

ZIA NATURAL GAS COMPANY
a division of
NATURAL GAS PROCESSING CO.

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RULES & REGULATIONS

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Manager of Regulatory Affairs

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Manager of Regulatory Affairs

ZIA NATURAL GAS COMPANY
A DIVISION OF
NATURAL GAS PROCESSING CO.

SIXTH REVISED RULE NO. 1
CANCELLING FIFTH REVISED RULE NO. 1
PREAMBLE

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- A. These Rules cover all natural gas service furnished by Zia Natural Gas Company to all customer classes and types. These Rules are subject to and controlled by the Rules and Regulations of the New Mexico Public Regulation Commission currently in effect.
- B. These Rules are intended to promote safe and adequate Natural Gas Service to the public and to provide standards for uniform and reasonable utility service and practice.
- C. Copies of these Rules are available for inspection at Zia Natural Gas Company's main offices in Ruidoso Downs, New Mexico, at its office in Hobbs, New Mexico, at the Village Hall in Maxwell, New Mexico, at its office in Las Cruces, New Mexico, or at the New Mexico Public Regulation Commission's offices in Santa Fe.

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Mercedes Fernandez-Wells
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ZIA NATURAL GAS COMPANY
A DIVISION OF
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FIFTH REVISED RULE NO. 2
CANCELLING FOURTH REVISED RULE NO. 2
DEFINITIONS

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1. AVAILABLE CAPACITY - The capacity available to transport natural gas through the Company's system and, if applicable, using upstream transportation capacity, as determined by Company Rule No. 33.
2. BILLING DATE - The date the bill is prepared and mailed to the customer.
3. CHRONICALLY DELINQUENT - The status of a residential customer who during the prior twelve months has been disconnected by the Company for non-payment, or who during the prior twelve months has not paid a bill by the date that a subsequent bill is rendered on three or more occasions.
4. COMMISSION - The New Mexico Public Regulation Commission.
5. COMMODITY COST - The cost of providing purchased gas supply to direct sales and resale customers, as calculated using the Company's Rate No. 5, Purchased Gas Adjustment Clause.
6. COMPANY - Zia Natural Gas Company, a division of Natural Gas Processing Co.
7. COMPANY METER - The meter through which natural gas service is provided to a customer and which is utilized to measure the volumes of natural gas consumption by the customer for billing purposes.
8. COMPANY SERVICE LINE - The piping from the Company's main to the Company's Meter.

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9. CUSTOMER - Any person, firm, association, corporation, or any agency of the federal, state or local government, being supplied with, and/or responsible for payment for, natural gas service by the Company.
10. CUSTOMER LOCATION or CUSTOMER'S PREMISES or CUSTOMER'S UTILIZATION LOCATION - The customer's installation or structure for which natural gas service is required. A group of structures closely situated which are under the direct management and control of the customer may, at the Company's discretion, be considered to be one customer location or customer's premises or customer utilization location.
11. CUSTOMER'S SERVICE LINE-- The piping (valves, fixtures, regulators and other fixtures) owned and installed by or for the customer extending from the Point of Delivery to the customer's utilization location.
12. DELINQUENT - The status of a bill rendered to a customer for utility service which remains unpaid twenty days after the Billing Date.
13. DIRECT SALES CUSTOMER - Any Customer being supplied with, and/or responsible for payment for, natural gas supplied and distributed by the Company.
14. DISCONTINUANCE OF SERVICE - An intentional cessation of service by the Company not voluntarily requested by a customer.

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15. DISTRIBUTION CHARGE or COST- The charge for Distribution Service through the Company's Distribution Facilities.
16. DISTRIBUTION FACILITIES - The pipe, valves, meters, regulators and fittings from the primary point of regulation reducing transmission pressures to distribution pressures to the Point of Delivery to the customer.
17. DISTRIBUTION SERVICE - The portion of service to a customer provided through Zia's Distribution Facilities.
18. DONA ANA SYSTEM - The Company's transmission and distribution facilities, and any line extensions therefrom, located in Dona Ana County.
19. EMERGENCY GAS SERVICE - The Company's provision of gas supply from its own gas supply contracts to a transportation customer whose supply fails. Emergency Gas Service is provided only at the Company's own option, as stated in Rate No. 6.
20. ESTIMATED BILL - A bill for utility service which is based on an estimate and not based on the actual measurement provided for in the applicable rate schedule.
21. LINCOLN COUNTY/HOBBS/JAL SYSTEMS - The Company's transmission and distribution facilities, and any line extensions therefrom, located in Lincoln, Otero, Eddy and Lea County.
22. MAXWELL SYSTEM - The Company's transmission and distribution facilities, and any line extensions therefrom, located in Mora and Colfax Counties.

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23. MONTH or BILLING PERIOD - The elapsed time between Company billings to its Customers for utility service, which elapsed time shall be approximately 30 days.
24. NATURAL GAS SERVICE - The transportation and sale of natural gas by the Company through its transmission and distribution facilities, or transportation only through its transmission facilities, to its customers.
25. NON-UTILITY SERVICE - Special services provided for customers or third parties which are unsolicited functions performed only at the customers request or which are required due to the actions of those specific customers or third-parties.
26. POINT OF DELIVERY - The point of delivery is the outlet of the company meter through which gas service is provided to the customer, unless otherwise specified by contract.
27. RATE - The charge(s) for the specific services provided to a customer as shown on the Company's rate schedules currently in effect and approved by the New Mexico Public Regulation Utility Commission.
28. SALE FOR RESALE SERVICE - The delivery and sales of natural gas to a municipality or another regulated utility or gas association through the Company's Transmission Facilities or through Transmission and Distribution Facilities.

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29. **TERRITORY** - The areas served by to the Company's Transmission and Distribution Facilities, and areas contiguous and adjacent to those facilities, and for which the Company holds an effective Certificate of Public Convenience and Necessity granted by the New Mexico Public Regulation Commission.
30. **TRANSMISSION CHARGE or COST**- The charge for Transmission Service through the Company's Transmission Facilities.
31. **TRANSMISSION FACILITIES** - The pipes, valves, meters, regulators, and fittings from the source of supply or interconnection with Upstream Third-Party Transporters, to the point of entry into the Distribution Facilities.
32. **TRANSMISSION SERVICE** - The portion of service provided to a customer through Zia's Transmission Facilities. Transmission Service only shall be provided when the natural gas is delivered and metered at transmission pressures without the Company providing pressure reduction.
33. **TRANSPORTATION CUSTOMER** - Any customer being supplied with, and/or responsible for payment of, Transportation Service by the Company.

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34. TRANSPORTATION SERVICE - Service provided through the Company's Transmission and Distribution Facilities, except if Transmission Service only is provided as stated in the definition of Transmission Service, to a customer who is purchasing his own gas supply from a third party, and may include Upstream Third-Party Transportation, if available.
35. UPSTREAM THIRD PARTY TRANSPORTATION OR TRANSPORTER - The upstream pipeline systems which deliver gas directly or indirectly to the Company's Transmission Facilities.
36. UPSTREAM THIRD PARTY TRANSPORTATION OR TRANSPORTER COSTS - All charges, surcharges and other costs charged by Upstream Third-Party Transporters for delivery of natural gas into the Company's system for Direct Sales, Sale for Resale, or Transportation Service.

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ZIA NATURAL GAS COMPANY
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SECOND REVISED RULE NO. 3
CANCELLING FIRST REVISED RULE NO. 3
CHARACTER OF SERVICE

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- A. Natural Gas Service will be furnished under conditions as stated in these Rules and the applicable provisions of the Company's Rates and the Rules and Regulations of the Commission.
- B. Natural Gas Service will be supplied at the Company's normal system pressure and conditions for residential, commercial and industrial usage.
- C. Separate bills shall be rendered for each Company Meter providing natural gas service to the customer.
- D. All gas delivered to any customer is for the sole use of that customer on that Customer's Premises only and such gas shall not be re-delivered or re-sold unless such re-delivery or re-sale is agreed to in writing by the Company.
- E. The customer may be required to pay all costs of any installation or equipment necessary to meet any particular service requirements of the customer.

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ZIA NATURAL GAS COMPANY
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FOURTH REVISED RULE NO. 4
CANCELLING THIRD REVISED RULE NO. 4
APPLICATION FOR SERVICE
FOR ALL CUSTOMER CLASSES
AND REFUSAL OF SERVICE

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- A. All persons or entities requiring Natural Gas Service shall be required to execute: 1) the Company's Application for Gas Service (Form 14); 2) Request for Transportation Service (Form 10) and Standard Transportation Service Agreement (Form 11) or a negotiated Transportation Service Agreement; 3) Natural Gas Sale for Resale Agreement (Form 13); or 4) a special services contract pursuant to Rule No. 6. Upon a request for service, the Company shall have a reasonable time thereafter to provide natural gas service. Service to all customer types and classes is conditioned upon the customer abiding by the Company's rules and the terms of service contained in the Company's rates and service agreements, and the Commission's rules and applicable orders.
- B. Applicants for new service may be required to furnish to the Company any permits required by law for the facilities on the Customer's Premises where the Natural Gas Service shall be used.
- C. A fee shall be paid, pursuant to Rate No. 4, by an applicant for transfer of existing residential or commercial sales service; or for residential or commercial sales service which has previously been voluntarily discontinued by the applicant; or for residential service which has been discontinued by the Company pursuant to Rule No. 16. The applicant shall also pay all delinquent fees and charges owed to the Company by the applicant and any service charges incurred in making the reconnection under Rate No. 4.
- D. The condition and installation of piping on the Customer's Premises may be subject to inspection by the Company and shall be subject to approval by all appropriate government inspection agencies, and if such piping and/or installation is found to be faulty, the Company may refuse to provide service until, and after, such faulty installation has been corrected to the satisfaction of such appropriate governmental agencies and/or the Company. The Company does not, however, assume the responsibility for such inspections and shall not be held liable for failure of such piping or installations.

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CANCELLING THIRD REVISED RULE NO. 4
APPLICATION FOR SERVICE
FOR ALL CUSTOMER CLASSES
AND REFUSAL OF SERVICE

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E. The Company may refuse to initiate service to any customer under the following circumstances:

1. For new customers, failure to execute a service agreement as required in Paragraph A, above;
2. Existence of a condition determined by the utility to be hazardous;
3. Outstanding delinquent account at the same or another location;
4. Failure or refusal to pay an authorized security deposit;
5. Failure of prospective customer to furnish such certificates, permits, equipment, service and/or rights of way specified by the Company, as per Rule No. 28 and/or 29, as may be applicable, as a condition to obtaining service;
6. Material violation of the Company's Rules, or the NMPRC Rules or City, State or Federal laws relating to utility services only; or
7. When distance from a Company distribution system makes cost of construction, operation and maintenance of facilities uneconomical (See Rule No. 29).

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ZIA NATURAL GAS COMPANY
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SIXTH REVISED RULE NO. 5
CANCELLING FIFTH REVISED RULE NO. 5
RATES, FEES AND CHARGES

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A. The Rates, Fees and Charges to be charged by and paid to the Company for all Natural Gas Service will be the Rates legally in effect and approved by the Commission. Complete schedules of all Rates will be kept at all times at the Company's offices in Ruidoso Downs, Hobbs, and Las Cruces, New Mexico, at the Maxwell Village Hall, and at the offices of the Commission in Santa Fe.

