with past practice or use its reasonable commercial efforts to maintain, in the exercise of its reasonable business judgment, the Pipeline and all other Acquired Assets in good working condition, ordinary wear and tear excepted. Seller shall also maintain insurance now in force with respect to the Acquired Assets and pay or cause to be paid all costs and expenses incurred in connection therewith.

b. In addition, from the date hereof through the earlier of the Closing Date or the date upon which this Agreement is terminated, except as contemplated by this Agreement or with the prior written consent of Purchaser, Seller shall not:

(i) enter into any Contract relating to the Pipeline or the other Acquired Assets except those made in the ordinary course of business, the terms of which are consistent with past practice and reasonable in light of current conditions;

(ii) terminate, cause the termination of, amend, renew or extend any Contract other than in the ordinary course of business;

(iii) waive or release any of its material rights with respect to the Pipeline or any of the other Acquired Assets or permit any of such rights to lapse;

(iv) sell, transfer, lease, license or otherwise dispose of any of the Acquired Assets or any interest therein or agree to do any of the foregoing;

(v) incur, make, assume or suffer to exist any Lien, tenancy or other matter affecting title to any of the Acquired Assets other than Permitted Liens;

(vi) authorize or commit to do or agree to take, whether in writing or otherwise, any of the foregoing actions; or

(vii) take any other action, or fail to take any other action, which action or failure (A) would constitute or reasonably be expected to result in a Material Adverse Effect, or (B) would result in a material breach of the representations, warranties or covenants of Seller contained herein, or any of the Schedules or Exhibits to this Agreement.

c. Prior to the Closing Date, Seller shall deliver to Purchaser a list and copies of all Contracts entered into between the date hereof and the Closing Date.

Section 7.4 Notice to Purchaser. Seller shall provide Purchaser with notice within two (2) business days of the occurrence of a Material Adverse Effect.

Section 7.5 Consents and Approvals. Seller and Purchaser shall use their respective reasonable commercial efforts to obtain all Required Consents. With respect to all Required Consents, each party shall bear its own costs and expenses. Purchaser and Seller shall each fully cooperate with the other in all reasonable respects in seeking such Required Consents.

Section 7.6 Confidentiality.

a. Each party to this Agreement shall keep confidential, and shall cause its counsel, accountants, financial advisors and lenders to keep confidential, all information concerning or related to the business, operations, financial condition, trade secrets and other proprietary information of the other party hereto (collectively, the "Confidential Information"), in each case learned as a consequence of the transactions contemplated hereby. Each party hereto shall not disclose or reveal any Confidential Information to any Person other than its officers, Affiliates, employees, attorneys, accountants, other agents and representatives, including engineers, financial advisors, current and prospective investors, lenders and employees who otherwise need to know the Confidential Information for the purpose of evaluating the Pipeline, the other Acquired Assets and/or the transactions contemplated hereby. Seller shall not authorize Gasco or any related entity to disclose any Confidential Information in circumstances where direct disclosure of such Confidential Information by Seller would violate this Section 7.6.

b. The confidentiality provisions of Section 7.6 a shall become inoperative as to any Confidential Information that (i) is or becomes generally available to the public other than as a result of a disclosure by the party or such party's representative in violation of Section 7.6 a; or (ii) becomes available on a nonconfidential basis from a source other than the party furnishing the Confidential Information or any of its representatives, which source has believably represented that it is entitled to disclose such information.

Section 7.7 Certain Employee Matters. Purchaser has not agreed to, and nothing in this Agreement requires Purchaser to, hire, or to offer to hire, any employees of Seller. Purchaser does not and shall not assume or be responsible for any obligations or liabilities arising out of any employment relationship between Seller and any employee of Seller.

Section 7.8 Further Assurances. Subject to the terms and conditions of this Agreement, Seller and Purchaser will use its reasonable best efforts to take, or cause to be taken, all actions, to do, or cause to be done, all things necessary or desirable under this Agreement or Applicable Law and subject to the

satisfaction of the conditions contained in this Agreement, to execute and deliver such other documents, certificates, agreements and other writings as may be reasonably necessary or desirable in order to consummate or implement expeditiously the transactions contemplated by this Agreement.

Section 7.9 Publicity. Except as required by Applicable Law, the parties shall consult with each other in advance and agree upon the form, content, timing and manner of distribution of (i) any public announcement, press release or other public disclosure regarding this Agreement or the transactions referred to herein or (ii) any discussions with any customers, suppliers, vendors, or other third parties who are engaged in business with Seller regarding this Agreement or the transactions referred to herein made by any party hereto or any of their respective Affiliates, officers, employees, representatives or agents.

Section 7.10 Exclusivity. From and after the date hereof until the termination of this Agreement, neither Seller, nor any of such Seller's officers, members, managers, or Gasco, will conduct negotiations or enter into any agreement with any third party for, or engage in any discussions with a third party involving a sale of Seller or a controlling equity interest in Seller or the Pipeline or any of the Acquired Assets, in whole or in part, and neither Seller, nor any of its officers, managers, or Gasco, will solicit, initiate or encourage offers in respect thereof.

Section 7.11 Advisory Fees. Each party shall be solely responsible for any investment banker, broker, finder or other intermediary or advisory fees it incurs in connection with the transactions contemplated hereby and shall indemnify, defend and hold harmless the other party for all such costs.

Section 7.12 Validity of Representations. Each party shall cause all the representations and warranties it makes in this Agreement to be true and correct on and as of the Closing Date and all such representations and warranties shall be deemed remade at Closing. To the extent the conditions precedent to the obligations of Purchaser are within the control of Seller, Seller shall cause such conditions to be satisfied on or prior to the Closing Date and, to the extent the conditions precedent to the obligations of Purchaser are not within the control of Seller, Seller shall use its reasonable best efforts to cause such conditions to be satisfied on or prior to the Closing Date. To the extent the conditions precedent to the obligations of Seller are within the control of Purchaser, Purchaser shall cause such conditions to be satisfied on or prior to the Closing Date and, to the extent the conditions precedent to the obligations of Seller are not within the control of Purchaser, Purchaser shall use its reasonable best efforts to cause such conditions to be satisfied on or prior to the Closing Date.

Section 7.13 Release of Encumbrances. At the Closing, Seller shall cause Seller's Encumbrances to be satisfied so that the Acquired Assets may be transferred to Purchaser free and clear of any encumbrance or burden created

thereby, and any and all releases necessary to evidence such satisfaction shall be promptly obtained and recorded.

ARTICLE VIII CONDITIONS TO THE OBLIGATION OF PURCHASER

The obligation of Purchaser to proceed with the Closing under this Agreement is subject to the satisfaction, on or prior to the Closing Date, of each of the following conditions, each of which may be waived by Purchaser:

Section 8.1 Accuracy of Representation and Warranties. The representations and warranties of Seller contained in this Agreement shall be true and correct in all material respects as of the date when made and shall be deemed to have been made again at and as of the Closing Date and shall at and as of such time of Closing be true and accurate in all respects except as to changes consented to by Purchaser; and Seller shall have performed and complied in all material respects with all covenants, agreements, and conditions required to be performed and satisfied by it at or prior to the Closing.

Section 8.2 Changes. Since the date of this Agreement, there shall have been no material adverse changes in the condition of any of the Acquired Assets, except normal production, depreciation of equipment through ordinary wear and tear, and other transactions approved in writing by Purchaser on Closing Date.

Section 8.3 Performance of Obligations. Seller shall have performed and complied in all material respects with all of the terms, covenants and conditions of this Agreement to be performed and complied with by Seller prior to or at Closing.

Section 8.4 Required Consents. All Required Consents shall have been obtained without the imposition of any material conditions unacceptable to Purchaser in its reasonable discretion, and shall be in full force and effect as of the Closing Date.

Section 8.5 No Litigation. There shall be no suits, actions, or other proceedings pending or threatened to enjoin or challenge the consummation of the transactions contemplated by this Agreement or seeking damages or other relief in connection therewith.

Section 8.6 Material Adverse Effect. No Material Adverse Effect shall have occurred and be continuing.

Section 8.7 Closing Certificate. Seller shall have delivered to Purchaser a certificate signed by an authorized officer of Seller stating that, as of the Closing Date, the conditions set forth in this Article have been satisfied.

Section 8.8 Assignment Documents. Seller shall have delivered, or caused to be delivered, to Purchaser, the documents required by Section 4.2 in a form reasonably acceptable to Purchaser, assigning to Purchaser of all of Seller's right, title and, interest in and to all Acquired Assets.

Section 8.9 Licenses. Seller shall have delivered, or caused to be delivered, to Purchaser all documentation necessary or appropriate to convey all rights under all permits and Licenses issued to Seller by a Governmental Authority including, without limitation, Licenses under Environmental Laws.

ARTICLE IX CONDITIONS TO THE OBLIGATION OF SELLER

The obligation of Seller to proceed with the Closing under this Agreement is subject to the satisfaction, on or prior to the Closing Date, of each of the following conditions, each of which may be waived by Seller:

Section 9.1 Accuracy of Representations and Warranties. The representations and warranties of Purchaser contained in this Agreement shall be true and correct in all material respects as of the date when made and shall be deemed to have been made again at and as of the Closing Date and shall at and as of such time of Closing be true and accurate in all respects except as to changes consented to by Purchaser; and Purchaser shall have performed and complied in all material respects with all covenants, agreements, and conditions required to be performed and satisfied by it at or prior to the Closing.

Section 9.2 Performance of Obligations. Purchaser shall have performed and complied in all material respects with all of the terms, covenants and conditions of this Agreement to be performed and complied with by Purchaser prior to or at Closing.

Section 9.3 No Court Order. No temporary restraining order, preliminary or permanent injunction, stay, cease and desist order or other order issued by any court of competent jurisdiction or any competent Governmental Authority prohibiting the consummation of the transactions contemplated by this Agreement shall be in effect.

Section 9.4 Assumption Documents. Purchaser shall have delivered, or caused to be delivered, assumption documents in a form reasonably acceptable to Seller, whereby Purchaser assumes the Assumed Liabilities.

Section 9.5 Closing Certificate. Purchaser shall have delivered to Seller a certificate signed by an authorized officer of Purchaser stating that, as of the Closing Date, the conditions set forth in this Article have been satisfied.

ARTICLE X

SURVIVAL AND INDEMNIFICATION

Section 10.1 Survival of Representations, Warranties, and Covenants. Should Closing occur as contemplated herein, all representations, warranties, covenants, agreements, and indemnities of or by the parties under this Agreement shall be continuing and shall be true and correct on and as of the date of Closing with the same force and effect as if made at the time (and shall inure to the benefit of Seller and Purchaser and their assigns), and all such representations, warranties, covenants, agreements, and indemnities shall survive the Closing and shall not be deemed to have merged into the assignment, bill of sale, and conveyance. Provided, nevertheless, that such representations, warranties, covenants, agreements, and indemnities shall terminate and expire at midnight, eastern prevailing time, on the date which is eighteen (18) months after the Closing Date (the "Expiration Date"), except that such time limitation shall not apply to:

- a. claims for fraud or willful breach of a representation, warranty, or covenant, which claims may be asserted without limitation; and
- b. any claims which have been asserted on or prior to the Expiration Date.

Section 10.2 Indemnification.

a. Following the Closing, Seller shall indemnify and defend Purchaser and hold Purchaser harmless from and against all Losses that are incurred or suffered by Purchaser in connection with or resulting from:

(i) any breach of any representation or warranty made by Seller in this Agreement or in any Transaction Document furnished or to be furnished to Purchaser;

(ii) any breach of any covenant made by Seller in this Agreement or any Transaction Document furnished or to be furnished to Purchaser, whether such covenant requires performance prior to or after the Closing;

(iii) any liabilities of Seller of any nature whatsoever (other than Assumed Liabilities), whenever arising;

(iv) any violation of any Applicable Laws governing bulk sales, which is occasioned by the consummation of any of the transactions contemplated hereby; and

(v) any action, suit, proceeding, investigation, assessment or judgment incident to any of the foregoing.

b. Following the Closing, Purchaser shall indemnify and defend Seller and shall hold Seller harmless from and against all Losses that are incurred or suffered by Seller in connection with or resulting from:

(i) any breach of any representation or warranty made by Purchaser in this Agreement or in any Transaction Document furnished or to be furnished to Seller;

(ii) any breach of any covenant made by Purchaser in this Agreement or in any Transaction Document furnished or to be furnished to Seller, whether such covenant requires performance prior to or after the Closing;

(iii) any Assumed Liabilities; and

(iv) any action, suit, proceeding, investigation, assessment or judgment incident to any of the foregoing.

Section 10.3 Third Party Claims.

a. A party entitled to indemnification hereunder shall herein be referred to as an "Indemnitee." A party obligated to indemnify an Indemnitee hereunder shall herein be referred to as an "Indemnitor." As soon as is reasonably practicable, but in no event more than 30 days after an Indemnitee either (i) receives notice of any claim or the commencement of any action by any third party which such Indemnitee reasonably believes may give rise to a claim for indemnification from an Indemnitor hereunder or (ii) sustains any Loss not involving a third-party claim or action which such Indemnitee reasonably believes may give rise to a claim for indemnification from an Indemnitor hereunder, such Indemnitee shall notify such Indemnitor in writing of such claim, action or Loss, as the case may be. Any such notification must be in writing, must state in reasonable detail the nature and basis of the claim, action or Loss and a reference to this Agreement and Section. Such notice must be accompanied by all available information and documentation supporting and verifying the actual or anticipated claim, action or Loss that may be subject to indemnification hereunder. In the event that any Indemnitee fails to provide the notice contemplated by this Section 10.3 to an Indemnitor in a timely fashion or fails to include all available information and documentation with such notice, the Indemnitor shall be relieved of its obligation to indemnify the Indemnitee to the extent, but only to the extent, that the Indemnitor has been actually prejudiced by the Indemnitee's failure to provide notice in the manner contemplated by this Section 10.3. Except as provided in this Section 10.3, Indemnitor shall have the right, using counsel reasonably acceptable to the Indemnitee, to contest, defend, litigate or settle any such third-party claim which involves (and continues to

involve) solely monetary damages; provided that the Indemnitor shall have notified the Indemnitee in writing of its intention to do so within thirty (30) days of the Indemnitee having given notice of the third-party claim to the Indemnitor and; provided, further, that (1) the third-party claim does not, in the reasonable judgment of the Indemnitee, involve any actual or potential criminal proceeding, action, indictment, allegation or investigation of any officer or employee of the Indemnitee, and (2) the Indemnitor shall diligently contest the third-party claim (the conditions set forth in clauses (1) and (2) being collectively referred to as the "Litigation Conditions"). The Indemnitee shall have the right to participate in, and to be represented by counsel (at its own cost and expense) in any such contest, defense, litigation or settlement conducted by the Indemnitor; provided, that the Indemnitee shall be entitled to treat as Losses the cost and expenses therefor if (x) the Indemnitor shall lose its right to contest, defend, litigate and settle the third-party claim or (y) the Indemnitee shall be advised in writing by reputable legal counsel that it may have defenses available to it which are inconsistent with or contrary to the defenses available to the Indemnitor in connection with the third party claim which advice is not unreasonably objected to by the Indemnitor. The Indemnitor shall not be entitled, or shall lose its right, to contest, defend, litigate and settle the third-party claim if the Indemnitee shall, in the exercise of reasonable judgment and in good faith, give written notice to the Indemnitor of any objection thereto based upon the Litigation Conditions which is not disputed by the Indemnitor.

b. The Indemnitor, if it shall have assumed the defense of any third-party claim as provided in this Agreement, shall not consent to a settlement of, or the entry of any judgment arising from, any such third-party claim that provides for injunctive or other nonmonetary relief affecting the Indemnitee or that does include as an unconditional term thereof the giving by each claimant or plaintiff to the Indemnitee of a general release from any and all liability with respect to such claim or litigation without the prior written consent of the Indemnitee (which consent shall not be unreasonably withheld or delayed). The Indemnitor shall not, without the prior written consent of the Indemnitee, enter into any compromise or settlement which commits the Indemnitee to take, or to forbear to take, any action or which does not provide for a complete release by such third party of the Indemnitee. The Indemnitee shall have the sole and exclusive right to settle any third-party claim, on such terms and conditions as are reasonably appropriate, to the extent such third-party claim involves equitable or other non-monetary relief. All costs and expenses (including without limitation attorneys' fees) incurred by the Indemnitor in connection with the foregoing shall be paid by the Indemnitor.

c. If an Indemnitee is entitled to indemnification against a third-party claim, and the Indemnitor fails to accept a tender of, or assume the defense of, a third-party claim pursuant to this Section 10.3, the Indemnitor shall not be entitled, or shall lose its right, to contest, defend, litigate and settle such a third-party claim, and the Indemnitee shall have the right, without prejudice to its right

of indemnification hereunder, in its discretion exercised in good faith, to contest, defend and litigate such third-party claim, and may settle such third-party claim either before or after the initiation of litigation, at such time and upon such terms as the Indemnitee deems fair and reasonable, provided that at least thirty (30) days prior to any such settlement, written notice of its intention to settle is given to the Indemnitor. If, pursuant to this Section 10.3, the Indemnitee so contests, defends, litigates or settles a third-party claim for which it is entitled to indemnification hereunder, the Indemnitee shall be entitled to treat as Losses the cost for the reasonable attorneys' fees and other expenses of contesting, defending, litigating and/or settling the third-party claim which are incurred from time to time.

d. If the Indemnitor shall not, within 30 days after its receipt of the notice required by this Section 10.3, advise the Indemnitee that the Indemnitor denies the right of the Indemnitee to indemnity in respect of the claim, then the amount of such claim shall be deemed to be finally determined between the Parties hereto. If the Indemnitor shall notify the Indemnitee that it disputes any claim made by the Indemnitee, then the Parties hereto shall endeavor to settle and compromise such claim, and if unable to agree on any settlement or compromise, such claim for indemnification shall be settled by appropriate litigation and any liability established by reason of such settlement, compromise or litigation shall be deemed to be finally determined. Any claim that is finally determined in the manner set forth above shall be paid promptly by the Indemnitor in cash.

Section 10.4 Payment of Indemnification Obligations. An Indemnitor shall pay, within thirty (30) days after the final resolution of any indemnification claim, to any Indemnitee the amount of all damages, losses, deficiencies, liabilities, costs, expenses, claims and other obligations to which the foregoing indemnity relates.

Section 10.5 Interest on Unpaid Obligations. If all or part of any indemnification obligation under this Agreement is not paid when due, the Indemnitor shall pay the Indemnitee interest on the unpaid amount of such obligation for each day from the date the amount became due until it is paid in full, payable on demand, at the rate equal to two percent (2%) per annum plus the "Prime Rate" as published from time to time in The Wall Street Journal.

Section 10.6 Insurance. The amount due as indemnification with respect to any claim under this Article X shall take into account and shall be reduced by the amount of any insurance proceeds actually received by the Indemnitee under insurance policies maintained by Seller or by Purchaser or indemnification proceeds actually paid by any third party in respect of the subject matter of such claim (after deducting all attorneys' fees, expenses and other costs of recovery).

Section 10.7 Tax Treatment. All parties hereto shall treat any payment under this Article X as an adjustment to the Purchase Price for Tax purposes, unless a final determination with respect to Purchaser or Seller, as appropriate, causes any such payment not to be treated as an adjustment to the Purchase Price for federal income tax purposes.

ARTICLE XI MISCELLANEOUS

Section 11.1 Notices. Any notice or other communications to Seller or Purchaser hereunder shall be deemed given upon receipt if delivered personally, sent by facsimile transmission (provided written receipt of which is confirmed), by certified mail, return receipt requested, or by an nationally recognized overnight courier to the parties hereto at the following addresses or at such other address as may be specified by like notice by any of the parties hereto:

Seller:

The Titan Energy Group, Inc.
4445 East Pike
Zanesville, OH 43701
Attention: Fred A. Steele, President
Phone: (740) 454-8871, ext. 116
Fax: (740) 454-7780
Email: fsteele@gascodistribution.com

with a required copy (which shall not constitute notice) to:

Daniel J. Hunter, Esq.
Allen Kuehnle Stovall & Neuman
17 South High Street, Suite 1220
Columbus, OH 43215
Phone: (614) 221-8500
Fax: (614) 221-5988
Email: hunter@aksnlaw.com

and

James Frank Wilson
Wilson & Brooks, P.C.
P.O. 160
203 N. Maiden Lane

Wartburg, TN 37887
Phone: 423-346-6403
Fax: 423-346-3585
jfwilson@wilsonandbrooks.com

Purchaser:

Highland Rim Energy, LLC
5950 Berkshire Lane, Suite 260
Dallas, Texas 75225
Attention: Carlos A. Fonts, Chief Operating Officer
Telephone: (214)360-4584
Telefacsimile: (214)360-4581
E-mail: cafonts@highlandrimenergy.com

with a required copy (which shall not constitute notice) to:

John D. McKinnis
McKinnis & Scott
Attorneys at Law
135 West Main Street, Suite 200
Kingsport, Tennessee 37660
Telephone: (423)247-9376
Telefacsimile: (423)247-9207
E-mail: jmckinnis@mckinnisscott.com

Section 11.2 Amendment; Waiver. Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by Purchaser and Seller or in the case of a waiver, by the party against whom the waiver is to be effective. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

Section 11.3 Successors; Assignment. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns. No party to this Agreement may assign any of its rights or obligations under this Agreement without the prior written consent of the other party hereto.

Section 11.4 Entire Agreement: Except as otherwise provided herein, this Agreement (including all Schedules and Exhibits referred to herein, which are

hereby incorporated by reference) constitute the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings and negotiations, oral or written between parties, with respect to the subject matter of this Agreement.

Section 11.5 Governing Law. This Agreement shall be governed by the laws of the State of Tennessee, its rules of conflict of laws notwithstanding.

Section 11.6 Counterparts. This Agreement may be executed in any number of counterparts and via facsimile, each of which shall be deemed an original, and all of which, when taken together, shall constitute one and the same agreement.

Section 11.7 Headings. The heading references herein and in the table of contents hereto are for convenience purposes only, do not constitute a part of this Agreement, and shall not be deemed to limit or affect any of the provisions hereof.

Section 11.8 Severability. This Agreement shall be deemed severable, and the invalidity or unenforceability of any term or provision hereof shall not affect the validity or enforceability of this Agreement or of any other term or provision hereof.

Section 11.9 No Third Party Beneficiaries. No person other than Purchaser or Seller shall have any rights, benefit or obligation under this Agreement as a third party beneficiary or otherwise.

Section 11.10 Specific Performance. The parties hereto agree that irreparable damage would occur in the event that any party breaches or fails to consummate the transactions contemplated by this Agreement in accordance with the terms of this Agreement and that the parties shall be entitled to specific performance in such event, in addition to any other remedy at law or in equity.

Section 11.11 Termination.

a. *Mutual Agreement*. This Agreement may be terminated at any time prior to the Closing by the mutual written agreement of Purchaser and Seller.

b. *Default by Seller*. This Agreement may be terminated by Purchaser prior to the Closing at any time following the expiration of 30 days from the date that Purchaser has given written notice to Seller that any material representation or warranty of Seller in this Agreement (including the Disclosure Schedules hereto), is not true and correct in all material respects or that there is a breach by Seller with respect to any material covenant or obligation of Seller in this Agreement, and such breach is not cured by the earlier of 30 days after the

above-referenced breach or the Closing Date.

c. *Default by Purchaser.* Subject to the provisions of Section 11.11 e, this Agreement may be terminated by Seller prior to the Closing at any time following the expiration of 30 days from the date that Seller has given written notice to Purchaser that any material representation or warranty of Purchaser in this Agreement is not true and correct in all material respects or that there is a breach by Purchaser with respect to any material covenant or obligation of Purchaser in this Agreement and such breach is not cured by the earlier of 30 days after the above-referenced breach or the Closing Date.

d. *Failure to Close.* This Agreement may be terminated by either Purchaser or Seller if the Closing shall not have been consummated by the first business day occurring fourteen (14) days after the Closing Date set forward in Section 4.1; provided, however, that neither Seller nor Purchaser may terminate this Agreement pursuant to this Section 11.11 d if the Closing shall not have been consummated within such time period by reason of the failure of such party to perform in all material respects any of its respective covenants or agreements contained in this Agreement.

e. *Due Diligence or Other Objections.* This Agreement may be terminated by Purchaser: (i) within ninety (90) days after April 21, 2010, the date of execution by Seller of that certain Letter of Intent dated April 19, 2010, (ii) in accordance with the provisions of Section 7.1 c, and (iii) as otherwise provided herein.

f. *Effect of Termination.* In the event of termination of this Agreement pursuant to this Section 11.11, written notice shall be given by the terminating party to the other party and this Agreement forthwith shall become void and of no further force or effect, and no party hereto shall have any liability or obligation hereunder, except that any such termination shall not affect (i) the provisions of Section 7.6 (Confidentiality) and Section 7.9 (Publicity) which shall survive any such termination, and (ii) the rights and remedies available to a party as a result of any willful breach of any provisions of this Agreement. In addition to the foregoing, if this Agreement is terminated by Purchaser pursuant to Section 11.11 b, Seller shall be liable to Purchaser for all costs and expenses incurred by Purchaser in connection with this Agreement and the transactions contemplated hereby and, subject to the provisions of Section 11.11 e, if this Agreement is terminated by Seller pursuant to Section 11.11 c, Purchaser shall be liable to Seller for all costs and expenses incurred by Seller in connection with this Agreement and the transactions contemplated hereby.

IN WITNESS WHEREOF, Seller and Purchaser have executed this Agreement as of the date first above written.

SELLER:

The Titan Energy Group, Inc.

By: Fred A Steele

Its: President 6-14-10

PURCHASER:

Highland Rim Energy, LLC

By: [Signature]

Its: Manager

Schedule 2.1 a

Attached hereto is a map, sheets 1 through 27 of which depict the B & W Pipeline System. This information may be updated, through closing, as either party obtains additional due diligence or other information.

 FAS
6-11-10

ASSIGNMENT
of
ASSET PURCHASE AGREEMENT

THIS ASSIGNMENT OF ASSET PURCHASE AGREEMENT is dated as of this 2nd day of September, 2010, by and between HIGHLAND RIM ENERGY, LLC, a Texas limited liability company (hereinafter referred to as "Highland Rim"), party of the first part, and B&W PIPELINE, LLC, a Delaware limited liability company authorized to transact business in the State of Tennessee (hereinafter referred to as "B&W Pipeline"), party of the second part, and THE TITAN ENERGY GROUP, INC., an Ohio corporation (hereinafter referred to as "Titan"), party of the third part.

Whereas, Titan and Highland Rim entered into an Asset Purchase Agreement dated June 11, 2010, providing for the sale by Titan and the purchase by Highland Rim of that certain pipeline referred to as the B & W Pipeline system, as well as easements, oil and gas leases, wells, and other assets related thereto (hereinafter referred to as the "Agreement"); and

Whereas, the Agreement was amended in certain particulars by an Amendment to Asset Purchase Agreement dated July 6, 2010 between Titan and Highland Rim; and

Whereas, Highland Rim is desirous of assigning its rights and obligations under the Agreement to B&W Pipeline and B&W Pipeline is desirous of acquiring such rights and assuming such obligations; and

Whereas, Section 11.3 of the Agreement provides that "No party to this Agreement may assign any of its rights or obligations under this Agreement without the prior written consent of the other party hereto"; and

Whereas, Titan is willing to grant its consent to the assignment of Highland Rim's rights and obligations to B&W Pipeline.

NOW, THEREFORE, for and in consideration of the sum of Ten and No/100 (\$10.00) and other valuable consideration paid by B&W Pipeline to Highland Rim, the receipt and sufficiency of which is hereby acknowledged, Highland Rim does hereby assign, transfer, and convey to B&W Pipeline all of Highland Rim's rights and obligations under the Agreement, as amended, and B&W Pipeline does hereby accept such rights and assume such obligations. Notwithstanding anything contained herein to the contrary, this Assignment shall not relieve Highland Rim of its obligations under the Agreement until the consummation of the Closing provided for in such Agreement.

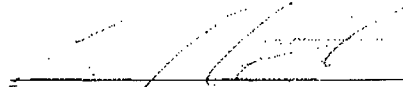
TO HAVE AND TO HOLD said rights and obligations unto B&W Pipeline, its successors and assigns.

Titan joins in this Assignment to express its consent thereto, and Titan does hereby consent to the assignment of the Agreement by Highland Rim to B&W Pipeline, and shall henceforth look upon and recognize B&W Pipeline as the Purchaser under the Agreement in the place and stead of Highland Rim.

IN WITNESS WHEREOF, the parties have caused this Assignment to be executed as of the date first hereinabove written.

ASSIGNOR:

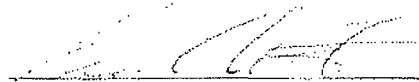
HIGHLAND RIM ENERGY, LLC



Carlos A. Fonts
Manager

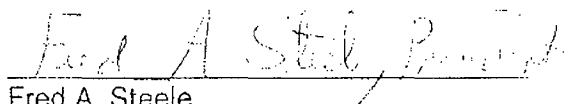
ASSIGNEE:

B&W PIPELINE, LLC



Carlos A. Fonts
Manager

THE TITAN ENERGY GROUP, INC.



Fred A. Steele
President

**OPERATING AGREEMENT
OF
ENREMA, LLC**

This Operating Agreement (the "Agreement") is entered into effective as of the 14th day of January, 2011, by and between FIR Energy, LLC ("Member") and ENREMA, LLC a Delaware limited liability company (the "Company"). The Company was formally known as Shale Gas Management, LLC but changed its name to ENREMA, LLC.

WITNESSETH:

WHEREAS, the Certificate of Formation of the Company (the "Certificate") legally creating the Company was filed with the Secretary of State of the State of Delaware on February 4, 2011;

WHEREAS, the Member and the Company desire to express in writing their mutual understandings and agreements with respect to the formation and operation of the Company; and

WHEREAS, the Company and the Member believe that the best means to accomplish the foregoing is to supersede any prior agreements or understandings among them by setting forth in this Agreement all the terms, provisions, conditions and covenants by which the Company will be governed.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and conditions contained herein, the parties hereby agree as follows:

**SECTION 1
DEFINED TERMS**

The following capitalized terms shall have the meanings specified in this Section 1. Other terms are defined in the text of this Agreement; and, throughout this Agreement, those terms shall have the meanings respectively ascribed to them.

"*Act*" means the Delaware Limited Liability Company Act, as amended from time to time.

"*Agreement*" means this Agreement, as amended from time to time.

"*Code*" means the Internal Revenue Code of 1986, as amended, or any corresponding provision of any succeeding law.

"*Company*" means the limited liability company organized in accordance with this Agreement.

"*Interest*" means a Person's share of the Profits and Losses of, and the right to receive distributions from, the Company.

"*Interest Holder*" means any Person who holds an Interest, whether as a Member or as an un-admitted assignee of a Member.

"*Involuntary Withdrawal*" means, the occurrence of any of the following events:

- (i) The Member makes an assignment for the benefit of creditors;
- (ii) The Member files a voluntary petition of bankruptcy; or
- (iii) The Member is adjudged bankrupt or insolvent or there is entered against the Member an order for relief in any bankruptcy or insolvency proceeding;

"*Manager*" means the Person appointed by the Member to manage the Company. The initial manager is Daniel Mac-Crohon.

"*Member*" means the Person signing this Agreement and any Person who subsequently is admitted as a member of the Company.

"*Membership Rights*" means all of the rights of a Member in the Company, including a Member's: (i) Interest; (ii) right to inspect the Company's books and records; and (iii) right to participate in the management of and vote on matters coming before the Company.

"*Person*" means and includes an individual, corporation, partnership, association, limited liability company, trust, estate, or other entity.

"*Positive Capital Account*" means a capital account with a balance greater than zero.

"*Profit*" and "*Loss*" means, for each taxable year of the Company (or other period for which Profit or Loss must be computed) the Company's taxable income or loss determined in accordance with the Code.

"*Successor*" means all Persons to whom all or any part of an Interest is transferred either because of (i) the sale or gift by Member of all or any part of his Interest, (ii) an assignment of the Member's Interest due to Member's Involuntary Withdrawal, or (iii) because the Member dies and the Persons are Member's personal representatives, heirs, or legatees.

"*Transfer*" means, when used as a noun, any voluntary sale, hypothecation, pledge, assignment, attachment, or other transfer, and, when used as a verb, means voluntarily to sell, hypothecate, pledge, assign, or otherwise transfer.

"*Treasury Regulations*" means the income tax regulations, including any temporary regulations, from time to time promulgated under the Code.

"*Withdrawal*" means a Member's dissociation from the Company by any means.

SECTION 2 FORMATION AND NAME; OFFICE; PURPOSE; TERM

2.1. *Organization.* The Member hereby organizes a limited liability company pursuant to the Act and the provisions of this Agreement and, for that purpose, have caused the Articles of Organization to be prepared, executed and filed with the Department of State. The Company is a manager managed limited liability company.

2.2. *Name of the Company.* The name of the Company shall be "Enrema Energy, LLC." The Company may do business under that name and under any other name or names upon which the Member may, in his sole discretion, determine. If the Company does business under a name other than that set forth in its Articles of Organization, then the Company shall file a fictitious name registration as required by law.

2.3. *Purpose.* Company is organized to conduct any and all acts or business permitted by law.

2.4. *Term.* The term of the Company shall be perpetual, unless its existence is sooner terminated pursuant to this Agreement.

2.5. *Principal Office.* The initial principal place of business and principal office of the Company shall be at such location as may be determined by the Member, in its sole discretion. The Manager shall have the power, on behalf of the Company, to designate, where required, a registered agent (or other agent for receipt of service of process) in each state or other jurisdiction in which the Company transacts business and to designate, to the extent required, an office, place of business, or mailing address within or without that state of other jurisdiction.

2.7. *Member.* The name, present mailing address, initial capital contribution and percentage interest of the sole Member is as follows:

<u>Name and Address</u>	<u>Percentage Interest</u>	<u>Initial Capital Contribution</u>
FIR Energy, LLC,	100%	\$100.00
Total	100 %	\$100.00

2.8. *Disregarded Entity.* This entity shall be treated for U.S. federal income tax purposes as a disregarded entity, so long as it has only one member.

SECTION 3 CAPITAL; CAPITAL ACCOUNTS

3.1. *Initial Capital Contributions.* Upon the execution of this Agreement, Member shall contribute to the Company the cash and property set forth in Section 2.7.

3.2. *No Other Capital Contributions Required.* Member shall not be required to contribute any additional capital to the Company, and specifically except as set forth in the Act, no Member shall have any personal liability for any obligations of the Company.

3.3. *Loans.* Any Member may, at any time, make or cause a loan to be made to the Company in any amount and on those terms upon which the Company and the Member agree.

3.4. *Capital Accounts.* A capital account shall be maintained by the Company for the Member.

SECTION 4 PROFIT, LOSS, AND DISTRIBUTIONS

4.1. *Distributions of Cash Flow.* Cash Flow for each taxable year of the Company shall be distributed to Member as determined by the Manager.

4.2. *Allocation of Profit or Loss.* All Profit or Loss shall be allocated to the Member.

4.3. *Liquidation and Dissolution.* If the Company is liquidated, the assets of the

Company shall be distributed to Member or to a Successor or Successors.

SECTION 5 MANAGEMENT: RIGHTS, POWERS, AND DUTIES

5.1. *Management.* The Company shall be managed solely by the Manager. The Manager may be removed at any time by the Member for any or no reason. The Member will replace any vacancy to the Manager position. The initial manager shall be Daniel Mac-Crow who shall serve until his earlier resignation, death or removal.

5.2. Personal Services. Member shall not be required to perform services for the Company solely by virtue of being a Member.

5.3. *Liability and Indemnification.*

5.3.1. The Member and the Manager shall not be liable, responsible, or accountable, in damages or otherwise, to the Company for any act performed by him with respect to Company matters, except for fraud.

5.3.2. The Company shall indemnify Member and Manager for any act performed by him with respect to Company matters, except for fraud.

SECTION 6 TRANSFER OF INTERESTS AND WITHDRAWALS OF MEMBERS

6.1. *Transfers.*

6.1.1. *Transfers by Member.* Member may Transfer all, or any portion of, its Interest or rights in, its Membership Rights to one or more Successors.

6.1.2. *Transfer to a Successor.* In the event of any Transfer of all or any part of Member's Interest to a Successor, the Successor shall thereupon become a Member and the Company shall be continued.

6.1.3. *Multiple Members.* If an additional person becomes a Member the parties will meet to enter into a mutually acceptable operating agreement.

SECTION 7 DISSOLUTION, LIQUIDATION, AND TERMINATION OF THE COMPANY

7.1. *Events of Dissolution.* The Company shall be dissolved if the Member(s) determines to dissolve.

7.2. *Procedure for Winding Up and Dissolution.* If the Company is dissolved, the affairs of the Company shall be wound up. On winding up of the Company, the assets of the Company shall be distributed, first, to creditors of the Company in satisfaction of the liabilities of the Company, and then to the Person who is the Member of the Company in proportion to its Interests.

