

# MEASUREMENT OPERATING AGREEMENT

THIS AGREEMENT is made and entered into as of this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_, by and between **PEOPLES NATURAL GAS COMPANY, LLC**, a Pennsylvania limited liability company, with its main office located at 375 North Shore Drive, Suite 600, Pittsburgh, PA 15212 (hereinafter referred to as “Buyer”), and \*\*\*\*\* (hereinafter referred to as “Seller”).

## WITNESSETH

WHEREAS, Seller and Buyer agree that Seller is responsible for owning and operating the measurement equipment at the stations identified in Exhibit A (Measurement Facilities).

NOW THEREFORE, in consideration of the mutual covenants herein contained, Buyer and Seller agree that unless otherwise specifically provided, the Seller will perform the following functions involving the measurement facilities at Seller’s sole expense:

## I CHART CHANGING

1. Seller is responsible for supplying charts.
2. Seller is required to have charts processed by one of the approved integration companies listed in Exhibit C, attached to this agreement. Producer is required to use the same company for both chart processing and meter testing.
3. Seller will provide Integrator with monthly production chart(s), as seen in Exhibit B, by the 28<sup>th</sup> day of the month for processing.
4. Seller shall include the following information on the monthly production charts: Producer name, PO number, farm/well name, township, index readings, on /off dates, meter serial number, gauge number and volume pen setting.

## II MEASUREMENT AND REGULATION EQUIPMENT

1. Unless a measurement station was purchased from Buyer, meter sets used pursuant to the terms of this agreement shall be designed and constructed as detailed in Exhibit D, attached to this agreement. Rotary and turbine meters shall be chosen from the list of meters set forth in Table 1.0 of Exhibit D. If a measurement station was purchased from Buyer, the meter configuration at time of purchase is acceptable, unless quality or operational concerns require upgrading.
2. If Seller wishes to use meters that do not utilize rotary or turbine measurement, Buyer must first approve the use of such other measurement.

## **MEASUREMENT OPERATING AGREEMENT**

3. Regulating equipment shall be designed to prevent any over pressuring of Buyer's facilities and shall be installed immediately upstream of the measurement facility. Buyer will provide Seller with a maximum set pressure for its regulator.
4. Buyer shall audit each new measurement station to determine if it is in compliance under the terms of this agreement. If the measurement station does not contain the required equipment or such equipment is not working properly, Buyer shall not turn on the measurement station; the measurement station shall be turned on at the time that Seller demonstrates to Buyer's satisfaction that any deficiency has been corrected.
5. Seller gives Buyer permission to periodically come onto Seller's property in order to audit seller's measurement and regulating equipment. If any of Seller's measurement and regulating equipment is missing or not functioning properly, Buyer shall notify Seller to immediately shut in its measurement facility; such measurement facility shall remain shut in until such time as Seller demonstrates to Buyer's satisfaction that any deficiency has been corrected.

### **III OPERATION, MAINTENANCE, TESTING AND REPAIR OF MEASUREMENT FACILITIES**

1. Seller agrees to maintain, operate, test, and repair the measurement facilities as a prudent operator, using accepted industry standards and materials unless detailed otherwise herein.
2. Seller shall operate all valves, regulators, relief valves, and all associated piping in a safe, leak-free manner. Seller shall inspect and test its regulating equipment at least once every twelve months.
3. Buyer shall have the right to periodically inspect Seller's records to determine if a regulating device has been inspected and tested annually, as required under this agreement. If Seller cannot provide documentation, within five (5) days of Buyer's request, that its regulating device had been inspected and tested as required, Seller is required to shut in the measurement facility whose measurement records are deficient, such shut in to be completed immediately; such measurement facility shall be shut in for one week or until the Seller can provide proof that its regulating device has been inspected and tested and is working properly, whichever is longer. If Seller cannot provide documentation that its regulating device has been inspected and tested on additional occasions, Buyer retains the right to take further action at its discretion, including the right to require the shut in of the applicable measurement station for additional time periods. If Operator repeatedly violates this provision, Buyer has the right to permanently discontinue accepting gas from wells that Seller has dedicated to that receipt point.
4. If Buyer determines that Seller's malfunctioning regulating equipment has caused Buyer's system pressure to exceed the established set pressure, Seller is required to immediately shut in the measurement facility with the malfunctioning regulating device for one week or until the Seller can provide proof that its regulating device has been inspected, tested and is working properly, whichever is longer. If Buyer determines that Buyer's system pressure exceeds the

# MEASUREMENT OPERATING AGREEMENT

established set pressure because Seller's regulating device is not working properly on further occasions, Buyer retains the right to take further action at its discretion, including the right to require the shut in of the applicable measurement station for additional time periods. If Operator repeatedly violates this provision, Buyer has the right to permanently discontinue accepting gas from wells that Seller has dedicated to that receipt point.