B. Any agreement or contract between the Company and a sales customer for natural gas service shall be subject to any and all changes made in the Rates and in the terms and conditions of service under those Rates on and after the date such changes have been approved by the Commission and said changes became effective.

C. The Company does not assume responsibility for selecting the Rate most advantageous to the customer. The Company will, at the request of a customer, assist in determining the appropriate Rate for the customer.

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ZIA NATURAL GAS COMPANY
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FIRST REVISED RULE NO. 6
CANCELLING ORIGINAL RULE NO. 6
TEMPORARY AND SPECIAL SERVICES

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- A. Where Natural Gas Service connections are available from an existing main of adequate capacity and where an adequate supply of natural gas is available without adverse effect on existing customers, Temporary Service may be furnished under the Company's established Rules and Rates for the type of service desired; provided, however, that a Temporary Service customer shall pay, in addition to the cost of service rendered under its applicable Rate, the cost of installing, removing, connecting and disconnecting the necessary facilities to provide such services.
- B. Special Service shall be considered by the Company when the customer's required Natural Gas Service is not covered by a specific Rate and an appropriate Special Service contract shall be entered into between the customer and the Company under Rule No. 7 herein before such Special Service can commence.
- C. Billing will be based upon metering by the Company.

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ZIA NATURAL GAS COMPANY
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FIRST REVISED RULE NO. 7
CANCELLING ORIGINAL RULE NO. 7
CONTRACT SERVICE

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- A. The Company may make and enter into Special Service contracts with a customer providing that nothing in such contract shall be unduly discriminatory or will impair the service of any other customer of the Company, and so long as such contract is in accordance with these Rules and the currently effective rules, regulations and orders of the Commission.
- B. All such Special Service contracts shall at all times be subject to changes or modifications necessitated by the exercise of the jurisdiction of the Commission regarding rates or any other affected element of such contracts.
- C. All Special Service contracts shall be filed with the Commission.

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THIRD REVISED RULE NO. 8
CANCELLING SECOND REVISED RULE NO. 8
UNIT OF MEASUREMENT

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A. The unit of measurement for Natural Gas Service shall be in CCF. For the purpose of measurement of gas to a customer, a cubic foot of gas shall be taken to be the gas which occupies a volume of 1 cu. ft. under the conditions of 4 ounces above local atmospheric pressure and sixty degrees Fahrenheit, provided however, that when gas is metered at conditions other than standard conditions a meter multiplier shall be applied to correct metered volumes to standard conditions.

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THIRD REVISED RULE NO. 9
CANCELLING FIRST REVISED RULE NO. 9
METERING

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- A. The reading of the Company's meter at the customer's location shall be conclusive in determining the quantity of gas delivered and sold to a customer except as may be modified under this Rule.
- B. All meters shall be installed, maintained and owned by the Company.
- C. Each meter, whether new or repaired or previously removed from service for any cause, shall be tested and in good order before being installed.
- D. Upon request by a customer the Company shall make a test of the meter serving the customer and shall advise the customer that he or she may be present for the testing. The Company may impose a meter test fee in accordance with its Rate No. 4 if the meter has been tested within the last eighteen (18) months. Such charge will be refunded to the customer if the meter proves to be in excess of two percent (2%) fast. Bills which are incorrect due to meter or billing errors may be adjusted in accordance with the procedures contained in Paragraph H, below.
- E. The customer or a representative of the customer may be present, if desired by the customer, when the meter is tested. If the customer wishes to be present, the customer shall so notify the Company. The Company shall give the customer reasonable advance notification of the day, time and place of said meter test.
- F. A report of the results of the test shall be made available to the customer within a reasonable period of time after the completion of the test, and a record of the report together with a complete record of each test shall be kept on file at the office of the Company. Such records shall be maintained as required by NMPRC Rule 17.3.310 NMAC.

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THIRD REVISED RULE NO. 9
CANCELLING SECOND REVISED RULE NO. 9
METERING

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G. The Company reserves the right to test any meter at any time during business hours and to enter the premises of a customer if necessary for that purpose.

H. Bills which are incorrect due to meter or billing errors will be adjusted as follows:

1. Fast Meters. Whenever a meter in service is tested and found to have over-registered more than two percent (2%), the utility shall recalculate the bills for service for the period as determined below:

a. The bills for service shall be recalculated from the time the error first developed or occurred if that time can be determined.

b. If the time the error first developed or occurred cannot be determined, it shall be assumed that the over-registration existed for a period equal to one half (1/2) the time since the meter was last tested, not to exceed six (6) months, and the bills for service shall be recalculated for that period.

c. If the recalculated bills indicate that a refund is due an existing customer or a person no longer a customer of the Company, the full amount of the calculated difference between the amount paid and the recalculated amount shall be refunded. The Company shall make refunds to the existing customer and to the next previous customer served through the same meter if the period of refund determined in accordance with this section extends into the period when the said next previous customer was served through the same meter. The refund to an

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METERING

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existing customer may be in cash or as a credit on his bill. If a refund is due a person no longer a customer of the utility, a notice shall be mailed to the last known address, and the Company shall upon request made within three (3) months thereafter refund the amount due.

2. Non-registering meters. Whenever a meter in service is found not to register, the Company may render an estimated bill based upon past consumption at the premises as per Rule No. 12, or an average calculated by two month's current usage measured by the repaired or replaced meter, which calculation may be weather normalized if appropriate, for the period of time in which the meter was previously not registering.

3. Slow Meters. Whenever a meter is found to be more than two percent (2%) slow, the Company may bill the customer for one half (1/2) of the undercharge caused by the error indicated by the test for a period of twelve (12) months unless the meter has been tested within the twelve-month period, in which event the customer may be billed for the undercharge caused by the error indicated by the test for the period since the meter was last tested. The Company will not back-bill any customer who has called to the Company's attention his doubts as to the meter's accuracy and the Company failed to check it within a reasonable time.

4. Billing adjustments due to fast or slow meters shall be calculated on the basis that the meter should be one hundred percent (100%) accurate. For the purpose of billing adjustments, the meter error shall be one half (1/2) of the algebraic sum of the error at full-rated flow plus the error at check flow.

5. When a customer has been overcharged as a result of incorrect reading of the meter, incorrect application of a rate schedule, incorrect connection of the meter, or other similar reasons, the amount of the overcharge shall be adjusted, refunded or credited to the customer. The Company will assist the customer in selecting the appropriate rate

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METERING

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schedule, but will not be held responsible for an overcharge if the customer selects an inappropriate rate schedule or fails to notify the Company of a change in his/her operations affecting his/her customer classification.

6. When a customer has been undercharged as a result of an incorrect meter reading, incorrect application of a rate schedule, incorrect connection of a meter or other similar reasons, the amount of the undercharge may be billed to the customer.

7. The Company and its special contract customers may make their own agreements with respect to billing adjustments for errors in measurement.

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ZIA NATURAL GAS COMPANY
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SIXTH REVISED RULE NO. 10
CANCELLING FIFTH REVISED RULE NO. 10
RENDERING AND PAYMENT OF BILLS

Page 1 of 2

A. RESIDENTIAL DIRECT SALES CUSTOMERS:

1. The Company shall render a bill for Natural Gas Service to every customer on a cycle billing basis in accordance with the applicable rate schedules.

2. Bills shall be based upon each separate Company meter through which natural gas service is provided to the Customer.

3. Failure to receive mail will not be recognized as a valid excuse for failure to pay bills when due.

4. A residential customer shall be given at least twenty (20) calendar days from the Billing Date for payment in full before the bill is deemed Delinquent, and a late charge will be imposed in accordance with the Company's Rate No. 4.

5. A residential customer shall be given at least fifteen (15) calendar days from the date of Final Notice before discontinuance of service for non-payment of delinquent accounts, in accordance with Rule 16.

6. If the last day for payment of a bill falls on a Sunday, on a legal holiday, or on any other day when the office(s) of the Company regularly used for the payment of customer bills are not open to the general public, the final payment date shall be extended through the next business day.

7. If payment is made by personal check, and at least three (3) such checks have been returned to the Company for insufficient funds during the preceding twelve months, the Company may require payment to be made by cash or money order.

8. Procedures relating to discontinuance of service due to delinquency in payment of bills are found in Rule No. 16 herein.

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CANCELLING FIFTH REVISED RULE NO. 10
RENDERING AND PAYMENT OF BILLS

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B. ALL OTHER SALES CUSTOMERS:

1. All monthly bills for Natural Gas Service are due and payable within twenty (20) days from their date of rendition, and if not paid become delinquent, and a late payment charge of 0.67% per month will be imposed as per Rate No. 4.
2. Failure to receive mail will not be recognized as a valid excuse for failure to pay bills when due.
3. A customer other than a residential customer shall be given at least four (4) business days from the date of Final Notice before discontinuance of service.
4. If a customer disputes the amount of a bill, then the provisions of Zia's Rule No. 13 shall be followed.

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FIFTH REVISED RULE NO. 11
CANCELLING FOURTH REVISED RULE NO. 11
BUDGET PAYMENT PLAN

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- A. A residential or commercial customer budget payment plan is available which will provide for twelve (12) equal monthly payments.
- B. The budget payment plan shall be available to a residential customer who is current in payments for gas service or who has entered into and is complying with a payment agreement.
- C. Should a budget payment plan customer become Chronically Delinquent, the Company may remove such customer account from the budget payment plan.
- D. The monthly payment will be determined by determining the customer's total usage at that location for the previous twelve (12) months, including any under- or over-collection, and dividing the total by twelve (12), adjusted for known price changes, bill averages, and normalized weather conditions. If the customer has not had prior usage at that location, the usage information for that location may be utilized to calculate the monthly payment amount.
- E. If it becomes necessary for a residential customer to terminate the budget plan prior to its twelve (12) month term, the actual amount billed to date will be determined and the customer will be either refunded or charged for the difference between the amount paid and the amount charged.
- F. The monthly payment as determined under paragraph D above may be adjusted up or down to reflect any change in Rates for service authorized by the Commission during the twelve (12) month term of the budget plan.
- G. Any other charges incurred by the customer shall be paid monthly when due in addition to the monthly plan payment.
- H. A late charge may be imposed on a delinquent budget payment.

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SECOND REVISED RULE NO. 12
CANCELLING FIRST REVISED RULE NO. 12
ESTIMATED BILLS

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A. The Company may not render a bill based on estimated usage to a residential customer unless: (1) the Company is unable to obtain access to the residential Customer's Premises through no fault of its own for the purpose of reading the residential customer's meter or in situations where the residential customer makes reading the meter unnecessarily difficult; (2) a meter is defective or has been evidently tampered with or bypassed; or (3) weather conditions prohibit meter reading or where force majeure conditions exist. If the utility is unable to obtain actual meter readings for these reasons, it shall attempt to contact the residential customer and attempt to obtain access to the premises or it shall undertake reasonably practical alternatives to obtain a meter reading. The Company must, for no less than twelve (12) months, maintain accurate records of the reasons for each estimate and of the efforts made to secure an actual reading.

B. The Company may render a bill based on the estimated usage for more than two (2) consecutive billing periods with prior notification to the Commission. The Company will not estimate an initial reading or final bill for service unless otherwise agreed to by the residential customer and the Company.

C. If the Company should underestimate a residential customer's usage and then subsequently seek to correct the customer's bill, the residential customer shall be given an opportunity to participate in an installment payment plan with regard to the underestimated amount.