7.3. *Filing of Articles of Dissolution.* If the Company is dissolved, Articles of Dissolution shall be promptly filed with the Department of State subject to approval of the Member. If there are no remaining Members, the Articles of Dissolution shall be filed by the last Person to be a Member; if there are no remaining Members, nor a Person who last was a

Member, the Articles shall be filed by the legal or personal representatives of the Person who last was a Member.

SECTION 8 BOOKS, RECORDS, ACCOUNTING, AND TAX ELECTIONS

8.1. *Bank Accounts.* All funds of the Company shall be deposited in a bank account or accounts opened in the Company's name. The Member shall unanimously determine the institution or institutions at which the accounts will be opened and maintained, the types of accounts, and the Persons who will have authority with respect to the accounts and the funds therein.

8.2. *Books and Records.* The Member shall not be required to keep or cause to be kept complete and accurate books and records of the Company nor supporting documentation of the transactions with respect to the conduct of the Company's business. The books and records, if any, shall be maintained by the Company in accordance with sound accounting principles and practices.

8.3. *Annual Accounting Period.* The annual accounting period of the Company shall be its taxable year. The Company's taxable year shall be selected by the Member, subject to the requirements and limitations of the Code.

SECTION 9 GENERAL PROVISIONS

9.1. *Applicable Law.* All questions concerning the construction, validity, and interpretation of this Agreement shall be governed by the internal law, not the law of conflicts, of the State of Delaware.

9.2. *Section Titles.* The headings herein are inserted as a matter of convenience only, and do not define, limit, or describe the scope of this Operating Agreement or the intent of the provisions hereof.

9.3. *Terms.* Common nouns and pronouns shall be deemed to refer to the masculine, feminine, neuter, singular and plural, as the identity of the Person may in the context require.

9.4. *Separability of Provisions.* Each provision of this Agreement shall be considered separable; and if, for any reason, any provision or provisions herein are determined to be invalid and contrary to any existing or future law, such invalidity shall not impair the operation of or affect those portions of this Operating Agreement which are valid.

[Signature Page to Follow]

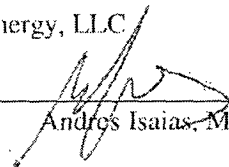
AT

The Company and the Member have executed this Operating Agreement, as of the date set forth hereinabove.

MEMBER:

FIR Energy, LLC


By: _____


Andres Isaias, Manager

COMPANY:

Enrema Energy, LLC

By: _____

Print Name:  ANDRES ISAIAS

Its: MEMBER, FIR ENERGY

**Limited Liability Company Agreement
for B&W Pipeline, LLC**

This Limited Liability Company Agreement ("**Agreement**") of B&W Pipeline, LLC (the "**Company**") is made and entered into by the "**Manager**" and the sole "**Member**" as of July 26, 2010, all as identified on the signature page below.

Article 1 -- Definitions

In this Agreement:

"**Act**" means the Delaware limited liability company act.

"**Executive Vice President**" means the Person serving as an Executive Vice President of the Company, pursuant to this Agreement. There is no initial Executive Vice President.

"**Manager**" means the Person (or Persons, collectively, if there is more than one), if any, serving as a manager of the Company, pursuant to this Agreement.

"**Member**" means a holder of an interest in the Company, i.e., the holder of a Unit.

"**Officer**" means a Person serving as an officer of the Company as provided in Section 6.8.

"**Person**" means any individual, corporation, partnership, association, trust, institution or other entity or organization.

"**President**" means the Person serving as a President of the Company, if any, pursuant to this Agreement. There is no initial President.

"**Representative**" means a director, officer, employee, trustee, or agent.

"**Secretary**" means the Person serving as a Secretary of the Company, if any, pursuant to this Agreement. The initial Secretary is identified on Exhibit A.

"**Transfer**" means any sale, assignment, pledge, hypothecation, encumbrance, disposition, transfer (including, without limitation, a transfer by will or intestate distribution), gift or attempt to create or grant a security interest in any Unit or interest therein or portion thereof, whether voluntary or involuntary, by operation of law or otherwise; provided, however, that a "Transfer" shall not include the issuance of, or redemption of, a Unit by the Company.

"**Unit**" means an ownership interest in the Company.

Article 2 – Organization and Purpose

2.1 **Term.** The Company shall continue in existence until December 31, 2050.

2.2 **Purposes and Powers.** The Company has been formed to manage, maintain, invest and facilitate effective decisions with respect to the assets of the Company. Nonetheless, the Company may carry on any lawful business, purpose or activity, whether or not for profit, unless otherwise restricted by the Act or the laws of any jurisdiction in which the Company may do business. The Company shall possess and may exercise all powers and privileges as are necessary or convenient to the purposes and activities of the Company.

2.3 **Location and Agent.** The address of the Company's principal office and the name of the Company's registered agent and the address of the agent's office is as shown on Exhibit A. The Company may have such other offices, either within or without the United States, as the Member may designate or as the business of the Company may from time to time require. These may be changed in the future by the Member.

2.4 **Taxation.** It is intended that the Company shall have only one Member. For U.S. federal income tax reporting purposes, the Company is intended to qualify for as long as feasible as a non-corporate entity owned by the original single Member, rather than as a partnership, so that no separate U.S. federal income tax reporting by the entity is required.

Article 3 – Units and Members; Certificates

3.1 **Capital Contribution.** The Member has made a contribution to the capital of the Company in the amount and in the form shown on the Company's books, in exchange for one Unit (namely, a 100% ownership interest). Additional capital contributions may be made, and additional Units issued, only if and as agreed upon by the Member.

3.2 **Transfer of Units.** Any Member may Transfer all or any part of its Units, but a Transfer may be made to more than one single successor Member only after the Member has determined, with advice of tax counsel, that the transfer would not cause the Company to be treated as a partnership for U.S. federal income tax purposes by reason of having more than one owner for tax purposes.

3.3 **Attempted Transfer.** Any attempted Transfer that is not made in accordance with this Article 3 shall be null and void so that the Company shall be under no obligation to recognize the Transfer or to recognize multiple transferees as Members.

3.4 **Additional Members.** The Company shall admit a transferee as an additional Member, but only if the transfer is made in compliance with Section 3.2. Additional Members also may be admitted in exchange for a capital contribution, but only after the Member has determined, with advice of tax counsel, that the admission would not cause the Company to be treated as a partnership for U.S. federal income tax purposes by reason of having more than one owner for tax purposes. In the event there is ever more than one Member, the Members holding

a majority of the outstanding Units shall represent the interests of "the Member" whenever a consent, vote, notice, distribution or other matter is referred to under this Agreement with respect to the ownership of the Company, and any distributions shall be made to the Members in proportion to their respective Units.

Article 4 – Distributions and Redemptions

4.1 Distributions Prior to Liquidation. Distributions prior to liquidation of the Company, if any, may be made only as directed by the Member, with the consent of the Manager.

4.2 Distributions Upon Liquidation. The distribution upon liquidation of the Company shall be made to the Member, after the net amount available for distribution has been determined.

Article 5 -- Dissolution

5.1 Elective Dissolution. The Company shall be dissolved upon the affirmative vote of the Member.

5.2 Winding-Up and Liquidation of the Company. Upon dissolution of the Company, the Manager, as liquidating trustee, shall diligently proceed to wind-up, liquidate, and terminate the Company under this Article. If the Manager is unable to serve as liquidating trustee and no successor or other Manager will then be serving, a liquidating trustee may be appointed by the Member.

5.3 Distribution of Assets Upon Liquidation. Upon liquidation of the Company, the proceeds of the liquidation shall be applied in the following order of priority: (a) first, to the expenses of the liquidation; (b) second, to the liabilities and other debts of the Company, if any, in the order of priority provided by law; (c) third, a reasonable reserve shall be set up to provide for any contingent or unforeseen liabilities or obligations of the Company to third parties (to be held and disbursed, at the discretion of the liquidating trustee or an escrow agent selected by it) and at such time as the liquidating trustee reasonably determines that the reserve is no longer needed, any then remaining reserve shall be distributed as hereinafter provided; and (d) at the expiration of such period as the liquidating trustee reasonably may deem advisable, the balance shall be distributed to the Member pursuant to this Agreement.

5.4 Final Accounting. As soon as reasonably practicable after the commencement of the liquidation, the Member shall be furnished with a statement setting forth the assets and liabilities, if any, of the Company as of the commencement of liquidation. As soon as practical after the final distribution in liquidation, the Member shall be furnished with a final accounting as of the date immediately prior to the final distribution.

5.5 Final Termination. Upon the compliance by the liquidating trustee with the distribution provisions of this Agreement, the Member shall cease to be such, and the liquidating trustee shall execute and cause to be filed on behalf of the Company a certificate of cancellation

and any and all other documents necessary or appropriate with respect to termination and cancellation of the Company.

Article 6 -- Management

6.1 Duties of the Manager. The Manager shall manage the Company and maintain the books and records of the Company, devoting such time, effort and skill as is reasonably required. Nothing in this Agreement shall be construed to prevent the Manager from engaging in other business or investment activities. The Manager may delegate all or part of the Manager's duties and powers, with notice to the Member.

6.2 Powers and Duties of the Manager.

(a) Subject only to the various rights of the Member provided in this Agreement, the management, operation and control of the Company shall be vested in the Manager, if one is then serving, and if serving, the Manager shall have the exclusive power on behalf and in the name of the Company, exercising business judgment, to carry out any and all of the purposes of the Company and to perform all acts as the Manager may deem necessary or advisable or incidental thereto. In the event no Manager is then serving, the Company shall be managed by the Member.

(b) The Manager may sign, on behalf of the Company, deeds, mortgages, bonds, contracts or other instruments which have been appropriately authorized to be executed by the Member, except in cases where the signing or execution of such instruments has been expressly delegated by the Member or this Agreement (or otherwise under applicable law) to an officer or agent of the Company.

(c) The Manager shall keep the Member advised in all matters pertaining to the Company's operations, and, to this end, shall prepare and submit a report to the Member at each regular meeting and at other times as may be directed by the Member.

6.3 Manager Qualifications. A Manager may be, but need not be, a Member of the Company.

6.4 Change of Manager. The following procedures and conditions shall apply to Manager succession:

(a) **Resignation and Removal.** Any Person or Persons serving as the Manager may resign at any time upon 5 days notice to the Member. Upon 5 days advance written notice to the Manager, the Manager may be removed by the Member for any reason or no reason.

(b) **Appointment of Successor.** Whenever there is a vacancy, a Manager may be appointed by the Member.

(c) **Succession.** The Person who resigned or was removed as Manager shall release the Company assets and records to, and otherwise cooperate with, any successor. The successor

shall not be required to review or confirm the accuracy of the accounts of prior Manager(s). A resigned or removed Manager shall duly file with the Member a written statement or statements of accounts and other information for the period since the last regular filing, and unless there is a written objection made to those accounts and information as filed, the Manager shall, to the maximum extent permitted by applicable law, be forever released and discharged from all liability and accountability with respect to the propriety of its acts and transactions shown therein.

6.5 Decision by Managers. If there is more than one Person serving as the Manager, the Manager may act only by the majority consent of such Persons. Any deadlocks shall be resolved by the Member. However, each such Person may delegate to another Manager the Person's authority to participate in the actions of the Manager, and the authority to grant or withhold consent, as to any Company matter, except the exercise of the Manager's authority to consent to distributions under Section 4.1.

6.6 Reliance by Others. Any Person dealing with the Company may rely absolutely on the representation, deed, transfer or other assurance of any party who purports to and reasonably appears to be the Manager, without any duty or right to question whether any prior Manager, any Member, or any other Person must agree to, or has agreed to, the action, or to question whether there is another Person who might have a prior or joint right to serve as Manager, and shall be indemnified and held harmless by the Company for so doing.

6.7 Compensation; Expenses. The Manager shall receive reasonable compensation for services to the Company as a Manager, as agreed by the Member (whose approval shall not be unreasonably withheld). The Company shall pay all expenses relating to the conduct of the Company's business.

6.8 Appointment of Officers. The Company may, as the Member may authorize from time to time, have additional officers including, without limitation, a President, Executive Vice President, and Secretary. The initial Secretary is identified on Exhibit A to this Agreement.

(a) **President.** A President may be, but need not be, a Member of the Company. Unless otherwise specified by the Manager, the President shall be the primary officer responsible for the day-to-day conduct of the business and its commercial, contractual and investment relationships with third parties and with Members, and shall have all other duties and authority customarily associated with such an office for a corporation.

(b) **Executive Vice President.** An Executive Vice President may be, but need not be, a Member of the Company. Unless otherwise specified by the Manager, the Executive Vice President shall have the duties and authority customarily associated with such an office for a corporation.

(c) **Secretary.** A Secretary may be, but need not be, a Member of the Company. Unless otherwise specified by the Manager, the Secretary shall have the duties and authority customarily associated with such an office for a corporation. The Secretary shall attend all

Company meetings and record all proceedings of the meetings. The Secretary shall give, or cause to be given, notice of all such meetings. The Secretary shall keep and account for all books, documents, papers and records of the Company except those for which some other officer or agent has been designated. The Secretary shall, when requested, confirm the identity and signature of the Manager.

(d) **Change of Officers.** The following procedures and conditions shall apply to officer succession:

(i) Resignation and Removal. Any Officer may resign at any time upon 5 days notice to the Manager. Upon 5 days advance written notice to an Officer, the Officer may be removed by the Manager for any reason or no reason.

(ii) Appointment. The Member may appoint a person to serve as an officer at any time.

(iii) Succession. Any Person who resigned or was removed as an officer shall release the Company assets and records to, and otherwise cooperate with, any successor. The successor shall not be required to review or confirm the accuracy of the accounts of prior officer(s).

(e) **Compensation.** Unless waived, a Person (other than the Manager) serving as an officer shall receive reasonable compensation, as determined by the Manager and approved by the Member. The Company shall pay all expenses relating to the conduct of the Company's business.

Article 7 – Claims and Disputes

7.1 Standard of Care.

(a) Authorized Persons shall be fully protected in relying in good faith on information, opinions, reports, or statements, including financial statements, books of account and other financial data, if prepared or presented by (i) one or more other Authorized Persons, or (ii) legal counsel, public accountants, or other persons who he, she or it reasonably believes have professional or expert competence.

(b) An Authorized Person shall not be liable for damages to the Company or to the Member with respect to claims relating to his, her or its conduct for or on behalf of the Company, except to the extent that there is a final judicial determination based on clear and convincing evidence that (i) his, her or its conduct (A) was not taken in good faith, (B) constitutes willful misconduct, or (C) was grossly negligent or (ii) with respect to any criminal action, proceeding or investigation, he, she or it had no reasonable cause to believe his, her or its conduct was lawful.

(c) "Authorized Person" means the Manager, the Member, and any Representative of the Manager, or the Member, or of the Company, if such Person was acting within the scope of his, her or its duties with respect to the Company.

7.2 Indemnification.

(a) The Company shall indemnify the Manager and the Member and each of the Representatives of either (an "Indemnified Party"), to the fullest extent now or hereafter permitted by law against any cost, expense (including legal or other expenses reasonably incurred in investigation or defense), amount paid in settlement, judgment or liability incurred by or imposed upon an Indemnified Party in connection with any action, suit or proceeding (including civil, criminal, administrative or investigative proceedings) to which such an Indemnified Party may be made a party or otherwise involved or with which an Indemnified Party shall be threatened, arising out of or in connection with an Indemnified Party's activities or involvement with the Company, or with any other enterprise that an Indemnified Party is or was serving as a director, officer, employee or otherwise, at the request of the Company; provided, however, that an Indemnified Party shall not be so indemnified with respect to any matter as to which Indemnified Party shall have failed to meet the standard set forth in Section 7.1.

(b) Any indemnification pursuant to this Section shall not be considered exclusive of any other rights to which those seeking indemnification may be entitled.

(c) The Company may indemnify any other Representative or affiliate of the Company upon such terms and conditions as the Manager considers appropriate and as approved by the Member.

(d) To the extent the indemnification provisions of this Article 7 conflict with the indemnification provisions in the Company's Articles of Organization, the provisions of the Articles of Organization shall control.

7.3 Limits on Indemnification. Any indemnification under this Article shall be provided only out of Company assets, and no Member shall have any personal liability for the indemnification.

7.4 Third Party Claims. Except as provided in this Article, no Person other than the Member and/or Manager shall have any legal or equitable right, remedy or claim under or in respect of this Article and its subject matter.

Article 8 -- Miscellaneous

8.1 Entire Agreement. This Agreement constitutes the entire agreement with respect to the subject matter hereof and supersedes all prior agreements and understandings between the Member and the Manager. There are no representations, agreements, arrangements or understandings that are not fully expressed in this Agreement.

8.2 **Governing Law.** Irrespective of the place of execution or performance, this Agreement, and all matters arising out of or under this Agreement, shall be governed by and construed in accordance with the laws of Delaware applicable to agreements made and to be performed in the Delaware (without giving effect to principles of conflicts of law).

8.3 **Construction.** The headings contained in this Agreement are for reference purposes only and shall not affect the interpretation of this Agreement. All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural and vice versa.

8.4 **Exhibit.** The Exhibit A attached to this Agreement is part of this Agreement just as if written in it.

8.5 **Notice.** Any notice required or permitted under this Agreement may be made by any means of communication.

8.6 **Successors and Assigns.** Except as otherwise specifically herein provided, this Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of the parties hereto.

8.7 **Amendments.** The Member may amend this Agreement from time to time, or repeal this Agreement at any time, without the consent of any other party, but only after providing the Manager with a copy of the proposed amendment.

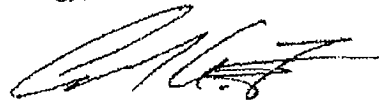
8.8 **Other Activities.** Except for any business venture in Fentress, Morgan and Warren Counties, Tennessee, each Manager, Member and officer (and each such person's representatives and affiliates) may engage or invest in any other business or venture of any nature or description, or possess any interest therein, independently or with others. Except for any business venture in Fentress, Morgan and Warren Counties, Tennessee, no such person, by reason of any such independent activities, shall have any duty to disclose or offer to the Company or a Member any such business or venture or an interest therein nor in any way be subject to any claim by the Company or any person interested in the Company. In Fentress, Morgan and Warren Counties, Tennessee, each Member, Manager and officer (and each such person's representatives and affiliates) shall be obligated to present other investment opportunities to the Company.

8.9 **Counterparts.** This Agreement and amendments to it may be executed in any number of counterparts, each of which shall be considered an original but all of which together shall be considered to constitute a single document. A signature on one counterpart shall be deemed to be a signature on every other counterpart and may be appended to it.

The Member and Managers have duly executed this Agreement as of the date first identified above.

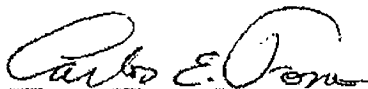
Member and Manager:

FIR Energy, LLC

By: 

Name: Carlos A. Fonts

Its: co-Manager

By: 

Name: Carlos E. Fonts

Its: co-Manager

**LIMITED LIABILITY COMPANY OPERATING AGREEMENT
OF B&W PIPELINE, LLC**

Exhibit A

Name of Company: B&W Pipeline, LLC

Managers: FIR Energy, LLC

Initial Secretary: Carlos A. Fonts

Member: FIR Energy, LLC

Units Issued: One (1) Unit

Date of filing of Certificate
of Formation: July 26, 2010

Address of principal office: 5950 Berkshire Lane, Suite 260
Dallas, TX 75225

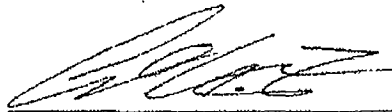
Name of registered agent: Corporation Trust Center

Address of registered agent: The Corporation Trust Company
Corporation Trust Center
1209 Orange Street
Wilmington, Delaware 19801

Acceptance of Appointment

I, Carlos A. Fonts, accept appointment as Secretary of B&W Pipeline, LLC.

Date: As of July 26, 2010

A handwritten signature in black ink, appearing to read 'Carlos A. Fonts', written over a horizontal line.

Carlos A. Fonts

**OPERATING AGREEMENT
OF
B&W PIPELINE, LLC
A Delaware Limited Liability Company**

This OPERATING AGREEMENT of B&W Pipeline, LLC (the "Agreement"), is entered into and effective as of July 26, 2010.

**ARTICLE I
DEFINITIONS**

1.1 **Definitions.** As used in this Agreement the following terms have the following meanings:

"Act" means the Delaware Revised Statutes 86.021 to 86.128.

"Adjusted Capital Account Deficit" means, with respect to any Member, the deficit balance, if any, in such Member's Capital Account as of the end of the relevant taxable year or other period, after giving effect to the following adjustments:

(a) Credit to such Capital Account any amounts that such Partner is deemed obligated to restore pursuant to the penultimate sentences of Regulations Sections 1.704-2(g) and 1.704-2(i)(5); and

(b) Debit to such Capital Account the items described in Regulations Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6).

"Affiliate" means with respect to a specified Person, any Person that directly or indirectly controls, is controlled by, or is under common control with, the specified Person. As used in this definition, the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"Agreement" has the meaning given that term in the introductory paragraph.

"Articles" has the meaning given that term in Section 2.1.

"Bankrupt Member" means (except to the extent a Required Interest consents otherwise) any Member (a) that (i) makes a general assignment for the benefit of creditors; (ii) files a voluntary bankruptcy petition; (iii) becomes the subject of an order for relief or is declared insolvent in any federal or state bankruptcy or insolvency proceedings; (iv) files a petition or answer seeking a reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any law; (v) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the Member in a proceeding of the type described in subclauses (i) through (iv) of this clause (a); or (vi) seeks, consents to, or

acquiesces in the appointment of a trustee, receiver, or liquidator of the Member or of all or any substantial part of the Member's properties; or (b) against which, a proceeding seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any law has been commenced and 120 days have expired without dismissal thereof or with respect to which, without the Member's consent or acquiescence, a trustee, receiver, or liquidator of the Member or of all or any substantial part of the Member's properties has been appointed and 90 days have expired without the appointment having been vacated or stayed, or 90 days have expired after the date of expiration of a stay, if the appointment has not previously been vacated.

"Business Day" means any day other than a Saturday, Sunday, or holiday on which national banking associations in the State of Delaware are closed.

"Capital Account" means, with respect to any Member, the account maintained for such Member in accordance with the provisions of Section 4.4 hereof.

"Capital Contribution" means the gross amount of cash or the fair market value of other property contributed to the capital of the Company by a Member with respect to such Member's Membership Interest.

"Capital Item" shall mean the net proceeds of (a) any sale, exchange or other disposition of any or all material parts of the property of the Company; (b) any damage recoveries, insurance payments or condemnation proceeds payable to the Company and not used for the repair or restoration of any properties of the Company; (c) any financing or refinancing of debt of the Company not applied to the reduction of Company liabilities; and (d) any other event in the nature of a capital transaction.

"Change of Control" means with respect to any Member or Manager that is an entity that such Member or Manager has ceased to be controlled, directly or indirectly, by the person or persons who controlled it when it became a Member or Manager.

"Class A Member" means FIR Energy, LLC.

"Code" means the Internal Revenue Code of 1986 and any successor statute, as amended from time to time.

"Company" means B&W Pipeline, LLC, a Delaware limited liability company.

"Company Nonrecourse Debt Minimum Gain" has the meaning given such term in Treasury Regulations Section 1.704-2(i)(2).

"Company Nonrecourse Deductions" has the meaning given such term in Treasury Regulations Section 1.704-2(i)(2).

"Default Interest Rate" means a rate per annum equal to the lesser of (a) 18% or (b) the maximum rate permitted by applicable law.

"Distributable Funds" shall mean the excess cash funds of the Company available for distribution to the Members after the establishment of reserves in such amounts and for such liabilities, obligations and contingencies as shall be determined from time to time by the Manager.

"Distribution(s)" shall mean Distributable Funds actually distributed to the Members pursuant to Article V.

"General Interest Rate" means a rate per annum equal to the lesser of (a) a varying rate per annum that is equal to the interest rate publicly quoted by the Wall Street Journal from time to time as representative of the prime commercial interest rate, with adjustments in that varying rate to be made on the same date as any change in that rate, or (b) the maximum rate permitted by applicable law.

"Gross Asset Value" means, with respect to any asset, the asset's adjusted basis for federal income tax purposes, except as follows:

(a) The initial Gross Asset Value of any asset contributed (or deemed to have been contributed) by a Member to the Company in connection with the execution and delivery of this Agreement and the initial Gross Asset Value of any other asset contributed (or deemed to have been contributed) by a Member to the Company is the gross fair market value of such asset, as reasonably determined by the Managers, on the date of the contribution.

(b) The Gross Asset Values of all Company assets will be adjusted to equal their respective gross fair market values, as reasonably determined by the Managers, as of the following times: (i) the acquisition of an additional Membership Interest by any new or existing Member in exchange for more than a *de minimis* Capital Contribution; (ii) the distribution by the Company of more than a *de minimis* amount of property as consideration for a Membership Interest; (iii) the liquidation of the Company within the meaning of Treasury Regulation Section 1.704-1(b)(2)(ii)(g); or (iv) a grant of a Membership Interest as consideration for the provision of services to or for the benefit of the Company by a new or existing Member; *provided, however*, that the adjustments pursuant to clauses (i), (ii), or (iv) above will only be made if the Managers reasonably determine that such adjustments are necessary or appropriate to reflect the relative economic interests of the Members in the Company.

(c) The Gross Asset Value of any Company asset distributed to any Member will be adjusted to equal the gross fair market value of such asset, as reasonably determined by the Managers, on the date of the distribution.

(d) The Gross Asset Values of Company assets will be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to Code Section 732(d), Code Section 734(b) or Code Section 743(b), but only to the extent that an adjustment pursuant to clause (ii) immediately above is not required in connection with the transaction.

"Interest" or "Interests" refers to a Membership Interest.

"Majority Interest" means, with respect to any matter submitted to a vote of the Members, the vote of Class A Members whose Sharing Ratios exceed one-half of all the Company's Sharing Ratios. Class A Members vote as one class on all matters.

"Managers" means the Person(s) designated in Section 6.2 hereof as managers of the Company within the meaning of the Act and shall include a successor appointed pursuant to the provisions of this Agreement. Manager refers to one individual Person designated in Section 6.3.

"Member" means any Person named as a member of the Company on Exhibit A hereto, and includes any Person admitted as an Additional Member or a Substitute Member pursuant to the provisions of this Agreement. The term "Member" shall not include any member of the Company that has disposed of its Membership Interest. "Members" means two or more members when acting in their capacities as members of the Company.

"Membership Interest" means an interest in the Company which was acquired either directly from the Company, pursuant to this Agreement, or by assignment from a Member of the Company pursuant to this Agreement.

"Minimum Gain" has the meaning given to that term in Treasury Regulation § 1.704-2(d).

"Net Profit" and "Net Loss" means, for each calendar quarter or other period, the Company's taxable income or taxable loss for such period, as determined under Code Section 703(a) and Treasury Regulation Section 1.703-1 (and for this purpose all items of income, gain, loss, or deduction required to be stated separately under Code Section 703(a)(1) will be included in taxable income or taxable loss), but with the following adjustments:

(a) Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Profits and Losses pursuant to this definition of "Net Profit" and "Net Loss" will be added to such taxable income or loss;

(b) Any expenditures of the Company described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(i) that are not otherwise taken into account in computing Net Profit and Net Loss will be subtracted from such taxable income or loss;

(c) If the Gross Asset Value of any Company asset is adjusted pursuant to clause (b) or (c) of the definition of "Gross Asset Value," the amount of such adjustment will be taken into account as gain or loss from the disposition of such asset for purposes of computing Net Profit and Net Loss;

(d) Gain or loss resulting from any disposition of any Company asset with respect to which gain or loss is recognized for federal income tax purposes will be computed by reference to the Gross Asset Value of the asset disposed of, notwithstanding that the adjusted tax basis of such asset differs from its Gross Asset Value;

(e) The depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss will be taken into account for such period in accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(g);

(f) To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Code Section 734(b) is required, pursuant to Regulation Section 1.704-1(b)(2)(iv)(m)(4), to be taken into account in determining Capital Accounts as a result of a distribution other than in liquidation of a Member's Membership Interest, the amount of such adjustment will be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) from the disposition of such asset and will be taken into account for purposes of computing Net Profit and Net Loss; and

(g) Notwithstanding any other provisions of this definition, any items that are specially allocated pursuant to Sections 5.5 – 5.11 shall not be taken into account in computing Net Profit and Net Loss.

"Nonrecourse Deductions" means those deductions of the Company as set forth in Treas. Reg. § 1.704-2(b)(1).

"Partially Adjusted Capital Account" means, with respect to any Member as of the close of business on the last day of any taxable year or other period, the Capital Account of such Member as of the beginning of such period, after giving effect to all contributions and distributions during such period and all special allocations pursuant to Article V with respect to such period, but before giving effect to any allocation of Net Income or Net Loss for such period.

"Person" means an individual, partnership, limited partnership, limited liability company, trust, estate, corporation, custodian, trustee, executor, administrator, nominee, or entity in a representative capacity.

"Proceeding" has the meaning given that term in Section 9.1.

"Property" shall mean all assets and property, including but not limited to personal, real or intangible property, owned by the Company, including but not limited to all oil and gas leases, rights and interests; royalty and production rights; licenses, rights-of-way, easements and equitable servitudes and contract rights and pipeline gathering lines.

"Required Interest" means one or more Class A Members having among them more than 50% of all the Company's Sharing Ratios.

"Sharing Ratio" with respect to any Member, means the percentage adjacent to each Member's name on Exhibit A as amended from time to time.

"Target Capital Account" means; with respect to any Member as of the close of business on the last day of any taxable year or other period, an amount (which may be either a positive or a deficit balance) equal to the amount such Member would receive as a Distribution if all assets of the Company as of such date were sold for cash equal to the Gross Asset Value of such assets, all Company liabilities were satisfied to the extent required by their terms, and the net proceeds were distributed pursuant to the provisions of Section 5.1.

"Transfer" means a sale, assignment, transfer, exchange, mortgage, pledge, grant of a security interest, or other disposition or encumbrance (including, without limitation, by operation of law), or the acts thereof.

"Treasury Regulations" means the Income Tax Regulations, including Temporary Regulations, promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"Unreturned Capital Contributions" shall mean the sum of the Capital Contributions of a Member less the sum of all Distributions received by such Member from the Company.

1.2 **Construction.** Whenever the context requires, the gender of all words used in this Agreement includes the masculine, feminine, and neuter. All references to Articles and Sections refer to articles and sections of this Agreement, and all references to Exhibits are to exhibits attached hereto, each of which is made a part hereof for all purposes.

ARTICLE II ORGANIZATION

2.1 **Formation.** The Company has been organized as a Delaware limited liability company by the filing of Articles of Organization (the "Articles") under and pursuant to the Act and the issuance of a certificate of organization for the Company by the Secretary of State of Delaware.

2.2 **Name.** The name of the Company is B&W Pipeline, LLC, and all Company business must be conducted in that name or such other names that comply with applicable law as the Members may select from time to time.

2.3 **Registered Office; Registered Agent, Principal Office in the United States; Other Offices.** The registered office of the Company required by the Act to be maintained in the State of Delaware shall be the office of the initial registered agent named in the Articles or such other office (which need not be a place of business of the Company) as the Members may designate from time to time in the manner provided by law. The registered agent of the Company in the State of Delaware shall be the initial registered agent named in the Articles or such other Person or Persons as the Members may designate from time to time in the manner provided by law. The principal office of the Company in the United States shall be at such place as the Members may designate from time to time, which need not be in the State of Delaware,

and the Company shall maintain records there as required by the Act and shall keep the street address of such principal office at the registered office of the Company in the State of Delaware. The Company may have such other of offices as the Members may designate from time to time.

2.4 Purposes and Business. The purposes and business of the Company shall be:

- (a) to purchase a gas pipeline;
- (b) to pursue various oil and gas related activities; and
- (c) to undertake and carry on all activities necessary or advisable in connection with such activities.

2.5 Foreign Qualification. Prior to the Company's conducting business in any jurisdiction other than Delaware, the Members shall cause the Company to comply, to the extent procedures are available and those matters are reasonably within the control of the Members, with all requirements necessary to qualify the Company as a foreign limited liability company in that jurisdiction. Each Member shall execute, acknowledge, swear to, and deliver all certificates and other instruments conforming with this Agreement that are necessary or appropriate to qualify, continue, and terminate the Company as a foreign limited liability company in all such jurisdictions in which the Company may conduct business.

2.6 Term. The Company commenced on the date the Secretary of State of Delaware issued a certificate of organization for the Company and shall continue in existence until December 31, 2050.

2.7 No State-Law Partnership. The Members intend that the Company not be a partnership (including, without limitation, a limited partnership) or joint venture, and that no Member be a partner or joint venturer of any other Member, for any purposes other than federal and state tax purposes, and this Agreement may not be construed to suggest otherwise.

ARTICLE III MEMBERSHIP

3.1 Members. The Members of the Company are those Persons executing this Agreement as Members, each of which is admitted to the Company as a Member effective contemporaneously with the execution by such Person of this Agreement.

3.2 Representations and Warranties. Each Member hereby represents and warrants to the Company and each other Member that (a) if that Member is a corporation, it is duly organized, validly existing and in good standing under the law of the state of its incorporation and is duly qualified and in good standing as a foreign corporation in the jurisdiction of its principal place of business (if not incorporated therein); (b) if that Member is a limited liability company, it is duly organized, validly existing, and (if applicable) in good standing under the law of the state of its organization and is duly qualified and (if applicable) in good standing as a foreign limited liability company in the jurisdiction of its principal place of business (if not

organized therein); (c) if that Member is a partnership, trust, or other entity, it is duly formed, validly existing, and (if applicable) in good standing under the law of the state of its formation, and if required by law is duly qualified to do business and (if applicable) in good standing in the jurisdiction of its principal place of business (if not formed therein), and the representations and warranties in clause (a), (b) or (c), as applicable, are true and correct with respect to each partner (other than limited partners), trustee, or other member thereof; (d) that Member has full corporate, limited liability company, partnership, trust, or other applicable power and authority to execute and agree to this Agreement and to perform its obligations hereunder and all necessary actions by the board of directors, shareholders, members, managers, partners, trustees, beneficiaries, or other Persons necessary for the due authorization, execution, delivery, and performance of this Agreement by that Member have been duly taken; (e) that Member has duly executed and delivered this Agreement and (f) that Member's authorization, execution, delivery, and performance of this Agreement do not conflict with any other agreement or arrangement to which that Member is a party or by which it is bound.

ARTICLE IV CAPITAL CONTRIBUTIONS

4.1 Contributions. Each of the Members has contributed as such Member's Capital Contribution cash to the capital of the Company in the amount reflected adjacent to its name on Exhibit "A" attached hereto. No Member shall be required to make any Capital Contributions other than its Initial Capital Contribution as noted on Exhibit "A."

4.2 Capital Accounts. A Capital Account shall be established and maintained for each Member. Each Member's Capital Account (a) shall be increased by (i) the amount of money contributed by that Member to the Company, (ii) the fair market value of property contributed by that Member to the Company (net of liabilities secured by the contributed property that the Company is considered to assume or take subject to under § 752 of the Code), and (iii) allocations to that Member of Company income and gain (or items thereof), and (b) shall be decreased by (i) the amount of money distributed to that Member by the Company, (ii) the fair market value of property distributed to that Member by the Company (net of liabilities secured by the distributed property that the Member is considered to assume or take subject to under § 752 of the Code), (iii) allocations to that Member of expenditures of the Company described in § 705(a)(2)(B) of the Code, and (iv) allocations of Company loss and deduction (or items thereof).

The Members' Capital Accounts also shall be maintained and adjusted as permitted by the provisions of Treasury Regulation § 1.704-1(b)(2)(iv)(f) and as required by the other provisions of Treasury Regulation §§ 1.704-1(b)(2)(iv) and 1.704-1(b)(4), including adjustments to reflect the allocations to the Members of depreciation, depletion, amortization, and gain or loss as computed for book purposes rather than the allocation of the corresponding items as computed for tax purposes, as required by Treasury Regulation § 1.704-1(b)(2)(iv)(g).

4.3 Other Matters Relating to Capital Contributions.

(a) Any loans by a Member to the Company shall not be considered as a Capital Contribution to the Company.

(b) Except as otherwise provided in Article V, no Member shall be entitled to withdraw, or to a return of any part of its Initial Capital Contribution or any additional Capital Contributions, if made, or to receive property or assets other than cash in return therefor, and no Member shall be liable to any other Member for a return of its Initial Capital Contributions or other Capital Contributions.

(c) No Member shall be entitled to priority over any other Member, either with respect to a return of its Capital Contributions or to allocations of taxable income, gains, losses or credits, or to Distributions, except as provided in this Agreement.

(d) No interest shall be paid on any Member's Capital Contributions.

ARTICLE V ALLOCATIONS AND DISTRIBUTIONS

5.1 Distributable Funds. Distributable Funds of the Company shall be determined by the Managers and shall be distributed as follows:

(a) First, to the payment of any debts or liabilities of the Company;

(b) Finally, to the Partners in accordance with their respective Sharing Ratios as described on Exhibit A.