## IV METER TESTING

1. All measurement facilities shall be inspected and tested by one of the approved testing companies listed on Exhibit C at least once every twelve months at Seller's expense. In addition, Buyer at its expense has the right to test any measurement facility, including through the implementation of a spot test program, upon notice to Seller. Buyer shall have the right to witness any measurement facility test or to inspect measurement facilities at anytime. Seller will notify Buyer, within a reasonable amount of time, prior to any measurement facility test in order for Buyer to witness such tests.
2. Buyer may request testing of the measurement equipment when Buyer challenges the accuracy of the meter in use under this agreement. The basis for such a challenge shall include, but not be limited to, increases or decreases in production when compared to previous periods. When Buyer requests to have a meter tested, Seller shall test the meter under suitable conditions in the presence of Buyer if Buyer wishes to exercise the right to be present or represented at such test. If the meter on testing shall prove to be accurate within plus or minus two (2) percent, the cost of testing shall be borne by Buyer, but if the meter on testing proves to be in error by more than plus or minus two (2) percent, the cost of testing and repairing same shall be borne by Seller. When Buyer has challenged the accuracy of the meter and the meter proves to be inaccurate on testing, as demonstrated in a measurement facility test report, Seller's statement for the following month will include the appropriate accounting and payment adjustments, such adjustments to be measured from the time that Buyer first challenged the accuracy of the meter.
3. If a measurement facility is determined to be measuring inaccurately, Seller shall be required to immediately shut in such measurement station, until the seller can demonstrate to Buyer's satisfaction that any deficiency has been corrected by providing Buyer with meter test results that demonstrate that the meter is operating accurately within plus or minus two (2) percent.
4. If Buyer determines on the basis of inspection and testing that Seller has tampered with a meter in an attempt to receive credit for more gas than actually passed through the meter, Seller shall be required to shut in its measurement station for a period of one (1) month or until the Seller corrects the deficiency, whichever is longer. In addition, Buyer shall select additional meters, the number to be determined at Buyer's discretion, which shall be inspected for tampering and tested for accuracy, at Seller's expense. If it is determine that Seller has tampered with additional meters, Buyer retains the right to take further action at its discretion, including the right to require the shut in of the applicable measurement station for additional time periods. Seller shall reimburse all costs, which Buyer incurs while investigating meter tampering. If

# **MEASUREMENT OPERATING AGREEMENT**

Operator repeatedly violates this provision, Buyer has the right to permanently discontinue accepting gas from wells that Seller has dedicated to that receipt point.

5. Adjustments to measured quantities may only be made in conjunction with a measurement facility test report conducted in accordance with the Section entitled Meter Testing. The Seller is responsible for proving to Buyer's satisfaction that the volumes measured during any measurement cycle should be adjusted, after which Buyer shall make the appropriate accounting and payment adjustments.
6. Seller may not modify measurement facilities without the prior written consent of Buyer.
7. Seller shall notify Buyer anytime additional wells are added behind a new or existing meter. Such notification shall include copies of applicable completion report(s) and plat(s).
8. Seller shall perform or have performed a chromatographic analysis anytime new or different gas enters a measurement facility. Seller will forward the results of the chromatographic analysis to Buyer.
9. During a Measurement and Regulator Inspection/Audit the Seller is responsible for proving to the Buyer's satisfaction the volumes measured and represented during any measurement cycle are valid. If the Seller cannot provide the required information, Seller shall be required to immediately shut in the measurement station for which the records are deficient. These measurement stations shall remain shut in until the Seller can provide valid documentation.

## **V RECORD RETENTION**

1. Seller shall maintain original pressure charts for a minimum of two years.
2. Seller shall maintain test, analysis, completion and plat reports of well and measurement facilities for a minimum of three years.
3. Buyer will have the right to periodically audit Seller's records to monitor Seller's compliance with these record retention requirements. If Seller cannot provide required records at Buyer's request, Buyer shall notify Seller of its deficiency and a follow-up audit shall be performed the following month. If the Seller cannot provide the required records during the follow-up audit, Seller shall be required to immediately shut in the measurement stations for which the records are deficient. These measurement stations shall remain shut in until the Seller can provide proper test and calibration records.

# MEASUREMENT OPERATING AGREEMENT

## VI TERM

1. This agreement shall be effective upon its execution date, and shall continue indefinitely during the term of associated Gas Purchase and Transportation Contracts. This agreement may be terminated by Buyer at any time for failure of Seller to perform its obligations hereunder.