D. Meters will be read as nearly as possible at regular monthly intervals; provided, however, that if one month's meter reading is missed the Company may bill the customer on an estimated consumption and the difference adjusted when the meter is again read. The basis for this estimate shall be the normal consumption for a corresponding period in the preceding year or the normal consumption of preceding months. At the first reading subsequent to the non-reading, the appropriate rate structure shall be taken into account when adjusting the bill.

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ZIA NATURAL GAS COMPANY
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SECOND REVISED RULE NO. 13
CANCELLING FIRST REVISED RULE NO. 13
DISPUTED BILLS

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A. A residential or commercial sales customer may advise the Company that utility charges are in dispute by written notice, by telephone, or in person; provided that the Company shall advise the customer that if notice is provided by telephone or in person, the customer shall give the Company written notice of the dispute within five (5) days from the date of telephone or personal contact with the Company. In any event, the customer shall pay the undisputed amount of the utility charges within five (5) days after advising the utility of the dispute. The actual rates, fees and charges approved by the Commission and in effect shall not be subject to dispute under this rule.

B. If a residential or commercial sales customer advises the Company that utility charges are in dispute after receiving a notice of disconnection of service from the Company and at a time which is less than five (5) days from the date on which disconnection is to occur, the customer shall give the Company written notice of the dispute and pay the undisputed amount prior to the date on which disconnection is to occur.

C. In attempting to resolve a dispute, the Company may employ telephone communication, personal meetings, on-site visits or any other technique reasonably conducive to settlement of the dispute.

D. If a residential or commercial sales customer disputes the amount of utility charges, the customer shall pay the Company an amount equal to that part of the utility charge(s) not in dispute. The amount not in dispute shall be determined mutually by the parties. The parties shall consider the customer's prior consumption history, weather variations, the nature of the dispute and any other pertinent factors in determining the amount not in dispute. In the event that the Company and the customer cannot agree on the amount not in dispute, the customer shall pay the Company an amount equal to ninety percent (90%) of the average monthly consumption for that customer's consumption during the preceding year for the three (3) month period which brackets the month in controversy, or an amount equal to ninety percent (90%) of the average monthly consumption during the preceding year for a three (3) month period which brackets the month in controversy for a residential customer with similar usage characteristics.

ADVICE NOTICE NO. 42

Mercedes Fernandez-Wells
Manager of Regulatory Affairs

ZIA NATURAL GAS COMPANY
A DIVISION OF
NATURAL GAS PROCESSING CO.

SECOND REVISED RULE NO. 13
CANCELLING FIRST REVISED RULE NO. 13
DISPUTED BILLS

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E. Failure of a customer to pay the Company the amount of the utility charges not in dispute shall constitute a waiver of the customer's right to continued service.

F. When the dispute is resolved, if applicable, any excess amount paid by the customer shall be promptly credited to the customer's account and if the amount is in excess of \$10.00 and if so requested by the customer, the excess amount shall be promptly refunded by the Company.

G. Bills which are found to be incorrect because of meter or billing errors shall be adjusted in accordance with Rule No. 9 herein.

H. When the residential or commercial sales customer and the Company meet in person, by telephone, or otherwise to resolve a dispute, the Company representative shall:

1. Advise the customer that if the complaint cannot be resolved to the parties' satisfaction, each has the right to register an informal or formal complaint with the Commission;
2. Give the customer the address and the telephone number where the customer may file a complaint with the Commission; and
3. Advise the customer that a complaint must be filed within seven (7) days or the Company may initiate or continue procedures to discontinue service to the customer.

ADVICE NOTICE NO. 42

Mercedes Fernandez-Wells
Manager of Regulatory Affairs

ZIA NATURAL GAS COMPANY
A DIVISION OF
NATURAL GAS PROCESSING CO.

FIRST REVISED RULE NO. 14
ESTABLISHMENT & RE-ESTABLISHMENT OF CREDIT

Page 1 of 1

A. Customers, other than residential and governmental customers, may be required to furnish financial statements, credit references or other evidences of their credit standing prior to the commencement or resumption of Natural Gas Service by the Company.

ADVICE NOTICE NO. 13

Mercedes Fernandez-Wells
Manager of Regulatory Affairs

FIFTH REVISED RULE NO. 15
CANCELLING FOURTH REVISED RULE NO. 15
SECURITY DEPOSITS, GUARANTEES OF PAYMENT

Page 1 of 3

I. Residential Direct Sales Customers

A. The Company may require a security deposit or guarantee of payment by execution of the Company's Form No. 8 (Third-Party Guarantee) as a condition of new or continued service: 1) to a residential customer who has not previously had utility service and who has not established an acceptable credit rating; 2) to a Chronically Delinquent residential customer of the Company; 3) as a condition for reconnection of service following discontinuance of service by the Company and 4) to a residential customer who, in an unauthorized manner, has interfered with or diverted the service of the Company situated on or about or delivered to the residential Customer's Premises. The Company shall require a security deposit or Third-Party Guarantee for any residential customer who is renting or leasing a home or apartment, unless that customer has previously been a customer of the utility.

B. Methods to establish an acceptable credit rating for residential customers:

1. A residential customer or guarantor may establish an acceptable credit rating in any reasonable manner, such as the following:

- a. Owns or is purchasing a home;
- b. Is and has been regularly employed on a full time basis for at least one year;
- c. Has an adequate regular source of income;
- d. Can provide adequate credit references from a commercial credit source or from a utility where the customer or applicant had prior utility service.

The Company may require proof of ownership, employment and income from the residential customer or third-party guarantor.

2. If a residential customer or prospective residential customer cannot establish an acceptable credit rating but can demonstrate to the utility that the residential customer does not have adequate financial resources to pay the security deposit because the residential customer has a low income and is elderly, disabled or subject to other special considerations, the utility shall give special consideration to such a residential customer in determining whether and in what amount a security deposit will be charged.

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FIFTH REVISED RULE NO. 15
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SECURITY DEPOSITS, GUARANTEES OF PAYMENT

Page 2 of 3

3. If a prospective residential customer cannot establish an acceptable credit rating but previously received utility service under the name of a spouse, the utility may consider prior utility service to that spouse in determining whether and in what amount a security deposit will be charged.

C. Any residential customer who has not been Chronically Delinquent for the twelve (12) month period from the date of deposit or guarantee shall promptly receive a credit or refund in the amount of the deposit together with accrued interest due or shall be permitted to terminate any guarantee. If the amount of the deposit exceeds the amount of the current bill, the residential customer may request a refund in the amount of the excess if such excess exceeds ten dollars (\$10). If the residential customer fails to qualify for a refund of the deposit on the first anniversary date of the deposit that account shall be reviewed on each next succeeding anniversary date of the deposit and the amount of the deposit shall be credited if the residential customer has not been delinquent during the preceding twelve months. A residential customer may request a refund at any time after twelve months, which refund shall be promptly paid if the residential customer has not been delinquent during the prior twelve month period, or a utility may pay such a refund in the absence of a request within a reasonable period of time.

D. The amount of a required residential customer security deposit shall be determined in accordance with the following:

1. A deposit for a residential customer shall not exceed an amount equivalent to one sixth (1/6) of that customer's estimated annual billings, or if there is not a comparable period of service at that premises, then the deposit shall be based upon consumption of similar customers in the same area.

2. Simple interest on deposits at the rate not less than the rate required by law shall accrue annually to the customer's credit for the time it is held by the Company. The deposit shall cease to draw interest on the date it is returned, on the date service is terminated, or on the date the refund is sent to the customer's last known address.

3. Each residential customer posting a security deposit shall receive in writing at the time of tender of the deposit, a receipt as evidence thereof on Company Form No. 5.

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ZIA NATURAL GAS COMPANY
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CANCELLING FOURTH REVISED RULE NO. 15
SECURITY DEPOSITS, GUARANTEES OF PAYMENT

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E. The Company shall make reasonable attempts to return deposits even though the customer is unable to produce the original receipt for the deposit; provided, however, that the customer can produce adequate identification to insure that the customer is entitled to refund of the deposit.

II. Commercial Direct Sales Customers

A. A suitable guarantee in the form of a deposit may be required of any customer, other than residential customers, before service is supplied or re-supplied. Upon termination of service for whatever reason, the deposit may be applied against any unpaid bills and if any balance remains after such application said balance will be refunded to the customer. The deposit required may not exceed one and one-half times the Company's estimate of the customer's average maximum monthly billing.

B. A deposit will not be required of Federal, State, County or Municipal government agencies for natural gas sales service.

C. Simple interest at the statutory rate will be accrued annually for all such customer deposits for the entire time the deposits are held by the Company.

III. Unclaimed security deposits will be handled by the Company as provided by law.

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Mercedes Fernandez-Wells
Manager of Regulatory Affairs

ZIA NATURAL GAS COMPANY
A DIVISION OF
NATURAL GAS PROCESSING CO.

FIFTH REVISED RULE NO. 16
CANCELLING FOURTH REVISED RULE NO. 16
DISCONTINUANCE AND DENYING RESTORATION OF SERVICE

Page 1 of 8

A. Any customer desiring to discontinue their gas service shall give notice in writing to the Company at its office. The customer will be liable for all Natural Gas Service at that location until such notice is given and the Company has determined a final billing. The Company will determine a final bill within a reasonable period of time after receipt of the Customer's notice.

B. The Company reserves the right to interrupt service for a reasonable period for repairs to its property or equipment.

C. The Company may discontinue Natural Gas Service to a residential customer without prior notice:

1. In the event of a condition determined by the Company to be hazardous.
2. In the event of residential customer use of equipment in such a manner as to adversely affect the Company's equipment or the Company's service to others.
3. In the event of a residential customer's tampering with, damaging, or deliberately destroying the equipment furnished and owned by the Company.
4. In the event of unauthorized use of service provided by the Company.
5. In an emergency.

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Mercedes Fernandez-Wells
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- D. After three (3) days prior written notice, the Company may discontinue utility service to a residential customer for:
1. Refusal to grant access at reasonable times to equipment installed upon the premises of the residential customer for the purpose of inspection, meter reading, maintenance or replacement.
 2. Failure to furnish such service, equipment, permits, certificates, and/or rights of way, as shall have been specified by the Company as a condition to obtaining service, or in the event such equipment or permission is withdrawn or terminated.
 3. Violation of and/or non-compliance with the Company's rules on file with and approved by the Commission.
 4. Failure of the residential customer to fulfill contractual obligations for utility service and/or facilities other than payment agreements.
- E. The three-day notice shall be in English or Spanish, as may be applicable, and shall include the following:
1. A statement of the reason(s) why the Company has issued notice to discontinue utility service.
 2. The title(s) address, telephone number(s) and working hours of the personnel at the Company responsible for carrying out the rights prescribed in NMPRC Rule 17.5.410 NMAC.
 3. A statement that the residential customer can obtain a review by personnel of the Company of the reasons for the proposed discontinuance of service, which shall stay the discontinuance during the review, and a statement that a complaint

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may be filed with the Commission if the residential customer disagrees with the Company's determination of the facts on which the proposed discontinuance is based.

F. The Company may discontinue utility service to a residential customer after seven (7) days written notice for failure to comply with the terms and conditions of a payment agreement.