5.2 Distribution of Capital Items. Capital Items shall be determined by the Managers and shall be distributed or retained as follows:

(a) First, to the extent currently required under any agreement with any lender or creditor, to the payment of any debts or liabilities of the Company;

(b) Second, to the setting up of any cash reserves which the Managers deem reasonably necessary to provide for any anticipated, accrued, contingent or unforeseen liabilities of the Company; provided, however, that at the expiration of such period of time as the Managers deem advisable, the balance of such reserves shall be distributed in the manner set forth in this Section 5.2.

(c) Third, to the payment of any Member loans, together with all accrued but unpaid interest thereon;

(d) Finally, to the Members in accordance with their respective Sharing Ratios as described on Exhibit A.

5.3 Allocations of Profits and Losses After taking into account the special allocations set forth in Sections 5.5 – 5.11, Net Profit and Net Loss for each calendar year, and items thereof shall be allocated among the Members so as to reduce, proportionately, in the case of Net Profits, the excess of their respective Target Capital Accounts over their respective Partially Adjusted Capital Accounts for such period and, in the case of Net Loss, the excess of their respective Partially Adjusted Capital Accounts over their respective Target Capital Accounts for such period.

5.4 Tax Allocations.

(a) Except as otherwise provided in this Section 5.4, each item of income, gain, loss, deduction, and credit determined for federal income tax purposes shall be allocated among the Members in the same manner as each correlative item of income, gain, loss, deduction, and credit is allocated to the Members for purposes of maintaining their respective Capital Accounts.

(b) Under Code § 704(c) and Treasury Regulation § 1.704-3, income, gain, loss, and deduction with respect to any asset contributed to the capital of the Company shall be allocated among the Members, solely for federal income tax purposes, so as to take into account any variation between the adjusted tax basis of the asset for federal income tax purposes and the initial book value. If the book value of any asset is adjusted under Article V, subsequent allocations of income, gain, loss, and deduction, solely for federal income tax purposes, will be allocated among the Members so as to take into account any variation between the adjusted tax basis of the asset and its book value as adjusted in the manner required under Treasury Regulation § 1.704-3(a)(6). The allocations required by this Section 5.4 shall be made by the Managers using any reasonable method that is permissible under applicable law.

5.5 Stop Loss. Notwithstanding any other provision hereof to the contrary, no loss (or item of loss or deduction) of the Company shall be allocated to a Member if such allocation would result in a deficit balance in such Member's adjusted Capital Account. Such loss (or item of loss or deduction) shall be allocated among the Members whose adjusted Capital Account balances are positive in proportion to such positive balances to the extent necessary to reduce the balances of such other Member's positive adjusted Capital Accounts balances to zero, it being the intention of the Members that no Member's positive adjusted Capital Account balance shall fall below zero while any other Member's positive adjusted Capital Account balance has a positive balance.

5.6 Nonrecourse Deductions. All Nonrecourse Deductions shall be allocated among the Members in their Sharing Ratios.

5.7 Minimum Gain Chargeback. Notwithstanding any other provision hereof to the contrary, if there is a net decrease in Minimum Gain for a taxable year (or if there was a net decrease in Minimum Gain for a prior fiscal year and the Company did not have sufficient amounts of income and gain during prior years to allocate among the Members under this Section 5.7), then items of income and gain shall be allocated to each Member in an amount

equal to such Members' share of the net decrease in such Minimum Gain (as determined pursuant to Treasury Regulation § 1.704-2(g)(2)). It is the intent of the Members that any allocation pursuant to this Section 5.7 shall constitute a "minimum gain chargeback" under Treasury Regulation § 1.704-2(f) and shall be interpreted consistently therewith.

5.8 Member Nonrecourse Deductions. All Member Nonrecourse Deductions attributable to Member nonrecourse debt shall be allocated among the Members bearing the economic risk of loss for such debt as determined under Treasury Regulation § 1.704-2(b)(4); provided, however, that if more than one Member bears the economic risk of loss for such debt, the Member Nonrecourse Deductions attributable to such debt shall be allocated to and among the Members in the same proportion that they bear the economic risk of loss for such debt. This Section 5.8 is intended to comply with the provision of Treasury Regulation § 1.704-2(i) and shall be interpreted consistently therewith.

5.9 Member Nonrecourse Minimum Gain Chargeback. Notwithstanding any other provision hereof to the contrary (except for Section 5.7 regarding Minimum Gain chargeback), if there is a net decrease in Member nonrecourse Minimum Gain for a taxable year (or if there was a net decrease in Member nonrecourse Minimum Gain for a prior fiscal year and the Company did not have sufficient amounts of income and gain during prior years to allocate among the Members under this Section 5.9), then items of income and gain shall be allocated to each Member in an amount equal to such Member's share of the net decrease in such Member's nonrecourse Minimum Gain (as determined pursuant to Treasury Regulation § 1.704-2(i)(4)). It is the intent of the Members that any allocation pursuant to this Section 5.9 shall constitute a "*minimum gain chargeback*" under Treasury Regulation § 1.704-2(i)(4) and shall be interpreted consistently therewith.

5.10 Qualified Income Offset. A Member who unexpectedly receives any adjustment, allocation, or distribution described in Treasury Regulation § 1.704-1(b)(2)(ii)(d)(4), (5), or (6) will be specially allocated items of income or gain (after the allocations required by Section 5.7 regarding minimum gain chargeback and Section 5.9 regarding minimum gain chargeback for Member nonrecourse debt but before any other allocation required by this Article V) in an amount and in the manner sufficient to eliminate any deficit balance in his adjusted Capital Account as quickly as possible. This Section 5.10 is intended to satisfy the provisions of Treasury Regulation § 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

5.11 Gross Income Allocation. Except as required by Sections 5.6, 5.7, 5.8, 5.9 and 5.10, each Member who has a deficit adjusted Capital Account balance at the end of the taxable year will be specially allocated items of income and gain in the amount of the excess as quickly as possible.

5.12 Code Section 754 Adjustment. To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Code Section 734(b) or Code Section 743(b) is required, to be taken into account in determining Capital Accounts pursuant to Treasury Regulation § 1.704-1(b)(2)(iv)(m), book value of the Company's assets may be adjusted in the discretion of the Managers as set forth in the definition of Gross Asset Value, and any such adjustment in book value shall be treated as gain or loss (as the case may be) in computing profits or losses.

5.13 Curative Allocation. If any items of income and gain (including gross income) or loss and deduction are allocated to a Member pursuant to Sections 5.5 through 5.11, then, prior to any allocation pursuant to Section 5.3 and subject to Sections 5.5 through 5.11, items of income and gain (including gross income) and items of loss and deduction for subsequent periods shall be allocated to the Members in a manner designed to result in each Member's adjusted Capital Account having a balance equal to the balance it would have had if such allocation of income and gain (including gross income) and item of loss and deduction had not occurred pursuant to Sections 5.5 through 5.1. For purposes of applying the foregoing provisions of this Section 5.13: (i) allocations hereunder with respect to allocations under Section 5.3 shall be made only to the extent that the Managers reasonably determine that such allocations are consistent with the economic agreement of the Members; (ii) allocations hereunder with respect to allocations under Section 5.7 shall not be made prior to a year in which there is a net decrease in Minimum Gain and then only to the extent that the Managers reasonably determine that such allocations are necessary to avoid a potential distortion in the economic agreement of the Members and allocations hereunder with respect to allocations under Section 5.6 shall be made only to the extent that the Managers reasonably determine that such allocations are necessary to avoid a potential distortion in the economic agreement of the Members; and (iii) allocations hereunder with respect to allocations under Section 5.9 shall not be made prior to a year in which there is a net decrease in Member Nonrecourse Minimum Gain and then only to the extent that the Managers reasonably determine that such allocations are necessary to avoid a potential distortion in the economic agreement of the Members and allocations hereunder with respect to allocations under Section 5.8 shall be made only to the extent that the Managers reasonably determine that such allocations are necessary to avoid a potential distortion in the economic agreement of the Members.

5.14 Interests in Company. Notwithstanding any other provision of this Agreement, no allocation of profits or losses or item thereof will be made to a Member if the allocation would not have "*economic effect*" under Treasury Regulation § 1.704-1(b)(2)(ii) or otherwise would not be in accordance with the Members' interests in the Company within the meaning of Treasury Regulation § 1.704-1(b)(4) or 1.704-2(b)(1). The Managers will have the authority to reallocate any item in accordance with this Section 5.14; provided, however, that (a) no such change shall have a material adverse effect upon the amount of cash or other property distributable to any Member, (b) each Member shall have 30 days prior notice of such proposed modification and (c) the Company shall have received an opinion of tax counsel to the Company that such modification is necessary to comply with Code Section 704(b).

5.15 Withholding. All amounts required to be withheld pursuant to Code Section 1446 or any other provision of federal, state, or local tax law shall be treated as amounts actually distributed to the affected Members for all purposes under this Agreement.

5.16 Varying Interests. All profit and loss (and any item of income, gain, loss, deduction, or credit specially allocated under this Agreement) shall be allocated, and all distributions shall be made, to the Persons shown on the records of the Company to have been Members as of the last calendar day of the period for which the allocation or distribution is to be made. Notwithstanding the foregoing, if during any taxable year there is a change in any

Member's interest in the Company, the Members agree that their allocable shares of the profits and losses (or items thereof) and their distributions for the taxable year shall be determined on any method determined by the Managers to be permissible by Code Section 706 and the related Treasury Regulations to take account of the Member's varying interest.

ARTICLE VI MANAGEMENT

6.1 Management by Managers.

(a) The powers of the Company shall be exercised by or under the authority of, and the business and affairs of the Company shall be managed under the direction of the Managers, who shall make all decisions and take all actions for the Company. No Member (other than a Manager or an officer acting pursuant to this Article VI) has the right, power, or authority to act for or on behalf of the Company, to do any act that would be binding on the Company, or to incur any expenditures on behalf of the Company.

(b) Decisions or actions taken by the Managers shall be taken by a consent of majority of the Managers. Such decisions or actions taken by the Managers and in accordance with this Agreement shall constitute decisions or actions by the Company and shall be binding on each Manager and Member of the Company.

6.2 Selection of Managers.

(a) The number of Managers of the Company initially shall be two.

(b) The initial Managers of the Company shall be Carlos A. Fonts and Carlos E. Fonts.

(c) Managers need not be Members or residents of the State of Delaware.

6.3 Operating Reserve Account. To the extent funds of the Company are sufficient therefor, the Managers shall maintain an adequate reserve for operating expenses and contingent obligations of the Company, in such amount as deemed necessary by the Managers for the proper conduct of the business of the Company.

6.4 Payment of Costs and Expenses. The Company shall be responsible for paying all costs and expenses, extended and reimbursable or to be extended, associated with or relating to this Agreement, continuing the Company, and exploring for, drilling and producing oil and gas, and conducting the business of the Company, including, without limitation, costs incurred in connection with the construction, operation and maintenance of a natural gas pipeline system and associated gathering facilities, leasing of mineral interests, acquisition of rights-of-ways and easements, testing, drilling and production of oil and gas, maintenance and repair of any Company Property, costs of bonuses, royalties, delay rentals, utilities, insurance premiums, property taxes, administrative costs, Manager overhead costs, employment of landmen, consultants, and other experts, accounting costs, legal expenses and office supplies relating to

the organization or business of the Company. In the event any such costs and expenses are or have been paid by a Manager, or any of their respective Affiliates, on behalf of the Company, whether before or after the date of this Agreement, then the Managers (or their Affiliates) shall be entitled to be reimbursed for such payment so long as such cost or expense was reasonably necessary and is evidenced by written receipts, invoices, or other writing.

6.5 Duties of the Managers. The Managers shall perform, or cause to be performed at the expense of the Partnership, the following services:

- (a) Establish books of account, records and payment procedures.
- (b) Provide bookkeeping and other related services for the Company.
- (c) Disburse the Capital Contributions of the Members for the purposes set forth in this Agreement.
- (d) Exercise their fiduciary duty for the safekeeping and use of all funds and assets of the Company, whether or not in their immediate possession or control, and not employ, or permit another to employ, such funds or assets in any manner except for the exclusive benefit of the Company.
- (e) Provide overall management, financial and business planning services to the Company.
- (f) Disburse all receipts and make all necessary payments and expenditures in accordance with the terms of this Agreement.
- (g) Make all reports to the Members or to appropriate officials or agencies administering federal or state securities laws as required by this Agreement or by law.

6.6 Liability of the Managers. NO MANAGER SHALL BE LIABLE TO THE COMPANY OR TO THE MEMBERS FOR ANY LOSS OR DAMAGE TO THE COMPANY RESULTING FROM THE NEGLIGENCE OF SUCH MANAGER OR ANY PERSON OR ENTITY FOR WHOM SUCH MANAGER MAY BE LIABLE FOR ANY ACT OR OMISSION DONE IN GOOD FAITH TO PROMOTE THE BEST INTERESTS OF THE COMPANY. A MANAGER MAY BE LIABLE, HOWEVER, FOR ITS GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

6.7 Limitations on Liability of Managers. The Company will indemnify the Managers as described in Article IX.

ARTICLE VII MEMBERS

7.1 Powers of Members. The Members shall have the power to exercise any and all rights or powers granted to the Members pursuant to the express terms of this Agreement. The Members shall also have the power to authorize the Managers, by Majority Vote of the

Members, to possess and exercise any right or power not already vested in the Managers pursuant to Section 6.1 or any other provision of this Agreement. The Members shall not have the power to bind the Company

7.2 **Partition.** Each Member waives, until termination of the Company, any and all rights that it may have to maintain an action for partition of the Company's property.

7.3 **Resignation of Members.** A Member may not resign from the Company without the written consent of the Managers. If a Member is permitted to resign pursuant to this Section 7.3, and, following its resignation, there are less than two remaining Members, an additional member shall be admitted to the Company upon its execution of an instrument signifying its agreement to be bound by the terms and conditions of this Agreement. Such admission shall be deemed effective immediately prior to the resignation, and, immediately following such admission, the resigning Member shall cease to be a member of the Company. In such event, the Company shall not dissolve if the business of the Company is continued without dissolution in accordance with Section 13.1 hereof.

7.4 **Outside Businesses.** Except for any business venture in Fentress, Morgan and Warren Counties, Tennessee, any Member, Manager or Affiliate thereof may engage in or possess an interest in other business ventures of any nature or description, independently or with others, similar or dissimilar to the business of the Company, and the Company, the Members and the Managers shall have no rights by virtue of this Agreement in and to such independent ventures or the income or profits derived therefrom, and the pursuit of any such venture, even if competitive with the business of the Company, shall not be deemed wrongful or improper. Except for any business venture in Fentress, Morgan and Warren Counties, Tennessee, no Member, Manager or Affiliate thereof shall be obligated to present any particular investment opportunity to the Company even if such opportunity is of a character that, if presented to the Company, could be taken by the Company, and any Member, Manager or Affiliate thereof shall have the right to take for its own account (individually or as a partner or fiduciary) or to recommend to others any such particular investment opportunity. In Fentress, Morgan and Warren Counties, Tennessee, each Member, Manager and Affiliate will be obligated to present other investment opportunities to the Company.

7.5 **General Prohibition on Disposition of an Interest.**

(a) No Class A Member shall Transfer its Membership Interest without complying first with the provisions of Section 7.6 below.

(b) The Company and the Managers shall be entitled to treat the record owner (on the books of the Company) of any Membership Interest as the absolute owner thereof in all respects and shall incur no liability for distributions of cash or other property made in good faith to such owner until such time as a written assignment of such Membership Interest has been received and accepted by the Managers and recorded on the books of the Company. In no event shall any Membership Interest, or any portion thereof be sold, transferred and assigned to an incompetent or a minor (unless to a custodian for the benefit of such minor).

(c) Each Member agrees, upon the request of the Managers, to execute such certificates or other documents and perform such acts as the Managers deem appropriate to preserve the limited liability status of the Members after the completion of such Transfer under the laws of the jurisdiction in which the Company is doing business.

(d) Notwithstanding anything herein to the contrary, upon written notice to all other Members, and to the extent allowed by law, any Class A Member may transfer all or any portion of its Membership Interest if (i) the transfer occurs by reason of or incident to the death, dissolution, divorce, liquidation, merger, or termination of the transferor Member, and (ii) the transferee is a Permitted Transferee. "Permitted Transferee" means all of the original Members of such Member's immediate family, or a trust, corporation, limited liability company, or partnership controlled by such Member or members of such Member's immediate family, or another Person controlling, controlled by, or under common control of such Member. The Permitted Transferee will be subject to all provisions of this Agreement.

7.6 **Right of First Refusal and Co-Sale Rights.** If any Member receives a bona fide offer from any Person to purchase any of such Member's Membership Interest (the "Seller's Interest"), then such Member (the "Selling Member") shall give the other Members (collectively, the "Non-Selling Members") and the Company notice of his intention to sell such Units, describing the Seller's Membership Interest proposed to be Transferred, the identity of the proposed transferee, and the price and terms upon which he proposes to make such transfer (the "Transfer Notice").

(a) **First Offer.** Each Non-Selling Member shall have the right to purchase, at the price and on the terms set forth in the Transfer Notice, such person's pro rata share (based on the Sharing Ratio after Second Payout) owned by such Non-Selling Member within 15 business days of delivery of the Transfer Notice, the purchase price therefore as set forth in the Transfer Notice and complying with the other terms of the offer set forth in the Transfer Notice. Any Seller's Interest not so purchased may then be purchased, within ten days after the Non-Selling Members' right to purchase expires, by the Company. Any Non-Selling Member who exercises any rights under this Section 7.6(a) with respect to a transaction shall be deemed to have declined to exercise his rights under Section 7.6(b) with respect to that transaction.

(b) **Co-Sale.** Within 10 business days after delivery of the Transfer Notice, each Non-Selling Member may elect to sell up to such person's pro rata share of the Seller's Interest to be purchased by the transferee described in the Transfer Notice by giving written notice thereof to the Selling Member. The Selling Member shall thereupon notify the transferee of the co-sale arrangements hereunder, and instruct the transferee to deliver payment for the Membership Interest to be purchased from the Non-Selling Members to the Managers of the Company, who shall transmit such payment to the Non-Selling Members. For the purpose of the co-sale right set forth in this Section 7.6(b), the pro rata share of a

Non-Selling Member shall be determined based on the Sharing Ratio after Second Payout held by such Non-Selling Member exercising the Co-Sale Right pursuant to this Section 7.6(b) plus (ii) the Sharing Ratio after Second Payout held by the Selling Member as of the date of the Transfer Notice. Any Non-Selling Member who exercises any rights under this Section 7.6(b) with respect to a transaction shall be deemed to have declined to exercise his rights under Section 7.6(a) with respect to that transaction.

(c) **Failure to Exercise Right.** If some or all of the Seller's Interest proposed to be Transferred are not purchased by the Non-Selling Members as allowed by Section 7.6(a), and to the extent the Non-Selling Members decline to exercise the co-sale right as allowed by Section 7.6(b), the Selling Member may, within 90 days after the date on which the Non-Selling Members' first offer and co-sale rights lapsed, Transfer some or all of the Seller's Interest that were the subject of the Transfer Notice at a price and on terms as specified in the Transfer Notice. The Seller's Interest Transferred in accordance with the provisions of this Section 7.6 shall continue to be subject to the restrictions on Transfers set forth in this Article VII. After the expiration of said 90 day period, the Selling Member shall not transfer any of its Interest without again offering such Interest to the Non-Selling Members in the manner provided above in Sections 7.6(a) and 7.6(b).

(d) **Representations and Warranties of Non-Selling Members.** No Non-Selling Member exercising its rights under Section 7.6(b) will be required to make any representations and warranties or to provide indemnities in connection with its participation in any sale pursuant hereto other than representations and warranties and indemnities concerning each Non-Selling Member's valid ownership of his Units, free of all liens and encumbrances (other than those arising under applicable securities laws) and such Non-Selling Member's authority, power and right to enter into and consummate such purchase agreement without violating any other agreement.

7.7 Information.

(a) In addition to the other rights specifically set forth in this Agreement, each Member other than a party holding an Economic Interest as described in 7.5 is entitled to all information to which that Member is entitled to have access pursuant to the Act under the circumstances and subject to the conditions therein stated.

(b) The Members acknowledge that, from time to time, they may receive information from or regarding the Company in the nature of trade secrets or that otherwise is confidential, the release of which may be damaging to the Company or Persons with which it does business. Each Member shall hold in strict confidence any information it receives regarding the Company that is identified as being confidential (and if that information is provided in writing, that is so marked) and may not disclose it to any Person other than another Member. The Members acknowledge that breach of the provisions of this Section may cause irreparable injury to the Company for which

monetary damages are inadequate, difficult to compute, or both. Accordingly, the Members agree that the provisions of this Section may be enforced by specific performance as well as any claim for damages. The Members will pay in advance any cost incurred by the Company for copying or reproducing any information.

7.8 Liability to Third Parties. No Member shall be liable for the debts, obligations or liabilities of the Company, including under a judgment decree or order of a court.

7.9 Withdrawal. A Member does not have the right or power to withdraw from the Company as a member.

7.10 Meetings of Members.

(a) An annual meeting of the Members for the transaction of such business in which Members are permitted to vote pursuant to this Agreement as may be properly come before the meeting to be held on such date and at such time as the Managers shall specify in the notice of the meeting, which shall be delivered to each Member at least 20 days prior to such meeting.

(b) Special meetings of the Members may be called by the Managers or by Members with among them at least ten percent of the Sharing Ratios of all Members. Any such meeting shall be held on such date and at such time as the Person calling such meeting shall specify in the notice of the meeting, which shall be delivered to each Member at least ten days prior to such meeting. Only business in which Members are permitted to vote pursuant to this Agreement may be considered for such meeting may be conducted at such meeting.

(c) A Majority Interest (represented either in person or by proxy) shall constitute a quorum for the transaction of business at any meeting of the Members. With respect to any matter, other than a matter for which the affirmative vote of a Majority Interest or other specified portion of the Members is required by this Agreement, an act of a Majority Interest shall be the act of the Members.

7.11 Provisions Applicable to All Meetings. In connection with any meeting of the Managers, Members, or any committee of the Managers, the following provisions shall apply:

(a) ***Place of Meeting.*** Any such meeting shall be held at the principal place of business of the Company, unless the notice of such meeting (or resolution of the Managers or committee, as applicable) specifies a different place, which need not be in the State of Delaware.

(b) ***Waiver of Notice Through Attendance.*** Attendance of a Person at such meeting shall constitute a waiver of notice of such meeting, except where such Person attends the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

(c) *Proxies.* A Person may vote at such meeting by a written proxy executed by that Person and delivered to another Member or member of the committee, as applicable. A proxy shall be revocable unless it is stated to be irrevocable.

(d) *Action by Written Consent.* Any action required or permitted to be taken at such a meeting may be taken without a meeting, without prior notice, and without a vote if a consent or consents in writing, setting forth the action so taken, are signed by the Managers, Members, or members of the committee, as applicable, having not fewer than the minimum number of Sharing Ratios or votes that would be necessary to take the action at a meeting at which all Members, Managers, or members of the committee, as applicable, entitled to vote on the action were present and voted.

(e) *Meetings by Telephone.* Managers, Members, or members of the committee, as applicable, may participate in and hold such meeting by means of conference telephone, video conference, or similar communications equipment by means of which all Persons participating in the meeting can hear each other. Participation in such a meeting shall constitute presence in person at such meeting, except where a Person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

7.12 **Conflicts of Interest.** Subject to the other express provisions of this Agreement, each Member, Manager, officer, or Affiliate thereof may engage in and possess interests in other business ventures of any and every type and description, independently or with others, including ones in competition with the Company, with no obligation to offer to the Company or any other Member, Manager, or officer the right to participate therein. The Company may transact business with any Member, Manager, officer, or Affiliate thereof, provided the terms of those transactions are no less favorable than those the Company could obtain from unrelated third parties.

ARTICLE VIII AMENDMENTS; MERGER OR CONSOLIDATION

8.1 **Amendments.** Any amendment to this Agreement shall be adopted and be effective as an amendment hereto only if it receives the approval of the Managers and a Majority Interest vote of the Members.

8.2 **Merger or Consolidation.** The Company may merge with, or consolidate into, one or more other limited liability companies or other business entities only with the approval of the Managers and a Majority Interest vote of the Members.

ARTICLE IX INDEMNIFICATION

9.1 **Right to Indemnification.** Subject to the limitations and conditions as provided in this Article IX, each Person, Manager or any affiliate of a Manager, including but not by way of limitation, Mario Ribadeneria, Roberto Isaias, Carlos A. Fonts and Carlos E. Fonts, who was or is made a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative, or investigative (hereinafter a "Proceeding"), or any appeal in such a Proceeding or any inquiry or investigation that could lead to such a Proceeding, by reason of the fact that he or she, or a Person of whom he or she is the legal representative, is or was a Member of the Company or while a Member of the Company is or was serving at the request of the Company as a Manager, director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another foreign or domestic limited liability company, corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise, or an affiliate of the Manager, shall be indemnified by the Company to the fullest extent permitted by the Act and the Delaware Revised Statutes, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than said law permitted the Company to provide prior to such amendment) against judgments, penalties (including excise and similar taxes and punitive damages), fines, settlements and reasonable expenses (including, without limitation, attorneys' fees) actually incurred by such Person in connection with such Proceeding, and indemnification under this Article IX shall continue as to a Person who has ceased to serve in the capacity which initially entitled such Person to indemnity hereunder. The rights granted pursuant to this Article IX shall be deemed contract rights, and no amendment, modification or repeal of this Article IX shall have the effect of limiting or denying any such rights with respect to actions taken or Proceedings arising prior to any such amendment, modification or repeal. It is expressly acknowledged that the indemnification provided in this Article IX could involve indemnification for negligence or under theories of strict liability.

9.2 **Advance Payment.** The right to indemnification conferred in this Article IX shall include the right to be paid or reimbursed by the Company the reasonable expenses incurred by a Person of the type entitled to be indemnified under Section 9.1 who was, is or is threatened to be made a named defendant or respondent in a Proceeding in advance of the final disposition of the Proceeding and without any determination as to the Person's ultimate entitlement to indemnification; provided, however, that the payment of such expenses incurred by any such Person in advance of the final disposition of a Proceeding, shall be made only upon delivery to the Company of a written affirmation by such Member of his or her good faith belief that he has met the standard of conduct necessary for indemnification under this Article IX and a written undertaking, by or on behalf of such Person, to repay all amounts so advanced if it shall ultimately be determined that such indemnified Person is not entitled to be indemnified under this Article IX or otherwise.

9.3 **Indemnification of Officers, Employees, and Agents.** The Company, by adoption of a resolution of the Members, may indemnify and advance expenses to an officer, employee, or agent of the Company to the same extent and subject to the same conditions under

which it may indemnify and advance expenses to Members under this Article IX; and, the Company may indemnify and advance expenses to Persons who are not or were not Members, officers, employees, or agents of the Company but who are or were serving at the request of the Company as a Manager, director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another foreign or domestic limited liability company, corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise against any liability asserted against him and incurred by him in such a capacity or arising out of his status as such a Person to the same extent that it may indemnify and advance expenses to Members under this Article IX.

9.4 Appearance as a Witness. Notwithstanding any other provision of this Article IX, the Company may pay or reimburse expenses incurred by a Member in connection with his appearance as a witness or other participation in a Proceeding at a time when he is not a named defendant or respondent in the Proceeding.

9.5 Nonexclusivity of Rights. The right to indemnification and the advancement and payment of expenses conferred in this Article IX shall not be exclusive of any other right which a Member or other Person indemnified pursuant to Section 9.3 may have or hereafter acquire under any law (common or statutory), provision of the Articles of this Agreement, agreement, vote of Members or disinterested Members or otherwise.

9.6 Insurance. The Company may purchase and maintain insurance, at its expense, to protect itself and any Person who is or was serving as a Member, officer, employee, or agent of the Company or is or was serving at the request of the Company as a Manager, director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another foreign or domestic limited liability company, corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise against any expense, liability or loss, whether or not the Company would have the power to indemnify such Person against such expense, liability or loss under this Article IX.

9.7 Member Notification. To the extent required by law, any indemnification of or advance of expenses to a Member in accordance with this Article IX shall be reported in writing to the Members with or before the notice or waiver of notice of the next Members' meeting or with or before the next submission to Members of a consent to action without a meeting and, in any case, within the 12-month period immediately following the date of the indemnification or advance.

9.8 Savings Clause. If this Article IX or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify and hold harmless each Member or any other Person indemnified pursuant to this Article IX as to costs, charges and expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement with respect to any action, suit, or proceeding, whether civil, criminal, administrative, or investigative to the full extent permitted by any applicable portion of this Article IX that shall not have been invalidated and to the fullest extent permitted by applicable law.

ARTICLE X BOOKS AND RECORDS

10.1 Books, Records and Financial Statements.

(a) At all times during the continuance of the Company, the Company shall maintain, at its principal place of business, separate books of account for the Company that shall show a true and accurate record of all costs and expenses incurred, all charges made, all credits made and received and all income derived in connection with the operation of the Company's business in accordance with the accounting method selected by the Managers pursuant to Section 10.2, and, to the extent inconsistent therewith, in accordance with this Agreement. Such books of account, together with a copy of this Agreement, shall at all times be maintained at the principal place of business of the Company and shall be open to inspection and examination at reasonable times by each Member and its duly authorized representative for any purpose reasonably related to such Member's interest in the Company.

(b) The Managers shall prepare and maintain, or cause to be prepared and filed, all tax returns due and owing by the Company.

10.2 Accounting Method. For both financial and tax reporting purposes and for purposes of determining profits and losses, the books and records of the Company shall be kept on the method of accounting chosen by the Managers, in a consistent manner, and shall reflect all Company transactions and be appropriate and adequate for the Company's business.

ARTICLE XI TAXES

11.1 Tax Returns. The Members shall cause to be prepared and filed all necessary federal and state income tax returns for the Company, including making the elections described in Section 11.2. Each Member shall furnish to the Company all pertinent information in its possession relating to Company operations that is necessary to enable the Company's income tax returns to be prepared and filed.

11.2 Tax Elections. The Company shall make the following elections on the appropriate tax returns:

- (a) to adopt the calendar year as the Company's fiscal year;
- (b) to adopt such method of accounting and to keep the Company's books and records on such method as determined by the Managers;
- (c) to elect to amortize the organizational expenses of the Company and the startup expenditures of the Company under § 195 of the Code ratably over the period specified by § 709 (b) of the Code;

(d) if a distribution of Company property as described in § 734 of the Code occurs or if a transfer of a Membership Interest as described in § 743 of the Code occurs, on written request of any Member and if approved by the Managers in their absolute discretion, to elect, pursuant to § 754 of the Code, to adjust the basis of Company properties; and

(e) any other election the Managers may deem appropriate and in the best interests of the Company.

Neither the Company nor any Member may make an election for the Company to be excluded from the application of the provisions of subchapter K of chapter 1 of subtitle A of the Code or any similar provisions of applicable state law, and no provision of this Agreement shall be construed to sanction or approve such an election.

11.3 Tax Matters Partner. The Managers shall designate one Member to be the “tax matters partner” of the Company pursuant to § 6231(a)(7) of the Code. Any Member who is designated “tax matters partner” shall take such action as may be necessary to cause each other Member to become a “notice partner” within the meaning of § 6223 of the Code. Any Member who is designated “tax matters partner” shall inform each other Member of all significant matters that may come to its attention in its capacity as “tax matters partner” by giving notice thereof on or before the fifth Business Day after becoming aware thereof and, within that time, shall forward to each other Member copies of all significant written communications it may receive in that capacity. Any Member who is designated “tax matters partner” may not take any action contemplated by §§ 6222 - 6232 of the Code without the consent of the Managers, but this sentence does not authorize such Member (or any other Member) to take any action left to the determination of an individual Member under §§ 6222 - 6232 of the Code.

ARTICLE XII BANKRUPTCY OF A MEMBER

12.1 Bankrupt Members. Subject to Section 13.1(c), if any Member becomes a Bankrupt Member, the Company shall have the option, exercisable by notice from the Company to the Bankrupt Member (or its representative) at any time prior to the 180th day after receipt of notice of the occurrence of the event causing it to become a Bankrupt Member, to buy, and on the exercise of this option the Bankrupt Member or its representative shall sell, its Membership Interest. The purchase price shall be an amount equal to the fair market value thereof determined by agreement by the Bankrupt Member (or its representative) and the Company; however, if those Persons do not agree on the fair market value on or before the 30th day following the exercise of the option, either such Person, by notice to the other, may require the determination of fair market value to be made by an independent appraiser specified in that notice. If the Person receiving that notice objects on or before the tenth day following receipt to the independent appraiser designated in that notice, and those Persons otherwise fail to agree on an independent appraiser, an appraiser will be approved by Majority Interest vote of the Members. The determination of the independent appraiser, however designated, is final and binding on all parties. The Bankrupt Member and the Company each shall pay one-half of the costs of the appraisal. The purchaser shall pay the fair market value as so determined in four

equal cash installments, the first due on closing (which shall occur no later than the 30th day after the final determination of the purchase price) and the remainder (together with accumulated interest on the amount unpaid at the General Interest Rate) due on each of the first three anniversaries thereof. The payment to be made to the Bankrupt Member or its representative pursuant to this Section 12.1 is in complete liquidation and satisfaction of all the rights and interest of the Bankrupt Member and its representative (and of all Persons claiming by, through, or under the Bankrupt Member and its representative) in and in respect of the Company, including, without limitation, any Membership Interest, any rights in specific Company property, and any rights against the Company and (insofar as the affairs of the Company are concerned) against the Members, and constitutes a compromise to which all Members have agreed pursuant to the Act.

ARTICLE XIII DISSOLUTION, LIQUIDATION, AND TERMINATION

13.1 Dissolution. The Company shall dissolve and its affairs shall be wound up on the first to occur of the following:

(a) the written consent of a Majority Interest of the Members and a written consent of the Managers;

(b) the expiration of the period fixed for the duration of the Company set forth in the Articles;

(c) the death, retirement, resignation, expulsion, bankruptcy, or dissolution of a Member, or the occurrence of any other event that terminates the continued membership of a Member in the Company; provided, however, that if an event described in this Section 13.1(c) shall occur and there shall be at least one other Member remaining, the Company shall not be dissolved and the business of the Company shall be continued, if all remaining Members so agree; and

(d) entry of a decree of judicial dissolution of the Company under § 18-802 of the Act.

13.2 Continuation on Election. If a dissolution event described in Section 13.1 shall occur and there shall be at least two other Members remaining, the Company shall not be dissolved, and the business of the Company shall be continued, if a Majority Interest of the Members agree to continue within 90 days of the occurrence of such dissolution event (such agreement is referred to herein as a "Continuation Election"). If a Continuation Election is made following the occurrence of a dissolution event described in Section 13.1, the Members shall promptly amend the Articles to reflect the Continuation Election.

13.3 Liquidation and Termination. On dissolution of the Company, the Members shall appoint one or more Members as liquidator. The liquidator shall proceed diligently to wind up the affairs of the Company and make final distributions as provided herein and in the Act. The costs of liquidation shall be borne as a Company expense. Until final distribution, the

liquidator shall continue to operate the Company properties with all of the power and authority of the Members. The steps to be accomplished by the liquidator are as follows:

(a) as promptly as possible after dissolution and again after final liquidation, the liquidator shall cause a proper accounting to be made by a recognized firm of certified public accountants of the Company's assets, liabilities, and operations through the last day of the calendar month in which the dissolution occurs or the final liquidation is completed, as applicable;

(b) the liquidator shall cause the notice to be mailed to each known creditor of and claimant against the Company;

(c) the liquidator shall pay, satisfy, or discharge from Company funds all of the debts, liabilities, and obligations of the Company (including, without limitation, all expenses incurred in liquidation) or otherwise make adequate provision for payment and discharge thereof (including, without limitation, the establishment of a cash escrow fund for contingent liabilities in such amount and for such term as the liquidator may reasonably determine); and

(d) all remaining assets of the Company shall be distributed to the Members as follows:

(i) the liquidator may sell any or all Company property, including to Members, and any resulting gain or loss from each sale shall be computed and allocated to the Capital Accounts of the Members;

(ii) with respect to all Company property that has not been sold, the fair market value of that property shall be determined and the Capital Accounts of the Members shall be adjusted to reflect the manner in which the unrealized income, gain, loss, and deduction inherent in property that has not been reflected in the Capital Accounts previously would be allocated among the Members if there were a taxable disposition of that property for the fair market value of that property on the date of distribution; and

(iii) Company assets shall be distributed among the Members in proportion to their respective positive Capital Account balances as determined after taking into account all Capital Account adjustments for the taxable year of the Company during which the liquidation of the Company occurs.

Distributions made pursuant to this clause iii. shall be made by the end of the taxable year of the Company during which the liquidation of the Company occurs (or, if later, 90 days after the date of the liquidation).