## VII MISCELLANEOUS PROVISIONS

1. Buyer may, at any time during normal business hours, audit and examine any records, charts, or account as well as the meter facilities of Seller.
2. If Seller has not shut in its measurement facilities within five (5) days after notification by Buyer under the terms of this agreement, Buyer retains the right to come onto Seller's property in order to perform all necessary shut in procedures.
3. Seller warrants good title or right to title for all gas delivered through a Measurement Station. Seller shall indemnify Buyer and save it harmless from all suits, judgments, claims, actions, debts, liabilities, levies, accounts, damages, costs, losses, and expenses, including reasonable attorney's fees, arising from or out of, in any manner whatsoever, actions taken by Seller or third parties performing Seller's obligations hereunder.
4. This agreement and the respective obligations of both parties are subject to all valid laws, rules and regulations of duly constituted authorities having jurisdiction. Buyer retains the right to make such modifications to this agreement as required under these laws, rules and regulations, or which are reasonably necessary to maintain the integrity, safety, and efficient operation of Buyer's system. This agreement may not be amended except by an instrument in writing signed by a duly authorized representative of both parties.
5. This agreement shall be governed and construed in accordance with the laws of the Commonwealth of Pennsylvania.
6. This agreement may not be assigned to any successor to Buyer or to any successor owner of the well(s) subject to the terms of the agreement without prior written consent of the other party. However, either party may assign its rights to and duties under this agreement to its affiliate without prior consent of the other party.
7. Any notice, request, or statement provided in this agreement between Buyer and Seller shall be in writing and transmitted via ordinary mail or fax transmission; however, fax notices shall be followed by ordinary mail as soon as practicable.

# MEASUREMENT OPERATING AGREEMENT

8. Unless otherwise specified in this agreement, notices under this agreement shall be sent to parties at the address provided below:

**BUYER**

PEOPLES NATURAL GAS COMPANY, LLC  
432 Hyde Park Road  
Leechburg, PA 15656  
ATTN: Producer Services

**SELLER**

\*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\*

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed and witnessed or their respective corporate seals to be hereto affixed and attested, the day and year first above written.

ATTEST/WITNESS:

**PEOPLE NATURAL GAS  
COMPANY, LLC**

\_\_\_\_\_

BY \_\_\_\_\_  
Jeff Nehr  
Operations Manager, Gas Measurement

ATTEST/WITNESS:

\*\*\*\*\*

\_\_\_\_\_

BY \_\_\_\_\_

Title: \_\_\_\_\_

# MEASUREMENT OPERATING AGREEMENT

Exhibit A

## PEOPLES NATURAL GAS COMPANY, LLC

Contract Number: \_\_\_\_\_

Seller: \_\_\_\_\_

Comments: \_\_\_\_\_

### Meter Station Number

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

4. \_\_\_\_\_

5. \_\_\_\_\_

6. \_\_\_\_\_

7. \_\_\_\_\_

8. \_\_\_\_\_

9. \_\_\_\_\_

10. \_\_\_\_\_

11. \_\_\_\_\_

12. \_\_\_\_\_

13. \_\_\_\_\_

14. \_\_\_\_\_

15. \_\_\_\_\_

# MEASUREMENT OPERATING AGREEMENT

Exhibit C

## Peoples Natural Gas Company, LLC Approved Testers / Integrators

- |   |  |
|---|--|
| 1. Gas Analytical Services, Inc.<br>Attn: Mark Bernard<br>130 Airport Road<br>Indiana, PA 15701<br>724-349-8133       | 3. United Chart Processors, Inc.<br>Attn: Barbara Graham<br>Route 3, Box 276<br>Marietta, OH 45750<br>740-373-5801 |
| OR  |  |
| Gas Analytical Services, Inc.<br>Attn: Mark Nuzum or Steve Sly<br>PO Box 1028<br>Bridgeport, WV 26330<br>304-623-0020 | 4. Shoots Meter Check Co.<br>Attn: Jim Shoots<br>2538 Columbus Road<br>Wooster, OH 44691<br>330-601-0921           |
| OR  |  |
| Gas Analytical Services, Inc.<br>Attn: Tom Crites<br>Rt 3, Box 264<br>Buckhannon, WV 26201<br>304-472-3698            | 5. TSM Analytical<br>Attn: Dan Bajerski<br>1688 Shannon Road<br>Girard, OH 44420<br>330-539-4267                   |
| 2. B & C Meter Repair<br>Attn: Brad Steffy<br>113 E. Church Avenue<br>Dayton, PA 16222<br>814-257-8464                | 6. R. L. Laughlin & Co.<br>5012 W. Washington Street<br>Charleston, WV 25313<br>304-776-7740                       |

09/22/11