G. The Company may discontinue utility service to a residential customer after fifteen (15) days written notice for nonpayment of a delinquent account. At least fifteen (15) days before the Company proposes to discontinue service to a residential customer, the Company shall provide that residential customer with notice of each of the rights such residential customer may have relating to discontinuance of service, budget payment plans and settlement agreements. Such notice shall be in writing, in English and Spanish, and shall be in simple language. Such notice shall be delivered to the affected residential customer in person or by depositing a copy of the notice in the U.S. Mail, postage prepaid, addressed to the residential customer at the address for the affected residential customer known to the Company. Such notice shall contain:

1. The title(s), address, telephone number(s) and working hours of the personnel at the Company responsible for carrying out the rights.
2. The amount owed and the date by which the residential customer must either pay the amount due or make other arrangements with the Company concerning payment of the charges, including arrangements for a payment agreement.

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Mercedes Fernandez-Wells
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The billing periods over which said amount was incurred and the date the amount of the last payment shall be available on request.

3. A statement that if the residential customer pays that portion of the bill which is not in a bona fide dispute, the residential customer can obtain a review by personnel of the Company of the portion of the bill which the residential customer does dispute.

4. A statement that a residential customer may file a complaint with the Commission in accordance with NMPRC Rule 17 NMAC 1.2 if the residential customer disagrees with the Company's determination concerning discontinuance of service.

5. A statement that the Company will not discontinue service to any residence where a seriously ill person resides or a person whose life may be endangered by discontinuance of service, if at least two (2) days prior to the proposed service discontinuance date indicated in the notice, the designated Company personnel receives a signed copy of Company Form 15, Medical and Financial Certification, stating that discontinuance of service might endanger the person's life and that such residential customer does not have adequate financial resources to pay the utility charges when due, whether or not that accuracy of such charges are the subject of a bona fide dispute; and that if service has been discontinued, the Company shall reestablish service within twelve (12) hours of receipt of said certificate.

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6. A copy of Company Form 15 shall be provided. If Form 15 is properly executed, discontinuance shall be delayed for at least thirty (30) days and at the Company's option, the Company may delay discontinuance for up to one hundred twenty (120) days or for a longer period of time. The Company shall promptly notify the residential customer in writing as to how long it deems the certificate to be valid; provided, however, that should the circumstance on which the certificate is based appear to have changed, the Company may require additional certification.
 7. A statement of the cost of reconnection and the reconnection fee.
 8. A statement that "If you have difficulty paying this bill, and feel you may qualify for assistance in paying your utility bill from the Low Income Home Energy Assistance Program or another assistance program in your community, contact the Community Assistance Section of the Human Services Department at 1-800-432-6217, or contact the customer service representative at this utility. Application forms for the Low Income Home Energy Assistance program are available at the billing offices of this utility and at the Human Services Department. Application forms should be returned to the Human Services Department. The Human Services Department and not this utility administers the programs and determines your eligibility to receive assistance."
- H. The Company shall take reasonable steps to communicate with a residential customer, by telephone or personal contact, at least two (2) days prior to the actual date of discontinuance of service, in order to obtain payment of delinquent accounts. The Company employee personally contacting a residential customer two (2) days prior to discontinuance, and the utility employee sent to discontinue utility service shall note any information which is made known to the employee by the residential customer regarding any resident's serious illness or life endangering

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health condition, such as whether a resident is physically disabled, frail or elderly. Such information shall be immediately reported in writing to a Company employee authorized to prevent discontinuance. That employee shall either delay the discontinuance order if it is apparent that a medical certificate will be received, or shall state in writing why such delay is not affected. The Company and Company employee's noting of the information made known by the residential customer, acting upon such information or failing to act on such information in good faith, shall cause the Company and Company employee to be held harmless for error made. The Company employee sent to discontinue utility service shall be empowered to receive payment of delinquent bills and upon receipt of payment; said employee shall be empowered to cancel the discontinuance order.

- I. The Company shall not discontinue service for:
1. The failure of a residential customer to pay for special services.
 2. The failure of a residential customer to pay for service received at a separate service point, residence or location. However, in the event of discontinuance or termination of service at a separate residential service point, residence or location, the Company may transfer any unpaid balance due to any other residential service account of the residential customer.
 3. The failure of the residential customer to pay for a different class of service received at the same or different location.
 4. Nonpayment of the disputed amount of a bill.
 5. Delinquency in payment for service to a previous occupant of the same premises unless a court has found the new customer legally liable for the debt of the previous occupant or the previous occupant continues to reside at the premises.

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DISCONTINUANCE AND DENYING RESTORATION OF SERVICE

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6. Failure of a residential customer to pay the bill of another customer as guarantor thereof.
 7. Failure of a residential customer to pay an estimated bill rendered in violation of NMPRC Rule 17.5.410 NMAC.
 8. Failure of a residential customer to pay a security deposit..
- J. Any customer whose service is discontinued may be required to pay a reconnection fee and service charge in addition to all other fees and charges before being reconnected to any system operated by the Company.
- K. The Company will notify a third party on behalf of a residential customer if the residential customer notifies the Company in writing that they desire such notification and designates a specific person, organization, or governmental agency who is ready, willing and able to assist the residential customer in the payment of utility bills. Upon receipt of such notice from a residential customer, the Company shall not discontinue service to the residential customer for nonpayment of past due charges without (1) contacting the designated person, organization or governmental agency by phone or in writing at least fifteen (15) days prior to the proposed discontinuance of service; and (2) determining that the designated person, organization or governmental agency has not made a commitment to assist payment of the past due charge of that residential customer within a reasonable period of time.
- L. When a residential customer has indicated to the Company an inability to pay utility charges and has not been Chronically Delinquent, the Company shall attempt to arrange an installment payment plan for the payment of past due utility charges pursuant to Rule 17. While an installment payment plan is being negotiated, the Company shall not discontinue service to such residence. In the event that either negotiation of the installment plan is discontinued or progress in its negotiation is stalled, the Company may proceed with discontinuance of service.

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ZIA NATURAL GAS COMPANY
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DISCONTINUANCE AND DENYING RESTORATION OF SERVICE

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M. If a residential customer claims that a bill is not due and owing, the procedures outlined in Rule 13, "Disputed Bills", shall be followed. If a residential customer claims that a proposed installment payment plan is unreasonable or that there has been no violation of an existing installment payment plan, the Company shall conduct a review of the claims, and the reviewing employee shall have authority to order appropriate corrective action. Such review shall stay the discontinuance of utility service until the review is completed. The Company may request written documentation from the residential customer to support its claims.

N. Utility service to a residential customer may be discontinued only during the hours from 8:00 a.m. to 3:00 p.m. on Monday through Thursday and may not be discontinued less than twenty-four (24) hours prior to a holiday or weekend unless the Company's business office is open for receipt of payment of past due charges and Company personnel are available to restore such service upon payment during said holiday or weekend.

O. Unless requested by the customer, utility service shall not be discontinued to any residential customer for nonpayment during the period from November 15 to March 15 until at least fifteen days after the date scheduled for discontinuance of service if, prior to that date, the Human Services Department contacts the utility and certifies to the utility that the customer is eligible for utility payment assistance under the Low Income Home Energy Assistance Programs and the Low Income Utility Assistance Act and that payment for the utility service provided to the customer will be made within the fifteen-day period following the date scheduled for discontinuance. Discontinuance of service may occur without further notice if the second fifteen (15) day period expires without receipt of payment for the service designated in the disconnect notice.

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ZIA NATURAL GAS COMPANY
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THIRD REVISED RULE NO. 17
CANCELLING SECOND REVISED RULE NO. 17
PAYMENT AGREEMENTS

Page 1 of 2

A. When the Company and a residential customer settle a dispute or when a residential customer does not dispute liability for an outstanding bill or bills but demonstrates an inability to pay the outstanding bill or bills then due, the Company and residential customer shall enter into a payment agreement to pay the amount of the bill or bills. The terms of a payment agreement reached by telephone which extends beyond forty-five (45) days shall be confirmed by the Company in writing and mailed or delivered to the residential customer. No payment agreement may extend beyond ninety (90) days, except that this provision shall not apply to payment agreements for bill adjustments made by the Company pursuant to Company Rule No. 9.

B. The Company is not required to enter into a payment agreement with a Chronically Delinquent residential customer. However, if a Chronically Delinquent residential customer can demonstrate to the Company that the residential customer does not have adequate financial resources to pay the outstanding bill without participation in a payment agreement because the residential customer has a low income and is elderly, disabled or subject to other special considerations, the Company shall give special consideration to such a residential customer in determining whether to extend a payment agreement to that residential customer.

C. Every payment agreement involving an inability to pay an outstanding bill in full when due shall provide that service will not be discontinued if the residential customer pays a reasonable portion of the outstanding bill upon signing the payment agreement and agrees to pay the remaining outstanding balance in reasonable installments until the bill is paid. For purposes of determining reasonableness, the parties shall consider:

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CANCELLING SECOND REVISED RULE NO. 17
PAYMENT AGREEMENTS

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- (a) the size of the outstanding balance;
- (b) the residential customer's ability to pay;
- (c) the residential customer's payment history;
- (d) the time that the balance has been outstanding;
- (e) the reasons why the balance has been outstanding; and
- (f) any other relevant factors to the residential customer's service.

D. The Company's Form No. 7 shall be used to execute the payment agreement. The Residential customer shall receive a copy of the payment agreement at the time it is signed.

E. If a residential customer fails to comply with a payment agreement, the Company may discontinue service after notifying the residential customer by personal delivery of written notice, or by first class mail, that the residential customer is in default of the payment agreement; stating the nature of the default; and stating that unless a payment which brings the payment agreement current is made within seven (7) days from the date of notice, the Company will discontinue service on a certain date. Nothing in this section shall preclude the Company and a residential customer from re-negotiating the terms of a payment agreement.

F. A payment agreement to pay an outstanding past due balance does not relieve a residential customer from the obligation to pay future bills on a current basis.

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Mercedes Fernandez-Wells
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ZIA NATURAL GAS COMPANY
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FIRST REVISED RULE NO. 18
COMMISSION COMPLAINT PROCEDURES

Page 1 of 2

As established in the Commission's Rules and Regulations, the following procedures must be followed by customers having a dispute with the Company.

A. The Commission's normal policy is to not accept formal or informal complaints from a customer until the customer has made a good faith effort to resolve the complaint directly with the Company. The Commission will waive this policy when in equity and good conscience circumstances so require.

B. Informal Complaints. Informal complaints should be in writing but may be initiated by telephone or in person at the offices of the Commission. If in writing, the complaint need not be in affidavit form. An informal complaint shall state the name and address of the residential customer, the name of the Company, the nature of the original complaint in a clear and concise manner, the relief requested, whether the residential customer has pursued all remedies with the Company which are available, and such other information as is required under the Rules of Practice and Procedure of the Commission (NMPUC Rule No. 110). If the informal complaint does not initially contain this information a member of the Commission staff will contact the complainant to attempt to obtain the missing data.

C. Upon receipt of an informal complaint, the Commission shall, when appropriate, advise the Company within a reasonable period of time, that a complaint has been filed against it; the Commission staff shall review and investigate the complaint and shall advise the complainant and the Company, within a reasonable time, of the results of the investigation.

D. If the staff of the Commission is unable to resolve the complaint to the satisfaction of the parties, either party may, within five (5) days after receipt of the results of the investigation, request an informal conference with the staff or file a formal complaint in accordance with the Rules of Practice and Procedure of the Commission. The Commission must find probable cause for the complaint prior to setting the matter down for hearing.