All distributions in kind to the Members shall be made subject to the liability of each distributee for costs, expenses, and liabilities theretofore incurred or for which the Company has committed prior to the date of termination and those costs, expenses, and liabilities shall be allocated to the

distributee pursuant to this Section 13.3. The distribution of cash and/or property to a Member in accordance with the provisions of this Section 13.3 constitutes a complete return to the Member of its Capital Contributions and a complete distribution to the Member of its Membership Interest and all the Company's property and constitutes a compromise to which all Members have consented. To the extent that a Member returns funds to the Company, it has no claim against any other Member for those funds.

13.4 **Articles of Dissolution.** On completion of the distribution of Company assets as provided herein, the Company is terminated and the Members (or such other Person or Persons as the Act may require or permit) shall file Articles of Dissolution with the Secretary of State of Delaware cancel any other filings made pursuant to Section 2.5, and take such other actions as may be necessary to terminate the Company.

ARTICLE XIV GENERAL PROVISIONS

14.1 **Offset.** Whenever the Company is to pay any sum to any Member, any amounts that Member owes the Company may be deducted from that sum before payment.

14.2 **Notices.** Except as expressly set forth to the contrary in this Agreement, all notices, requests, or consents provided for or permitted to be given under this Agreement must be in writing and must be given either by depositing that writing in the United States mail, addressed to the recipient, postage paid, and registered or certified with return receipt requested or by delivering that writing to the recipient in person, by courier, or by facsimile transmission; and a notice, request, or consent given under this Agreement is effective on receipt by the Person to receive it. All notices, requests, and consents to be sent to a Member must be sent to or made at the addresses given for that Member on Exhibit A or such other address as that Member may specify by notice to the other Members. Any notice, request, or consent to the Company must be given at the following address:

B&W Pipeline, LLC
Attn: Carlos A. Fonts
5950 Berkshire Lane, Suite 260
Dallas, Texas 75225

and

B&W Pipeline, LLC
Attn: Carlos E. Fonts
5950 Berkshire Lane, Suite 260
Dallas, Texas 75225

Whenever any notice is required to be given by law, the Articles or this Agreement, a written waiver thereof, signed by the Person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

14.3 Entire Agreement. This Agreement constitutes the entire agreement of the Members relating to the Company and supersedes all prior contracts or agreements with respect to the Company, whether oral or written.

14.4 Effect of Waiver or Consent. A waiver or consent, express or implied, to or of any breach or default by any Person in the performance by that Person of its obligations with respect to the Company is not a consent or waiver to or of any other breach or default in the performance by that Person of the same or any other obligations of that Person with respect to the Company. Failure on the part of a Person to complain of any act of any Person or to declare any Person in default with respect to the Company, irrespective of how long that failure continues, does not constitute a waiver by that Person of its rights with respect to that default until the applicable statute-of-limitations period has run.

14.5 Binding Effect. Subject to the restrictions on Dispositions set forth in this Agreement, this Agreement is binding on, and inure to the benefit of, the Members and their respective heirs, legal representatives, successors, and assigns.

14.6 Governing Law. **THIS AGREEMENT IS GOVERNED BY AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF DELAWARE, EXCLUDING ANY CONFLICT OF LAWS RULE OR PRINCIPLE THAT MIGHT REFER THE GOVERNANCE OR THE CONSTRUCTION OF THIS AGREEMENT TO THE LAW OF ANOTHER JURISDICTION.** In the event of a direct conflict between the provisions of this Agreement and (a) any provision of the Articles, or (b) any mandatory provision of the Act or (to the extent such statutes are incorporated into the Act) this Agreement shall control to the extent permitted by governing law.

14.7 Illegal or Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid, or unenforceable under present or future laws, such provision shall be fully severable. This Agreement shall be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a part of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance from this Agreement. Furthermore, in lieu of each such illegal, invalid, or unenforceable provision, there shall be added automatically, as a part of this Agreement, a provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible and be legal, valid and enforceable.

14.8 Further Assurances. In connection with this Agreement and the transactions contemplated hereby, each Member shall execute and deliver any additional documents and instruments and perform any additional acts that may be necessary or appropriate to effectuate and perform the provisions of this Agreement and those transactions.

14.9 Waiver of Certain Rights. Each Member irrevocably waives any right it may have to maintain any action for dissolution of the Company or for partition of the property of the Company.

14.10 **Notice to Members of Provisions of This Agreement.** By executing this Agreement, each Member acknowledges that it has actual notice of all of the provisions of this Agreement, including, without limitation, the restrictions on the transfer of Membership Interests set forth in Article VII. Each Member hereby agrees that this Agreement constitute adequate notice of all such provisions, including, without limitation, any notice requirement under the Act and the Delaware Revised Statutes, and each Member hereby waives any requirement that any further notice thereunder be given.

14.11 **Counterparts.** This Agreement may be executed in any number of counterparts with the same effect as if all signing parties had signed the same document. All counterparts shall be construed together and constitute the same instrument.

IN WITNESS WHEREOF, following adoption of this Agreement by the Members, the Members have executed this Agreement as of the date first set forth above.

MANAGERS:

Carlos A. Fonts, Manager

Carlos E. Fonts, Manager

CLASS A MEMBERS:

FIR Energy, LLC

By: _____
Mario Ribadeneria

By: _____
Roberto Isaias

By: _____
Carlos A. Fonts, Manager

By: _____
Carlos E. Fonts, Manager

B&W PIPELINE, LLC

EXHIBIT A

INITIAL CAPITAL CONTRIBUTIONS AND SHARING RATIOS

	CAPITAL CONTRIBUTION	SHARING RATIO
CLASS A MEMBERS		
FIR Energy, LLC 5950 Berkshire Lane, Suite 260 Dallas, Texas 75225	\$100.00	100.0%

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SECOND AMENDMENT TO
ASSET PURCHASE AGREEMENT

THIS SECOND AMENDMENT TO ASSET PURCHASE AGREEMENT is dated as of this 2nd day of September, 2010, by and between THE TITAN ENERGY GROUP, INC., an Ohio corporation (hereinafter sometimes referred to as "Seller"), and B&W PIPELINE, LLC, a Delaware limited liability company authorized to transact business in the State of Tennessee (hereinafter sometimes referred to as "Purchaser").

Whereas, Seller and Highland Rim Energy, LLC entered into an Asset Purchase Agreement (hereinafter referred to as the "Agreement") dated June 11th, 2010, whereby Seller agreed to sell and Highland Rim Energy, LLC agreed to purchase a certain natural gas pipeline and the pipeline easements, pipeline leases, pipeline licenses, and pipeline rights of way on which said pipeline is located, oil and gas leases, wells, and fee simple parcels of land located in Fentress, Morgan, and Pickett Counties, Tennessee, as more particularly identified and described on the schedules attached to the Agreement; and

Whereas, the Agreement was amended in certain particulars by an Amendment to Asset Purchase Agreement dated July 6, 2010 between Seller and Highland Rim Energy, LLC; and

Whereas, the rights and obligations of Purchaser were assigned by Highland Rim Energy, LLC to B&W Pipeline, LLC by assignment dated September 2, 2010, to which assignment Seller granted its consent; and

Whereas, the parties are desirous of further amending the Agreement.

Now, therefore, for the mutual benefits to be derived by the Parties, Seller and Purchaser do hereby further amend the Agreement as follows:

I. In Section 1.1 (Definitions), the following defined terms are amended:

a. The definition for "Transportation Agreement" is stricken and deleted in its entirety and the following definition shall be inserted in its place and stead:

"Transportation Agreement" shall mean that agreement to be entered into as between Gasco and Seller providing for the terms and conditions of the transportation of gas through the B & W Pipeline to Gasco's utilities known as the

Albany, Byrdstown and Fentress Utilities, which agreement was attached as Exhibit A to a motion of Gasco for the entry of an order approving same filed on August 18, 2010 with the Bankruptcy Court. The Transportation Agreement shall be an Assumed Contract.

b. The defined term "Escrow Agreement" is amended by renaming it "Deposit Escrow Agreement".

II. Section 3.1 (Purchase Price) is amended by striking and deleting the words and figures "Two Million Six Hundred Fifty Thousand Dollars (\$2,650,000)" and substituting the following words and figures in its place and stead: "Two Million Four Hundred Ten Thousand Dollars (\$2,410,000)".

III. Subsection 3.2 a (Deposit) is amended by renumbering such subsection as Subsection 3.2 a.1 and by changing the name of the Eighty Thousand Dollar (\$80,000) escrow agreement from the "Escrow Agreement" to the "Deposit Escrow Agreement".

IV. Section 3.1 is amended by adding a new SubSection 3.2 a.2 as follows:

a.2. Post-Closing Escrow. At the Closing, Purchaser shall deposit into an escrow account with an escrow agent pursuant to an escrow agreement (the "Post-Closing Escrow Agreement") to be entered into by Seller, Purchaser, and the escrow agent, the sum of Five Hundred Six Thousand Four Hundred Sixty-two and 37/100 Dollars (\$506,462.37). The funds in the Post-Closing Escrow Account shall be used to pay any liens, debts, and/or liabilities of Titan that are not paid at Closing, including any unknown or undisclosed debts or liabilities of Seller, certain claim or claims against Seller that Seller disputes, and a penalty assessed against certain of Seller's oil and gas wells. The Post-Closing Escrow Account shall be maintained for a period of twelve (12) months, and at the end of such twelve month period any monies remaining in such escrow account shall be paid to Seller. Seller shall not be required to pay, or pay into escrow at closing, any amounts for royalty distributions, attorney fees related to the closing, and current accounting fees, all of which shall be paid timely by Seller outside of closing and in the ordinary course of Seller's business. Seller shall provide proof of payments to Purchaser of any such debts owing as of September 2, 2010, shortly after such debts are paid.

V. The first sentence of Section 5.1 (Entity Organization and Standing) is amended by addition of the words immediately before the parenthetical and after the word "closing" "or shortly thereafter".

VI. Attached as revised Schedule 5.4 is a list of all consents required by Purchaser, in its due diligence, for the transfer of certain related Pipeline

easements that Purchaser has identified, and for which Seller either has or is still obtaining outstanding consents.

VII. In Section 5.5, the first sentence is amended by adding, before "(a) Seller is in" the words "other than as disclosed in Schedule 5.6,". In addition in the first sentence, the word "substantial" shall be added after the words, "(a) Seller is in".

VIII. Schedule 5.6 is revised as attached.

IX. Section 5.8, first sentence, is amended to (a) add the words "or immediately after closing will be filed" after the words, "duly and timely filed", and (b) add the words "or funds placed in escrow for the payment of", after the words "(or there has been paid on its behalf".

X. The first sentence of Section 5.9 (Title and Adequacy of Acquired Assets) is amended by deletion of the words "covering the entire pipeline length" and the words "and future payments". This latter deletion is in recognition that certain easements require annual payments or the provision of free gas, neither which are considered as Liens. The second to the last sentence of such section shall be replaced with the following: "All of the Acquired Assets constitute substantially all of the assets which are necessary for the ownership and operation of the Pipeline in a commercially reasonable manner."

XI. In Section 5.13 c (Rights of Way) the first sentence is amended by deletion of the words "covering the entire length of the Pipeline" and inserting in it place "owned by, or issued to the benefit of Seller". The second sentence is amended by adding after "Section 5.9," the words "and any consents required by Section 5.4 as listed in Schedule 5.4", and is further amended by the deletion of the words "together cover the entire Pipeline length,". The last sentence of such section is replaced with the following sentence: "Subject to the representations contained in Section 5.9, Seller has good and marketable title to such Rights of Way, which are all freely assignable, with certain exceptions for consents as set forth in Schedule 5.4."

XII. Section 5.13 d (Oil and Gas Leases) is replaced with the following: Schedule 2.1 d sets forth a complete list of all oil and gas leases transferred to Seller associated with the B & W Pipeline System.

XIII. In Section 5.13 e (Wells and Well Status), the following sentence is deleted: "Schedule 2.1 e sets forth the net revenue interest and working interest Seller has in each well, as well as any overriding royalty interests or other burdens to which any of such Wells may be subject."

XIV. Article VII (Covenants) is hereby amended by the addition of a new Section 7.14 as follows:

Section 7.14 Change of Operator Forms. Within thirty (30) days after Closing, Purchaser shall file with the Tennessee Oil and Gas Board changes of operator forms for the wells to be transferred by Seller to Purchaser and for which Seller shall have completed and signed the portions of such forms to be completed by Seller as the prior operator.

IN WITNESS WHEREOF, Seller and Purchaser have executed this Second Amendment to Asset Purchase Agreement as of the date first above written.

SELLER:

The Titan Energy Group, Inc.

By: Fred A. Steele
Its: President

PURCHASER:

B&W Pipeline, LLC

By: [Signature]
Its: Manager

Schedule 2.1 b
Rights of Way

Schedule 2.1 b is amended by the addition of the following easements:

Morgan County Rights of Way and Easements

<u>Grantor</u>	<u>Date of Instrument</u>	<u>Recording Information</u>
Conway Johnson and Rena Johnson	December 6, 1979	Recorded December 6, 1979 in Right of Way Book 2, Page 634, Office of Register, Morgan County, Tennessee
John D. Orr, Jr. and Dorothy Orr	July 7, 1980	Recorded July 7, 1980 in Oil and Gas Book 13, Page 822, Office of Register, Morgan County, Tennessee
William W. Ivey, Jerry Stephen Ivey, and Sherry Suzanne Ivey	September 27, 1999	Recorded November 1, 1991 in Right of Way Book 6, Page 51, Office of Register, Morgan County, Tennessee

Fentress County Rights of Way and Easements

<u>Grantor</u>	<u>Date of Instrument</u>	<u>Recording Information</u>
Fentress County Highway Department	July 28, 1982	Occupancy Agreement
Homer York and Sandra J. York	June 27, 1988	Recorded August 9, 2010 in Book 176, Page 229, Office of Register, Fentress County, Tennessee
M. Lisa Brannon and Teresa Brannon	August 12, 1988	Recorded August 3, 2010 in Book 176, Page 20, Office of Register, Fentress County, Tennessee
Estate of Bruno Gernt, Inc.	January 26, 1989	Recorded July 26, 2010 in Book 175, Page 629, Office of Register, Fentress County, Tennessee
Guy Dale Beaty and Betty Sue Beaty	July 22, 2010	Recorded July 22, 2010 in Book 175, Page 528, Office of Register, Fentress County, Tennessee
Kathy Crabtree and Roy T. Smith	August 20, 2010 (Entered)	Recorded _____, 2010 in Book _____, Page _____, Office of Register, Fentress County, Tennessee [or Entered in Chancery Minute Book _____, Page _____, Office of Clerk and Master, Fentress County, Tennessee]

Pickett County Rights of Way and Easements

<u>Grantor</u>	<u>Date of Instrument</u>	<u>Recording Information</u>
Dester Masiongale and Louiza Masiongale	January 1, 1994	Recorded July 14, 1994 in Miscellaneous Book 33, Page 311, Office of Register, Pickett County, Tennessee
Roger L. Masiongale and Lillian C. Masiongale	January 1, 1994	Recorded July 14, 1994 in Miscellaneous Book 33, Page 317, Office of Register, Pickett County, Tennessee
Tony Beaty and Mary Ann Beaty	August _____, 2010	Recorded _____, 2010 in Book _____, Page _____, Office of Register, Pickett County, Tennessee

General (also considered as amendment to Schedule 5.12)

<u>Grantor</u>	<u>Date of Instrument</u>	<u>Recording/ Other Reference Information</u>
U. S. Corps of Engineers	February 19, 1982	Nationwide Permit
Tennessee Public Service Commission	January 8, 1986	Permit
Fentress County Highway Occupancy Agreement	July 28, 1982	Notice of Assignment delivered August 24, 2010, with further notice required by Purchaser post-closing

Schedule 2.1 h

Assumed Contracts

Schedule 2.1 h is amended by striking and deleting all items on such schedule and substituting in their place and stead the following:

This is a list of all Contracts relating to or affecting the sale to Buyer of the B & W Pipeline System. This information may be updated, through closing, as either party obtains additional due diligence or other information:

1. Gas Transportation Agreement between Gasco Distributions Systems, Inc. and Seller, which agreement was attached as Exhibit A to a motion of Gasco for the entry of an order approving same filed on August 18, 2010 with the Bankruptcy Court. The assignment of such agreement by Seller, and its assumption by Purchaser, shall be effective as of the effective date approved by order of the Bankruptcy Court. Should the Transportation Agreement become effective subsequent to the Closing Date, Purchaser agrees, during such interim period between the Closing Date and the effective date of the Transportation Agreement, to continue transportation of gas of Gasco Distribution Systems, Inc. ("Gasco") or its successor or assign, under the prior arrangement between Gasco and Seller, including a transportation rate of \$0.60 (sixty cents) per MCF and a shrinkage rate of seven percent (7%). Further, Purchaser understands that Gasco is in the process of installing meters (at its cost) to measure the amount of natural gas flowing through the Pipeline to the Albany and the Byrdstown natural gas utility systems. Until the meters are installed and functional, Purchaser accepts that the measurement of natural gas flowing to those utilities will be determined by considering the amount of natural gas purchased by Gasco (at the southern end of the Pipeline), and the collective amount of gas used by the individual customers of the Albany, Byrdstown and the Fentress utility systems, as measured by those customers' individual meters.

In addition to the assumption of the foregoing contract, Purchaser agrees to assume the obligation of Seller to transport gas pursuant to the following contracts for the duration of such contracts:

1. Gas Purchase Agreement between GASCO, Inc. and Young Oil Company, dated October 14, 2003. (Gas is not currently being purchased under this agreement.)

2. Gas Purchase Agreement between Irvin Arnco, Arnco Oil Company (collectively "Producer") and Gasco, Inc., dated February 12, 1999, and any amendments thereafter. (Currently producing.) (Applicable to Permit 9451, Mullinix #1 Well; Permit 8890, Mullinix #2 Well; Permit 8956, Mullinix #3 Well; Permit 9057, Mullinix #4 Well; Permit 9082, Mullinix #5 Well; Permit 8947, Stewart-Crouch-Sharp #1 Well; Permit 8929, Sharp-Upchurch #1 Well; Permit

9011, Crouch-Sharp-Stewart #1 Well; Permit 10725, Stewart #1 Well; Permit 8957, Upchurch #2 Well; Permit 8964, Upchurch #3 Well; Permit 8965, Upchurch-Stewart-Kennedy #1 Well; Permit 8993, Upchurch-Rigney #1 Well; Permit 10578, Upchurch-Rigney #2 Well; Permit 10568, Rigney-Upchurch #1 Well; Permit 10742, Stewart-Upchurch #1 Well; Permit 10700, Crouch #1 Well; Permit 10708, Crouch #2 Well; Permit 10591, Taylor-Stewart-Kennedy #1 Well; Permit 10653, Stewart-Crouch #1 Well; Permit 10660, Stewart-Crouch #2 Well;

Schedule 5.4
Required Consents

Schedule 5.4 is amended by adding the following:

Consents required to be obtained for assignment:

1. Pipeline easement from Conway Johnson and Rena Johnson dated December 6, 1979, of record in Right of Way Book 2, Page 634 in the office of the Register of Deeds for Morgan County, Tennessee. [Consent obtained from Linda Harris, Trustee and ready to record.]
2. Pipeline easement from the Estate of Bruno Gernt, Inc. dated March 17, 1982, of record in Deed Book B-6, Page 325 in the office of the Register of Deeds for Fentress County, Tennessee. [Consent obtained and ready to record.]
3. Pipeline easement from Plateau Properties, Inc. dated September 1, 1982, of record in Deed Book Z-5, Page 452 in the office of the Register of Deeds for Fentress County, Tennessee. [Consent obtained and ready to record.]
4. Supplement and Amendment to pipeline easement from the Estate of Bruno Gernt, Inc. dated January 26, 1989, of record in Book 175, Page 629 in the office of the Register of Deeds for Fentress County, Tennessee. [Consent obtained and ready to record.]
5. Pipeline easement from David F. Cox, successor to Tommy G. Stephens and wife, Vesta L. Stephens, dated August 2, 1988, of record in Deed Book I-7, Page 549 in the office of the Register of Deeds for Fentress County, Tennessee. [Form of consent approved by Purchaser.]
6. Pipeline easement from James C. Green and wife, Judy C. Green, dated August 1, 1988, of record in Deed Book I-7, Page 514 in the office of the Register of Deeds for Fentress County, Tennessee. [Form of consent approved by Purchaser.]
7. Pipeline easement from David F. Cox, successor to Tommy G. Stephens and wife, Vesta L. Stephens, dated August 3, 1988, of record in Deed Book I-7, Page 553 in the office of the Register of Deeds for Fentress County, Tennessee.
8. Pipeline easement from Homer York and wife, Sandra J. York, dated June 27, 1988, of record in Book 176, Page 229 in the office of the Register of Deeds for Fentress County, Tennessee. [Form of consent approved by Purchaser.]

Schedule 5.6

1. Tennessee State Oil and Gas Board has issued Notice of Violations dated September 4, 2008, and Citations (in the amount of \$96,000) on June 10, 2009, re-dated July 1, 2009, all of which Purchaser has copies.
2. In the Matter of B & W Oil, Inc., TennTex Energy, LLC, vs. B & W Oil Co., Inc., In the Chancery Court for Davidson County, Tennessee; Case No. 10-964-IV.

Schedule 5.9
Permitted Liens

2010 Real and Personal Property Taxes.

Schedule 5.10

Seller's Encumbrances

**KNOWN AND ESTIMATED DEBTS AND CLAIMS
VS. THE TITAN ENERGY GROUP, INC. AS OF
SEPTEMBER 2, 2010**

	<u>Amount</u>	<u>Pay at Closing</u>	<u>Escrow</u>	<u>Pay Outside of Closing</u>
Jack Hughes, Esq.; billing for legal fees, re: Transportation Agreement (want to obtain detail before paying)	\$8,750.00			\$8,750.00
Pride Petroleum, Inc. for OHIO settlement 1990, 1991, 1992, 1993 (Settlement is basically principal amount)	\$6,350.00	\$6,350.00		
Undistributed Production estimated for closing (August distribution)	\$2000.00			\$2,000.00
Jamestown City Tax (Morgan)	\$0.00			
Fentress (good through August 31, 2010) (Will attempt to negotiate)	\$75,112.37		\$75,112.37	
Morgan County - (confirmed with county)	\$0.00			
Pickett County (confirmed with county)	\$0.00			
USP, Inc. (will attempt to negotiate)	\$115,000.00		\$115,000.00	
Taxes -- Tenn. Franchise Tax - estimated settlement amount	\$15,000.00		\$30,000.00	
Accrued Severance Tax Tennessee (unfiled returns- accrued principal only, subject to increase for interest and penalty which Company is negotiating.)	\$35,040.80		\$35,100.00	
Tennessee - Oil & Gas Board - Disputed Fine	\$96,000.00		\$96,000.00	
Ken Davis Easements (\$1,050 + \$4,200)	\$5,250.00		\$5,250.00	
Eric Cravens - August 2010 well tending services	<u>\$2,400.00</u>		<u>\$0.00</u>	<u>\$2,400.00</u>
Total Estimated Debts and Claims:	\$358,905.17	\$6,350.00	\$356,462.37	\$13,150.00
Additional Agree Amount to add to Escrow for One Year			<u>\$150,000.00</u>	
			\$506,462.37	

The above detail does not include current legal and
accounting expenses which are accruing relating to
sale of Pipeline.

MANAGEMENT AGREEMENT

THIS MANAGEMENT AGREEMENT (the "Agreement") is made and entered into this 28 day of NOVEMBER, 2011 by and between ENREMA, LLC, a Delaware limited liability company ("Manager") and B&W Pipeline, LLC, a Delaware limited liability company ("Company"). Manager and Company may be referred to herein as party or parties.

RECITALS

WHEREAS, the Company is engaged in the treating, transportation, compression, delivery, distribution, purchasing and sale of gas, which includes including the laying of pipelines and maintenance of those pipelines ("Business") and requires to engage services for the day to day management of the Company;

WHEREAS, Manager is engaged in providing day to day operational and managerial services associated with the Business;

WHEREAS, the Company desires to hire Manager and Manager desires to provide certain operational, administrative and management services for the Company's Business on the terms set forth herein; and

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Representations, Warranties and Covenants

1.1 Representations, Warranties and Covenants of Manager. Manager hereby represents and warrants and covenants to the Company that as of the date hereof and at all times during the term of this Agreement the Manager is and shall remain a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware and is and shall be qualified to do business in the State of Tennessee.

1.2 Representations, Warranties and Covenants of the Company. The Company represents and warrants and covenants to Manager that as of the date hereof and at all times during the term of this Agreement:

(a) The Company is and shall remain a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware.

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(b) The Company is duly authorized to enter into this Agreement and the person signing for Company is authorized to sign for the Company.

2. **General Responsibilities of Manager.** The Manager will be appointed as the manager of Company and shall serve as manager during the term of this Agreement. Manager shall be responsible for and in charge of all management and administration of the day-to-day business operations of the Company, which shall include but not be limited to providing services in the best interest of the Company to maximize the productivity and potential of the Business, all in the name of and on behalf of the Company. This shall include but not be limited to:

- 2.1 Budgeting, cash flow and payment operations;
- 2.2 Hiring and firing of employees, independent contractors, and service providers on terms and conditions determined by the Manager including consultants, environmental expertise, drillers, attorneys, accountants and other professionals;
- 2.3 Opening and maintaining of sub bank accounts for the benefit of and in the name of the Company and designating signatories;
- 2.4 Identify, negotiate and enter into leases in the name of Company for surface and mineral rights;
- 2.5 Entering into any contract or series of related contracts (a) in Manager's own name even though for the benefit of Company or (b) binding the Company;;
- 2.6 Borrowing money or entering into other obligations;
- 2.7 Attend meetings of the member of the Company upon request to provide status reports;
- 2.8 The preparation of financial statements and reports including management reports;
- 2.9 The preparation and filing of U.S. and state income tax returns, to the extent required;
- 2.10 Bookkeeping, accounting, payroll processing, data processing, and related services;
- 2.11 Entering into leases for equipment, furniture, office equipment, heavy equipment;

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2.12 Maintenance of corporate books and records, including financial information, leasing rights and contracts;

2.13 Conducting due diligence on sites and appropriate studies (environmental, productivity or otherwise);

2.14 The negotiations for right of way leases and acquisition of said leases;

2.15 Take such actions reasonably necessary to hire personnel to design, manufacture, lay, fit and maintain pipelines (whether subterranean or above surface);

2.16 Take such actions reasonably necessary to gather, transport and distribute oil or gas or such other minerals;

2.17 Maintain and repair all real, tangible and other property of the Company;

2.18 Billing and collecting of revenues and accounts receivable and payment of accounts payables;

2.19 Adopting a safety manuals, operational manuals, and other needed manuals;

2.20 Payment of expenses incurred in the ordinary course of business;

2.21 Oversee and manage the fitting of pipeline, transportation and distribution of oil and gas;

2.22 Obtain any and all permits to conduct the Business including those activities mentioned in sections 2.14, 2.15, 2.16 and 2.21;

2.23 Manage, with the same duties and powers indicated herein, any subsidiary of Company; and

2.24 Such other actions the Manager deems reasonably needed in the ordinary course of business and in the best interest of the Company.

The Manager may provide the services itself or retain others to provide such services on terms set by the Manager and Manager shall have broad discretion to operate, manage and conduct business on behalf of Company.

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3. **Term and Termination.** The initial term of this Agreement shall be for one year commencing as of April 1, 2011, unless sooner terminated as set forth herein. The initial term shall automatically renew for successive one year terms unless either party notifies the other party in writing of its intent not to renew at least 60 days prior to the expiration of the then current term. Any party may terminate this Agreement for cause or by mutual agreement by providing the other party written notice at least thirty (30) days advance notice of the date of termination. Any party may immediately terminate this Agreement by notifying the other party in writing upon the occurrence of any of the following events with regard to the other party: (i) the making of a general assignment for the benefit of creditors; (ii) the filing of a voluntary petition or the commencement of any proceeding by either party for any relief under any bankruptcy or insolvency laws, or any laws relating to the relief of debtors, readjustment of indebtedness, reorganization, composition or extension; or (iii) the filing of any involuntary petition or the commencement of any proceeding by or against either party for any relief under any bankruptcy or insolvency laws, or any laws relating to the relief of debtors, readjustment of indebtedness, reorganization, composition or extension, which such petition or proceeding is not dismissed within ninety (90) calendar days of the date on which it is filed or commenced. If the Manager terminates this Agreement, regardless of the reason, the Manager shall receive from the Company any earned but unpaid compensation as set forth herein through the date of termination plus unreimbursed costs as set forth in Section 4. If the Company terminates this Agreement, regardless of the reason, the Manager shall receive any earned but unpaid compensation as set forth herein through the date which is ninety (90) calendar days following the date of termination plus unreimbursed costs as set forth in section 4. Upon termination, regardless of the reason, or expiration of this Agreement, the Manager shall return to Company any and all property, data, records, information of Company which may be in Manager's possession or under the Manager's control. Additionally, the Manager shall fully cooperate upon request by Company with any and all post transition issues for a period of ninety (90) calendar days following the termination or expiration of this Agreement, as the case may be.

4. **Compensation and Costs.** The Company will pay the Manager an amount equal to seven percent (7%) of all revenues of the Company collected during each Quarter ("Fee") during the term. The Fee will be paid within fifteen (15) calendar days after each Quarter in U.S. dollars. A Quarter shall mean three consecutive calendar months, with the first Quarter being January 1 through March 31, the second Quarter being April 1 through June 30, the third Quarter being July 1 through September 30, and the fourth Quarter being October 1 through December 31. In addition to the Fee, the Company will reimburse the Manager for all of its costs incurred in providing its services for the benefit of Company including without limitation, expenses incurred directly for the benefit of the Company and expenses incurred which indirectly may benefit the Company. These expenses may include, but are not limited to, the salary, payroll taxes (employer portion), health insurance of any employees of Manager providing service for Company, liability insurance, travel and lodging, meals, supplies, copies, faxes, costs or compensation to any independent contractors and other costs. The Manager will allocate a

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proportion of those expenses which are not solely or directly attributable to the Company including the salary of employees who provide services for the Company and others. The proportion shall be based on time spent compared to a typical hourly week in the case of personnel and with respect to other costs or expenses another reasonable method as mutually agreed between Company and Manager. The Manager shall provide a detail reimbursement of costs request to Company with supporting documentation on a monthly basis and the Company shall reimburse the Manager within five (5) calendar days after receipt of the request excluding those costs which Company disputes. The disputes shall be resolved by Arbitration as provided below and the losing party shall be required to pay a penalty of 50% of the disputed amount plus the disputed amount resolved by arbitration plus the attorney and other professional fees incurred by the prevailing party.

5. **Manager Covenants.** During the term of this Agreement, the Manager shall not take any of the following actions without the prior written approval of the Company's members:

5.1 Authorize or approve any merger, consolidation, pool, joint venture, syndicate, reorganization, liquidation, dissolution, other combination or sale of all or substantially all of the assets of Company, which is outside the scope of the day to day operations of the Company;

5.2 Sell, assign, convey, transfer, hypothecate, pledge, grant any security interest or mortgage in, or otherwise encumber the leases, accounts, accounts receivable or other tangible or intangible assets of the Company which is outside the scope of the day to day operations of the Company;

5.3 Authorize, approve or enter into any agreement to act as primary obligor, or to serve as a guarantor, surety or co-obligor with respect to the indebtedness of any other party;

5.4 Amend the Certificate of Formation of the Company; or

5.5 Enter into any transaction with an affiliate or related party of the Manager or its personnel which does not represent fair market value

The parties acknowledge that the Manager shall have the right to provide services offered to Company to other business and companies which may be in direct competition with the business of the company. The Manager shall and shall cause its employees and contractors to act with good faith and fair dealings.

6. **Regulatory Matters.** The Manager shall operate in full compliance and shall make certain that the Company will comply in all material respects with all local, state and

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federal rules, regulations, statutes and laws (collectively, "Law"). The Manager will immediately notify the Company and its member of any notifications, proceedings, or awareness that the Company or Manager is in violation in any material respect of any Law.

7. Insurance.

7.1 General Comprehensive Liability/Worker's Compensation Insurance. During the term of this Agreement, Manager shall obtain and maintain a comprehensive general liability insurance policy (with a minimum coverage of \$1,000,000), and such other insurance as may be required, in such amounts, with such coverage and with such companies as Manager may reasonably determine. Manager shall also obtain and maintain worker's compensation insurance coverage covering Manager and Manager's employees in such amounts as Manager may reasonably determine. Manager shall also obtain and maintain worker's compensation insurance covering Company and Company's employees in such amounts as Manager and Company may reasonably determine. Company shall provide to Manager any information with respect to the Company or its employees necessary for Manager to secure such coverage. With respect to the general liability insurance policy and all other policies, to the extent applicable, the Manager shall list the Company as an additional insured. The costs for this insurance shall be in part reimbursed by the Company on a basis mutually agreed by Manager and Company, taking into account a reasonable allocation of this cost. The Manager shall decide whether these policies should be obtained and maintained by the Manager or the Company or both. With respect to the general liability insurance

7.2 Environmental Insurance. During the term of this Agreement, Manager shall obtain and maintain or shall cause the Company to obtain and maintain pollution liability insurance, where appropriate, covering the Company (as named insured) and the company members (as additional named insureds) with limits of at least One Million Dollars (\$1,000,000) per occurrence and Three Million Dollars (\$3,000,000) in the aggregate. The Manager will be the insured or an additional insured. The Manager will choose fiscally sound insurance companies who have an A.M. Best Credit Rating Inc. financial strength and credit rating of at least an A. The Manager shall decide whether these policies should be obtained and maintained by the Manager or the Company or both.

8. Restrictive Covenants.

8.1 Non-Solicitation. During the term of this Agreement, unless approved by Company and for a period of two years following termination of this Agreement, unless approved by Company, regardless of the reason for such termination by lapse or otherwise, the Manager shall not, directly or indirectly: (i) enter into, or attempt to enter into, any relationship with Company's current or former (within the last twelve months) employees to provide any services that Manager or employee provided for Company; or (ii) dissuade or attempt to dissuade any of

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Manager's current or former employees of Manager which provided a service directly or indirectly to Company from continuing their business dealings, employment or business relationship with Manager.

8.2 Documents. The Company acknowledges that certain Documents (as defined below) obtained or prepared for, or contacts developed by the Manager during the term for the benefit of the Company belong to the Manager and the Manager may use such Documents and contacts in the future in competition with the Company; it being understood that the Company shall be able to retain and use such Documents (as defined below) or contacts for its own business as well. "Documents" shall mean all know how or intellectual property learned or obtained during the term of this Agreement, all information whether written, recorded, input in data form or for a computer, leases, title, studies, due diligence reports, surveys, papers, books, records, tangible things, correspondence, reports, summaries, analyses, evaluations, agreements, manuals, vendor or contractor information, service provider information, brochures, publications, directories, industry lists, schedules, price lists, client lists, statistical records, training manuals, and all other written, recorded, or on computer information developed, maintained or obtained during the term of this Agreement whether or not for the Company.

9. Arbitration. Any disputes under this Agreement or any breach of this Agreement, shall be determined by arbitration in the State of Florida in accordance with the rules of the American Arbitration Association ("Association") then in effect, by a single arbitrator selected by mutual agreement of the parties or, if the parties are unable to agree on an arbitrator, by the Association; provided that this Section 9 shall not restrict the right of any party to institute a legal proceeding to enable such party to obtain temporary or permanent injunctive relief during the pendency of any such arbitration or with respect to a breach of any restrictive covenants. A determination of the dispute by the arbitrator shall be final and binding on the parties to the extent permitted by law. The cost of the arbitration, other than attorneys' or other consultancy fees, shall be borne equally by the parties unless otherwise determined by the Arbitrator that one party should be responsible for any of such costs. To the extent permitted by law, the parties hereby agree to keep the result of such arbitration proceedings confidential and shall not disclose such information to any person, except with the written consent of the other parties hereto; provided that any party may disclose such information to legal counsel.

10. Status of Parties. In the performance of the work, duties and obligations under this Agreement, it is mutually understood and agreed that each party is at all times acting and performing as an independent contractor with respect to the other and that no relationship of partnership, joint venture or employment is created by this Agreement.

11. Notices. Any notices or communications to be given hereunder by either party to the other shall be in writing and shall be deemed to be received by the intended recipient (a) when delivered personally, (b) the day following delivery to a nationally recognized overnight courier.

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service with proof of delivery, or (c) three (3) days after mailing by certified mail, postage prepaid with return receipt requested, in each case addressed to the parties as set forth below:

If to the Manager: ENREMA
Attn: Marcelo M. Recchia
728 Jefferson Avenue, Unit #4
Cookeville, TN 38501

If to Company: B&W Pipeline, LLC
Attn: Andres Isaias

Any party may change the address for notice by notifying the other party, in writing, of the new address.

12. **Entire Agreement.** This Agreement supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to the subject matter of this Agreement. This Agreement may not be changed orally, and may only be amended by an agreement in writing signed by all the parties.

13. **No Rights in Third Parties.** This Agreement is not intended to, nor shall it be construed to, create any rights in any third parties.