ADVICE NOTICE NO. 15

Mercedes Fernandez-Wells
Manager of Regulatory Affairs

ZIA NATURAL GAS COMPANY
A DIVISION OF
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FIRST REVISED RULE NO. 18
COMMISSION COMPLAINT PROCEDURES

Page 2 of 2

E. If the parties are unable to reach a settlement of their dispute, a formal complaint may be filed with the Commission pursuant to the provisions of the Rules of Practice and Procedure of the Commission (NMPUC Rule No. 110).

F. The Company shall not discontinue utility service to a residential customer or issue a notice of discontinuance relative to a matter in dispute once a formal complaint has been filed with the Commission. The Commission shall immediately notify the Company that a formal complaint has been filed against it.

G. The Commission shall authorize the commencement, prosecution, defense and investigation of any complaint filed under these rules without payment of fees and costs or security by a residential customer who makes an affidavit that the residential customer is unable to pay such costs or security, as may be provided for by law (in forma pauperis).

ADVICE NOTICE NO. 15

Mercedes Fernandez-Wells
Manager of Regulatory Affairs

ZIA NATURAL GAS COMPANY
A DIVISION OF
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SECOND REVISED RULE NO. 19
CANCELLING FIRST REVISED RULE NO. 19
LOCATION OF METERS

Page 1 of 1

A. The Company's meter shall be installed at a location which is accessible at all reasonable hours for meter reading and for operation and maintenance activities and accessible at all times under any emergency circumstances to authorized representatives of the Company.

B. The customer shall not permit anyone other than the authorized representatives of the Company to do anything whatsoever to the Company's meter, regulator and appurtenant fittings and equipment. The customer shall maintain the accessibility of the meter.

C. The Company representatives shall have the right at all reasonable hours to enter upon the premises and property of the customer to inspect the services, read the meter, and make necessary repairs, adjustments or replacements of any property of the Company located thereon.

ADVICE NOTICE NO. 19

MERCEDES FERNANDEZ-WELLS
MANAGER, REGULATORY AFFAIRS

ZIA NATURAL GAS COMPANY
A DIVISION OF
NATURAL GAS PROCESSING CO.

SECOND REVISED RULE NO. 20
CANCELLING FIRST REVISED RULE NO. 20
SERVICE CONNECTIONS

Page 1 of 1

A. The Company reserves the right to determine the location of the Company Service Line and the Point of Delivery for any customer's premises. The Company shall be called upon for exact information regarding such locations before any piping on the Customer's Premises is started that may affect those locations. If such information is not provided, expensive changes in piping installation may result for which the Company shall not be held liable in any way and for which the Company will not assume any responsibility.

B. No more than one single family residential unit shall be served from any single Company meter. In the case of multiple dwelling units or condominiums, Natural Gas Service shall, whenever possible, be rendered employing a single Company Service Line, except that multiple meters maybe be installed.

C. The Company's Service Lines shall terminate at the connection to the Point of Delivery. It shall be the customer's responsibility and at the customer's expense to make the necessary piping connections to the Point of Delivery from the Customer's Utilization Location.

D. All materials used in the Customer's Service Line shall meet all specifications as required by all governmental authorities having appropriate jurisdiction, and shall be subject to government inspection and inspection by the Company.

G. No connection between the Company's Meter and the Customer's Utilization Location shall be completed and backfilled without any required inspections having been performed.

ADVICE NOTICE NO. 19

MERCEDES FERNANDEZ-WELLS
MANAGER, REGULATORY AFFAIRS

ZIA NATURAL GAS COMPANY
A DIVISION OF
NATURAL GAS PROCESSING CO.

SECOND REVISED RULE NO. 21
CANCELLING FIRST REVISED RULE NO. 21
CURTAILMENT & INTERRUPTION OF GAS SUPPLY

Page 1 of 3

A. The Company shall use reasonable diligence in its operations to render continuous service to all of its customers other than those customers served under Rates expressly permitting interruptions of service. If for any reason, however, the Company is unable to supply gas, curtailments or interruptions of service shall be made in accordance with the provisions of this Rule. The Company shall not be liable for damages of any kind arising from curtailments and interruptions properly executed in compliance with this Rule.

B. DEFINITIONS:

RESIDENTIAL SERVICE: Service to customers which consists of direct natural gas sales and usage for space heating, air conditioning, cooking, water heating and such domestic uses whether in single or multiple dwelling units.

COMMERCIAL SERVICE: Service to customers engaged primarily in the sales or furnishing of goods or services, including institutions, local and federal government agencies and those customers not otherwise provided for, except service for gas uses involving manufacturing.

INDUSTRIAL SERVICE: Service to customers engaged primarily in a process which changes raw or unfinished material into another form or product, including the generation of electric power. This classification shall embrace all customers included in Division A (except Major Groups 01 and 02) and Division D and Group 491 (as respects power generation only) of the Standard Industrial Classification Manual of the Federal Office of Management and Budget.

PLANT PROTECTION GAS: Minimum gas quantities required to prevent physical harm to plant facilities or danger to plant personnel when such protection cannot be afforded through use of an alternate fuel. This includes the protection of such material in process as would otherwise be destroyed, but shall not include deliveries required to maintain plant production. For the purposes of this definition, propane and other gaseous fuels shall not be considered alternate fuels.

FEEDSTOCK GAS: Gas used as a raw material for its chemical properties in creating an end product.

ADVICE NOTICE NO. 15

MERCEDES FERNANDEZ-WELLS MANAGER,
REGULATORY AFFAIRS

ZIA NATURAL GAS COMPANY
A DIVISION OF
NATURAL GAS PROCESSING CO.

SECOND REVISED RULE NO. 21
CANCELLING FIRST REVISED RULE NO. 21
CURTAILMENT & INTERRUPTION OF GAS SUPPLY

Page 2 of 3

PROCESS GAS: The use of gas for which alternate fuels are not technically feasible as in applications requiring precise temperature controls and precise flame characteristics. For the purposes of this definition, propane and other gaseous fuels shall not be considered alternate fuels.

C. Curtailments or interruptions shall be made in accordance with the following priorities:

PRIORITY 1 - Residential, small commercial, and small industrial service (commercial or industrial customers requiring less than 200 Mcf on a peak day).

PRIORITY 2 - Large commercial requirements (requiring 200 Mcf or more on a peak day) and industrial requirements for plant protection, feedstock, and process needs.

PRIORITY 3 - All industrial requirements not specified in any other priority group.

PRIORITY 4 - Industrial requirements for boiler fuel use of less than 3,000 Mcf but more than 1,500 Mcf per day when alternate fuel capabilities can meet such requirements.

PRIORITY 5 - Industrial requirements for large volume (3,000 Mcf or more per day) boiler fuel use where alternate fuel capabilities can meet such requirements.

PRIORITY 6 - Transportation service to an end user who is not or at its current location was not and could not become a direct sales customer of the Company.

A transportation customer who: (1) is an end-user who is or at its current location was or could become a direct sales customer of the Company, or (2) is providing gas to an end-user who is or at its current location was or could become a direct sales customer of the Company shall fall under the Priority as defined by its end-use as though it were a direct sales customers.

D. CURTAILMENTS & INTERRUPTIONS:

1. Curtailments and interruptions shall be made ratably to the extent is feasible within each priority group.

ADVICE NOTICE NO. 15

MERCEDES FERNANDEZ-WELLS
MANAGER, REGULATORY AFFAIRS

ZIA NATURAL GAS COMPANY
A DIVISION OF
NATURAL GAS PROCESSING CO.

SECOND REVISED RULE NO. 21
CANCELLING FIRST REVISED RULE NO. 21
CURTAILMENT & INTERRUPTION OF GAS SUPPLY

Page 3 of 3

2. No curtailment or interruption shall be applied to any customer at any time when any customer in a lower (i.e. higher numbered) priority group has not been directed by the Company to effect full curtailment of his service.

3. The Company shall make every reasonable effort, to the extent practicable under the circumstances, to directly notify in advance each customer to be curtailed or interrupted under the provisions of this Rule of the extent and amount of any curtailment or interruption required from him. Small users, including PRIORITY 1 customers, may be notified by public announcement employing such media as local newspaper and/or radio. If, after such direct notification by Company, any customer (other than a PRIORITY 1 customer) fails to curtail or interrupt, as is applicable, during the required period or to the amount required, such customer shall pay a penalty of \$1.00 per Mcf for all volumes taken in excess of the authorized amount. In addition, the Company shall have the right to disconnect for the term of the emergency any customer who fails to curtail or interrupt as notified without further notice if service to customers in PRIORITY group 1 or 2 is threatened.

4. Curtailment or interruption of customers with load components of differing priorities shall be to the extent feasible according to the priority of each load component.

5. This procedure may be suspended by the Company during any emergency when life or property is endangered.

6. Curtailments or interruptions of services resulting from gas supply shortages from sources supplying gas to transportation customers who have standby service from the Company shall be in accordance with the same priorities applicable to direct sales customers.

ADVICE NOTICE NO. 15

MERCEDES FERNANDEZ-WELLS MANAGER,
REGULATORY AFFAIRS

ZIA NATURAL GAS COMPANY
A DIVISION OF
NATURAL GAS PROCESSING CO.

SECOND REVISED RULE NO. 22
CANCELLING FIRST REVISED RULE NO. 22
UNAUTHORIZED CONNECTIONS
AND TAMPERING WITH EQUIPMENT

Page 1 of 1

A. Natural Gas Service furnished by the Company to any customer shall be used only in connection with such Customer's Premises to which the service is piped. No additional customer facilities or facilities of others shall be connected to the existing service line nor shall service be piped from one residence, dwelling, or building without first obtaining written permission from the Company.

B. If any service equipment, including meters and piping, has been tampered with, damaged or deliberately destroyed by the Customer, owner of the premises or other person living or working at the premises, the service connection shall immediately be terminated. When the Company has determined that a customer has tampered with, damaged or deliberately destroyed any service equipment, the Customer or occupant of the premises shall be responsible for all costs associated with terminating and repairing the facilities, and may be subject to criminal or civil charges pursuant to local applicable ordinances, statutes or civil laws. The Company may refuse to re-connect the service pursuant to Rule 16.

ADVICE NOTICE NO. 42

Mercedes Fernandez-Wells
Manager of Regulatory Affairs

ZIA NATURAL GAS COMPANY
A DIVISION OF
NATURAL GAS PROCESSING CO.

FIRST REVISED RULE NO. 23
STOPPAGE OR OBSTRUCTIONS OF SERVICE

Page 1 of 1

A. The Company shall not be responsible for the stoppage or obstruction or breaks in facilities or lines of its customers.

ADVICE NOTICE NO. 13

Mercedes Fernandez-Wells
Manager of Regulatory Affairs

ZIA NATURAL GAS COMPANY
A DIVISION OF
NATURAL GAS PROCESSING CO.

THIRD REVISED RULE NO. 24
CANCELLING SECOND REVISED RULE NO. 24
CUSTOMER'S RESPONSIBILITY FOR COMPANY PROPERTY

Page 1 of 1

A. The customer shall use due diligence to protect the property of the Company installed on the Customer's Premises or on premises under his control and the representative of the Company shall have the right of access to the Customer's Premises at all reasonable hours for the purpose of inspecting, testing, repairing, installing or removing the property of the Company and for the purpose of reading the Company's meter.