14. **Governing Law, Venue and Jurisdiction.** This Agreement shall be governed by and construed in accordance with, and the rights of the parties shall be determined by, the laws of the State of Florida regardless of its conflict of law provisions. With respect to any matters to be resolved outside of Arbitration, exclusive venue and jurisdiction shall lie in the court located in Miami-Dade County, Florida and the parties submit to the personal jurisdiction.

15. **Severability. Ambiguity.** If any provision of this Agreement shall be held by a court of competent jurisdiction to be contrary to law, that provision will be enforced to the maximum extent permissible, and the remaining provisions of this Agreement will remain in full force and effect, unless to do so would result in either party not receiving the benefit of its bargain. The parties agree that any ambiguity created by this document will not be construed against the drafter.

(A0033078.DOC 3)
EXHIBIT FOR COPY

ENREMA

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16. Waiver. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver or deprive that party of the right thereafter to that term or any other term of this Agreement.

17. Rights Unaffected. No amendment, supplement or termination of this Agreement shall affect or impair any rights or obligations which shall have matured hereunder.

18. Successors. This Agreement shall be binding upon and shall inure to the benefit of the parties, and their respective successors and assigns.

19. Further Actions. Each of the parties hereto agrees that it shall hereafter execute and deliver such further instruments and do such further acts and things as may be required or useful to carry out the intent and purpose of this Agreement and as are not inconsistent with the terms hereof.

20. Counsel. Each party has been advised to seek the advice of independent counsel prior to signing this Agreement.

21. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original Agreement, but all of which together shall constitute one and the same instrument. A facsimile or electronically delivered signature shall be deemed an original signature.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]

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EXHIBITION COPY
9/2/10
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IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.


WITNESSES:

By: _____
Name: _____

By: _____
Name: _____

COMPANY:

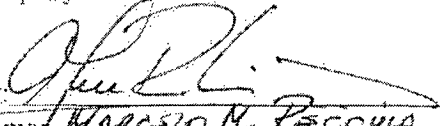
B&W PIPELINE, LLC, a Delaware limited liability company.

By: 
Name: ANDRES DEATAS
Title: MANAGER

MANAGER:

ENREMA, LLC, a Delaware limited liability company.

By: _____
Name: _____

By: 
Name: MARCELLO M. RESCOPIA
Title: GENERAL MANAGER

(MANAGEMENT AGREEMENT B&W Pipeline).

B&W PIPELINE

Response to TRA Data Request #2

Docket 13-00151

9. Data Response No. 1 contained a Bill of Sale between Titan Energy Group, Inc. and B&W Pipeline Systems Interest. Provide a copy of the Asset Purchase Agreement, originally dated June 11, 2010 (referred to on the first page of the Bill of Sale) and provide any amendments to the Agreement.

RESPONSE:

These documents are included in the response to question #8.

B&W PIPELINE

Response to TRA Data Request #2

Docket 13-00151

- 10. Please explain in detail the process by which B&W Pipeline, owned by Titan Energy Group, Inc., purchased the pipeline out of bankruptcy, as stated in the response to number 5 of the Data Response filed in this Docket on March 5, 2014. Did Titan Energy Group, Inc. file for bankruptcy? If so, provide a copy of any bankruptcy information on Titan Energy Group, Inc.**

RESPONSE:

The document is included in the response to Question 8.

B&W PIPELINE

Response to TRA Data Request #2

Docket 13-00151

- 11. Provide a copy of the Asset Purchase Agreement where FIR Energy purchased the assets of B&W Pipeline from the previous owners in bankruptcy court in 2010 (referred to in data response number 11 from the Data Response filed in this Docket March 5, 2014).**

RESPONSE:

The document is included in the response to Question 8.

B&W PIPELINE

Response to TRA Data Request #2

Docket 13-00151

- 12. Provide a detailed explanation of all business ventures that B&W Pipeline LLC is currently involved in, including but not limited to products sold (and to whom) and all services provided (and to whom). Please separate by state jurisdiction.**

RESPONSE:

See response to Item 38 of the TRA Staff's 1st Data Request.

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

- 13. Explain in detail why this pipeline is necessary to meet the public need. Please describe and provide proof of all firm commitments to purchase gas from B&W.**

RESPONSE:

There are no contracts to purchase gas from B&W Pipeline except for the agreement with Navitas. The pipeline is necessary to meet the public need for gas by the customers of Navitas, who have no other source of natural gas.

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

14. Describe all services and products that B&W intends to sell via the pipeline in the future.

RESPONSE:

See response to Item #39 of the TRA Staff's 1st Data Request.

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

- 15. If Navitas is the only customer of the pipeline, how does B&W Pipeline, LLC intend to use the pipeline going forward if Navitas decides not to use the pipeline in future years.**

RESPONSE:

It is unlikely that B&W Pipeline can remain in business if Navitas discontinues purchasing or transporting gas from or through B&W Pipeline.

B&W PIPELINE

Response to TRA Data Request #2

Docket 13-00151

- 16. Provide a detailed list of the regulated sales and services that B&W Pipeline, LLC provides to Navitas (B&W's only customer as stated in Data Response #26 in Data Response filed March 5, 2014.**

RESPONSE:

See response to Item #38 of the TRA Staff's 1st Data Request.

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

17. Provide a detailed list of the non-regulated sales and services that B&W Pipeline, LLC provides to Navitas (B&W's only customer as stated in Data Response #26 in Data Response filed March 5, 2014).

RESPONSE:

See response to Item #38 of the TRA Staff's 1st Data Request.

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

18. Schedule 2.1H of the Bill of Sale between Titan Energy Group and B&W Pipeline (provided in Data Response 1) referred to Gas Purchase Agreements between (1) Gasco, Inc. and Dan Page, (2) Gasco, Inc. and Young Oil Company, and (3) Gasco, Inc. and Irvin Arnco (Arnco Oil Company). These contracts were stated to be related to, or affected the sale. Please provide copies of these contracts.

RESPONSE:

These three entities are small gas wells. At this time, none of these wells is producing gas.

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

19. Provide a list of the seven (7) customers (name and address) that are currently receiving free gas from B&W Pipeline, LLC. The response to number 7 in the Data Response filed March 5, 2014 stated that "each customer's situation is different".
- a. Explain each situation and state the progress that has been made in moving each customer, by customer name.
 - b. If the Petitioner finds that some customers do in fact have a right to free gas and neither Navitas or B&W plan to provide free gas to the customers, please explain how B&W will fulfill its legal obligation to pay for the easement.

RESPONSE:

None of these seven individuals is a jurisdictional customer of B&W Pipeline. Each individual (or the successor of that individual) has granted an easement to B&W Pipeline for which the pipeline pays by providing the customer with natural gas. Each customer's situation is different and is being addressed individually. These are not jurisdictional customers. They receive gas in lieu of cash in exchange for the easements. They are not retail customers. For purposes of this application, it is sufficient that the pipeline has the easements and will continue to have them, paying the land owner either in cash or in gas, for the foreseeable future. Neither the easement contracts nor the provision of gas pursuant to those contracts are subject to the jurisdiction of the Authority.

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

20. What is the net book value of the pipeline (specifically) as of this date? Provide calculations of how you arrived at the net book value.

RESPONSE:

B&W Pipeline, LLC objects to this request on the grounds that it is asking for information that is more relevant to a rate case than a CCN filing. As a result, B&W Pipeline, LLC contends that this request is not designed to seek information to determine the financial, technical and managerial capabilities of B&W Pipeline as required by T.C.A. § 65-4-201(c)(2).

Without removing its objections, B&W Pipeline, LLC would refer the TRA Staff to the financial statements provided in response to Items #14 and #15 of the TRA's first data request in order to calculate the pipeline net book value.

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

21. Is Charles Hercher connected to, partner of, or employed by B&W Pipeline, LLC or any of the affiliate companies, such as Enrema, FIR Energy, FWM Energy, Rugby Energy, etc.? If so, please describe his associations and responsibilities with each company.

RESPONSE:

No. This individual has never had any relationship with B&W Pipeline, LLC or its affiliates.

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

22. Data Response No. 12, filed on March 5, 2014, contained a study titled "Immediate and Future" Things to correct in the event this system is purchased. Please confirm by individual item whether they have been corrected. If they have not been corrected, please explain why. (The pages are not numbered in this study; however, these items can be found on the third page of the report).

RESPONSE:

Immediate Correction Items:

1. Add several pressure safety valves to the system.
This has been completed.
2. Remove unmetered taps.
This has been completed.
3. Add safety barrier to Baseline Road.
This has been completed.
4. Install additional pipeline markers with appropriate one call information.
This has been completed.
5. Drill exploratory wells; install adequate separation and dehydration equipment.
This item is not directed at B&W Pipeline.
6. Negotiate sales contract with Eastern Tennessee, set meter.
This item remains to be completed.
7. Add a block valve and measurement to separate the Albany and B&W pipelines.
This item has been completed.

Future Correction Items:

1. Replace 8000' of 4" above ground steel line with 6/8 inch.
This item has been completed.
2. Add either pigging facilities or drops to the system.
This item has been completed.
3. Segregate/replace/retest system for higher working pressure.
This item has been completed.
4. Add compression to Eastern Tennessee Pipeline.
This item remains to be completed.

B&W PIPELINE

Response to TRA Data Request #2

Docket 13-00151

5. Evaluate future optimization of the system.

This is an ongoing process.

6. Add treating and recovery facilities.

This item remains to be completed.

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

23. Provide the names, addresses, positions and expertise of each of the new current owners/principals/officers/members of B&W Pipeline, LLC. The Organization Chart was provided in response to Data Response #2; however, the answer to this question should include specific individuals within the organization along with their current expertise to ensure the TRA that B&W Pipeline, LLC is financially, technologically and managerially capable of operating a pipeline.

RESPONSE:

Mr. Marcelo M. Recchia is the General Manager of Enrema and is the sole officer charged with responsibility to operate and manage B&W Pipeline. The resume of Mr. Recchia outlining his background and expertise was provided along with the Company's Petition.

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

24. If B&W Pipeline, LLC has no employees with an operator qualification plan in place, explain how B&W Pipeline, LLC can be compliant with being technically able to operate a gas pipeline in Tennessee?

RESPONSE:

While B&W Pipeline, LLC is the physical asset owner of B&W Pipeline, the pipeline is managed and operated under contract with Enrema who has its own employees with the necessary operator qualifications. This type of contractual arrangement is common practice where a utility is of such small scale as to make it economically unfeasible for it to have its own dedicated employees.

B&W PIPELINE

Response to TRA Data Request #2

Docket 13-00151

25. Three of the “Key Personnel” provided in their resumes that they are Enrema employees. Describe in detail the individual responsibilities and duties that each of the following three “Key Personnel” perform in the operation of the B&W Pipeline: Rafael E. Ramon, Marcello M. Recchia and Nelson Bastidas.

RESPONSE:

See response to Item #20 of the TRA’s 1st data request.

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

- 26. The resume of Frank Cash provided that he is an employee of B&W Pipeline, LLC as Pipeline Manager. Is he a direct employee of B&W Pipeline, LLC? However, since it was stated that B& not, who is he employed by and how much time is devoted to B&W Pipeline, LLC?**

RESPONSE:

The exact wording of this request appears to be incomplete. However, it appears from this partial request that the TRA Staff is inquiring into the employment status of Mr. Frank Cash.

Mr. Cash is not an employee of B&W Pipeline, LLC. Mr. Cash is an employee of Enrema and he dedicates approximately 95% of his time to the operation, maintenance and control of the B&W Pipeline under the Supervision of the General Manager.

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

27. Does Enrema provide all management and administrative expertise and, therefore are all expenses billed by Enrema, such as legal, accounting, billing, collections to B&W?

RESPONSE:

B&W Pipeline, LLC pays for all of its direct expenses. Enrema is a service company and provides certain functions for B&W Pipeline, LLC that the utility could not economically engage for on its own. Enrema then bills B&W Pipeline, LLC for its allocated cost of providing these services.

B&W PIPELINE
Response to TRA Data Request #2
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- 28. When asked what functions Enrema performed for B&W Pipeline, LLC in Data Response #3 filed on March 5, 2014, B&W replied that it “functions as a service company to provide management and operational expertise for B&W Pipeline, LLC.” Please explain the specific functions it performs to provide management and operational expertise. Does Enrema outsource the functions or does it have employees that perform the functions?**

RESPONSE:

Since B&W Pipeline, LLC has no employees of its own, all of the management and administrative functions of operating the pipeline are directed by Enrema.

Enrema does not outsource the functions of B&W Pipeline, LLC. Instead, Enrema monitors, manages and operates the pipeline on behalf of B&W Pipeline, LLC. When needed, Enrema engages any necessary contractors on behalf of B&W Pipeline, LLC to insure the operational and administrative functions are carried out.

B&W PIPELINE

Response to TRA Data Request #2

Docket 13-00151

29. When MI Energy changed the management company from Highland Rim Energy, LLC to Enrema, did HRP GP, LLC's (Highland Rim Energy, LLC's parent) ownership in FIR Energy, LLC change?

RESPONSE:

As described in the Response to Question 8, Highland Rim (including HRP GP) is no longer part owner of FIR Energy and is no longer involved, directly or indirectly, with B&W Pipeline.

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

30. Please list all companies managed by Enrema, LLC?

RESPONSE:

Enrema manages the following entities:

- FWM Energy, LLC;
- FWM Drill Site #1 & #2, LLC;
- B&W Pipeline, LLC;
- Rugby Energy, LLC; and
- Chattaville, LLC.

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

31. How many employees does Enrema, LLC have?

RESPONSE:

At this time, Enrema, LLC has 10 full-time employees and 4 part-time employees.

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

32. Provide a detailed explanation of why B&W Pipeline, LLC is operating at a \$1,165,926.15 loss.

RESPONSE:

B&W Pipeline, LLC objects to this request on the grounds that it is asking for information that is more relevant to a rate case than a CCN filing. As a result, B&W Pipeline, LLC contends that this request is not designed to seek information to determine the financial, technical and managerial capabilities of B&W Pipeline as required by T.C.A. § 65-4-201(c)(2).

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

32a. Data response No. 18 (requesting an expense summary by account by month for 2012 and 2013 for B&W Pipeline) states that some of the expenses are associated with the production of oil. Does B&W Pipeline, LLC currently produce oil in Tennessee or other states? Do the financial statements submitted in this docket for B&W Pipeline LLC include any non-regulated amounts? If so, please identify and explain.

RESPONSE:

B&W Pipeline, LLC objects to this request on the grounds that it is asking for information that is more relevant to a rate case than a CCN filing. As a result, B&W Pipeline, LLC contends that this request is not designed to seek information to determine the financial, technical and managerial capabilities of B&W Pipeline as required by T.C.A. § 65-4-201(c)(2).

Without removing its objection, B&W Pipeline, LLC would ask the TRA Staff to reference its response to Item #38 of the Staff's first data request which indicates that B&W Pipeline, LLC only provides gas transportation and gas sales services and therefore does not have any non-regulated functions.

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

- 32b. If the financials provided include both regulated and non-regulated amounts, please separate the regulated amounts (according to the Uniform System of Accounts) from the non-regulated amounts and provide a set of financials for each, inclusive of balance sheet, income statement and statement of cash flows.**

RESPONSE:

B&W Pipeline, LLC objects to this request on the grounds that it is asking for information that is more relevant to a rate case than a CCN filing. As a result, B&W Pipeline, LLC contends that this request is not designed to seek information to determine the financial, technical and managerial capabilities of B&W Pipeline as required by T.C.A. § 65-4-201(c)(2).

Without removing its objection, B&W Pipeline, LLC would ask the TRA Staff to reference its response to Item #38 of the Staff's first data request which indicates that B&W Pipeline, LLC only provides gas transportation and gas sales services.

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

32c. Explain what caused the operator fee to increase from \$662,952 in 2012 to \$883,771 in 2013 without any additional customers.

RESPONSE:

B&W Pipeline, LLC objects to this request on the grounds that it is asking for information that is more relevant to a rate case than a CCN filing. As a result, B&W Pipeline, LLC contends that this request is not designed to seek information to determine the financial, technical and managerial capabilities of B&W Pipeline as required by T.C.A. § 65-4-201(c)(2).

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

32d. Provide a detail list of services included in the \$883,771 in 2013, including hours charged, hourly wages and any benefits. Please separate by direct and allocated expenses and include any assumptions used for allocations. Please do not point us to the transaction list in data response 18, where approximately \$81,000 was charged on a monthly basis (March to October) from Enrema, but list the expenses (as outlined above) that total to the approximately \$81,000 monthly from Enrema.

- i. Please provide this for all months, by month in 2013 January thru December.**
- ii. Please provide why there was a reduction in expense from October to November.**
- iii. Explain the increase from \$62,000 to \$81,000 from February to March**

RESPONSE:

B&W Pipeline, LLC objects to this request on the grounds that it is asking for information that is more relevant to a rate case than a CCN filing. As a result, B&W Pipeline, LLC contends that this request is not designed to seek information to determine the financial, technical and managerial capabilities of B&W Pipeline as required by T.C.A. § 65-4-201(c)(2).

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

32e. Provide the allocation method and percentages used by Enrema to charge approximately \$81,000 monthly to B&W in 2013.

- i. Provide the total amount of expenses that were incurred by Enrema monthly for all Enrema Companies.**
- ii. Provide the percentages charged to all other Enrema companies in 2013.**

RESPONSE:

B&W Pipeline, LLC objects to this request on the grounds that it is asking for information that is more relevant to a rate case than a CCN filing. As a result, B&W Pipeline, LLC contends that this request is not designed to seek information to determine the financial, technical and managerial capabilities of B&W Pipeline as required by T.C.A. § 65-4-201(c)(2).

B&W PIPELINE
Response to TRA Data Request #2
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32f. Provide a detail list of services included in the \$662,952 in 2012, including hours charged, hourly wages and any benefits. Please separate by direct and allocated expenses and include any assumptions used for allocations. Please provide this for all months, by month, in 2012 January thru December.

RESPONSE:

B&W Pipeline, LLC objects to this request on the grounds that it is asking for information that is more relevant to a rate case than a CCN filing. As a result, B&W Pipeline, LLC contends that this request is not designed to seek information to determine the financial, technical and managerial capabilities of B&W Pipeline as required by T.C.A. § 65-4-201(c)(2).

B&W PIPELINE
Response to TRA Data Request #2
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- 32g. Provide the allocation method and percentages used by Enrema to charge the monthly amount to B&W for 2012**
- i. Provide the total amount of expenses that were incurred by Enrema monthly for all Enrema Companies.**
 - ii. Provide the percentages charged to all other Enrema companies in 2012.**

RESPONSE:

B&W Pipeline, LLC objects to this request on the grounds that it is asking for information that is more relevant to a rate case than a CCN filing. As a result, B&W Pipeline, LLC contends that this request is not designed to seek information to determine the financial, technical and managerial capabilities of B&W Pipeline as required by T.C.A. § 65-4-201(c)(2).

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

32h. Provide the detailed breakdown at the subaccount level (ex. 52111) of the Overhead Fee of:

- 1) \$213,413.55 for 2011,**
- 2) \$309,786.00 for 2012, and**
- 3) \$254,874.00 for 2013**

State whether these expenses are direct or allocated. If allocated, provide the allocation percentage of each subaccount (ex. 52111) that makes up Overhead Fees charged to B&W, the allocation method used to arrive at each expense and how the Company chose the allocation method(s) used. (Ex). Legal Fees (52111) provide allocation percent charged to the pipeline plus an explanation of how the legal fees were incurred. Provide same for Dues and Subscriptions, etc.

RESPONSE:

B&W Pipeline, LLC objects to this request on the grounds that it is asking for information that is more relevant to a rate case than a CCN filing. As a result, B&W Pipeline, LLC contends that this request is not designed to seek information to determine the financial, technical and managerial capabilities of B&W Pipeline as required by T.C.A. § 65-4-201(c)(2).

B&W PIPELINE
Response to TRA Data Request #2
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- 32i. If Navitas is the only customer of B&W, (as stated in the Petition and the response to No. 26 in the Data Response filed March 5, 2014) what makes up the additional revenue on the Income Statements provided, specifically the Profit and Loss statement of December 2013? The transport revenue based on the December, 2013 Profit & Loss statement for Navitas is \$27,711.79.**

RESPONSE:

B&W Pipeline, LLC objects to this request on the grounds that it is asking for information that is more relevant to a rate case than a CCN filing. As a result, B&W Pipeline, LLC contends that this request is not designed to seek information to determine the financial, technical and managerial capabilities of B&W Pipeline as required by T.C.A. § 65-4-201(c)(2).

B&W PIPELINE
Response to TRA Data Request #2
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32j. What is Compression Service and why is it used?

RESPONSE:

B&W Pipeline, LLC objects to this request on the grounds that it is asking for information that is more relevant to a rate case than a CCN filing. As a result, B&W Pipeline, LLC contends that this request is not designed to seek information to determine the financial, technical and managerial capabilities of B&W Pipeline as required by T.C.A. § 65-4-201(c)(2).

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

32k. Why are fees paid to the U.S. Department of Transportation.

RESPONSE:

B&W Pipeline, LLC objects to this request on the grounds that it is asking for information that is more relevant to a rate case than a CCN filing. As a result, B&W Pipeline, LLC contends that this request is not designed to seek information to determine the financial, technical and managerial capabilities of B&W Pipeline as required by T.C.A. § 65-4-201(c)(2).

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

- 32l. Expenses are listed under a heading of Jan 2012 – Dec 2013; however, only expenses for 2013 are listed within the detail. Please explain.**

RESPONSE:

B&W Pipeline, LLC objects to this request on the grounds that it is asking for information that is more relevant to a rate case than a CCN filing. As a result, B&W Pipeline, LLC contends that this request is not designed to seek information to determine the financial, technical and managerial capabilities of B&W Pipeline as required by T.C.A. § 65-4-201(c)(2).

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

32m. Please describe in detail the services that Childers Blackburn performs for B&W?

RESPONSE:

B&W Pipeline, LLC objects to this request on the grounds that it is asking for information that is more relevant to a rate case than a CCN filing. As a result, B&W Pipeline, LLC contends that this request is not designed to seek information to determine the financial, technical and managerial capabilities of B&W Pipeline as required by T.C.A. § 65-4-201(c)(2).

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

32n. Please describe in detail all services that Manuel Quirarte performed for the \$54,050.00 spent in 2013.

RESPONSE:

B&W Pipeline, LLC objects to this request on the grounds that it is asking for information that is more relevant to a rate case than a CCN filing. As a result, B&W Pipeline, LLC contends that this request is not designed to seek information to determine the financial, technical and managerial capabilities of B&W Pipeline as required by T.C.A. § 65-4-201(c)(2).

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

32o. How is it determined that an expense will go on the financial statement as a paid vendor expense or as part of the Enrema Management Fee or Overhead Fee?

RESPONSE:

B&W Pipeline, LLC objects to this request on the grounds that it is asking for information that is more relevant to a rate case than a CCN filing. As a result, B&W Pipeline, LLC contends that this request is not designed to seek information to determine the financial, technical and managerial capabilities of B&W Pipeline as required by T.C.A. § 65-4-201(c)(2).

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

32p. Provide the method used to determine the useful life of each of the seven (7) sections of the pipeline used in the calculations for Depreciation Expense filed as Exhibit 4 to the Petition.

RESPONSE:

B&W Pipeline, LLC objects to this request on the grounds that it is asking for information that is more relevant to a rate case than a CCN filing. As a result, B&W Pipeline, LLC contends that this request is not designed to seek information to determine the financial, technical and managerial capabilities of B&W Pipeline as required by T.C.A. § 65-4-201(c)(2).

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

- 32q. Data Response No. 11 filed on March 5, 2014 stated that the net book value of the pipeline that B&W Pipeline, LLC purchased from Titan Energy was unknown due to lack of information of the net book value of the previous owners. Please state the net book value of the pipeline to date and how B&W Pipeline, LLC arrived (calculations) at the net book value of the pipeline to date.

RESPONSE:

B&W Pipeline, LLC objects to this request on the grounds that it is asking for information that is more relevant to a rate case than a CCN filing. As a result, B&W Pipeline, LLC contends that this request is not designed to seek information to determine the financial, technical and managerial capabilities of B&W Pipeline as required by T.C.A. § 65-4-201(c)(2).

B&W PIPELINE
Response to TRA Data Request #2
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- 32r. Referencing p and q above, provide an itemization and explain how B&W Pipeline, LLC determined the cost basis of the pipeline on the Depreciation Expense schedule provided in Exhibit 4 to the Petition.**

RESPONSE:

B&W Pipeline, LLC objects to this request on the grounds that it is asking for information that is more relevant to a rate case than a CCN filing. As a result, B&W Pipeline, LLC contends that this request is not designed to seek information to determine the financial, technical and managerial capabilities of B&W Pipeline as required by T.C.A. § 65-4-201(c)(2).

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

32s. How much did B&W Pipeline, LLC pay for the pipeline purchased from Titan Energy Group, Inc?

RESPONSE:

See response to Item #1 of the TRA Staff's 1st Data Request.

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

32t. Please provide any documents used in arriving at the determined depreciated value of the pipeline such as appraisals, etc.

RESPONSE:

B&W Pipeline, LLC objects to this request on the grounds that it is asking for information that is more relevant to a rate case than a CCN filing. As a result, B&W Pipeline, LLC contends that this request is not designed to seek information to determine the financial, technical and managerial capabilities of B&W Pipeline as required by T.C.A. § 65-4-201(c)(2).

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

32u. Has B&W Pipeline made any improvements or additions to the pipeline since the 2010 purchase? If so, provide an itemization and explain the improvements.

RESPONSE:

B&W Pipeline, LLC objects to this request on the grounds that it is asking for information that is more relevant to a rate case than a CCN filing. As a result, B&W Pipeline, LLC contends that this request is not designed to seek information to determine the financial, technical and managerial capabilities of B&W Pipeline as required by T.C.A. § 65-4-201(c)(2).

B&W PIPELINE

Response to TRA Data Request #2

Docket 13-00151

32v. Has B&W Pipeline, LLC made any retirements to the pipeline since the 2010 purchase? If so, provide an itemization and explain.

RESPONSE:

B&W Pipeline, LLC objects to this request on the grounds that it is asking for information that is more relevant to a rate case than a CCN filing. As a result, B&W Pipeline, LLC contends that this request is not designed to seek information to determine the financial, technical and managerial capabilities of B&W Pipeline as required by T.C.A. § 65-4-201(c)(2).

B&W PIPELINE

Response to TRA Data Request #2

Docket 13-00151

33. Since there is no contract in place between Navitas and B&W to transfer the seven (7) customers, who will the seven customers will be receiving their gas from and at what rate? Please provide a copy of the notification to those customers of the proposed transfer, date of transfer, and the rate the transferee will be billed.

RESPONSE:

See response to question #19.

B&W PIPELINE

Response to TRA Data Request #2.

Docket 13-00151

- 34. Provide a copy of any emergency plan procedures that the pipeline has in place and a phone number that is answered 24 hours a day, 365/366 days a year.**

RESPONSE:

Attached is a copy of the Operation and Maintenance Manual for B&W Pipeline, LLC. B&W Pipeline, LLC has a toll free number (877-234-2726) permanently monitored by a professional telephone answering service that is clearly displayed throughout the pipeline system.



Operations and Maintenance Manual

Revised 04/19/2013

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REVISION LOG

[illegible]

1. REPORTING PROCEDURES, 49 CFR 191 and 192.16

1.1 Telephonic Reports and Reporting of Accidents, Leaks, or Incidents

At the earliest practical moment following discovery, but **no later than two hours** after the discovery, TRA and DOT shall be notified by telephone of any event that meets the criteria for an incident. Contact information for TRA and DOT can be found in Appendix A.

Note A follow-up report/call must be made to both regulatory entities if there is a significant change in the incident characteristics or situation. The following examples represent some of the changes that may necessitate a follow-up notification:

- Increase and/or decrease in fatalities or injuries
- A revised estimate of the amount of gas released
- A revised estimate of the property damage (i.e. if value re-evaluated is ten times greater than originally estimated)

For the purpose of this Manual, an “incident” is defined as the following circumstances:

An event that involves a release of gas from a pipeline and:

- A death or personal injury necessitating in-patient hospitalization.
- Estimated property damage to the pipeline operator or others, or both, of \$50,000 or more (not including cost of lost natural gas).
- Loss of gas totaling 3,000 mcf, or
- An event that is significant, in the judgment of the pipeline operator, even though it does not meet the criteria outlined above.

The operator shall immediately report to the TRA any distribution system-related incident reasonably judged as significant because of media interest (even though it does not meet incident requirements per DOT regulations). Preparation to make a telephonic notice to either DOT or TRA requires a minimum level of knowledge about the incident in order to adequately communicate the circumstances of the incident. The following details are considered critical incident reporting information, and every attempt should be made to gather the information prior to making a telephonic notice:

- Name of Pipeline Operator
- Name of person making call
- Return phone number
- Location of incident (city, county, state, and street address)
- Time of incident
- Description of incident
- Number of fatalities, if any
- Number of injuries, if any
- Type and extent of property damage
- Any other relevant facts

A written report of a gas incident on DOT Form RSPA F 7100.1 must be submitted as soon as practicable but not more than 30 days after an incident for which telephonic reporting is required. The report can be found and submitted online at <http://pipelineonlinereporting.phmsa.dot.gov/>. In the event that additional relevant information is gathered or obtained after the Form RSPA F 7100.1 is submitted to regulatory entities, supplementary reports must be submitted as necessary with a reference by date and subject to the original report of the incident

1.2 Safety Related Condition Report

An operator is required to report to the Office of Pipeline Safety for certain serious, hazardous conditions which are not immediately repaired or made safe.

1. REPORTING PROCEDURES, 49 CFR 191 and 192.16

Listed below are some examples of "safety related conditions" which would require reporting:

- Unintended movement or abnormal loading by environmental causes, such as an earthquake, landslide, or flood, that impairs the serviceability of a pipeline or the structural integrity or reliability of a LNG facility that contains, controls, or processes gas or LNG.
- Any malfunction or operating error that causes the pressure of a pipeline or LNG facility that contains or processes gas or LNG to rise above its maximum allowable operating pressure (or working pressure for LNG facilities) plus the build-up allowed for operating of pressure limiting or control devices.
- A leak in a pipeline or LNG facility that contains or processes gas or LNG that constitutes an emergency.
- Any safety-related condition that could lead to an imminent hazard and causes (either directly or indirectly by remedial action of the operator), for purposes other than abandonment, a 20 percent or more reduction in operating pressure or shutdown of operation of a pipeline or an LNG facility that contains or processes gas or LNG.

When a possible safety-related condition is discovered it shall be reported to the Supervisor immediately. He will dispatch the appropriate representative to evaluate the condition and determine whether or not it is safety related and if a prompt repair is necessary. It must be reported within 5 days of determination that the condition to be safety related, but not later than 10 days after the condition has been identified (not including Saturday, Sunday or federal holidays). Prompt repair may be temporary as long as the condition is rendered safe - permanent repair may be required to eliminate the problem.

1.3 Annual Report

B&W shall submit an annual report for that system on DOT Form RSPA F 7100.1-1. This report must be submitted each year, not later than March 15, for the preceding calendar year. The report can be found and submitted online at <http://pipelineonlinereporting.phmsa.dot.gov/>. In addition, a copy of the report submitted to DOT will be submitted to TRA no later than April 1 for the preceding calendar year.

1.4 Customer Notification

The purpose of this section is to provide guidelines for notifying certain customers of their obligations related to customer buried pipeline (CBP). CBP is defined as gas lines downstream of the meter set which travel underground before entering the first building, or, if the customer's buried piping does not enter a building, up to the principal gas utilization equipment or the first fence (or wall) that surrounds that equipment. CBP does not include branch lines that serve yard lanterns, pool heaters, or other types of secondary equipment. This piping is not maintained by the Company.

For the purpose of this section, "maintain" means monitor for corrosion if the customer's buried piping is metallic, periodically survey for leaks, and if an unsafe condition is found, either shut off the flow of gas or advise the customer of the need to repair the unsafe condition.

The Company shall notify in writing each customer who possesses customer buried piping not later than 90 days after the customer first receives gas at a particular location. This includes customers with a new CBP installation or a new customer on an existing CBP installation.

2. NORMAL OPERATING AND MAINTENANCE PROCEDURES, 49 CFR 192.605

2.1 O&M Review

This manual must be reviewed and updated by the Company at intervals not exceeding 15 months, but at least one each calendar year. The Supervisor is responsible for publication of the Operations and Maintenance Manual and issuing timely revisions as operating instructions change and/or improved standards are developed. Each person assigned an Operations and Maintenance Manual should be thoroughly familiar with the content of the manual. The manual is published with the intent of providing each holder with information that will be helpful in performing his/her job. Likewise, appropriate parts of the manual must be kept at locations where operations and maintenance activities are conducted. In addition to this manual, all construction records, maps, and operating history must be available to all appropriate personnel.

2.2 Startup and Shutdown

During startup or shutdown special attention should be given not to overpressure the pipeline. Pressure gauges should be available to monitor the pressure. Relief devices should be available or installed when needed. When setting the relief devices set point, the operator should take into account the buildup needed to open the pressure relief device. In many instances purging procedures may need to be used during startup or shutdown.

2.3 Procedure Effectiveness

Through the course of normal business, the work performed by B&W employees and contractors will be evaluated. This evaluation will focus on normal and abnormal operating procedures to determine if the procedures are effective and adequate. If deficiencies are found, the procedures will be modified. Employees and/or Contractors will be informed of the procedural changes and retrained if necessary.

2.4 Accumulation of Vapors

An oxygen deficient or flammable atmosphere may exist in vaults, pits or excavations due to leakage from components within the space itself, or from seepage (natural gas, other gases, gasoline or other vapors) from outside the space.

The hazards to be guarded against are fires, explosions, and suffocation. Therefore, it is vitally important that employees recognize these situations and exercise care when entering such confined spaces. Where a hazardous atmosphere exists, all employees working in the confined space shall wear proper respirator equipment designed to be used for the situation at hand, flame retardant clothing and hood, retrieval harness with lifeline, hard hat, gloves and any other personal protective equipment deemed necessary. Persons who have not been properly instructed and fit tested or approved for the respirator in use shall not be allowed in the designated area.

2.5 Prompt Response

Leaks reported by customers or the general public shall be considered emergencies requiring prompt investigation and shall be dispatched accordingly to leak investigation personnel. When receiving a leak call it is essential that the employee secure complete and accurate information in order that the seriousness of each emergency call can be properly evaluated.

3. EXCESS FLOW VALVES (EFV), 49 CFR 192.381 and 192.383

EFV's are installed on all new or replaced single family service lines operating above 10 psig. Replaced service line means a natural gas service line where the fitting that connects the service line to the main is replaced or the piping connected to this fitting is replaced. Typical installation is located at or near the service tap. On branch services the EFV is installed on each of the services at or near the branch. Manufacture sizing instructions will be used to ensure the correct EFV is used. Documentation of the installation shall be recorded on the Gas Service Record.

4. CHANGE IN CLASS LOCATION, 49 CFR 192.609 and 192.611

B&W pressure tests all pipelines to the requirements of a class 3 location. Specifically the pipelines are tested to 1.5 times the MAOP of the system

4.1 Class Location

Class Location is a systematic way of classifying pipeline locations according to people living or gathering in an area. The class location unit is an onshore area that extends 220 yards on either side of the centerline of any continuous 1-mile length of pipeline. Each separate dwelling unit in a multiple dwelling unit building is counted as a separate building intended for human occupancy.

Class 1 Location

Class 1 Location is an offshore area, or any class location unit that has 10 or less buildings intended for human occupancy.

Class 2 Location

Class 2 Location is any class location unit that has more than 10 but less than 46 buildings intended for human occupancy.

Class 3 Location

A) Any class location unit that has 46 or more buildings intended for human occupancy; or
B) An area where the pipeline lies within 100 yards of either a building or a small, well-defined outside area (such as a playground, recreation area, outdoor theater, or other place of public assembly) that is occupied by 20 or more persons on at least 5 days a week for 10 weeks in any 12-month period. The days and weeks need not be consecutive.

Class 4 location

Class 4 location is any class location unit where buildings with four or more stories above ground are prevalent. The length of Class locations 2, 3, and 4 may be adjusted as follows:

A) A Class 4 location ends 220 yards from the nearest building with four or more stories above ground.
B) When all buildings intended for human occupancy within a Class 2 or 3 location are in a single cluster, the class location ends 220 yards from the nearest building in the cluster.

4.2 Class Location Study

Whenever an increase in population density indicates a change in class location for a segment of an existing steel pipeline operating at hoop stress that is more than 40 percent of SMYS, or indicates that the hoop stress corresponding to the established maximum allowable operating pressure for a segment of existing pipeline is not commensurate with the present class location, the operator shall immediately make a study to determine:

1. The present class location for the segment involved.
2. The design, construction, and testing procedures followed in the original construction, and a comparison of these procedures with those required for the present class location by the applicable provisions of this part.
3. The physical condition of the segment to the extent it can be ascertained from available records;
4. The operating and maintenance history of the segment;
5. The maximum actual operating pressure and the corresponding operating hoop stress, taking pressure gradient into account, for the segment of pipeline involved; and
6. The actual area affected by the population density increase, and physical barriers or

other factors which may limit further expansion of the more densely populated area.

5. CONTINUING SURVEILLANCE, 49 CFR 192.613

The surveillance of the B&W gas system is a combined effort of different work groups. Surveillance is carried out in order to discover leaks and failures, minimize corrosion damage, identify erosion or loss of cover, determine maintenance and repair requirements, monitor the operating condition of the system, and take appropriate action. Any issues identified shall be reported to the Supervisor.

5.1 Leaks and Failures

Leaks and failures of gas system components can be readily discovered during normal operations. Personnel can also discover leaks or failures during routine leak surveys, bridge crossing inspections, and other investigations. The corrosion personnel monitor cathodic protection levels within the distribution system. B&W personnel and contractors for the pipeline provide leakage and failure surveillance during their routine operations. B&W personnel and contractors for the pipeline are on both routine and incidental assignments shall be alert for conditions that would interfere with a customer's gas service. These conditions shall be reported to their immediate supervisor.

5.2 System Review

As a means of maintaining the integrity of the distribution systems, continuing surveillance through the analysis of completed inspection and maintenance records, daily operating reports, and other operating records shall be on-going and conducted so as to identify any system facilities experiencing abnormal or unusual operating and maintenance conditions. Management periodically reviews pipelines within the distribution system and considers the following:

- Alterations or additions to the system, which may change pressure or flow maximums
- Patrols
- Leak or failure frequency
- Changes in corrosion control requirements or corrosion failures
- Loss of flow efficiency or excessive pressure drops, either system-wide or localized
- Ability of the pipeline or distribution system to handle future loads within the prescribed operating pressure range
- Unaccounted-for-gas

If an unsatisfactory condition exists the operator may develop a program to correct or mitigate the problem. If the problem cannot be corrected or mitigated, then the operator must to reduce the MAOP per 49 CFR Section 192.619.

6. DAMAGE PREVENTION PROGRAM, 49 CFR 192.614

Each operator of a buried gas pipeline shall carry out, in accordance with this section, a written program to prevent damage to that pipeline from excavation activities. For the purpose of this section, the term "excavation activities" includes excavation, blasting, boring, tunneling, backfilling, the removal of aboveground structures by either explosive or mechanical means, and other earth moving operations.

An operator may comply with any of the requirements below through participation in a public service program, such as a one-call system, but such participation does not relieve the operator of responsibility for compliance with this section.

B&W is a member of the Tennessee 811 One Call System 1-800-351-1111. Anyone considering underground construction must call for underground utility location at least three (3) working days before they dig.

- B&W will maintain a continuously updated list of all persons requesting underground utility location in its service area.
- B&W will raise public awareness of the one call system through radio and television advertisements, and bill stuffers.
- Underground construction contractors will be routinely reminded of the one call system at pre-construction meetings.
- All requests for facility locations, including those generated within B&W shall be directed to the Tennessee 811 One Call System to ensure consistency in service and record keeping.
- Tennessee 811 will send the locate request to B&W. This locate request is kept electronically.
- Tennessee 811 tells the locate requestor which utility companies will be notified and suggests that if there are any other known utilities in the area, those companies should be contacted directly. Tennessee 811 further informs the caller of the date the locate is to be completed and assigns the request a number which can be used to verify the request and check the status of location work.
- Gas piping locations are to be indicated by yellow paint and /or wooden stakes and approved flags marked "Gas". Any offset used in marking to preserve the markings shall be duly noted on the ground or stake. Areas where no utilities exist are to be marked "OK B&W".
- If there is reason to believe proposed underground construction will damage the pipeline, the locator is to notify the Supervisor. B&W will contact and coordinate with the excavator to ensure the integrity of the pipeline through adequate inspection of work in its vicinity. If blasting has occurred any inspection must include a leakage survey.

7. EMERGENCY PROCEDURES, 49 CFR Part 192.615

7.1 General Information

An emergency is an unforeseen condition that requires immediate action to protect persons or property from existing or potential hazards due to system failures, escape of gas or curtailment of gas supply.

The purpose of the Emergency Manual is to provide instructions to employees for handling gas emergencies and providing for the public safety. The Supervisor shall:

1. Ensure personnel, who are responsible for emergency actions, have a current copy of all applicable portions of the Emergency Manual, as necessary, to insure compliance with those procedures.
2. Ensure personnel are trained so that they are knowledgeable of the emergency procedures and verify that the training is effective.
3. Review employee activities to determine whether the emergency procedures were effectively followed in each emergency.
4. Establish and maintain liaison with appropriate fire, police and other public officials and appropriate railroad personnel where pipelines share a common right-of-way or cross the railroad's rights-of-way to:
 - a. Learn the responsibility and resources of each organization that may respond to a gas pipeline emergency;
 - b. Acquaint officials with the service center's ability in responding to a gas pipeline emergency;
 - c. Identify the types of gas pipeline emergencies of which the property notifies the officials; and
 - d. Plan how service center personnel and government officials can engage in mutual assistance to minimize hazards to life or property.
5. Ensure local emergency information is continuously reviewed and updated as appropriate. Updates to the
6. Ensure the Emergency Manual, when not in use, is kept in the office or other secure location safe where it will not be available to unauthorized persons. Key company employees (see Appendix B) will be supplied copies of appropriate parts of the manual in accordance with an approved book distribution, and they are expected to be familiar with the emergency procedures.

7.2 Receiving and Responding to Emergencies

Leaks or other emergencies reported by customers or the general public require prompt investigation and shall be dispatched accordingly to Company personnel for investigation. When receiving such calls or approached by an individual in the field, it is essential that the employee secure complete and accurate information in order that the seriousness of each emergency can be properly evaluated. When dispatched Company personnel shall have appropriate equipment, instruments tools or other materials need handle the emergency. When needed contractors in Appendix B shall be dispatched for assistance.

Documentation of Emergencies

All pertinent information shall be completed to assure that all the necessary information will be recorded. Any employee receiving a call concerning an explosion, fire, or notification of any other emergency situation, should immediately notify his/her supervisor.

Prompt and Effective Response

In responding to an emergency call or notification, the investigator must always ensure that prompt action is taken and that basic precautions and emergency investigation procedures are carried out immediately.

7. EMERGENCY PROCEDURES, 49 CFR Part 192.615

Safety Precautions

Employee(s) shall perform his/her duties in a safe and effective manner following all safety precautions as outlined in the rest of this section.

7.3 General Emergencies

Reaction time and proper action are critical in an emergency. Quick decisions must be made by Company employees; then appropriate action taken. It is impossible to cover all the situations which could be considered emergencies. These procedures shall be used as a guideline to take action to prevent death or serious injury to occupants, employees, or the public. Any action to accomplish this is the first concern of the employee(s) arriving on the site. Various types of emergencies will require different responses in order to evaluate and mitigate the hazard. Consideration should be given to the following:

First Responder

The first employee arriving at the scene shall determine the scope of the emergency. With care for personal safety, he/she will then do whatever possible to provide for the safety of the public. Some of these precautions may include but are not limited to:

- Evacuating the premises which are or which may be affected.
- Identify and eliminate possible ignition sources.
- Reporting to the appropriate supervisor on the situation, and requesting further instructions or assistance if needed. Where necessary, the following information shall be provided:
 - Nature of the emergency.
 - Location of the emergency.
 - Location of his/her vehicle.
 - Where and how he/she can be reached.

If additional assistance is needed, contract personnel may be contacted. In addition, the mayor and/or appropriate state Public Service Commission may be contacted to report the emergency.

Supervisory Employee

The supervisory employee first arriving at the scene shall determine if the emergency plan should be put into effect and so inform the office. He/she shall then select a location for his/ her vehicle at a good overall vantage point. He/she shall notify appropriate personnel of this location which will become the command post. The radio and/or any other ways of communication as deemed necessary (i.e. telephone, cell phone, computer, etc.) will be manned continuously at the command post until the emergency is over.

General plan to be followed at the scene of emergency:

- Supervisor will designate one person to remain at the command post to operate the radio. This person will be kept informed of the situation by the supervisor in charge.
- Supervisor will make himself/ herself known to fire and/or police department officials, or other authority having jurisdiction, and maintain communication with them during the emergency.
- All employees reporting to the scene of the emergency will report to the command post for identification and instructions.
- No statement will be made to news media regarding cause of the incident. Such questions should be referred to fire, police or other authority at the scene. Any statement from the Company will come from the mayor.

7.4 Major Residence or Other Building Fire or Explosion

7. EMERGENCY PROCEDURES, 49 CFR Part 192.615

Procedure to be followed in event of a major residence or other building fire or any fire where there is indication of explosion or any type of death by fire or suffocation where natural gas is the suspected cause.

A) Employee first arriving at the scene should attempt to shut off gas at the meter and then request a supervisor to be sent to the scene immediately if needed.

(1) Where appropriate, employee should look for a curb valve on the service to the building involved and, if possible, shut off gas there. If a curb valve does not exist, consideration should be given to other methods of stopping the flow of gas such as "squeezing off" or exposing the tap on the main.

(2) If unable to shut off gas at the meter, where necessary, employee will notify Supervisor to send distribution personnel with equipment to shut off the gas supply at the street.

(3) If a gas leak is suspected, employee will perform a safety check in the immediate area of the building in accordance with Leak Investigation Procedures.

(4) Employee will remain at the scene until relieved.

(5) The gas meter should be read and recorded if possible at the time the gas is shut off.

B) Upon arriving at the scene, supervisor will determine if additional assistance is needed.

C) The Supervisor will determine if additional tests or checks should be made and see that these are completed and a report prepared. Time for making such tests and checks will be left to the discretion of the supervisor, keeping in mind that the sooner after the incident occurs that the check can be completed, the more valid will be the results. The following checks should be considered when appropriate:

(1) Bar test the perimeter of the building foundation and along service line serving building. This should be done as soon as possible.

(2) Check of house piping including pressure test, when appropriate, even that part remaining where piping has been damaged.

(3) Check of condition of vents for heating and water heating including test for presence of carbon monoxide when appropriate.

(4) Check of position of valves and condition of burners and safety control equipment on gas burning appliances and equipment.

D) No statement will be made to news media regarding cause of incident. Refer all questions to fire chief or other authority at the scene. Any statement from the Company will come from the mayor.

7.5 Major Damage to Gas Facilities or Fire Directly Involving a Pipeline Facility

Procedure to be followed in event of major damage to gas facilities, fire located near or directly involving a pipeline facility, or malfunction of gas equipment resulting in severe gas leakage or causing damage or inconvenience to the public.

A) Where necessary, employee arriving at the scene will send for appropriate supervisory personnel to the scene immediately.. Where necessary, depending on the nature of the incident, the supervisor may notify the following entities.

(1) Police Department for assistance in traffic control.

(2) Fire Department if fire, threat of fire, or fire damage exists.

(3) Ambulance or rescue squad if injuries exist.

(4) Appropriate Public Service Commission

He/she will then, take every effort possible to make the area affected as safe as possible. In addition, he/she shall remain at the scene until relieved.

B) Employees at the site of the incident shall have continuous contact with the Supervisor to ensure that whatever help is necessary to repair the damage or correct the malfunction is available and delivered.

C) Following are some actions employees on the scene may take, depending on the situation:

7. EMERGENCY PROCEDURES, 49 CFR Part 192.615

- Non-Fire Related Incident - If danger of ignition of escaping gas is present, clear the area instructing everyone not to perform any actions that would cause the gas to ignite. Some possible ignition sources are: operating mechanical equipment, electric switches, open flames, static electricity, etc.
- Fire Related Incident - Where there is an indication of a fire near a gas facility, however, not directly on the facility, extinguish the fire as soon as possible. Where escaping gas has ignited, where possible, DO NOT try to extinguish the flame. In most cases, an open flame can be an indication of the severity of the leak and reduce the possibility of future explosions.
- Check nearby buildings, utility manholes, sewers, etc., for the presence of gas. If large concentrations of gas are detected, evacuate the building or area immediately. Where necessary, excavate vent openings to slow or stop gas from entering buildings.
- Locate gas valves that will isolate the emergency area utilizing maps or other records to identify sections of the system that will be affected by the operation of each valve or other shutdown permanent device. DO NOT operate valves unless instructed to do so by a supervisor. Consideration may also be given to use other methods of stopping the flow of gas where deemed appropriate such as the use of squeezing or bagging-off techniques. When isolating an area, the potential hazards associated with an outage and the need to minimize the extent of an outage and to expedite service restoration shall be considered.

7.6 Gas in a Confined Area

Steps to be taken before attempts are made to locate the source of gas leakage are as follows:

- Check homes and buildings to determine if gas is getting inside. Check for an odor of gas and use a Combustible Gas Indicator to determine the presence of gas. DO NOT rely solely on the odor of gas to determine if gas is present. If there is evidence of a dangerous amount of gas entering the home or building, evacuate all occupants immediately. Obtain assistance, if necessary. Ventilate and continue to check even those nearby buildings, as necessary, until the problem is corrected.
- Where necessary, notify Supervisor to call the police and/or fire department. Supervisor will make arrangements for additional assistance.
- Vent escaping gas directly to the atmosphere. This may be done by digging over the point of leakage, opening manholes and water boxes, etc.
- Obtain assistance, if necessary.

Note: If source is readily apparent and gas can be quickly controlled, do so and then proceed with steps as shown without delay.

7.7 Visible Leaks or Third Party Damages

Stop the flow of gas with valves, plugs, squeeze-off equipment, etc. Do not endanger yourself or others in attempting to shut off the flow of gas if it cannot be done safely. Under no circumstances shall an employee enter an excavation to stop the flow of gas without a responsible person (such as another employee or fireman) present. While gas is escaping, keep vehicles and the public a safe distance from the site. When there is a delay in venting or stopping the gas flow, it is necessary to recheck buildings for the presence of gas. Rechecking shall be as frequent as possible if it is possible for gas to find a way into nearby buildings while the crew is bringing the gas under control. Service crews, properly equipped fire department personnel, distribution personnel, etc. may be utilized to recheck, but responsible distribution employee must be sure that it is being done.

7.8 Excessive Pressure

An emergency could be created by a malfunctioning house regulator or system regulator. The result would be that high pressure gas would get into the house piping. Although no leakage may be involved,

7. EMERGENCY PROCEDURES, 49 CFR Part 192.615

the burners and pilots could be blown out and gas would get into the building. Flaring of the burners and pilots could also be a result of over-pressuring house piping. If any gas readings are found in the building, proceed as follow:

- A) Evacuate the occupants if free standing readings are above 60%LEL.
- B) Ventilate the building.
- C) All information concerning the incident shall be transmitted to the mayor as soon as possible, if appropriate. No statement shall be made to the media regarding cause of incident. Any questions from news media will be referred to the mayor.

7.9 Emergency Shutdown

Immediately upon receiving an indication of a system failure that cannot be made safe by normal repair procedures, emergency shutdown procedures shall be initiated.

- The supervisor in charge will remain in constant communication with the situation and make judgments as necessary. Maintaining public safety will be the foremost responsibility.
- Consideration should be given to reducing system pressure, if necessary, in order to facilitate repair procedures. In such cases qualified personnel are to be dispatched as necessary to monitor system pressure and report to the Supervisor.
- When necessary for public safety, the problem area can be isolated by shutting off those mains feeding the area by closing the appropriate valves, using pipe pinching equipment, or by the use of other stopping equipment.

7.10 Responding to Natural Disasters

The Company will cooperate fully with all authorities involved in the emergency (i.e., police, fire fighters, National Guard, Red Cross, Civil Defense, etc.). A control center for communication with such authorities named above will be established in the emergency. The Company's local operations office will serve this purpose unless it is involved in the emergency.

If, in supervisors' judgment, a location remote from the operations office should be used, the use of a fire or police station for this purpose should be considered. Employees will be on a standby basis to proceed to any damaged facility and make repairs. Every attempt will be made to maintain service to as much of the system as possible. However, if system damages place public safety in jeopardy, the Supervisor will order that all gas to the system be shut off. Any employee answering the emergency shall first provide for the safety and protection of the public and second for the protection of property.

7.16 Shut-off Valves for Natural Disasters

In the event of a natural disaster or other major catastrophe, sections of the natural gas system should be identified Key Valves to enable isolation of these areas should an emergency arise. Each line must have valves spaced so as to reduce the time to shut down a section of pipeline in an emergency.

Specific valves identified as critical or an emergency valve should be determined taking into consideration the number of customers controlled by a valve or valves, pressure classification of system, main sizes, type of area served (urban rural, industrial, etc.).

7.11 Gas Service Restoration Procedures

The following procedures are to be implemented to restore gas service once repairs have been made.

Restoring Gas Service to the Customer

7. EMERGENCY PROCEDURES, 49 CFR Part 192.615

A recommended method of restoring gas service is as follows:

- (1) Have the customer point out all gas appliances and verify that the appliances are turned off.
- (2) Turn the gas on at the meter and note the test hand for approximately 5 minutes to ensure that a gas leak does not exist downstream.
- (3) Purge the house piping and relight the appliances using standard light-up procedures. DO NOT leave appliances burning unless requested to do so by the customer. Gas should be introduced into a facility only if the customer or his/her representative is present.

7.12 Local Emergency and Curtailment Information

To ensure that the appropriate personnel, supplies, equipment, and records are available should an emergency occur, the following shall be made available in the in Appendix B&C:

- Key personnel to report and supervise emergency operations and a list of local employees.
- Hospitals, nursing homes and similar institutions (to be given preferential service).
- List of large volume customers in order of cut-off.
- Public officials and appropriate railroad personnel (where applicable) to be contacted in an emergency.
- Contractors that may be employed in an emergency.
- Other local utilities that may provide assistance.

7.13 Investigation of failures

When the emergency has been brought under control, the Supervisor will determine what additional tests or checks should be made to determine the cause of the damage or malfunction in order to minimize the possibility of a reoccurrence. The Supervisor will see that such tests or checks are completed and reports and recommendations are prepared and forwarded as appropriate. Following are some of the actions that should be considered, depending on the circumstances:

- Observation of area to determine if damage or malfunction could have been caused by outside forces.
- Questioning of anyone in area that may have witnessed an incident bearing on cause of occurrence.
- Removal of damaged or malfunctioning facility for laboratory tests.

7.14 Emergency Job Site Control

In an emergency, reaction time is critical. The most important factor is to prevent death or serious injury to employee(s) and the general public. Therefore, the control of the job and its perimeter is a prime concern of the employee(s) arriving on the site. This section shall consider three areas - first, the site which includes the excavation and the actual work to be done. Second, the perimeter – the point beyond which all unnecessary individuals are kept, including Company employees not needed to make the repair. Third, the incident site command post. Job knowledge and nature of incident will dictate when and how much of this plan will need to be implemented.

Job Site Control

The following steps must be taken to establish control at the incident site:

- (1) Establish a perimeter around the site, at a safe distance from the escaping gas. (This distance should be no less than 30 feet).
- (2) Permit only those personnel at the site of escaping gas who are directly assisting in implementing the corrective action or are immediate backup.
- (3) Support personnel should be kept back just inside the established perimeter.
- (4) General public and other personnel should be kept behind the perimeter line. In some cases, a second

7. EMERGENCY PROCEDURES, 49 CFR Part 192.615

perimeter some distance back will be required to keep people back.

(5) Use Fire and/or Police Department assistance in setting up the perimeter and for keeping a path to site open for Company vehicles.

(6) Care must be taken where manholes have been opened or vent holes have been dug. To insure public safety, cones, barricades, barricades tape, etc. should be used.

(7) Be sure appropriate authorities are notified as needed when traffic lanes need to be closed or are closed. As soon as possible, these closed lanes should be reopened.

(8) As appropriate, designate staging areas away from the site where additional Company support personnel can meet.

Command Post

The Objectives of the command post are as follows:

- 1) To coordinate field communications with:
 - Radio dispatch
 - Fire, rescue and other services on site.
- 2) To free up the site supervisor for directing field activities.
- 3) To provide a reporting location at the incident site.

Procedures for setting up a command post are as follow:

A) When an incident occurs requiring the use of a command post, as determined by the Supervisor or his/her representative will select a location at the perimeter of the incident site. The command post will be the focal point of all activities, except for the physical control of emergency situation. The command post will be appropriately identified.

B) Once the command post has been set up, the communicators will identify themselves as the command post to the radio dispatcher. The command post should consist of at least two people...a communicator and a "runner". The command post will establish on site communications with the Fire Rescue Command Post, when applicable.

B) The command post personnel will log the arrivals, location assignments, and departures of the incoming crews and personnel, also the sequence of the incident site activities as accurately as possible. If more than one incident, requiring a command post, are occurring simultaneously, it will be the responsibility of the radio dispatcher to designate the command post as Command post #1, #2, etc.

B) The command post will be deactivated by either the incident site supervisor.

7.15 Notification/News Media

Notification Requirements

The appropriate state and federal authorities and the mayor shall be notified and reports filed as outlined in Section 1 of this Operations Procedure Manual.

News Media

All news media inquiries should be directed to the mayor or Fire personnel on site. Contact with media must only be made through authorized personnel. Following are some examples of emergency announcements that may be used during certain crisis situations when dealing with the media. These announcements are not to be used except when authorized by the mayor. These radio announcements have been prepared so that with minor changes they can be used in emergencies, eliminating long phone calls.

Threatened Interruption Due To Break in Pipeline

Here is an emergency announcement by B&W Pipeline. There has been a break in the pipeline bringing Natural Gas to (name of town). Until the break can be repaired you are urged to use as little gas as possible.

- Turn down your thermostat to 65 degrees.
- Shut off rooms not needed.

7. EMERGENCY PROCEDURES, 49 CFR Part 192.615

- Delay cooking and washing.

We repeat. There has been a break in the pipeline system bringing Natural Gas to this area. Please use as little gas as possible until the break is repaired. You will be advised when the emergency is over.

Emergency Is Over After Threatened Interruption.

The natural gas emergency is over. Domestic consumers can now resume their normal use of gas. Large industrial and commercial customers will be advised by telephone when to resume operation. B&W Pipeline thanks its customers for their fine cooperation when they were asked to cut down on their use of gas.

We repeat. The natural gas emergency is over.

Interruption Due To Break In Pipeline.

Here is an emergency announcement affecting your gas service. Please LISTEN CAREFULLY.

There has been an interruption in gas service in (city or section of city) caused by a break in the pipeline which brings natural gas to this area. It is extremely important that you TURN OFF all gas appliances... and MAKE NO ATTEMPT TO USE THEM AGAIN until further notice. The break is being repaired as rapidly as possible, and it is expected that the interruption in gas service here will be a short duration. You will be advised immediately by radio when this emergency is over. Meanwhile, if you smell gas DO NOT operate any device that makes an electrical connection (such as phone, light switch, thermostat, flashlight, etc.) or strike matches. Open windows and doors and then RECHECK your gas appliances to be sure they are all turned COMPLETELY off.

Please pass this information on to friends and neighbors who may not have heard the announcement. To avoid congestion in telephone service, please pass the information on IN PERSON, whenever possible. You will be advised immediately when this emergency is over.

Gas Turn-on After Interruption.

The B&W announces that natural gas was again turned into its distribution system at _____ o'clock today. PLEASE MAKE NO ATTEMPT TO RELIGHT YOUR GAS APPLIANCES YOURSELF. A B&W Pipeline representative will come as quickly as possible to restore your gas service.

If you smell gas DO NOT operate any device that makes an electrical connection (such as phone, light switch, thermostat, flashlight, etc.) or strike matches. Open doors and windows immediately and then RECHECK your gas appliances to be certain they are turned COMPLETELY OFF. If you are away when the gas company representative comes, he will leave a large printed card and will continue to return until he finds you in. Please do not ask him to stop to adjust appliances. He has time only, on this first call, to see that your gas appliances are safe to use. We repeat. Natural gas has again been turned into the distribution system of B&W Pipeline. A gas company representative will come as quickly as possible to restore your gas service. Meanwhile, please DO NO attempt to relight your gas appliances yourself.

Precautions to take during freezing weather

With the large majority of the Company's facilities located underground, the pipeline system rarely experiences problems during freezing precipitation as with other utilities.

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However, under extremely rare weather conditions where the accumulation of ice is great, the possibility exists that above ground gas equipment may experience operating problems. Should you smell gas in your home or business during these icy conditions, please leave immediately and call the gas company's emergency phone number at (615-699-2011) from an outside location or a neighboring home or business. While in the suspected home or business, please DO NOT operate any device that makes an electrical connection (such as phone, light switch, thermostat, flashlight, etc.) or strike matches.

Service Interruptions – Low Temperatures

Over the last several years, B&W Pipeline has experienced tremendous growth in our system, which could lead to localized pressure problems or isolated outages during periods of extremely low temperatures.

However, B&W Pipeline is continually working to ensure that these problems do not occur. If you should experience an outage or pressure related problem, please call us at (615-699-2011). We are committed to meeting your natural gas needs.

Tornado, Hurricane and/or Flood Damages

With the large majority of B&W Pipeline facilities located underground, the pipeline system rarely experiences problems during most natural disasters as with other utilities. However, as with any natural disaster, the force and destruction anticipated can not be underestimated. Under these types of extremely volatile weather conditions, where the chance of large objects or building structures being moved is great, the possibility exists that above ground gas equipment may be damaged. Should you smell gas in your area call the gas company's emergency phone number at (615-699-2011). However, should you smell gas in your home or business during these conditions, where possible, please leave immediately and call B&W Pipeline emergency phone number from an outside location or a neighboring home or business. While in the suspected home or business, please do not operate any device that makes an electrical connection (such as phone, light switch, thermostat, flashlight, etc.) or strike matches.

Earthquake Damage

With the large majority of the B&W Pipeline facilities located underground, natural gas systems are as susceptible as any other utility to earthquake damage. After an earthquake has occurred, please call the Gas Company's emergency phone number at (615-699-2011) should you smell gas in your area. However, should you smell gas in your home or business, where possible, please leave immediately and call the B&W Pipeline emergency phone number from an outside location or a neighboring home or business. While in the suspected home or business, please DO NOT operate any device that makes an electrical connection (such as phone, light switch, thermostat, flashlight, etc.) or strike matches.

8. PUBLIC EDUCATION/ AWARENESS

All information in relation to Public Awareness is located in a separate document. See the Public Awareness Plan

9. FAILURE INVESTIGATION, 49 CFR § 192.617

9.1 Investigation of Failures

The first person to arrive at an accident site shall make every effort to preserve the scene (as much as practical under the conditions) until the investigation team is formed and arrives at the site. In addition this person should gather as much detailed information as possible to aid the investigation team in determining the cause of the accident.

B&W is responsible for the timely investigation of all failures occurring on the gas system. Upon notification of an accident or failure, an investigation team should be assembled to visit the site for the purpose of gathering evidence in determining the cause of the incident. In addition, the names of any witnesses should be recorded by initial response personnel and furnished to the investigation team upon arrival. Assistance from various areas may be requested. Services of the outside legal counsel, safety personnel, and investigative experts may be requested to assist in ensuring an impartial, objective, and complete investigation and proper preservation of evidential material.

Where deemed necessary, in order to determine the cause of any failure, samples of the failed facility or equipment will be collected, preserved, and secured for future laboratory analysis. Information obtained from the analysis will be used to determine the cause and minimize the possibility of a recurrence.

9.2 Conclusion and Report Preparation

The investigation team shall, after analysis of the facts, reach a conclusion as to the cause (or probable cause) of an accident or failure. The written incident review report shall include all information relevant to the determination (test results, photographs, drawings, statements, laboratory analysis, etc.) as exhibits. Any recommendations that may avert future incidents of a similar nature shall be so stated in the report. The Supervisor shall review the report and take any necessary action concluded from the analysis of the event.

10. MAOP PROCEDURES, 49 CFR Part 192.201, 192.619, 192.621, and 192.623

10.1 General Requirements

Each new pipeline, main, and/or service line, including piping and fabricated assemblies associated with regulator stations or similar facilities must be pressure tested to substantiate the proposed maximum allowable operating pressure and ensure that no potentially hazardous leaks exist. These requirements also apply to relocated piping and replacement sections. Welds and fittings used to tie-in a tested section of piping are exempt from the pressure test requirements. However, they should be tested with a soap solution for leakage at system pressure or, X-rayed if such inspection was employed on the line. When making leak tests, the pressure source must be physically disconnected from the test section during the test period. Where plastic pipe is being tested; the temperature of the plastic pipe must not exceed 100° F during the test or the temperature at which the material's long-term hydrostatic strength has been determined under the listed specification, whichever is greater.

No segment of steel or plastic pipeline may be operated at a pressure that exceeds the lowest of the following:

A) The design pressure of the weakest element in the segment. However, for steel pipe in pipelines being converted or uprated, if any variable necessary to determine the design pressure under the design formula is unknown, one of the following pressures is to be used as design pressure:

- (1) Eighty percent of the first test pressure that produces yield under section N5.0 of Appendix N of ASME B31.8, reduced by the appropriate factor in paragraph (a)(2)(ii) of this section; or
- (2) If the pipe is 12¾ inches or less in outside diameter and is not tested to yield under this paragraph, 200 p.s.i. gage.

B) The pressure obtained by dividing the pressure to which the segment was tested after construction as follows:

- (1) For plastic pipe in all locations, the test pressure is divided by a factor of 1.5.
- (2) For steel pipe operated at 100 p.s.i. gage or more, the test pressure is divided by a factor determined in accordance with the following table:

Class Location	Installed Before 11/12/70	Installed after 11/11/70	Converted under 192.14
1	1.1	1.1	1.25
2	1.25	1.25	1.25
3	1.4	1.5	1.5
4	1.4	1.5	1.5

C) The highest actual operating pressure to which the segment was subjected during the 5 years preceding July 1, 1970 (or in the case of offshore gathering lines, July 1, 1976), unless the segment was tested in accordance with paragraph (b) above after July 1, 1965, or the segment was uprated.

D) The pressure determined by the Company to be the maximum safe pressure after considering the history of the segment, particularly known corrosion and the actual operating pressure. In addition, no person may operate a segment to which this paragraph is applicable, unless overpressure protective devices are installed on the segment in a manner that will prevent the maximum allowable operating pressure from being exceeded. Notwithstanding the other requirements of this section, the Company may operate a segment of pipeline found to be in satisfactory condition, considering its operating and maintenance history, at the highest actual operating pressure to which the segment was subjected during the 5 years preceding July 1, 1970.

10.3 Typical Installation

The pipeline is currently installed and designed with an MAOP of 60 psig. All B&W facilities shall be designed, constructed, operated and repaired as per Class 3 locations unless Class 4 requirements are applicable.

11. PRESSURE TESTS, 49 CFR Parts 192.503 through 192.515

11.1 General Testing Requirements

Each new pipeline, main, and service line, including piping and fabricated assemblies associated with regulator stations or similar facilities must be pressure tested to substantiate the proposed maximum allowable operating pressure and ensure that no potentially hazardous leaks exist. These requirements also apply to relocated piping and replacement sections. Welds and fittings used to tie-in a tested section of piping are exempt from the pressure test requirements. However, they should be tested with a soap solution for leakage at system pressure or, X-rayed if such inspection was employed on the line. When making leak tests, the pressure source must be physically disconnected from the test section during the test period. Where plastic pipe is being tested, the temperature of the plastic pipe must not exceed 100° F during the test or the temperature at which the material's long-term hydrostatic strength has been determined under the listed specification, whichever is greater.

11.2 Test Medium

The test medium must be liquid, air, natural gas, or inert gas that is:

- (a) Compatible with the material of which the pipeline is constructed;
- (b) Relatively free of sedimentary materials; and,
- (c) Except for natural gas, nonflammable.

Except as provided in Section 11.5, if air, natural gas, or inert gas is used as the test medium, the following maximum hoop stress limitations apply:

Class Location	Max Hoop Stress Allowed as Percentage of SMYS	
	Natural Gas	Air or Inert Gas
1	80	80
2	30	75
3	30	50
4	30	40

11.3 Safety Precautions

When conducting tests, every reasonable precaution shall be taken to protect employees and the general public. If the hoop stress of a line will exceed 50% of SMYS during the test, all practical means shall be used to keep persons not working on the testing operation out of the testing area until the pressure is reduced to or below the maximum allowable operating pressure. Normally, all pipelines, mains, and services will be backfilled, except for necessary bell-holes, prior to testing. Replacement sections and other facilities that must be tested above ground, shall be adequately braced or otherwise restrained, as necessary.

11.4 Environmental Protection

The test medium shall be disposed of in a manner that will minimize damage to the environment. When dewatering a line, care shall be exercised to minimize flooding, erosion of the land, or contamination of water supplies.

11. PRESSURE TESTS, 49 CFR Parts 192.503 through 192.515

11.5 Test Requirements for Mains

Strength Test Requirements for Steel Mains to Operate at a Hoop Stress of 30 Percent or More of SMYS

Except for service lines, each segment of a steel pipeline that is to operate at a hoop stress of 30 percent or more of SMYS must be strength tested in accordance with Section 10.1(B) times the proposed maximum allowable operating pressure. In addition, in a Class 1 or Class 2 location, if there is a building intended for human occupancy within 300 feet of a pipeline, a hydrostatic test must be conducted to a test pressure of at least 125 percent of maximum operating pressure on that segment of the pipeline within 300 feet of such a building, but in no event may the test section be less than 600 feet unless the length of the newly installed or relocated pipe is less than 600 feet. However, if the buildings are evacuated while the hoop stress exceeds 50 percent of SMYS, air or inert gas may be used as the test medium. In a Class 1 or Class 2 location, each compressor station, regulator station, and measuring station, must be tested to at least Class 3 location test requirements. If a component other than pipe is the only item being replaced or added to a pipeline, a strength test after installation is not required, if the manufacturer of the component certifies that:

- A) The component was tested to at least the pressure required for the pipeline to which it is being added; or
- B) The component was manufactured under a quality control system that ensures that each item manufactured is at least equal in strength to a prototype and that the prototype was tested to at least the pressure required for the pipeline to which it is being added. For fabricated units and short sections of pipe, for which a post installation test is impractical, a pre installation strength test must be conducted by maintaining the pressure for at least 4 hours.

Test Requirements for Pipelines and Mains to Operate at a Hoop Stress Less Than 30 Percent SMYS and at or Above 100 PSI Gage.

B&W currently does not operate a section of pipeline at or above 100 PSIG and less than 30 % SMYS. However this section remains in the O&M to give instruction if a section of steel main that operate less than the hoop stress of 30% SMYS but above 100 PSI is installed.

(A) Test Specifications

Each new steel main that is to be operated at a hoop stress less than 30 percent SMYS and at or above 100 psig shall be tested at a pressure by a factor in accordance with Section 10.1(B) times the proposed maximum allowable operating pressure. The results of each test must be recorded with an accurate pressure gage of suitable pressure range. To be acceptable, the test record should show no drop in pressure after allowance for temperature change has been made.

(B) Test Piping to be Stressed to 20 Percent or more of SMYS

If, during the test, the segment is to be stressed to 20 percent or more of SMYS and natural gas, inert gas, or air is the test medium:

- (1) A leak test must be made at a pressure between 100 psi gage and the pressure required to produce a hoop stress of 20 percent of SMYS; or
- (2) The line must be walked to check for leaks while the hoop stress is held at approximately 20 percent of SMYS.

Test Requirements for Pipeline to Operate at or Below 100 PSIG

B&W currently only installs plastic pipe that operates below 100 psig. Each new steel or plastic main that is to be operated at or below 100 psig shall be tested with air (or an inert gas such as nitrogen) at 1.5 times the maximum allowable operating pressure. However, the test pressure may not be below 90 psig. For plastic mains, the maximum test pressure may not be more than three times the design pressure at a temperature not less than the pipe temperature during the test. However, where feasible, each main

11. PRESSURE TESTS, 49 CFR Parts 192.503 through 192.515

(other than plastic) that is to be operated at less than 1 psig may be tested to at least 10 psi gage. Plastic mains must be tested to a pressure of at least 50 psig.

Test Durations when Testing Pipeline

The results of each test shall be recorded with an accurate pressure gauge of suitable pressure range. To be acceptable, the test record shall show no drop in pressure after corrections for temperature have been made. (One percent change in absolute pressure for each 5 degrees temperature change). If temperature correction is applied, the method for attaining correction factor must be recorded with test records. The test duration shall be long enough to ensure discovery of all potentially hazardous leaks. The following table indicates the minimum test duration times for certain main extensions by size:

Minimum Hours for Test Durations ^a			
Pipe Size	0 to 1,000 ft	1,001 to 2,500 ft	Greater than 2,501 ft
Less than or Equal to 2"	2	4	12
4"	2	4	12
6"	4	8	24
8"	4	8	24
Greater Than 8"	12	24	24

a. For steel pipelines to operate at a hoop stress of 30 percent or more of SMYS, the strength test must be conducted by maintaining the pressure at or above the test pressure for at least 8 hours. However, for fabricated units and short sections of pipe, for which a post installation test is impractical, a pre installation strength test must be conducted by maintaining the pressure for at least 4 hours.