B. The Company does not assume any responsibility for the Customer's Service Line or for any customer's natural gas lines or fixtures on any Customer's Premises. The Company is responsible for the safe transportation of gas until it passes the Point of Delivery to the customer. The entire responsibility for the safe conduct, handling and utilization of natural gas delivered to the customer by the Company after the Point of Delivery to the customer shall be that of the customer. In the case of loss of or damage to the Company's property resulting from the acts or negligence of the customer, the customer shall pay to the Company all costs of replacing or repairing such property.

C. In situations where a customer must convert appliances to natural gas from another fuel source, the Company shall not be liable if the conversion results in the nullification of the appliance's manufacturer's warranty, and the customer shall hold the Company harmless from any claims resulting from the nullification of the warranty.

ADVICE NOTICE NO. 42

Mercedes Fernandez-Wells
Manager of Regulatory Affairs

ZIA NATURAL GAS COMPANY
A DIVISION OF
NATURAL GAS PROCESSING CO.

FIRST REVISED RULE NO. 25
COMPANY'S RIGHT TO INGRESS TO AND
EGRESS FROM CUSTOMER'S PROPERTY

Page 1 of 1

A. Authorized representatives of the Company shall have free access at all reasonable hours to all parts of the Customer's Premises necessary for the purpose of inspection and testing of natural gas facilities or for the reading, changing or removing its meters. If such authorized representatives, after showing proper identification, are refused admittance or hindered or prevented from making such inspections or performing such work, Natural Gas Service may be discontinued in accordance with Rule 16 herein until the required access is given.

B. The Company shall have the right to enter upon the Customer's Premises for installing, repairing, inspecting, removing or replacing any natural gas piping, fittings or equipment incidental to the customer's service, and in so doing, the Company shall exercise due care in the performance of any excavation, backfill or other necessary work so as, to the extent practicable, to protect the Customer's Premises.

ADVICE NOTICE NO. 13

Mercedes Fernandez-Wells
Manager of Regulatory Affairs

ZIA NATURAL GAS COMPANY
A DIVISION OF
NATURAL GAS PROCESSING CO.

ORIGINAL RULE NO. 26
COMPANY INSPECTIONS

Page 1 of 1

A. The Company's authorized representatives shall have the right to inspect any component of natural gas installation before natural gas is delivered to a customer or at any later time, and the Company reserves the right to reject service to a customer where the piping, fittings or gas utilization equipment of the customer are not in accord with the requirements of the Company and of any and all governmental agencies having appropriate jurisdiction. However, such inspection or failure to inspect or reject shall not render the Company liable for any loss or damage resulting from defects in the installation, piping, fittings or gas utilization equipment of the customer, or from violation by the customer of the Company's requirements or the requirements of any and all governmental agencies having appropriate jurisdiction, or from any accidents which may occur on the Customer's Premises.

ADVICE NOTICE NO. 13

Mercedes Fernandez-Wells
Manager of Regulatory Affairs

ZIA NATURAL GAS COMPANY
A DIVISION OF
NATURAL GAS PROCESSING CO.

ORIGINAL RULE NO. 27
ADDITIONAL LOAD

Page 1 of 1

A. The service connection, Service Line, regulator, meter and all appurtenant fittings and equipment of the Company provided for each customer have definite and limited capacity and no addition to such Company equipment or customer load connected thereto will be allowed except by the express consent of the Company. Failure to give notice to the Company of additions or changes in load and to obtain the consent of the Company for same shall render the customer liable for any damage to any of the Company's piping, fittings, equipment or facilities caused by the customer's additional load or changed installation.

ADVICE NOTICE NO. 13

Mercedes Fernandez-Wells
Manager of Regulatory Affairs

ZIA NATURAL GAS COMPANY
A DIVISION OF
NATURAL GAS PROCESSING CO.

SECOND REVISED RULE NO. 28
CANCELLING FIRST REVISED RULE NO. 28
NOTICES OF TROUBLE

Page 1 of 1

A. Customers shall notify the Company immediately should the Natural Gas Service provided by the Company be unsatisfactory for any reason, or should there be any defects, trouble or accidents affecting the supply of natural gas provided by the Company.

B. Immediate notice shall be given to the Company by the customer of any gas leaking or escaping on the Customer's Premises. Upon receipt of notice of leaking gas, the Company shall, as promptly as may be practicable under the circumstances, send an authorized representative of the Company to investigate the matter. If the source of the leakage is found to be from the property and facilities of the Company, the Company shall have the right to immediately discontinue service until the leakage is repaired and eliminated. If the source of the leakage is found to be downstream of the Point of Delivery on facilities of the customer, the Company shall have the right to immediately discontinue service until such time as the customer causes to be effected repair and elimination of the leakage.

C. The Company assumes no liability for the Customer's Service Line or any defects in the installation, piping, fittings, appliances or other gas utilization equipment downstream from the Point of Delivery. The Company, however, reserves the right to refuse to turn on or to supply gas to any Customer's Premises until all of such facilities have been tested and found to be tight, safe and free from leakage and in good, sound and safe operating condition. Proof thereof shall be required in the form of a certificate executed by a properly qualified licensed plumber or by the authorized representative(s) of the agency or agencies of government having appropriate jurisdiction certifying that such facilities have been tested and found to be tight, safe and free from leakage and in good, sound and safe operating condition and ready for use.

ADVICE NOTICE NO. 42

Mercedes Fernandez-Wells
Manager of Regulatory Affairs

ZIA NATURAL GAS COMPANY
A DIVISION OF
NATURAL GAS PROCESSING CO.

ORIGINAL RULE NO. 29
LINE EXTENSION POLICY

Page 1 of 3

A. When an extension of the Company's natural gas facilities is required to serve an individual applicant or a group of applicants or a commercial enterprise or residential subdivision, within the Territory of the Company, with the understanding that reasonably consistent applications will be expected from customers within such groups, extension of natural gas facilities shall be made under the following terms and conditions:

1. All natural gas facility extensions shall be located within the Territory of the Company.

2. All natural gas facility extensions shall be sized to provide adequate service.

3. Investments in the facility extension required to serve the applicant may be required to be paid in total by the applicant requesting the extension in the form of an Advance in Aid of Construction or a Contribution in Aid of Construction.

4. The Company shall not under any condition make an extension that would be unprofitable and thereby cause undue financial burden to existing customers, which means there shall result no unduly discriminatory increase in Rates for service for existing customers.

5. All natural gas lines, facilities and equipment shall, to the greatest extent possible, be installed in existing public roads, alleys, rights of way or easements. The applicant may be required to furnish such rights of way and easements as are required without charge to the Company. The applicant will also assist the Company in securing easements or rights of way at no charge to the Company. All costs related thereto paid by the applicant shall not be subject to refund.

6. When the applicant is an individual single family residence, or an individual residential structure that will house up to but no more than four single family dwelling units, the following will apply if and when an Advance in Aid of Construction is involved:

a. Advances in Aid of Construction may be refunded to the original applicant as follows:

I. The estimated annual revenue for actual usage will be determined using the applicable rates currently in effect.

II. The refund to the original customer shall be no greater than three (3) times the estimated annual revenue determined above if no new customers connect to the original extension during the ten (10) years following the date of the extension agreement.

ADVICE NOTICE NO. 13

Mercedes Fernandez-Wells
Manager of Regulatory Affairs

ZIA NATURAL GAS COMPANY
A DIVISION OF
NATURAL GAS PROCESSING CO.

ORIGINAL RULE NO. 29
LINE EXTENSION POLICY

Page 2 of 3

III. For each new customer within the Territory of the Company connected to the original extension during that ten (10) year period, a refund of no greater than three (3) times the estimated annual revenue for that new customer will be made if a refund is not provided under Paragraph B. below

IV. In no event may refunds to a customer total more than the Advance in Aid of Construction.

V. Up to ten (10) years after the original request for extension, the remaining Advance in Aid of Construction shall become a Contribution in Aid of Construction and will be no longer subject to refund.

- b. Advances in Aid of Construction may also be refunded on the following basis:
- I. The pro rata cost of a natural gas facility extension incurred by reason of its installation along property owned by others who will benefit from such extension may be computed for all such parcels and recorded for future collection when natural gas service is requested to any such parcel. The pro rata cost of facilities installed along each abutting or benefited property may be computed on a front foot basis for individual lots or on an acreage basis for undeveloped tracts, and may be recorded to be charged against that property.
 - II. The total construction cost for the natural gas facility extension may be paid as an Advance in Aid of Construction by the applicant but the Advance may be subject to future refunds to that applicant when natural gas service is connected to each abutting or benefited property for up to ten (10) years from the date of the original extension agreement.
 - III. When a request for service to any such abutting property located within the Territory of the Company is received by the Company, the pro rata cost originally computed and recorded as applicable to that property may be billed to and paid by the party when requesting service before service will be provided to the abutting or benefited property. This amount may then be refunded to the original applicant if the customer still exists as such and if it is within ten (10) years of the date of the original line extension agreement.
 - IV. Refunds made under this provision shall not exceed the original Advance in Aid of Construction less that portion needed to serve the original applicant.

ADVICE NOTICE NO. 13

Mercedes Fernandez-Wells
Manager of Regulatory Affairs

ZIA NATURAL GAS COMPANY
A DIVISION OF
NATURAL GAS PROCESSING CO.

ORIGINAL RULE NO. 29
LINE EXTENSION POLICY

Page 3 of 3

7. Parties within the Territory of the Company requesting subsequent connections or extensions to facilities already installed by the Company at its expense, may be required to reimburse the Company for a pro rata share of the cost of the facilities and appurtenances sized to serve the new applicant with adequate service. Total collections by the Company under this provision shall not exceed the total cost of the facilities.

8. In the instance of residential subdivisions, commercial enterprises, or where special circumstances warrant in the case of residential extensions of natural gas facilities otherwise includable under Paragraph 6., extension of facilities may be made under a specific contract provided that all contract terms shall be such that no adverse financial burden will be imposed on existing utility customers. This means that the effect of a specific contract shall not cause an increase in Rates for service to existing customers which is unduly discriminatory. All such facility extension contracts shall be filed with the Commission. Any special or unusual conditions which affect the cost of furnishing the required service, such as terrain, construction conditions, existing system capacity or any other conditions which would result in increased cost to the Company should be included in the cost of all facility extensions. Such special contracts shall be entered into with residential customers otherwise includable under Paragraph 6. when the cost of such extensions includes such special or unusual conditions.

ADVICE NOTICE NO. 13

Mercedes Fernandez-Wells
Manager of Regulatory Affairs

ZIA NATURAL GAS COMPANY
A DIVISION OF
NATURAL GAS PROCESSING CO.

ORIGINAL RULE NO. 30
SERVICE OF NOTICE TO CUSTOMERS

Page 1 of 1

A. Notice by the Company to customers shall be delivered in person or deposited in the United States mail with postage prepaid, or given orally by an authorized representative of the Company, either in person or by telephone. Notice shall be considered given when actually communicated in the case of oral notices and when deposited in the United States mail when notice is given by letter or postcard.

ADVICE NOTICE NO. 13

Mercedes Fernandez-Wells
Manager of Regulatory Affairs

ZIA NATURAL GAS COMPANY
A DIVISION OF
NATURAL GAS PROCESSING CO.