Records

Appropriate records shall be made of each test performed under this section to justify the segments maximum allowable operating pressure and shall be retained for the life of the facility. For pipelines and mains tested to operate at or over 100 psig, the test record shall include the following information:

- The test medium used, i.e. water, air, etc.
- Test pressure.
- Test duration.
- Test date.
- Pressure recording charts, or other record of pressure readings.
- Elevation variations, whenever significant for the particular test.
- Leaks and failures noted and their disposition.

The name of the Company and Company representative responsible for test and/or name of any outside testing company used should be recorded.

11.6 Test Requirements for Service Lines

These procedures apply to the testing of typical service lines, 2 inch pipe size or smaller. Unusually long services, those larger than 2 inch, and services to be stressed to 20% or more of SMYS should be tested in accordance with applicable test requirements for mains. If feasible, the service connection to the main must be tested with the service line; otherwise, it must be tested for leakage at system pressure when placed in service. Where an excess flow valve has been installed, the flow of gas should be introduced into the service so that no adverse effect on the EFV's operation is experienced.

Test Requirements for Steel Service Lines

Each new, replacement, or reinstated uprated service (except plastic) must be subjected to a minimum of 100 psig or greater air pressure test prior to being put in service. This test will consist of pressurizing the service line after it has been welded and all work completed except the final connection at the main. This test may be performed either after the service is connected to the service tee but before it has been tapped, or just prior to placing the service in the trench. The pressure test shall consist of a drop test to be observed for a minimum of twenty (20) minutes after the section to be tested has been isolated from

11. PRESSURE TESTS, 49 CFR Parts 192.503 through 192.515

the pressurizing medium. If the service line shows no drop in pressure during this twenty (20) minute period, the gauge will be removed and the service line considered acceptable. A notation such as "Pressure tested to 100 psig" or an equivalent statement must be shown on the service ticket. (Any points or connections made after the test should be soap tested after the line has been pressurized with natural gas).

Test Requirements for Polyethylene Service Lines

In the case of new, replacement, or reinstated updated plastic services, the above procedures shall apply with the following exceptions:

- A) The test pressure must be at least 150% of the maximum operating pressure or 50 psig, whichever is greater, but shall not exceed three times the design pressure of the pipe (tubing). The prescribed pressure should be applied, given time to stabilize, and observed for a period of at least twenty (20) minutes.
- B) Temperature of the pipe (tubing) must not exceed 100°F during the test.

Records

Appropriate records shall be made of each test performed under this section to justify the maximum allowable operating pressure and shall be retained for the life of the facility

11. PRESSURE TESTS, 49 CFR Parts 192.503 through 192.515

12. ODORIZATION, 49 CFR § 192.625

B&W operates a transmission line where more than 50% of the line is outside Class 3 & 4 locations, therefore is not required to odorize the gas. However, at times the gas in the pipeline may be odorized. The odor may be produced from natural constituents present in the gas stream or a chemical odorant added to gas being transported by B&W. **12.1 Types of Odorant**

The odorization procedures and odorant used shall comply with the requirements of DOT. Commercial odorants used by B&W will consist chiefly of tertiary butyl mercaptan blend. Acceptable odorants are DL Captan or equivalent.

12.2 Rates of Odorization

When odorization is required it shall be added to the gas at a rate such that the presence of odorized gas is readily detectable in concentrations of 20 percent of the lower explosive limit (LEL), or approximately 0.8 percent gas in air.

The amount of commercial odorant necessary to meet the above requirement is dependent on many factors including the type of odorant, the amount of sulfur present in the purchased gas, and the age and type of the system. Under normal operating conditions, odorant injected at a rate between 1.00 and 2.00 pounds of odorant per million cubic feet of gas will generally be adequate. However, actual odorization rates are developed based on odorant sampling results. B&W usually performs monthly odorant calculations to determine the volume of odorant that is injected into the gas distribution system.

Example An Odorant Usage Calculation Example is: lbs. of mercaptan injected ÷ [MCF used x 1000] = Lbs. of mercaptan per mmcf

12.3 Odorization Equipment

When odorization is required odorizers must be designed to control the amount of odorant supplied to the system without wide variations. Each odorizer shall be equipped with a device to permit determination of the amount of odorant injected. Odorizers and associated piping must be carefully designed and installed to avoid leakage. Threaded joints should be made with Teflon tape. Ordinary pipe dope should never be used. Odorizer installations shall be designed with adequate storage to minimize refills, and to allow accurate checks of odorant usage.

12.4 Odorant Sampling

When odorization is required B&W will conduct periodic sampling of combustible gases to assure the proper concentration of odorant in accordance with this section. The periodic sampling of B&W's natural gas throughout the distribution system is carried out to assure proper odorant levels are achieved and maintained. This sampling will be conducted monthly with the use of an analytical instrument or machine. The instrument will be kept properly calibrated to accurately determine if the odorant is detectable at a gas-in-air concentration of one-fifth the LEL.

13. TAPPING PIPELINES UNDER PRESSURE, 49 CFR Part 192.151 and 192.627

These requirements apply to hot taps, system tie-ins, maintenance operations and to fittings and equipment used for the purpose of pressure control. All such work will be performed by crews qualified through experience or which have been trained in the use of the equipment, including pressure limitations, safety precautions, and the procedures to be employed during such operations. Working with blowing gas shall be avoided except where emergency conditions make it necessary. Under these circumstances, suitable protective equipment shall be used by personnel for protection from a hazardous atmosphere or injurious particles in the gas stream.

Prior to hot tapping, an inspection of exposed piping should be made to:

- A) Verify the identity of the pipe to be tapped by location, size, kind of pipe and type of coating.
- B) Determine that the pipe at the tap location selected is in good condition.

Pressure gauges shall be used to verify operating pressures where there is any possibility of inadvertently tying in systems of different pressure classifications.

13.1 Mechanical Fittings

Each mechanical fitting used to make a hot tap must be designed for at least the operating pressure of the pipeline.

14. PURGING, 49 CFR Part 192.629

All piping should be purged of air before being placed in service. Vent stacks shall be located so that gas may be discharged safely taking into consideration nearby buildings, overhead power lines and other sources of ignition. All smoking and open flames shall be prohibited in the area during the purging and blowing operation. Each potential source of ignition must be removed from the area.

Vent stacks shall be effectively grounded to prevent build-up of static electricity. In addition, proper grounding of piping should be maintained throughout the purging operation.

Purging should continue with as little interruption as practical until the piping is purged.

When piping is being purged of air by the use of gas, the gas must be released into one end of the line in a moderately rapid and continuous flow. This operation will continue uninterrupted until the piping being purged is free of air. A slug of inert gas will be released into the line before the gas if conditions are such that gas cannot be supplied in sufficient volume to prevent formation of a hazardous gas-air mixture.

If piping is being purged of gas by the use of air, the air must be released into one end of the line in a moderately rapid and continuous flow. If air cannot be supplied in sufficient quantity to prevent the formation of a hazardous mixture of gas and air, a slug of inert gas must be released into the line before the air.

When air is used for purging, a combustible gas indicator or other effective means shall be used to insure that a combustible mixture is not present after purging.

14.1 Purging Mains of Test Medium and/or Air

Purging shall be done through a metallic vent stack located at the end of the main, which extends at least 8 feet above ground level, and is equipped with a valve where necessary for safe control.

Before putting gas in the main, the vent stack shall be carefully braced and blocked as necessary to prevent a blow off. Gas should be admitted into the main at a moderately rapid flow to minimize mixing of the gas and air. However, high velocities which could cause a spark by moving solid particles, such as rocks, should be avoided.

With the purging fitting and squeeze unit open, partially open the valve, control fitting, or squeeze unit at the tie-in point to admit gas to the new main. Be sure proper grounding of main is maintained throughout the purging operation. Purging shall continue uninterrupted until the new main is free of the test medium and/or air. This should be confirmed by use of a combustible gas detector.

Network systems and long main extensions from which laterals have been run should be purged in accordance with a predetermined plan. The number and location of vent points will depend upon the piping system configuration.

14.2 Purging Services of Test Medium and/or Air

After testing new services with air or an inert gas, the test medium must be purged before placing the service into operation. The purging operation should be performed at the riser with an ell placed on the riser or standpipe, if necessary, to direct the purged substances away from the building.

Where an excess flow valve (EFV) has been installed on the service, care should be taken to ensure that the EFV is not tripped during the purge.

15. MAINTENANCE, 49 CFR § 192.701 & 912.703

15.1 Repair Procedures

If at any time, a pipeline facility is discovered to be damaged or deteriorated to the point that its serviceability is impaired, or if a leak is found that creates a hazard, immediate and continuous measures shall be taken to make the situation safe. If it is not feasible to make a permanent repair at the time of discovery, temporary repairs can be made; however, permanent repairs shall be made as soon as possible. Operating pressure must be at a safe level during the repair operations.

Repair of Steel Pipe

Steel lines operating pressures at less than 20 percent of SMYS must be repaired by one of the following methods:

- Cutting out a cylinder and replacing the damaged piece of pipe
- Applying a full encirclement split sleeve
- Applying a properly designed bolt-on leak clamp or sleeve
- Applying a fillet-welded steel plate patch with rounded corners of similar material of equal or greater strength that is not more than one-half the diameter of the pipe

Permanent Weld Repair

Steel lines operating at less than 20 percent SMYS that have welds that are leaking or have otherwise failed may be repaired by installing a full encirclement welded split sleeve of appropriate design, or by removing a section of pipe containing the weld and replacing it with a new pipe of equal or greater strength. Any method allowed by the welding procedures will also be allowed.

Repair of Plastic Pipe

The repair of plastic pipe or couplings shall be made by replacing the damaged or leaking pipe or coupling with a new section of pipe of equal or greater strength rating. The recommendations of the plastic manufacturer should be taken into consideration when determining the type of repair that is to be made.

Mechanical Joints

The use of compression type fittings for repairs to plastic pipe is permitted if the fitting is designed to withstand longitudinal pullout. The fitting must be installed in accordance with the manufacturer's procedures. Each compression type joint on plastic pipe must be made with a rigid stiffener that fits the inside diameter of the pipe closely to prevent crushing of the plastic pipe. Any gasket material in the fitting must be compatible with the plastic. Nonferrous fittings shall be used when joining plastic pipe to plastic pipe for repairs. All joints must be designed and installed to sustain the forces caused by expansion or contraction of the piping or anticipated external or internal forces. Each joint must be made in accordance with written procedures that have been proven by test or experience to produce strong gas-tight joints (may be manufacturer's recommendations). Each joint must be inspected to ensure compliance with the procedure.

15. MAINTENANCE, 49 CFR § 192.701 & 912.703

15.3 INSPECTION AND TESTING

All pipe and materials shall be transported to and handled with care at the site to prevent damage. All material must be visually inspected before installation, and damage found shall be repaired. If repair is impossible or impracticable, the material shall not be used. All pipe must be examined visually both inside and out before it is installed in the pipeline. Any loose rust, scale, or foreign material shall be removed from the inside by cleaning before the piece is installed. A second surface inspection must be made immediately prior to lowering into the excavation. Special inspection requirements for pipe of various materials are indicated as follows:

Coated Steel Pipe

Coated steel pipe must be visually inspected and should be checked with a holiday detector. Any areas of coating damage must be inspected in detail to make sure that the pipe underneath has not also been damaged. Any damaged coating shall be repaired.

Plastic Pipe

- Plastic pipe must be inspected visually prior to lowering.
- Defects found in the pipe must be repaired as indicated in this procedure before the pipe is placed in service.
- Any heat fusion joint that appears defective (visual inspection) or fails a nondestructive test must be removed from the line.
- If the repair has been made by replacing a pipe section, it must be tested as though it were a new line in the same location. The test shall be made on the section before installation. All tie-in welds, clamps, sleeves, and saddles must be visually inspected and soap tested at line pressure.

16. PATROLLING, 49 CFR Part 192.705

16.1 Patrolling of Facilities

Pipelines

The frequency of patrolling must be determined by the size of the line, the operating pressures, the class location, terrain, weather, and other relevant factors. Generally, patrolling may be accomplished in conjunction with leakage surveys, scheduled inspections and other routine activities. When patrolling the pipelines the operator shall observe surface conditions, on and adjacent to the pipeline right-of-way for leaks, construction activity, and other factors affecting safety and operation. Patrols must be performed at the following intervals:

Maximum Interval between Patrols		
Class location of line	At Highway and Road Crossings	At other Places
1,2	7 ½ months; but at least twice each calendar year	15 months; but at least once each calendar year
3	4 ½ months; but at least four times each calendar year	7 ½ months; but at least twice each calendar year
4	4 ½ months; but at least four times each calendar year	4 ½ months; but at least four times each calendar year

Patrolling methods may include walking, driving, flying or other appropriate means of traversing the right-of-way

Casings

B&W patrols any steel pipe in a steel casing that is shorted at intervals not exceeding 4 ½ months, but at least 4 (four) times a calendar year.

16.3 Pipeline Markers

Pipeline markers should be inspected during regular patrols and inspections to insure that they are in satisfactory condition and properly located per the requirements outlined in Section 18 for installation of pipeline markers.

16. PATROLLING *49 CFR Part 192.705*

16.4 Records

A record shall be made of the time of each patrol or inspection identifying the portion of pipeline or distribution system covered and the conditions found. If maintenance or repair is necessary, the work performed and the date of completion shall be made part of the patrol record.

This section sets forth the standards and procedures for required gas leak surveys for all pipelines owned and operated by B&W. It further provides for the type and frequency of each survey, and further explains the standards by which leaks are classified, and explains record requirements.

In accordance with minimum Federal Pipeline Safety Standards, leakage surveys are required on distribution under 192.705.

17. LEAK SURVEY, 49 CFR Part 192.706

17.1 Leak Classification and action criteria

The following establishes a procedure by which leakage indications of flammable gas can be graded and controlled. Particular care must be taken to determine whether any discovered leakage is entering a building or sewer system. When evaluating any suspected gas leak, the initial step is to determine the perimeter of the potential leak area. When the perimeter extends to a building wall, the investigation should continue into the building. Leaks shall be isolated to the general location of mains and services, meter set assemblies, district regulators, or customer's piping or appliances. Appropriate personnel shall then classify the leak and take action in accordance with the schedule in the following table.

Maximum Interval between Surveys	
Class location of line	Timeframe
1,2	15 months; but at least once each calendar year
3	7 ½ months; but at least twice each calendar year
4	4 ½ months; but at least four times each calendar year

17. LEAK SURVEY, 49 CFR Part 192.723

Leak Grade Classifications and Conditions

Leak Grade	Definition	Conditions Include but not limited to:
1	A Grade 1 leak is a gas leak, which due to its location and/or relative magnitude constitutes a potentially hazardous condition to the public or buildings. Any Grade 1 leak requires corrective action that shall consist of immediate effort to protect life and property and continuous action until the condition is no longer hazardous and scheduled for immediate daily repair activity.	<ul style="list-style-type: none"> Any indication of gas entering buildings or tunnels Any reading from a combustible gas indicator within 5 ft of the foundation wall of a building, which in the judgment of the operator is potentially dangerous Any reading of at least 4% or greater gas-in-air on a sidewalk in a wall-to-wall paved area where the volume of the leak presents a potential hazard to persons or property Blowing gas Four percent or greater gas-in-air reading in manholes, vaults, or catch basins Any leak which, in the judgment of the supervisor at the scene, is regarded as potentially hazardous
2	<p>A Grade 2 leak is a gas leak that does not constitute an immediate hazardous condition to the public or buildings, but requires scheduled repair. Grade 2 leaks should be repaired within a 15-month period as well as monitored every 6 months until cleared.</p> <p>Rechecked Grade 2 leaks that have not deteriorated may be rescheduled for repair if they are not in a hazardous location, and the repair would be difficult or expensive.</p>	<ul style="list-style-type: none"> A leak on a valve or appurtenance that has migrated beyond the valve box, which in the judgment of the operator, requires scheduled repair Reading between 2% and 4% gas-in-air on a sidewalk in a wall to-wall paved area where the volume of the leak presents a potential hazard to persons or property Any reading between 2% and 4% gas-in-air in a manhole or catch basin Any Grade 3 leak under frost conditions could migrate substantially A high density of Grade 3 leaks in the street of a business or residential area
3	A Grade 3 leak is any other leak not classified as either a Grade 1 or Grade 2 leak.	<ul style="list-style-type: none"> Grade 3 leaks shall be re-evaluated at the next scheduled

When using the grade classifications for leakage, consideration must be given to the fact that the analysis of a leak is not an exact science, but rather a judgment decision. Some of the individual grade classifications do not have precise limits because of the variable nature of the factors involved. Individuals who possess knowledge, skills and abilities gained through association with leakage classification events will only make grade classifications. B&W personnel equipped with combustible gas indicators are trained and qualified. The judgment of these individuals based upon information gained at the scene of the leak will form the basis for the classification.

17. LEAK SURVEY, 49 CFR Part 192.723

17.2 Leak Repair Documentation

A leak repair ticket will be used for the entire history of a leak through the follow-up inspection. The document will contain information on the corrective action taken and the follow-up results (when the operator deems a follow-up inspection is necessary). Leaks may only be reclassified by qualified individuals who are identified on the repair ticket. Any leak or odor call from the general public, police, fire, or other authorities, or notification of damage to facilities by contractors or other outside sources constitutes the need for prompt action.

17.3 Leakage Survey Types

The following are types of leakage surveys that may be utilized. The type of survey utilized shall be determined by the nature of the operations and the local conditions.

Surface Gas Detection Survey

A continuous sampling of the air, by portable or mounted gas detection equipment, at or near ground level above buried facilities is known as a surface survey. Sampling should be done per manufacturer's recommendations. In paved areas sampling should also be performed at the curb line, manholes, catch basin, water boxes, cracks in the pavement and wherever else natural gas may tend to vent. For exposed piping and fittings, sampling should be done adjacent to the pipe surface.

Indication of underground leakage shall be confirmed by use of a combustible gas detector. Surface gas surveys should not be conducted when the soil has high moisture saturation, frost penetration or if there are excessive winds.

Subsurface Gas Detection Survey

A sampling of the atmosphere below ground level using a combustible gas indicator (CGI) capable of reading 0.5% gas in air is called a subsurface survey. The survey is performed by testing with a CGI, a number of holes punched in the soil near the gas line. A probe rod is used for probing. Points to be tested include locations over service tees, main line valves and couplings. Probe holes are generally placed no farther apart than approximately 10 feet. Available openings should be tested. At times it may be necessary to drill to obtain access to the subsurface above the pipe. The probe holes should all be approximately the same depth.

Vegetation Observation

Visually examining surface vegetation for discoloration, stunting or other deformities due to natural gas leakage is called a vegetation survey. Any evidence of stunted growth, dead or yellowing grass, plants, trees, weeds, etc., should be checked using a surface gas detection survey or subsurface techniques for verification. This type of survey is not satisfactory where there is a sparse growth of vegetation, or when the vegetation is dormant, when soil moisture is high, or during a period of rapid growth as in early spring.

Business District

Business districts are the areas in a community primarily used for business, where the public regularly congregates and pavement is generally continuous between mains and the buildings. A review of each town or operating area should be conducted annually to delineate these business areas as they relate to our facilities. Surveys are to be conducted by an individual qualified in leak survey techniques.

Distribution Line Survey

Gas surveys of all distribution lines shall be conducted by using flame ionization instruments or other industry approved leak detection equipment which is capable of continuous sampling of the atmosphere. Standard combustible gas indicators (CGI) shall be used to verify and quantify the percent gas in air and

17. LEAK SURVEY, 49 CFR Part 192.723

to pin point the exact location of the leak. Vegetation surveys may be used as a means of survey if the pipeline is an odorized transmission pipeline in class 1 or 2 locations, if allowed by state regulatory agencies. The survey will be performed within the time frames required.

In areas where the piping is under pavement, samplings should also be done at curb line(s). Good judgment should also be utilized to determine and test a sample number of available openings such as manholes, catch basins, sewers, etc. to provide an adequate survey.

18. LINE MARKERS ,49 CFR Part 192.707

18.1 Marker Warning

Pipeline markers shall contain the word "Caution", "Danger" or "Warning" followed by the words "Gas Pipeline" or "Natural Gas Pipeline" all of which, except for markers in heavily developed urban areas, must be in letters at least one inch high with one-quarter inch stroke. The appropriate company name and telephone number (including area code) shall also be located on the marker for emergencies. Information must be written legibly on a background of sharply contrasting color.

18.2 Buried Pipelines

A standard pipeline marker shall be placed and maintained as close as practical over each buried main at each crossing of a public road and railroad in class 1 and 2 locations. In addition, a standard pipeline marker shall be placed and maintained wherever necessary to identify the location of the main to reduce the possibility of damage or interference. Markers are not required over buried mains in Class 3 or 4 locations where a damage prevention program is in effect. A damage prevention program is in place for all class locations served by the Company.

18.3 Pipelines Aboveground

Pipeline markers shall be installed along each section of main, or regulator station that is located aboveground in an area accessible to the public. Where the use of pipeline markers is impractical, the required marking may be paint stencil onto or a sticker applied to the pipe surface.

18.4 Other General Areas

In the judgment of the Company, consideration should be given to installing pipeline markers over main lines that cross or lie in close proximity to an area where the potential for future excavation or damage is likely. Typical examples include the following.

- Drainage areas (such as flood-prone water courses).
- Irrigation ditches and canals subject to periodic excavations for cleaning out or deepening.
- Drainage ditches subject to periodic grading, including those along roads.
- Agricultural areas in which deep plowing or deep-pan breakers are employed.
- Active drilling or mining areas.
- Waterways or bodies of water subject to dredging or shipping activities.

19. TEST REQUIREMENTS FOR REINSTATING SERVICE LINES ,

49 CFR Part 192.725

When reinstating disconnected or temporarily disconnected service lines, the service line must be tested in the same manner as a new service line before being reinstated. Each service line temporarily disconnected from the main must be tested from the point of disconnection to the service line valve or shutoff in the same manner as a new service line before reconnecting. However, if provisions are made to maintain continuous service, such as by installation of a bypass, any part of the original service line used to maintain continuous service need not be tested. See Section 10 for pressure testing requirements.

Pressure test information shall be recorded on the appropriate work order to indicate that the necessary test was performed.

20. ABANDONMENT/ DEACTIVATION OF FACILITIES, 49 CFR 192.727

Abandonment procedures used in the gas system shall include the following:

- Facilities abandoned in place shall be physically disconnected from the active system piping, and open ends of the abandoned facility shall be permanently sealed.
- All abandoned facilities, when purged, must be purged in accordance with Section 13.0 of this manual to prevent the development of a potentially hazardous condition.
- An abandoned pipeline facility need not be purged when the volume is a small hazard. All other abandoned pipeline facilities shall be purged.
- Service lines connected to abandoned mains shall be permanently sealed below grade at the customer end of the service lines.

Check Prior to Abandonment: Office records should be checked and necessary field checks should be made to ensure the pipelines or mains scheduled for abandonment are disconnected from all sources and supplies of gas (such as other pipelines, mains, crossover piping, meter stations, customer piping, control lines, and other appurtenances).

Service lines abandoned from active mains must be disconnected at the main. PE service lines must be disconnected as close to the main as practicable. Both ends of the abandoned portion of the service line nearest to the main should be sealed.

When service to a customer is discontinued, the service cock is closed and secured with a lock. If discontinuance of service becomes permanent, the meter is removed and either the valve is locked, or the riser or fuel line is plugged. When accessible, the service valve at the street is closed.

21. PRESSURE LIMITING AND REGULATING STATIONS, 49 CFR Part 192.739, 192.743 and 192.741

21.1 General

Regulator inspection

Each pressure limiting station and pressure regulating station and its equipment must be subjected at intervals not exceeding 15 months, but at least once each calendar year, to inspections and tests to determine that it is:

- In good mechanical condition;
- Adequate from the standpoint of capacity and reliability of operation for the service in which it is employed;
- Set to function at the correct pressure; and,
- Properly installed and protected from dirt, liquids, or other conditions that might prevent proper operation.

Testing of Relief Devices

If feasible, pressure relief devices must be tested in place, at intervals not exceeding 15 months, but at least once each calendar year, to determine that they have enough capacity to limit the pressure on the facilities to which they are connected to the desired maximum pressure. If a test is not feasible, review the calculation of the required capacity of the relieving device at each station at intervals not exceeding 15 months, but at least once each calendar year. The required capacities should be compared with the rated or experimentally determined relieving capacity of the device for the operating conditions under which it works. After the initial calculations, subsequent calculations are not required if the review documents that parameters have not changed in a manner which would cause the capacity to be less than required. If the relieving device is of insufficient capacity, a new or additional device must be installed to provide the additional capacity required.

21.2 Safety Precautions

Regulator houses will be tested to determine that conditions are safe to make inspections. Sufficient personnel should be utilized so that the inspection and any necessary maintenance may be performed in a safe manner. Prior to disassembly of any facilities, tests shall be made to verify proper isolation of the affected segment of piping. This will normally be performed by opening test connections and safely dispersing any gas pressure to atmosphere. Adequacy of the isolation should also be monitored during maintenance or repair of the facilities.

21.3 Annual Inspection

Inspection of Pressure Limiting or Regulating Stations not Equipped with Service Type Regulators

- A) Station equipment will be inspected for leaks, particularly when gas was found in a vault or regulator house, and after performing maintenance. All leaks found will be repaired.
- B) Each station will be reviewed from the standpoint of capacity, reliability, proper installation, correct pressure settings, and protection from dirt, water, or other conditions that might prevent proper operation.
- C) When necessary, pressure regulating, monitoring, and relief valve equipment shall be overhauled, strainers, pilot filters, orifices, etc., cleaned, and all unserviceable parts replaced.
- D) An examination will be made to determine that the regulating equipment is operating properly and maintaining satisfactory pressure control. If there is evidence of unsatisfactory operation of balanced valve or other large regulators, or operating experience makes it advisable, the internal parts exposed to the flowing gas stream should be inspected for wear or deterioration. Mechanical linkage by which the main valve is actuated should be examined.

21. PRESSURE LIMITING AND REGULATING STATIONS,

49 CFR Part 192.739, 192.743 and 192.741

- E) Pressure recorders will be tested for accuracy using a pretested gauge and adjusted if necessary. Where pressures are not continuously recorded, a pressure recorder or gauge should be installed temporarily, when considered advisable, to determine that satisfactory pressures are being maintained.
- F) Each relief valve should be tested for correct pressure setting by applying gas pressure to the test connection.
- G) Each monitor regulator should be tested for proper operation and correct pressure setting by allowing it to take over the pressure control.
- H) Each standby regulator in parallel installations should be tested for proper operation by allowing it to supply the gas load.
- I) Valves should be inspected for proper operation and greased or packed as required.
- J) Regulator pits, vaults, and houses shall be inspected for good physical condition. Vault covers should be installed so that they will not present a hazard to public safety. Vaults having an internal volume of 200 cubic feet or more must be inspected to insure that the required ventilation equipment is adequate and functioning properly.
- K) Where necessary, station equipment will be cleaned of rust or corrosion and repainted.
- L) Relief valve isolation valves and, if applicable, control line valves on the relief will be locked open and bypass valves locked closed upon completion of the inspection.
- M) Inspect station for appropriate markers where necessary.

21.4 Required Overpressure Protection

Relief valves or other pressure limiting devices must be installed at each pressure regulating station to protect the system it feeds from overpressure. Relief valves will normally be sized to protect against complete failure of the largest single regulator, where they are installed parallel. Each relief valve or pressure limiting device installed to protect a system from overpressure must have enough capacity and be set to operate to prevent exceeding the established maximum allowable operating pressure (MAOP) by the following:

- A) Systems with a MAOP of 60 PSIG or more the pressure may not exceed the MAOP plus 10 percent or the pressure that produces a hoop stress of 75 percent of SMYS, whichever is lower. The operator does not operate any part of the gas system in this pressure range
- B) Systems with a MAOP of 12 to 60 PSIG the pressure may not exceed the MAOP plus 6 p.s.i. gage. This is the pressure range of the entire gas system.
- C) Systems with a MAOP less than 12 PSIG the pressure may not exceed the MAOP plus 50 percent. The operator does not operate any part of the gas system in this pressure range

21.5 Telemetry, Recording Gauges and/or Pressure Charts

Telemetry, recording gauges, and pressure charts will be monitored regularly. If there are indications of abnormally high or low pressure, the regulator and the auxiliary equipment must be inspected and the necessary measures employed to correct any unsatisfactory operating conditions.

Each distribution system supplied by more than one district pressure regulating station must be equipped with telemetry or recording pressure gauges to indicate the gas pressure in the district. The gauge or gauges should be located so that an abnormal pressure condition will be revealed. Usually, the most appropriate location for such gauges is at the outlet of each regulator station supplying the system. If the distribution system has only one pressure regulation station the operator should determine the need for telemetry, recording gauges, and/or pressure charts.

Each telemetry installation should be given an annual maintenance and calibration inspection to insure proper operation. The inspection should be recorded as appropriate to indicate that the inspection was performed.

21. PRESSURE LIMITING AND REGULATING STATIONS,

49 CFR Part 192.739, 192.743 and 192.741

21.6 Calibration of Gauges

Pressure gauges should be handled carefully and periodically checked for accuracy. Calibration checks should be recorded appropriately to indicate that a calibration inspection was performed.

21.7 Records

Appropriate records should be kept to indicate that pressure limiting and regulating stations are inspected and relief capacities maintained accordingly.

22. VALVE AND VAULT MAINTENANCE, 49 CFR Part 192.747 and 192.749

22.1 Valve Maintenance Procedure

All valves shall be inspected and serviced at required intervals not exceeding fifteen (15) months, but at least once each calendar year to insure safe operating condition. Servicing should include greasing and tightening in accordance with manufacturer's recommendations. Such procedure shall include the following:

- A) The valves are to be partially operated (to the extent of assurance to the inspector that the valve will move from its seat), lubricate if necessary or applicable, check for leaks, check for locking device (if aboveground and required), and check for need of additional required maintenance such as painting.
- B) In addition to the above, underground valve inspection shall include checking the alignment of the valve box to permit use of a key or tee wrench, and clearing any debris from the valve box or vault that would interfere with rapid operation of the valve.
- C) No affected valve shall be installed below grade without a valve box which will permit its operation from above grade. When existing buried valves are uncovered for any purpose, a valve box should be installed which will permit its operation from above grade when practical.

Any valve that is found inoperable must receive prompt remedial action. This action may include designating an alternative valve to be used.

22.2 Vault Maintenance

B&W does not have any vaults to maintain. If one is installed the following procedure shall be used.

Each vault housing pressure regulating and pressure limiting equipment, and having a volumetric internal content of 200 cubic feet or more, must be inspected at intervals not exceeding 15 months, but at least once each calendar year, to determine that it is in good physical condition and adequately ventilated. However, the volumetric internal content of standard regulator pits purchased by the Company are less than 200 cubic feet. If gas is found in the vault, the equipment in the vault must be inspected for leaks, and any leaks found must be repaired. The ventilating equipment must also be inspected to determine that it is functioning properly. Each vault cover must be inspected to assure that it does not present a hazard to public safety.

23. WELDING AND WELD DEFECT REPAIR/ REMOVAL,

49 CFR Parts 192.221-192.245 and 192.715 and 192.271

Part of the B&W pipeline is composed of steel. No cast iron is in the system therefore all cast iron requirements do not apply.

Welding must be performed by a qualified welder according to a written detailed welding procedure. These requirements do not apply to welding that occurs during the manufacture of steel pipe or steel pipeline components.

Before beginning any welding, the welding surfaces must be clean and free of any material that may be detrimental to the weld, and the pipe or component must be aligned to provide the most favorable condition for depositing the root bead. This alignment must be preserved while the root bead is being deposited. The welding operation must be protected from weather conditions that would impair the quality of the completed weld.

23.1 Welding Procedure Qualification

The quality of the test welds used to qualify the procedures shall be determined by destructive testing in accordance with Section 3 of API Standard 1104 or section IX of the ASME Boiler and Pressure Vessel Code. Each welding procedure must be recorded in detail, including the results of the qualifying tests. This record must be retained and followed whenever the procedure is used.

23.2 Qualification of Welders

Each welder must be qualified in accordance with Section 3 of API Standard 1104 or section IX of the ASME Boiler and Pressure Vessel Code. This qualification allows a welder to weld on transmission and distribution piping. A welder qualified under an earlier edition of this standard than listed in Appendix A of 49 CFR Part 192 (Minimum Federal Safety Standards) may weld but may not requalify under that earlier edition.

However, a welder may qualify to perform welding on pipe to be operated at a pressure that produces a hoop stress of less than 20 percent of SMYS (distribution pipe only) by performing an acceptable test weld, for the process to be used, according to the requirements set forth in 49 CFR Part 192 Appendix C (Qualification Under 49 CFR Part 192 Appendix C (Low Stress Level Pipe Only)).

Depending on the qualification level, the welder must make a test weld(s) following the qualified welding procedure, and the weld meeting the required destructive test as outlined in Section 2 of API 1104 or 49 CFR Part 192 Appendix C.

23.3 Limitation on Welders

No welder whose qualification is based on nondestructive testing may weld compressor station pipe and components. No welder may weld with a particular welding process unless, within the preceding 6 calendar months, he has engaged in welding with that process.

23.4 Welder Requalification

A welder qualified under Section IX of ASME Boiler and Pressure Vessel Code or Section 3 of API Standard 1104 who has not within the last six months had one weld tested and accepted either by destructive testing as outlined in Section 2 API 1104 or nondestructive testing as outlined in Section 23.7 must be requalified before welding on pipe to be operated at a pressure that produces a hoop stress of 20 percent or more of SMYS.

23. WELDING AND WELD DEFECT REPAIR/ REMOVAL,

49 CFR Parts 192.221-192.245 and 192.715 and 192.271

A welder qualified under Section IX of ASME Boiler and Pressure Vessel Code or Section 3 of API Standard 1104; or under 49 CFR Part 192 Appendix C may not weld on pipe to be operated at a pressure that produces a hoop stress of less than 20 percent of SMYS unless the welder is tested in accordance with the following:

- A) Within the preceding 15 calendar months, but at least once each calendar year, the welder has requalified, or
- B) Within the preceding 7 1/2 calendar months, but at least twice each calendar year, the welder has had:
 - 1) A production weld cut out, tested, and found acceptable in accordance with the qualifying test; or
 - 2) For welders who work only on service lines 2 inches or smaller in diameter, two sample welds tested and found acceptable.

23.5 Inspection and Testing of Welds

A) General Inspections

Visual inspection of welding must be conducted to insure that:

- 1) The welding is performed in accordance with the welding procedure; and
- 2) The weld is acceptable by requirements specified for the acceptability of a weld that is nondestructively tested or visually inspected according to the standards in section 6 of API Standard 1104 which is outlined in Division IV, Section 4. However, if a girth weld is unacceptable under those standards for a reason other than a crack, and if the Appendix to API Standard 1104 applies to the weld, the acceptability of the weld may be further determined under that Appendix.

B) Inspection of Welds on Pipelines to be Operated at a Pressure That Produces a Hoop Stress of 20 Percent or More of SMYS. The welds on a pipeline to be operated at a pressure that produces a hoop stress of 20 percent or more of SMYS must be nondestructively tested in accordance with Section 24, except that welds that are visually inspected and approved by a qualified welding inspector need not be nondestructively tested if:

- 1) The pipe has a nominal diameter of less than 6 inches; or
- 2) The pipeline is to be operated at a pressure that produces a hoop stress of less than 40 percent of SMYS and the welds are so limited in number that nondestructive testing is impractical. When nondestructive testing, the following percentages of each day's field butt welds, selected at random, must be nondestructively tested over their entire circumference;
 - (a) In Class 1 locations, except offshore, at least 10 percent.
 - (b) In Class 2 locations, at least 15 percent.
 - (c) In Class 3 and Class 4 locations, at crossings of major or navigable rivers, offshore, and within railroad or public highway rights-of-way, including tunnels, bridges, and overhead road crossings, 100 percent unless impracticable, in which case at least 90 percent. Nondestructive testing must be impracticable for each girth weld not tested.
 - (d) At pipeline tie-ins, including tie-ins of replacement sections, 100 percent.

Except for a welder whose work is isolated from the principal welding activity, a sample of each welder's work for each day must be nondestructively tested. A record showing by milepost, engineering station, or by geographic feature, the number of girth welds made, the number nondestructively tested, the number rejected, and the disposition of the rejects shall be retained for the life of the pipeline.

23.6 Repair or Removal of Defects

Each weld that is unacceptable by nondestructive testing or visual inspection must be removed or repaired. Except for welds on an offshore pipeline being installed from a pipeline vessel, a weld must be removed if it has a crack that is more than 8 percent of the weld length.

23. WELDING AND WELD DEFECT REPAIR/ REMOVAL,

49 CFR Parts 192.221-192.245 and 192.715 and 192.271

Each weld that is repaired must have the defect removed down to sound metal and the segment to be repaired must be preheated if conditions exist which would adversely affect the quality of the weld repair. After repair, the segment of the weld that was repaired must be inspected to ensure its acceptability.

Repair of a crack, or of any defect in a previously repaired area must be in accordance with written qualified weld repair procedures. Repair procedures must provide that the minimum mechanical properties specified for the welding procedure used to make the original weld are met upon completion of the final weld repair. For a transmission line, a weld may be repaired while the segment is in service if:

- A) The weld is not leaking;
- B) The pressure in the segment is reduced so that it does not produce a stress that is more than 20 percent of the SMYS of the pipe; and
- C) Grinding of the defective area can be limited so that at least 1/8-inch thickness in the pipe weld remains.

However, a defective weld which cannot be repaired in accordance with the above must be repaired by installing a full encirclement welded split sleeve of appropriate design.

23.7. Nondestructive Testing

Other than performing a visual inspection of welds the operator does not have any pipelines that require additional nondestructive testing. All welds shall be free from cracks, inadequate penetration, burn through, and other defects, and must present a neat workmanlike appearance. Failure to meet visual requirements would be cause to eliminate additional testing of the weld. The following describe various defects that can be found when welding:

Cracks

Cracks shall be unacceptable when any of the following conditions exists:

- The crack, of any size or location in the weld, is not a shallow crater crack or star crack (shallow crater cracks or star cracks are located at the stopping point of weld beads and are the result of weld metal contractions during solidification).
- The crack is a shallow crater crack or star whose length exceeds 5/32 inch.

Inadequate Penetration Without High-low (IP)

Inadequate penetration without high-low (IP) is defined as the incomplete filling of the weld root. Inadequate penetration without high-low shall be unacceptable when any of the following conditions exists:

- The length of an individual indication of (IP) exceeds one inch.
- The aggregate length of indications of (IP) in any continuous 12 inch length of weld exceeds one inch.
- The aggregate length of indications of (IP) exceeds 8 percent of the weld length in any weld less than 12 inches in length.

Inadequate Penetration Due to High-low (IPD)

Inadequate penetration due to high-low (IPD) is defined as the condition that exists when one edge of the root is exposed (or unbonded) because adjacent pipe or fitting joints are misaligned. Inadequate penetration due to high-low shall be unacceptable when any of the following conditions exists:

- The length of an individual indication of (IPD) exceeds 2 inches.
- The aggregate length of indications of (IPD) in any continuous 12 inch length of weld exceeds 3 inches.

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Burn-through (BT)

A burn-through (BT) is defined as a portion of the root bead where excessive penetration has caused the weld puddle to be blown into the pipe.

For pipe with an outside diameter greater than or equal to 2 3/8 inches, a (BT) shall be unacceptable when any of the following conditions exists:

- The maximum dimension exceeds 1/4 inch and the density of the (BT's) image exceeds that of the thinnest adjacent base metal.
- The maximum dimension exceeds the thinner of the nominal wall thickness joined, and the density of the (BT's) image exceeds that of the thinnest adjacent base metal.
- The sum of the maximum dimensions of separate (BT's) whose image density exceeds that of the thinnest adjacent base metal 1/2 inch in any continuous 12 inch length of weld or the total weld length, whichever is less.

For pipe with an outside diameter less than 2 3/8 inches, a (BT) shall be unacceptable when any of the following conditions exists:

- The maximum dimension exceeds 1/4 inch and the density of the (BT's) image exceeds that of the thinnest adjacent base metal.
- The maximum dimension exceeds the thinner of the nominal wall thickness joined, and the density of the (BT's) image exceeds that of the thinnest adjacent base metal.
- More than one (BT) of any size is present and the density of more than one of the images exceeds that of the thinnest adjacent base metal.

Incomplete Fusion (IF)

Incomplete fusion (IF) is defined as a discontinuity between the weld metal and the base metal that is open to the surface. Incomplete fusion shall be unacceptable when any of the following conditions exists:

- The length of an individual indication of (IF) exceeds one inch.
- The aggregate length of indications of (IF) in any continuous 12 inch length of weld exceeds one inch.
- The aggregate length of indications of (IF) exceeds 8 percent of the weld length in any weld less than 12 inches in length.

Incomplete Fusion Due to Cold Lap (IFD)

Incomplete fusion due to cold lap (IFD) is defined as a discontinuity between two adjacent weld beads or between the weld metal and the base metal that is not open to the surface. Incomplete fusion due to cold lap shall be unacceptable when any of the following conditions exists:

- The length of an individual indication of (IFD) exceeds 2 inches.
- The aggregate length of indications of (IFD) in any continuous 12 inch length of weld exceeds 2 inches.
- The aggregate length of indications of (IFD) exceeds 8 percent of the weld length.

Undercutting

Undercutting is defined as a groove melted into the base metal adjacent to the toe or root of the weld and left unfilled by weld metal. Undercutting adjacent to cover pass (EU) or root pass (IU) shall be unacceptable when any of the following conditions exist:

- The aggregate length of indications of (EU) and (IU), in any combination, in any continuous 12 inch length of weld exceeds 2 inches.
- The aggregate length of indications of (EU) and (IU), in any combination, exceeds one-sixth of

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49 CFR Parts 192.221-192.245 and 192.715 and 192.271

the weld length.

Internal Concavity

The density of the radiographic image associated with internal concavity shall not exceed that of the adjacent base metal. The length of the internal concavity is not a factor for consideration when determining acceptability of this condition. Internal concavity is associated with a continuously deposited weld bead, and it differs from burn-through areas which are associated with intermittently deposited weld metal. If the density does not exceed that of the adjacent base metal, the dimensions of such area shall not exceed 1/2" in any continuous 12" length of weld.

24. JOINING, *49 CFR Parts 192.271, 192.273, 192.281, 192.285, and 192.287*

24.1 Joining of Materials Other Than by Welding

This section prescribes minimum requirements for joining materials in pipelines, other than by welding. These requirements do not apply to joining during the manufacture of pipe or pipeline components.

The pipeline must be designed and installed so that each joint will sustain the longitudinal pullout or thrust forces caused by contraction or expansion of the piping or by anticipated external or internal loading.

Each joint must be made in accordance with written procedures that have been proved by test or experience to produce strong gastight joints.

Each joint must be inspected to insure compliance with these requirements.

24.2 Plastic Pipe Joints

A plastic pipe joint that is joined by solvent cement, adhesive, or heat fusion may not be disturbed until it has properly set. However, it is not standard Company practice to make plastic joints using solvent cement or adhesive. Joints of these types shall be approved through the Gas Superintendent before application.

Plastic pipe may not be joined by a threaded joint or miter joint.

No person may make a plastic pipe joint unless that person has been qualified in accordance with Section 24.3.

No person may carry out the inspection of joints in plastic pipes required unless that person has been qualified by appropriate training or experience in evaluating the acceptability of plastic pipe joints made under the applicable joining procedure.

A) Heat-fusion Joints

Each heat-fusion joint on plastic pipe must comply with the following:

- 1) A butt heat-fusion joint must be joined by a device that holds the heater element square to the ends of the piping, compresses the heated ends together, and holds the pipe in proper alignment while the plastic hardens.
- 2) A socket heat-fusion joint must be joined by a device that heats the mating surfaces of the joint uniformly and simultaneously to essentially the same temperature.
- 3) An electrofusion joint must be joined utilizing the equipment and techniques of the fittings manufacturer.
- 4) Heat may not be applied with a torch or open flame.

B) Solvent Cement Joints

It is not standard Company practice to make plastic joints using solvent cement. Joints of these types shall be approved through the Gas Superintendent before application. However, should this application be used, each solvent cement joint on plastic pipe must comply with the following:

- 1) The mating surfaces of the joint must be clean, dry, and free of material which might be detrimental to the joint.
- 2) The solvent cement must conform to ASME/ANSI Designation: D 2513.
- 3) The joint may not be heated to accelerate the setting of the cement.

24. JOINING ,49 CFR Parts 192.271, 192.273, 192.281, 192.285, and 192.287

C) Adhesive Joints

It is not standard Company practice to make plastic joints using adhesive. Joints of these types shall be approved through the Gas Superintendent before application. However, should this application be used, each adhesive joint on plastic pipe must comply with the following:

- 1) The adhesive must conform to ASTM/ANSI Designation: D 2517.
- 2) The materials and adhesive must be compatible with each other.

D) Mechanical Joints

Each compression type mechanical joint on plastic pipe must comply with the following:

- 1) The gasket material in the coupling must be compatible with the plastic.
- 2) A rigid internal tubular stiffener, other than a split tubular stiffener, must be used in conjunction with the coupling.

E) Requalification for Plastic Pipe Joints

A person must be requalified under an applicable procedure, if during any 12-month period that person:

- 1) Does not make any joints under that procedure; or
- 2) Has 3 joints or 3 percent of the joints made, whichever is greater, under that procedure that are found unacceptable by testing under Division III, Section 9 for plastic pipe. Or, a person must be requalified under an applicable procedure by performing the appropriate qualification test at least once every 12 months.

24.3 Qualification/ Requalification

Each person making or inspecting joints must have made available to them a copy of each written procedure preformed or inspected. No person may make a plastic pipe joint unless that person has been qualified under the applicable joining procedure by:

- A) Appropriate training or experience in the use of the procedure; and
- B) Making a specimen joint from pipe sections joined according to the procedure that passes the inspection and test described below.

Qualification Inspection

The specimen or sample joint must be:

- A) Visually examined during and after assembly or joining and found to have the same appearance as a joint or photographs of a joint that is acceptable under the procedure; and
- B) In the case of a heat fusion, solvent cement, or adhesive joint;
 - 1) Tested under any one of the destructive test methods listed in 192.283(a) applicable to the type of joint and material being tested;
 - 2) Examined by ultrasonic inspection and found not to contain flaws that would cause failure; or
 - 3) Cut into at least three longitudinal straps, each of which is:
 - (a) Visually examined and found not to contain voids or discontinuities on the cut surfaces of the joint area; and
 - (b) Deformed by bending, torque, or impact, and if failure occurs, it must not initiate in the joint area.

Qualification Method

Sample joints must be visually inspected while being made and after completion to assure that the correct procedure is followed and that the completed joint has acceptable appearance. Electrofusion procedures shall be visually inspected to ensure that the person qualifying for Electrofusion has demonstrated competence in following the procedure for the type joint to be made. Inspection must be performed by an individual who has been qualified by training or experience in evaluating the acceptability of plastic pipe joints made under the applicable joining procedure.

Each company or contractor's employee engaged in joining plastic pipe and fittings by externally applied heat fusion or mechanical fittings must make acceptable sample joints following approved joining

24. JOINING, 49 CFR Parts 192.271, 192.273, 192.281, 192.285, and 192.287

procedures for the kind of plastic pipe and type of joints used. The sample joints must be inspected and tested in accordance with this section.

Each company or contractor's employee engaged in joining plastic pipe and fittings by Electrofusion shall demonstrate competence in following the required procedures. However, the fusion process does not have to be performed and the joint does not have to be destructively tested.

Approved joining procedures are procedures which have been qualified by the manufacturer of the pipe and/or fittings or qualified by company tests in accordance with paragraph 192.283 of the Minimum Federal Safety Standards.

Requalification

A person must be requalified under an applicable procedure, if during any 12-month period that person:

A) Does not make any joints under that procedure; or

B) Has 3 joints or 3 percent of the joints made, whichever is greater, under that procedure that are found unacceptable by testing under Section 11 for plastic pipe. Or, a person must be requalified under an applicable procedure by performing the appropriate qualification test at least once every 12 months.

24.4 Records

An appropriate record shall be maintained of each person's qualification/ requalification for plastic joining. In addition, appropriate documentation should be available at the job site whenever plastic joining is taking place to identify qualification for the procedure being used.

25. CORROSION CONTROL, 49 CFR § 192 SUBPART I

The corrosion control program must be administered by a person qualified by experience and training in pipeline corrosion control methods.

When a condition of active corrosion is found during a corrosion survey, positive action must be taken to mitigate and control the effects of the corrosion. Schedules must be established for application of corrosion control. Continuing effectiveness must be adequate to mitigate and control the effects of the corrosion prior to its becoming a public hazard or endangering public safety.

25.1 External Corrosion Control

B&Ws' pipeline has been installed after July 31, 1971; therefore it shall have a coating that meets the requirements of Section 25.10 (Protective Coating) of this section. In addition, a cathodic protection system designed to protect the pipeline in its entirety in accordance with Part 25.2 (Cathodic Protection) of this section shall be installed on any steel pipe. This cathodic protection will be installed within one year after completion of construction.

25.2 Protection of Existing Facilities

All buried or submerged steel pipelines installed before August 1, 1971, must be cathodically protected where active corrosion is found. "Active corrosion" is defined as continuing corrosion, which, unless controlled, could result in a condition that is detrimental to public safety. Active corrosion shall be determined by leak history and other records and by examination of exposed pipe surfaces during excavations.

If gas leakage results from active corrosion of a pipeline, the pipeline is replaced with non-metallic pipe or repaired, and cathodic protection applied to meet the requirements of the *Code of Federal Regulations (CFR) Part 192 Subpart I*.

No ductile iron or cast iron pipe will be installed.

25.3 Criteria for Cathodic Protection and Pipe-to-Soil Potential Measurements

Unless directed otherwise, copper-copper sulfate reference electrodes are to be used in pipe-to-soil potential measurements. These reference electrodes shall be properly maintained according to manufacturer instructions.

Unless directed otherwise, pipe-to-soil potential measurements to determine the level of cathodic protection are to be made with respect to close earth, which is a reference electrode located as close as near as possible to the earth directly over the structure in question. The criterion used for determining adequate cathodic protection is -850 mV.

25.4 Monitoring Protected Lines

Each pipeline that is under cathodic protection must be tested for pipe to soil potential at least once each calendar year, but with intervals not exceeding 15 months. The test determines whether the level of cathodic protection meets the requirements *CFR Part 192 Subpart I*.

25. CORROSION CONTROL, 49 CFR § 192 SUBPART I

Short sections of mains (i.e., mains not over 100 feet in length) are surveyed on a sampling basis. At least 10 percent of these short sections of gas piping, distributed over the entire system, are surveyed each calendar year, with a different 10 percent checked each subsequent calendar year, so that all of the service lines and short sections of mains are surveyed in each 10-year period.

25.5 Rectifier

B&W does not have a rectifier, however if one is ever installed it will be inspected six times each calendar year but not to exceeding two and one half month. This inspection will be performed to ensure that the rectifier is working properly.

25.6 Electrical Isolation

Each buried or submerged gas pipeline must be electrically isolated from other underground metallic structures, unless the entire network is to be cathodically protected as one unit. Each gas pipeline should be protected against lightning or fault currents in areas of known unusual risk. Some of these areas include electrical transmission tower footings, lightning rod grounding systems, ground cables, or counter poise. Zinc grounding cells, grounding mats, or other appropriate methods shall be used, when required, as a protective measure. An insulating device may not be installed in an area where a combustible atmosphere is anticipated, unless lead wires are attached to either side of the insulating device and extended to a safe location outside the area in question, or other precautions are taken to prevent arcing.

25.7 Test Station

A sufficient number of test stations, or other contact points for electrical measurement to determine the level of cathodic protection, shall be provided for each protected system. Steel gas service lines and test leads are acceptable test stations. However, steel service lines should be used only with caution as a means for contacting the gas main under test to ensure good electrical continuity.

25.8 Interference Currents

Each cathodic protection system must be designed and installed so as to minimize any adverse effects on existing adjacent underground metallic facilities. Where it is known or suspected that stray currents are affecting B&W's gas lines or foreign structures, tests must be made to determine the extent of the interference. Remedial measures must be taken to eliminate the detrimental effects of these interference currents. Interference testing shall be coordinated with the operators of affected structures.

25.9 Examination of Exposed Pipe

All exposed portions of buried gas pipelines shall be examined for evidence of external corrosion. The section of gas pipeline exposed should be examined to determine the condition of the coating and for evidence of active corrosion if a bare portion of the pipeline is exposed.

Note Generally, pitting, blistering, or graphitization of the pipeline surface shall be considered evidence of active corrosion. If active corrosion exists, steps must be taken for implementation of one of the remedial measures outlined below.

Except for cast iron or ductile iron pipe, each segment of corroded distribution line pipe to a degree where leakage might result or with a remaining wall thickness less than that required for the MAOP of the pipeline, or a remaining wall thickness less than 30 percent of the nominal wall thickness, must be replaced. However, corroded pipe may be repaired by a method that reliable engineering tests and analyses show can permanently restore the serviceability of the pipe. The strength of pipe based on actual remaining wall thickness may be determined by the procedure in ASME/ANSI B31G or the

25. CORROSION CONTROL, 49 CFR § 192 SUBPART I

procedure in AGA Pipeline Research Committee Project PR 3-805 (with RSTRENG disk). Both procedures apply to corroded regions that do not penetrate the pipe wall, subject to the limitations prescribed in the procedures. Pit depths should be determined by the use of a pipe pit gauge.

25.10 Pipeline Coating

Steel pipeline purchased by B&W and proposed for use underground shall be factory coated with an approved coating. Field joint wraps shall be made by persons qualified by experience and training and shall be made in accordance with the manufacturer's specifications.

All metallic joints must be externally coated with a material suitable for corrosion control prior to burial. Coating of irregular fittings such as valves to be buried shall be made with approved coatings. Steel gas pipeline joints shall be coated with approved materials. Field-applied coatings shall overlap the factory coating on both sides of the joint by at least 2 inches.

Coating shall be inspected prior to lowering into the excavation. Any damage identified during the inspection must be repaired.

The amount of cathodic protection must be controlled so as not to damage the protective coating or the pipe.

Note Voltage sufficient to cause damage to the coating or the pipe can be reached with an impressed current-type cathodic protection system (i.e., a rectifier-type cathodic protection system).

25.11 Atmospheric Corrosion

Above-ground facilities through which gas moves, including piping, valves and other appurtenances attached to the pipe, all gas metering stations, and other fabricated assemblies are inspected for evidence of active corrosion (loss of metal, i.e., pitting) at least once every 3 calendar years, but with intervals not to exceeding 39 months. Remedial action shall be taken after the discovery of metal loss.

Note Minor oxidation, which occurs upon most metal surfaces exposed to the atmosphere, is not considered to be the type of atmospheric corrosion requiring remedial action.

Maintenance procedures differ for pipes exposed to the atmosphere, depending on the dates they were installed. However the entire B&W pipeline was installed after July 31, 1971. Pipe installed after this date must be cleaned with wire brush, then protect by coating or painting with a suitable material to prevent atmospheric corrosion

25.12 Internal Corrosion Control

Pipe removed from operating service for any reason shall be examined for evidence of internal corrosion, and inspection information shall be recorded on a form approved for documenting corrosion information. If evidence of internal corrosion is found, any adjacent pipe should be inspected to determine the extent of the internal corrosion.

25.13 Coating Requirements

All portions of gas pipeline that are exposed to the atmosphere must be coated with a material suitable to protect the pipeline from atmospheric corrosion described as follows:

- **New Construction:** On exposed portions of the pipeline, (e.g., at rivers, creeks, waterways, and ditch crossings) the normal coating as specified for underground pipelines is sufficient to protect against atmospheric corrosion. Gas metering facilities, gas pressure regulators, gas odorizer tanks, and other associated aboveground piping must be coated with an approved paint that is suitable to prevent atmospheric corrosion.
- **Existing Facilities:** All exposed portions of existing metallic gas pipelines and all aboveground piping facilities shall be coated and painted with approved coating materials.

25. CORROSION CONTROL, 49 CFR § 192 SUBPART I

25.14 Replacement Piping

Whenever a section of buried or submerged pipeline is replaced because of corrosion and the replacement is with metallic pipe, the new pipe must be cathodically protected. A determination should be made on the feasibility of localized cathodic protection or cathodically protecting the repaired segment and adjacent segments as a single unit.

25.15 Repairs not Requiring Replacement

Whenever a corrosion leak is repaired on a segment of a gas pipeline, that segment of pipeline shall be considered a "hot spot". The location shall be evaluated via cathodic protection readings to determine if it is necessary to attach an anode to the pipeline at this location to mitigate corrosion.

25.16 Construction and Replacement Record Keeping

Records of construction and replacement of gas pipelines shall be maintained sufficiently to show the nature of the work undertaken, the actual location of the work undertaken, the date of installation, and the date cathodic protection was applied. Records shall be kept sufficient to prove that the materials and components used or intended for use in the gas pipeline meet the applicable specifications. Maps or records showing the location of cathodically protected pipelines, cathodic protection facilities, galvanic anodes, and neighboring structures bonded to the cathodic protection system shall be maintained for the life of the facility (LOF).

25.17 Corrosion Records

Records of each test, survey, or inspection shall be maintained in sufficient detail to demonstrate the adequacy of the corrosion control measures.

In addition to those previously mentioned in this section, the following records will be maintained for the life of the pipeline segment:

- Locations of all cathodically protected pipes, test stations, and insulating devices; including bonds to foreign underground structures.
- Test, survey, and inspection records to demonstrate the adequacy of corrosion control measure or that a corrosive condition does not exist.

26. UPRATING, 49 CFR Parts 192.551, 192.553, 192.555, and 192.55

This section prescribes the requirements for increasing the maximum allowable operating pressure (uprating) for existing pipelines. Prior to increasing the maximum allowable operating pressure of a pipeline or distribution system, a written procedure shall be established to ensure compliance with each applicable requirement of this section and Subpart K of the Minimum Federal Safety Standards.

Pressure Increases

Whenever an increase in operating pressure is made in increments as specified in the section, the pressure must be increased gradually, at a rate that can be controlled, and in accordance with the following:

A) At the end of each incremental increase, the pressure must be held constant while the entire segment of the pipeline that is affected is checked for leaks.

B) Each leak detected must be repaired before a further pressure increase is made, except that a leak determined not to be potentially hazardous need not be repaired, if it is monitored during the pressure increase and it does not become potentially hazardous.

Limitation on increase in maximum allowable operating pressure

A new maximum allowable operating pressure established during uprating may not exceed the maximum that would be allowed for a new segment of pipeline constructed of the same materials in the same location. However, when uprating a steel pipeline, if any variable necessary to determine the design pressure under the design formula is unknown, the MAOP may be increased as provided in Section 10.

Records

Records of each required investigation, all work performed, and each pressure test conducted shall be retained for the life of the facility in connection with the uprating process.

26.1 Uprating to a Pressure that will Produce a Hoop Stress of 30 Percent or More of SMYS in Steel Pipelines

Before increasing operating pressure above the previously established maximum allowable operating pressure the following shall be performed.

A) Review the design, operating, and maintenance history and previous testing of the segment of pipeline and determine whether the proposed increase is safe and consistent with the requirements of this section; and

B) Make any repairs, replacements, or alterations in the segment of pipeline that are necessary for safe operation at the increased pressure.

B&W does not have any pipelines constructed prior to September 12, 1970 therefore after complying with the above; a pipeline may have the MAOP increased above the previously established MAOP if at least one of the following requirements is met:

A) The segment of pipeline is successfully tested in accordance with the requirements for a new line of the same material in the same location.

B) An increased maximum allowable operating pressure may be established for a segment of pipeline in a Class 1 location if the line has not previously been tested, and if:

1) It is impractical to test it in accordance with the requirements;

2) The new maximum operating pressure does not exceed 80 percent of that allowed for a new line of the same design in the same location; and,

3) The Company determines that the new maximum allowable operating pressure is consistent with the condition of the segment of pipeline and the design requirements. The increase in pressure must be made in increments that are equal to:

(a) 10 percent of the pressure before the uprating; or

(b) 25 percent of the total pressure increase, whichever produces the fewer number of increments.

26.2 Uprating: Steel Pipelines to a Pressure that will Produce a hoop Stress Less Than 30 Percent of SMYS; Plastic; Cast Iron; and Ductile Iron Pipelines

Unless the requirements of this section have been met, no person may subject:

- A segment of steel pipeline to an operating pressure that will produce a hoop stress less than 30 percent of SMYS and that is above the previously established maximum allowable operating pressure; or
- A plastic, cast iron, or ductile iron pipeline segment to an operating pressure that is above the previously established maximum allowable operating pressure.

General Uprating Procedures

Before increasing operating pressure above the previously established maximum allowable operating pressure, the following shall be performed:

- A) Review the design, operating, and maintenance history of the segment of pipeline.
- B) Perform a leakage survey (if it has been more than 1 year since the last survey) and repair any leaks that are found, except that a leak determined not to be potentially hazardous need not be repaired, if it is monitored during the pressure increase and it does not become potentially hazardous.
- C) Make any repairs, replacements, or alterations in the segment of pipeline that are necessary for safe operation at the increased pressure.
- D) Reinforce or anchor offsets, bends and dead ends in pipe joined by compression couplings or bell spigot joints to prevent failure of the pipe joint, if the offset, bend, or dead end is exposed in an excavation.
- E) Isolate the segment of pipeline in which the pressure is to be increased from any adjacent segment that will continue to be operated at a lower pressure; and,
- F) If the pressure in main or service lines, or both, is to be higher than the pressure delivered to the customer, install a service regulator on each service line and test each regulator to determine that it is functioning. Pressure may be increased as necessary to test each regulator, after a regulator has been installed on each pipeline subject to the increased pressure.

Incremental Increases

The increase in maximum allowable operating pressure must be made in increments that are equal to 10 p.s.i. gage or 25 percent of the total pressure increase, whichever produces the fewer number of increments. Whenever the requirements of General Uprating Procedures apply, there must be at least two approximately equal incremental increases.

Uprating Cast Iron or Ductile Iron Pipelines with Limited Records

If records for cast iron or ductile iron pipeline facilities are not complete enough to determine stresses produced by internal pressure, trench loading, rolling loads, beam stresses, and other bending loads, in evaluating the level of safety of the pipeline when operating at the proposed increased pressure, the following procedures must be followed:

- A) In estimating the stress, if the original laying conditions cannot be ascertained, the operator shall assume that cast iron pipe was supported on blocks with tamped backfill and that ductile iron pipe was laid without blocks with tamped backfill.
- B) Unless the actual maximum cover depth is known, the operator shall measure the actual cover in at least three places where the cover is most likely to be greatest and shall use the greatest cover measured.
- C) Unless the actual nominal wall thickness is known, the operator shall determine the wall thickness by cutting and measuring coupons from at least three separate pipe lengths. The coupons must be cut from pipe lengths in areas where the cover depth is most likely to be the greatest.
- D) For cast iron pipe, unless the pipe manufacturing process is known, the operator shall assume that the pipe is pit cast pipe with a bursting tensile strength of 11, p.s.i. gage and a modulus of rupture

27. PREVENTION OF ACCIDENTAL IGNITION, 49 CFR § 192.751

27.1 General

Employees must be aware of the potential hazard of accidental ignition and take positive steps to reduce the hazard. When appropriate warning signs should be placed at a jobsite to inform persons of the possible hazard. Fire extinguishers shall be readily available when operations involve escaping gas. B&W will take steps to minimize the danger of accidental ignition of gas in any structure or area where the presence of gas constitutes a hazard of fire or explosion, including the following:

A) Smoking and open flames: Smoking and open flames are prohibited in the following circumstances:

- In structures or areas containing gas facilities where possible leakage or presence of gas constitutes a hazard of fire or explosion
- In the open, when accidental ignition of gas-air mixture might cause personal injury or property damage

B) Accidental Electric Arcing: To prevent accidental ignition of electric arcing, the following should be considered:

- Internal combustion engines that power trucks, cars, compressors, pumps, generators, and equipment should not be operated in suspected or known hazardous atmospheres.
- Flashlights, cameras, portable floodlights, and any other electrical power tools or equipment should be of a type approved for use in hazardous atmospheres.
- Bonding to provide electrical continuity should be considered around all cuts separating metallic pipes, which may have natural gas present. This bond should be installed prior to cutting and maintained until all reconnections are completed, or a gas-free environment exists. Bond cables should be installed in such a manner to ensure that they do not become dislodged during construction, and that they provide minimal electrical resistance between pipe sections.
- The potential ignition of gas that can be caused by static electric charges induced on the outside surface of plastic piping should be eliminated during cutting operations. Acceptable methods of accomplishing this include covering the pipe surfaces with wet rags, soaped burlap cloth, or thoroughly spraying the exposed pipe with a compatible electrically conductive liquid or water.
- Static electric charges induced on the inside surfaces of plastic piping by gas flow cannot be eliminated by the methods outlined in the preceding paragraph. Appropriate steps, such as flow control from a location a safe distance from the location of the escaping gas, should be taken to minimize the escape of gas and to protect personnel from the potential hazards. A plastic vent or blow-down should not be used due to the possibility of internal static electric charge causing ignition of the escaping gas.

C) Other Sources of Ignition: Care should be taken in selecting the appropriate hand tools for use in hazardous atmospheres and in handling tools to reduce the potential for a spark.

27.2 Welding, Cutting and Other Hot Work

Prior to welding, cutting, or other hot work in or around a structure or area containing gas facilities, a thorough check should be made with a gas detector for the presence of a combustible gas mixture. Welding should begin only when safe conditions are indicated and not when a combustible mixture of gas and air is present in the work area.

Pipelines Filled with Gas

When a pipeline or main is to be kept full of gas during welding or cutting operations, the following are recommended:

- A slight flow of gas should be kept moving toward the cutting or welding operation.
- The gas pressure at the site of the work should be controlled by suitable means.
- All slots or open ends should be closed with tape, tightly fitted canvas, or other suitable material immediately after a cut is made.

27. PREVENTION OF ACCIDENTAL IGNITION, 49 CFR § 192.751

control static electricity. Repair cut or tie-in PE pipe.

5) For purging, either utilize shut off valve or squeeze off tool while purging through a steel purging riser. Use the Anti-Static spray for the safe discharge of static electricity at the squeeze off location on PE pipe while purging.

APPENDIX A

GAS PIPELINE SAFETY CONTACT INFORMATION
TENNESSEE REGULATORY AUTHORITY
800-342-8359 or 615-741-2844
FAX 615-741-1228

Name	Position	Extension	Cell Phone	Home Phone
Larry Borum,	Chief	185	615-476-4691	615-227-7341
Pete Hut	Gas Safety Engineer	186	615-969-2042	615-896-4723
Annette Ponds	Gas Safety Engineer	187	615-476-4716	
Scott Schriver	Gas Safety Engineer	182	615-969-1768	615-579-3965
Tom Woosley	Gas Safety Engineer	181	615-476-4693	615-230-7557
Washington D-C	Response Center			800-424-8802

APPENDIX B

EMERGENCY CONTACT LIST

Name	Contact	Office #
Putnam County		
Cookeville Highway Patrol		931.528.8496
County Executive	Kim Blaylock	931.526.2161
Cookeville Mayor	Matt Swallows	931.520.5241
Picket County		
County Sheriff		931.864.3210
County Fire		931.864.3751
County Ambulance		931.864.3181
County Executive	Johnie Neal	931.864.3798
Byrdstown Mayor	Chris Thompson	931.864.6215
Byrdstown Fire		931.864.3202
Fentress County		
County Sheriff	Tony Choate	931.879.8142
County Fire		931.879.7096
County Ambulance		931.879.8147
County Executive	Frank Smith	931.879.8142
Jamestown Police		931.879.5871
Jamestown Fire		931.879.8310
Jamestown Gas Department		931.879.2772
Jamestown Mayor	Ryan Smith	931.752.2673
Morgan County		
Morgan County Sheriff		423.346.6262
County Ambulance		423.346.6601
County Executive	Don Edwards	423.346.6288
Deer Lodge Fire		423.965.3922
Contractors Available During Emergency		
Company	Number	Number
Hull Brothers	931.879.1995	931.261.2836
Martin Contracting Inc	859.623.0113	606.305.6434

APPENDIX C

ADDITIONAL INFORMATION

Contractors Available During Emergency		
Company	Number	Number
Plateau Electric	423.569.8591	
Sunbright Utility District	423.628.2090	
Jamestown Gas Department	931.879.7560	
Jamestown Water Department	931.879.7560	
Fentress County Utility Department	931.879.7639	
Byrdstown	931.864.6215	
Volunteer Energy Cooperative	931.864.3685	931.879.5853

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

- 35. Provide Pre-Filed Testimony from an owner/officer/member of B&W Pipeline, LLC attesting to the financial, technical and managerial ability of B&W Pipeline, LLC.**

RESPONSE:

See response to Item #24 of the TRA Staff's 1st data request. B&W Pipeline, LLC will supply direct testimony in a separate filing by an owner/officer/member of Enrema which manages B&W Pipeline. The Pipeline itself has no full-time employees.

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

36. Provide the individual(s) at B&W Pipeline, LLC who is/are managerially responsible to hire the accountants, lawyers, technical experts and regulatory experts as needed through an “engagement letter” and explain how all needed tasks can be performed on a continual basis.

RESPONSE:

Please refer to the “Management Agreement” included in the documents attached to Question 8.

While B&W Pipeline, LLC is the physical asset owner of B&W Pipeline, the pipeline is managed and operated under contract with Enrema who engages outside professional services as they are needed. Mr. Marcelo M. Recchia is the General Manager of Enrema and is the sole officer charged with responsibility to operate and manage B&W Pipeline. As such, Mr. Recchia has ultimate responsibility for the oversight of Enrema employees who engage outside professional services on behalf of B&W Pipeline, LLC.

B&W PIPELINE

Response to TRA Data Request #2

Docket 13-00151

37. If "B&W Pipeline, LLC has no employees of its own" (as stated in Data Response #4 of the March 5, 2014 filing), who will decide on selection (hiring and firing) of a management company?

RESPONSE:

The owners of B&W Pipeline, LLC have sole discretion on the selection of a management company. This was most evident when the owners of B&W Pipeline, LLC changed the previous management company from Highland Rim Energy, LLC to Enrema as described in response to Item #29 of the TRA Staff's 2nd data request.

B&W PIPELINE

Response to TRA Data Request #2

Docket 13-00151

38. Provide a copy of the contract between Enrema, LLC and B&W Pipeline, LLC that is inclusive of the terms, conditions, products and/or services provided and negotiated rates.

RESPONSE:

Please refer to the "Management Agreement" included in the documents attached to Question 8.

B&W PIPELINE

Response to TRA Data Request #2

Docket 13-00151

39. Since B&W Pipeline, LLC is located and does business in Tennessee by servicing customers in Tennessee, provide a copy of the license to do business in the State of Tennessee.

RESPONSE:

See attached.



STATE OF TENNESSEE
Tre Hargett, Secretary of State
Division of Business Services
William R. Snodgrass Tower
312 Rosa L. Parks AVE, 6th FL
Nashville, TN 37243-1102

BRADLEY ARANT BOULT CUMMINGS LLP
BARBARA KIMMINS
STE 700
1600 DIVISION ST
NASHVILLE, TN 37203

June 27, 2014

Request Type: Certificate of Existence/Authorization
Request #: 0132288

Issuance Date: 06/27/2014
Copies Requested: 1

Document Receipt

Receipt #: 1559980

Filing Fee: \$22.25

Payment-Credit Card - State Payment Center - CC #: 157004731

\$22.25

Regarding: B&W Pipeline, LLC
Filing Type: Limited Liability Company - Foreign
Formation/Qualification Date: 08/11/2010
Status: Active
Duration Term: Perpetual

Control #: 637554
Date Formed: 07/26/2010
Formation Locale: DELAWARE
Inactive Date:

CERTIFICATE OF AUTHORIZATION

I, Tre Hargett, Secretary of State of the State of Tennessee, do hereby certify that effective as of the issuance date noted above

B&W Pipeline, LLC

- * is a Limited Liability Company formed in the jurisdiction set forth above and is authorized to transact business in this State;
- * has paid all fees, taxes and penalties owed to this State (as reflected in the records of the Secretary of State and the Department of Revenue) which affect the existence/authorization of the business;
- * has filed the most recent annual report required with this office;
- * has appointed a registered agent and registered office in this State;
- * has not filed an Application for Certificate of Withdrawal.


Tre Hargett
Secretary of State

Processed By: Cert Web User

Verification #: 007755321

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

- 40. Provide a cost allocation manual that B&W will use to allocate any expenses between its regulated business and unregulated business.**

RESPONSE:

B&W Pipeline, LLC objects to this request on the grounds that it is asking for information that is more relevant to a rate case than a CCN filing. As a result, B&W Pipeline, LLC contends that this request is not designed to seek information to determine the financial, technical and managerial capabilities of B&W Pipeline as required by T.C.A. § 65-4-201(c)(2).

Without removing its objection, B&W Pipeline, LLC would ask the TRA Staff to reference its response to Item #38 of the Staff's first data request which indicates that B&W Pipeline, LLC only provides gas transportation and gas sales services and therefore does not have any non-regulated functions.

B&W PIPELINE
Response to TRA Data Request #2
Docket 13-00151

41. Provide the cost allocation manual that Enrema uses to allocate expenses to each of the companies it manages.

RESPONSE:

B&W Pipeline, LLC objects to this request on the grounds that it is asking for information that is more relevant to a rate case than a CCN filing. As a result, B&W Pipeline, LLC contends that this request is not designed to seek information to determine the financial, technical and managerial capabilities of B&W Pipeline as required by T.C.A. § 65-4-201(c)(2).

Without removing its objection, B&W Pipeline, LLC states that Enrema does not have a cost allocation manual.