SECOND REVISED RULE NO. 31
CANCELLING FIRST REVISED RULE NO. 31
NOMINATION AND BALANCING PROCEDURES

Page 1 of 3

- A. All Transportation Customers receiving transportation service shall be subject to the following nomination and balancing procedures.
- B. A Transportation Customer shall provide to the Company by 9:00 A.M. MST or MDT, no later than twenty-four (24) hours prior to the nomination deadline imposed by the connecting transporting pipeline(s), the total volumes of gas it desires to transport (nominated daily volume), up to the maximum daily quantity, and the name, address and telephone number and contact person of the entity from whom the Transportation Customer is purchasing their gas supply. The Transportation Customer's gas supplier must confirm this nomination and its corresponding deliveries with the Company accordingly. The total receipt nominations less designated fuel, used and unaccounted for volumes, if any, must equal the delivery nominations. All nominations submitted by telephone must be confirmed by the Transportation Customer's gas supplier in writing via telecopy or mail on the date of the verbal nomination. The Transportation Customer shall notify the Company within seventy-two (72) hours prior to any change in gas supplier.
- C. If the Transportation Customer fails to deliver the daily volumes of gas it is consuming and has not contracted for Standby Service from the Company, the Company may, at its sole discretion, provide the Transportation Customer with emergency gas at the higher of its Emergency Gas Service Rate in the Company's filed Rate No. 6, or that month's Inside FERC Gas Market Report index price of spot gas delivered to the pipelines (the "Index price") plus transportation costs and any penalties associated therewith, to meet the nominated volumes. The Company shall notify the Transportation Customer within forty-eight (48) hours of the under-delivery, and demand that the Transportation Customer provide an alternative supply within twenty-four (24) hours pursuant to the provisions in Paragraph B above. If the Transportation Customer fails to provide an alternate supply within the twenty-four (24) hour period, the Company may terminate service to that Transportation Customer.

ADVICE NOTICE NO. 28

Mercedes Fernandez-Wells
Manager of Regulatory Affairs

ZIA NATURAL GAS COMPANY
A DIVISION OF
NATURAL GAS PROCESSING CO.

SECOND REVISED RULE NO. 31
CANCELLING FIRST REVISED RULE NO. 31
NOMINATION AND BALANCING PROCEDURES

Page 2 of 3

D. If the Transportation Customer's gas supplier delivers more than the daily nominated volumes, the Company will purchase the difference between the receipts and deliveries at the lesser of that month's Index price or the Company's current tariff rate in accordance with the following scale:

- (I) up to and including 5%: 100% of the applicable price;
- (II) greater than 5% but less than or equal to 10%: 90% of the applicable price;
- (III) greater than 10% but less than or equal to 15%: 80% of the applicable price;
- (IV) greater than 15% but less than or equal to 20%: 70% of the applicable price;
- (V) greater than 20%: 60% of the applicable price.

E. If the Transportation Customer disputes the Company's calculation or basis for assessing an imbalance, the Transportation Customer must notify the Company of the reason the imbalance is in bona fide dispute in writing within ten (10) days of receipt of the Company's notification. Within thirty (30) days after the Company's notification of an imbalance, the Transportation Customer shall agree to the imbalance calculated by the Company and cash out the imbalance in accordance with Paragraphs C or D, without prejudice to the Transportation Customer's rights to dispute all or part of said imbalance. If the Transportation Customer does not concede the accuracy of the Company's calculation of the imbalance, it shall furnish sufficient surety bond, guaranteeing the correction of any imbalance ultimately owed to the Company after resolution of the dispute, including late payment charges, which resolution may be reached by agreement or by referral to the New Mexico Public Regulation Commission.

ADVICE NOTICE NO. 28

Mercedes Fernandez-Wells
Manager of Regulatory Affairs

ZIA NATURAL GAS COMPANY
A DIVISION OF
NATURAL GAS PROCESSING CO.

SECOND REVISED RULE NO. 31
CANCELLING FIRST REVISED RULE NO. 31
NOMINATION AND BALANCING PROCEDURES

Page 3 of 3

F. If the Company receives an invoice from a transporting pipeline which includes an imbalance charge or penalty, within ten (10) days of receipt of the invoice, the Company shall make the initial determination as to whether it or the Transportation Customer caused the imbalance. If the Company determines the Transportation Customer caused the imbalance, the Company shall provide notification to the Transportation Customer of the amount of imbalance charge or penalty with a request for immediate payment. If the Transportation Customer disputes the Company's determination, then the provisions of Paragraph E above shall be applied to resolve the dispute.

G. The Company at its option may demand that a Transportation Customer execute an agency agreement allowing the Company to act as its agent on the Transportation Customer's interstate transportation contract(s).

ADVICE NOTICE NO. 28

Mercedes Fernandez-Wells
Manager of Regulatory Affairs

ZIA NATURAL GAS COMPANY
A DIVISION OF
NATURAL GAS PROCESSING CO.

FIRST REVISED RULE NO. 32
CANCELLING ORIGINAL RULE NO. 32
CAPACITY ALLOCATION PROCEDURE

Page 1 of 3

A. This rule applies to the allocation of nominations of gas for Transportation Customers and Company Supply Sales on the Company's system in the event of a Capacity Constraint as defined below. The Company shall use reasonable diligence in its operations to render continuous service to all of its customers other than those customers served under Rates expressly permitting interruptions of service. If for any reason, however, the Company is unable to supply or deliver gas, curtailments or interruptions of service shall be made in accordance with the provisions of this Rule and Rule 21. The Company shall not be liable for damages of any kind arising from curtailments and interruptions properly executed in compliance with this Rule and Rule 21. This Rule does not apply to the determination of Available Capacity, as provided in Rule 33 and NMPRC Rule 660.6(b).

B. DEFINITIONS:

1. COMPANY SUPPLY SALES - The volume of gas for sale to sales customers of the Company.
2. CAPACITY CONSTRAINT - A situation occurring on the Company's system when the nominations of gas for Transportation Customers and Company Supply Sales exceed the physical capacity of receipt point(s), delivery point(s) or any facility on the Company's system.
3. CONSTRAINT POINT - A receipt point, delivery point or other facility on the Company's system that is experiencing a capacity constraint.
4. CAPACITY ALLOCATION - The process of assigning capacity among Transportation Customers and Company Supply Sales at a Constraint Point.
5. SYSTEM EMERGENCY - An unplanned situation in which the Company's system or segment of its system is in imminent danger of complete or partial failure.

ADVICE NOTICE NO. 28

Mercedes Fernandez-Wells
Manager, Regulatory Affairs

ZIA NATURAL GAS COMPANY
A DIVISION OF
NATURAL GAS PROCESSING CO.

FIRST REVISE RULE NO. 32
CANCELLING ORIGINAL RULE NO. 32
CAPACITY ALLOCATION PROCEDURE

Page 2 of 3

C. ALLOCATION PROCEDURE

1. Capacity through a constraint point on the Company's system shall be allocated in accordance with the following priority groups in the following order:

PRIORITY 1 - Residential, small commercial, and small industrial service (commercial or industrial customers requiring less than 200 Mcf on a peak day).

PRIORITY 2 - Large commercial requirements (requiring 200 Mcf or more on a peak day) and industrial requirements for plant protection, feedstock, and process needs.

PRIORITY 3 - All industrial requirements not specified in any other priority group.

PRIORITY 4 - Industrial requirements for boiler fuel use of less than 3,000 Mcf but more than 1,500 Mcf per day when alternate fuel capabilities can meet such requirements.

PRIORITY 5 - Industrial requirements for large volume (3,000 Mcf or more per day) boiler fuel use where alternate fuel capabilities can meet such requirements.

PRIORITY 6 - Transportation service to an end user who is not or at its current location was not and could not become a direct sales customer of the Company.

ADVICE NOTICE NO. 28

Mercedes Fernandez-Wells
Manager, Regulatory Affairs

ZIA NATURAL GAS COMPANY
A DIVISION OF
NATURAL GAS PROCESSING CO.

FIRST REVISED RULE NO. 32
CANCELLING ORIGINAL RULE NO. 32
CAPACITY ALLOCATION PROCEDURE

Page 3 of 3

A Transportation Customer who: (1) is an end-user who is or at its current location was or could become a direct sales customer of the Company, or (2) is providing gas to an end-user who is or at its current location was or could become a direct sales customer of the Company shall fall under the Priority as defined by its end-use as though it were a direct sales customer.

2. Capacity through a Constraint Point shall be allocated among Company Supply Customers and Transportation Customers on a pro rata based upon the priority of the end-user insofar as is feasible. Allocations will be made beginning with Priority 1 end-users. Priority 6 Transportation Customers shall be allocated capacity on a pro rata basis based upon their nominations at the Constraint Point.

3. Capacity Allocation for Company Supply Sales customers and Transportation customers with load components reflecting end-users in different priority groups shall be made to the extent feasible according to the priority of each load component.

4. Pro rata allocations shall be based upon the nominations made for the sales customers or the transportation customers.

5. This Capacity Allocation procedure may be suspended by the Company during any System Emergency.

ADVICE NOTICE NO. 28

Mercedes Fernandez-Wells
Manager, Regulatory Affairs

ORIGINAL RULE NO. 33
DETERMINATION OF AVAILABLE CAPACITY

Page 1 of 2

A. Upon receipt of a Request for Transportation Services, Form No. 10, the Company shall determine the Available Capacity on its natural gas transmission and distribution systems which would be utilized to provide the service requested by the potential Transportation Customer.

B. Available Capacity shall be determined by the following factors:

1. The total demand from existing sales and transportation customers on its Pipeline Capacity over the preceding 12 month period, weather-normalized.
2. Adjustments for known and measurable additions and/or losses of customers.
3. A reasonable capacity margin.
4. Actual peak demand.
5. Upstream third-party transportation capacity under existing contractual rights, if required.

C. For an existing Direct Sales Supply or Sale for Resale Customer electing to become a Transportation Customer, the determination of Available Capacity shall include that customer's historic capacity requirements, including the upstream third-party transportation capacity under existing contractual rights, used to provide the historic sales service.

D. In the event the Available Capacity of the Company is insufficient to provide the requested Transportation, but capacity may be enhanced to provide the requested Transportation upon the addition of facilities for added compression, looping, interconnections, gathering lines or similar facilities, this shall be undertaken only under the provisions of NMPRC Rule 660.8 or any successor rule.

ADVICE NOTICE NO. 28

Mercedes Fernandez-Wells
Manager, Regulatory Affairs

ORIGINAL RULE NO. 33
DETERMINATION OF AVAILABLE CAPACITY

Page 2 of 2

E. If the Company contracts for additional capacity to meet additional capacity demand on the Company's System, then the costs associated with the additional capacity shall be allocated as provided in the Company's Rate No. 6. Rate No. 5 and Original Rate Rider No. 1.

F. Within thirty (30) days of receipt of the Request for Transportation, the Company shall notify the transportation customer in writing whether the requested capacity is available and furnish a Transportation Contract, Form No. 11. If the Company has determined that additional capacity is not available, then it shall so notify the Transportation customer and state the reasons, in conformance with Paragraphs B and C above and also whether enhancement of facilities may be undertaken, in conformance with Paragraphs D and E and Rule 660. 8.

G. The determination of Available Capacity is subject to curtailment and interruption pursuant to the Company's Rate No. 6, Rule Nos. 21 and 32 and the Transportation Contract, Form No. 11.

ADVICE NOTICE NO. 28

Mercedes Fernandez-Wells
Manager, Regulatory Affairs

ZIA NATURAL GAS COMPANY
A DIVISION OF
NATURAL GAS PROCESSING CO.

ORIGINAL RULE NO. 34
TRANSPORTATION SERVICE

Page 1 of 6

A. Any person or entity desiring to transport its gas supplies on the Company's facilities shall execute and submit an application for transportation service (Company's Form No. 10) at least thirty (30) days prior to the date service is requested to commence, along with the appropriate application fee as set forth in Rate No. 6. The Company shall take prompt action on the application.

B. If the Company determines that available capacity exists, pursuant to Rule No. 33, the person or entity desiring transportation service shall then execute and submit a transportation service agreement, along with a security deposit and any applicable administrative costs, as per Rate No.6. Transportation Customers may elect to use the Company's Standard Transportation Service Agreement, which is currently effective and approved by the New Mexico Public Regulation Commission as the Company's Form No. 11, or negotiate a different transportation service agreement with the Company. Each such service agreement shall conform to and shall contain any and all requirements specified and required by the currently applicable and effective NMPRC Rule 17.10.660 NMAC of the New Mexico Public Regulation Commission. The Company may require that a Transportation Customer execute an agency agreement allowing the Company to act as its agent on the Transportation Customer's interstate transportation contract(s) to control deliveries onto its system, if necessary.

C. The Delivery Point for all gas shall be the outlet of the delivery meter(s) as listed in the Transportation Service Agreement. The Customer may request additional delivery points and such points may be provided at the discretion of the Company. All costs and associated taxes required to construct and connect any additional delivery points shall be paid in advance to the Company by the Customer, and the Company shall own such facilities.

ADVICE NOTICE NO. 42

Mercedes Fernandez-Wells,
Manager of Regulatory Affairs

ZIA NATURAL GAS COMPANY
A DIVISION OF
NATURAL GAS PROCESSING CO.

ORIGINAL RULE NO. 34
TRANSPORTATION SERVICE

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D. The Company shall deliver gas at the Delivery Pressure as it exists from time to time on the Company's system up to its pipeline maximum operating pressure. The Customer shall be solely responsible upon delivery of the gas to its Delivery Point for regulation of the gas to its required distribution pressure(s). All gas shall be of merchantable quality. The Customer shall be solely responsible upon delivery of the gas to its Delivery Point for odorization of the gas prior to distribution to its end-user(s). Deliveries of gas shall be subject to curtailment pursuant to the Company's Rule No. 21 and Rule No. 32.

E. Title to all gas shall pass to the Customer at the Delivery Point(s), as defined in Section C. The Customer shall be deemed to be in exclusive control and possession of the gas thereafter and shall be responsible for and shall indemnify and hold harmless the Company, its officers, agents, employees and contractors from any and all losses, liability or damage whatsoever, including costs and attorneys fees, suffered by the Company, its officers, agents, employees or contractors arising, either directly or indirectly, from any claim, action or suit brought by any person, association or entity, public or private, asserting ownership or interest in the gas tendered for transportation under this contract and from any claim, action or suit brought by any person, association or entity, public or private, for personal injury or property damage arising from the transmission and/or distribution of natural gas beyond the Delivery Point(s).

F. Service is subject to all applicable laws and orders, particularly the currently applicable and effective NMPRC Rule 17.10.660 NMAC of the New Mexico Public Regulation Commission, and to the Company's Rules currently effective and approved by the New Mexico Public Regulation Commission.

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Mercedes Fernandez-Wells,
Manager of Regulatory Affairs

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G. A current Direct Sales or Sale for Resale Customer on the Company's systems may elect to become a Transportation Customer of the Company by giving the Company written notice of its election to become a Transportation Customer at least thirty (30) days prior to commencement of transportation service. Any stranded costs, including gas supply and third party transportation costs, incurred on behalf of the Direct Sales or Sale for Resale Customer but not yet recovered, or any credit due, shall be billed or credited to the Direct Sales Customer or Sale for Resale Customer upon its election to become a Transportation Customer and paid or credited prior to the commencement of transportation service.

H. Any existing transportation customer with Priority 1 customers (see Rule No. 32) whose transportation service agreement has expired and has not been renewed, shall be treated as a Sale for Resale customer until such time as a transportation service agreement is properly executed.

I. The Company is not required to install, at its own expense, any facilities of any kind to serve a Transportation Customer. Applicants requiring or requesting higher levels of service than currently available from the Company shall execute a special contract with the Company and shall pay for all costs of any and all additional facilities required to provide such service pursuant to NMPRC Rule 17.10.660.10 and Original Rule No. 33.

J. If the Company contracts for additional capacity to meet additional capacity demand on the Company's System, the costs associated with the additional capacity shall be allocated in accordance with Company Rate No. 5.

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K. All gas received by and transported by the Company for a Transportation Customer shall be of pipeline quality as specified in the currently applicable and effective Rule 17.10.660 NMAC of the New Mexico Public Regulation Commission or as specified in the Transportation Customer's transportation service agreement with the Company.

L. The Company shall transport gas received from a Transportation Customer and shall deliver the amount of gas as limited by the transportation contract with the Transportation Customer less the Company's overall designated fuel, lost and unaccounted for gas percentage as computed pursuant to Rate No. 5 for the most recent available year. Delivery pressure shall be as exists from time to time on the Company's facilities and from the upstream transportation pipelines.

M. The Company's Rule No. 31, Nominations and Balancing, shall apply to all Transportation Customers receiving transportation service.

N. Upon prior written notice to the Company, a Transportation Customer who has not negotiated with the Company to receive standby service shall be permitted to return to the Company's system supply as a Sales or Sale for Resale Customer up to its full requirements under the following conditions:

(a) Any Transportation Customer providing thirty (30) days written notice to the Company before re-entry to system supply will receive service from the Company as a Sales or Sale for Resale Customer. The gas shall be supplied at the greater of: (i) the Company's cost of gas calculated pursuant to its Rate No. 5 for that service area or (ii) the Company's actual price of the gas (including transportation, compression, and other charges) which is used or obtained to provide such service; or

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(b) A Transportation Customer who does not give the Company at least thirty (30) days notice of re-entry shall purchase gas from the Company, if, as, and when such supply is available and the Company is able to provide such supply without curtailing any existing customers. The gas shall be supplied at greater of (i) the Company's cost of gas calculated pursuant to its Rate No. 5 for that service area or (ii) the Company's actual price of the gas (including transportation, compression, and other charges) which is used or obtained to provide such service.

In both of the above cases, after thirty (30) days from the date of the request, the customer will be billed under the currently approved and effective direct sales rate schedule under which the Transportation Customer would be billed if the Transportation Customer were a Sales Customer of the Company. A Transportation Customer requesting re-entry as a Direct Sales Customer or Sale for Resale Customer may be required to execute a special service contract with the Company. This contract may specify a minimum purchase obligation for a certain period of time.

O. A customer of the Company utilizing transportation service may at the same time obtain part of its gas supply requirement through direct sales service from the Company. A customer receiving partial direct sales service and partial transportation service from the Company through the same Company meter will be billed a single monthly service charge as specified in the applicable direct sales rate schedule, plus the applicable transportation charges set forth Rate No. 6. Direct sales service shall be deemed to be the first service through the meter.

P. In no instance will the Company be responsible for any gas costs associated with gas tendered to or delivered into the Company's system by a transportation customer.

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Q. Transportation service under a transportation service agreement may be terminated under the following circumstances:

1. Failure to Pay Bills When Due.

Payment of invoices for Transportation Service is due twenty (20) days from the date on the bill. If payment is not received, Transportation Service will be terminated upon five (5) days written notice to the Transportation Customer.

2. Failure to Provide Sufficient Gas Supply,

Transportation Service may be terminated in accordance with Rule 31 for the Transportation Customer's failure to provide its daily nominated volumes.

R. In the case of a disputed volume, the Transportation Customer shall pay the entire amount due under protest. Within thirty days after receipt of the Transportation Customer's written protest, which shall specify the basis for the dispute and provide support therefore, the Company shall make a full investigation of the matter and if the statement is found to be correct, shall explain the basis for such determination. If the statement is in error, the Company shall promptly submit a correct statement to the Transportation Customer, together with any refund and interest as may be specified by statute for delinquent accounts, from date of payment. All statements, billings, and payments rendered hereunder shall be final unless questioned within six (6) months from the date of such billing, statement or payment.

S. The Customer may be required to name the Company as an additional insured under any liability policy held by the Customer covering its operation of natural gas facilities.

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A. Sale for Resale Service is provided pursuant to the Company's Rate No. 15. A Sale for Resale Customer must execute a Sale for Resale Service Agreement on Company Form No. 13.

B. The Delivery Point for all gas shall be the outlet of the delivery meter(s) as listed in the Sale for Resale Service Agreement. The Customer may request additional delivery points and such points may be provided at the discretion of the Company. All costs and associated taxes required to construct and connect any additional delivery points shall be paid in advance to the Company by the Customer, and the Company shall own such facilities.

C. The Company shall deliver gas at the Delivery Pressure as it exists from time to time on the Company's system up to its pipeline maximum operating pressure. The Customer shall be solely responsible upon delivery of the gas to its Delivery Point for regulation of the gas to its required distribution pressure(s). All gas shall be of merchantable quality. The Customer shall be solely responsible upon delivery of the gas to its Delivery Point for odorization of the gas prior to distribution to its end-user(s). Deliveries of gas shall be subject to curtailment pursuant to the Company's Rule No. 21 and Rule No. 32.

D. Title to all gas shall pass to the Customer at the Delivery Point(s) as defined in Section B. The Customer shall be deemed to be in exclusive control and possession of the gas thereafter and shall be responsible for and shall indemnify and hold harmless the Company, its officers, agents, employees and contractors from any and all losses, liability or damage whatsoever, including costs and attorneys fees, suffered by the Company, its officers, agents, employees or contractors arising, either directly or indirectly, from any claim, action or suit brought by any person, association or entity, public or private, asserting ownership or interest in the gas tendered for transportation under this contract and from any claim, action or suit brought by any person, association or entity, public or private, for personal injury or property damage arising from the transmission and or distribution of natural gas by the Sale for Resale Customer beyond the Delivery Point(s).

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E. Service is subject to all applicable laws and orders and to the Company's Rules currently effective and approved by the New Mexico Public Regulation Commission.

F. Payment for Sale for Resale Service is as stated in Rate No. 15. If the Customer fails to make timely payment of all amounts so billed, interest on the unpaid portion of the statement shall accrue at the rate of eighteen percent (18%) per annum from the date upon which the payment was due. Upon such failure to pay in full, the Company, in addition to any other remedy it may have under law, may suspend deliveries of gas upon five (5) days written notice.

G. In the case of a disputed volume, the Customer shall pay the entire amount due under protest. Within thirty days after receipt of the Transportation Customer's written protest, which shall specify the basis for the dispute and provide support therefore, the Company shall make a full investigation of the matter and if the statement is found to be correct, shall explain the basis for such determination. If the volume is in error, the Company shall promptly submit a correct statement to the Customer, together with any refund and interest as may be specified by statute for delinquent accounts, from date of payment. Disputed gas quantities shall be determined by the Company using the first of the following methods which is feasible: (a) Using the Customer's check meter (if any); (b) Using the ascertainable error, calibration or mathematical calculation; or (c) Estimating by comparison with deliveries made during preceding months (under reasonably similar conditions if determinable). All statements, billings, and payments rendered hereunder shall be final unless questioned within six (6) months from the date of such billing, statement or payment.

H. The Customer may be required to name the Company as an additional insured under any liability policy held by the Customer covering its operation of natural gas facilities.