

PRODUCTION ENHANCEMENT AGREEMENT

THIS AGREEMENT is entered into this _____ day of _____, 20__ by and between ***** with a business address of ***** (“PRODUCER”) and PEOPLES NATURAL GAS COMPANY, LLC, a Pennsylvania limited liability company with its main office at 1201 Pitt Street, Pittsburgh, PA 15221 (“PEOPLES”).

WHEREAS PRODUCER produces and delivers gas from its wells directly into PEOPLES’ pipeline system;

WHEREAS PEOPLES is willing to institute the Pennsylvania Production Enhancement Service under which PEOPLES will change operating conditions and increase throughput in its pipeline system so that, among other reasons, it can receive additional volumes of PRODUCER’S and of other producers’ gas as well as manage increased levels of water vapor brought into its system consistent with the terms of a Master Production Enhancement Agreement effective April 1, 2005 by and between PEOPLES and the Independent Oil and Gas Association of Pennsylvania (“IOGA-PA”);

WHEREAS PRODUCER is willing to compensate PEOPLES for the costs incurred to increase throughput and to manage water vapor in its pipeline system; and

WHEREAS, in exchange for such compensation from PRODUCER and from other producers, PEOPLES is willing to construct, install and maintain facilities and equipment to increase throughput and manage water vapor in its pipeline system.

NOW, THEREFORE, for and in consideration of the premises and covenants contained herein, PEOPLES and PRODUCER agree as follows:

1. Subject to obtaining any required permits and rights of way, PEOPLES has already or intends to construct and install compression facilities and equipment, as well as dehydration facilities and equipment, to operationally improve PRODUCER’S gas flows and manage excess water vapor on its pipeline systems.
2. Beginning with April 2005 production period, PRODUCER shall pay PEOPLES, or its agent, the appropriate production enhancement program fee identified in the attached **Fee Schedule** (Appendix “B”) for each Mcf of PRODUCER’S gas that passes through PRODUCER’S measurement points and/or metering equipment identified on **Appendix “A”** to this Agreement. Included in the production enhancement program fee is an administrative fee of \$0.01 per Mcf, which shall be retained by IOGA-PA for arranging and administering the production enhancement program. PRODUCER also agrees that this Agreement shall apply to all of PRODUCER’S affiliated company production and to all new measurement points and/or metering equipment that does, or will, exist on PEOPLES’ systems during the course of this agreement.

3. Beginning May 1, 2005, PEOPLES will enforce new water vapor requirements for all production enhancement service volumes delivered into any portion of its system. PRODUCER will be required to meet the standards for water vapor saturation set forth herein, which for meters delivering gas below 200 psi, shall be the water vapor saturation level of natural gas at 50 degrees F and, for meters delivering gas above 200 psi shall be the water vapor saturation level of natural gas at 32 degrees F. All meters delivering gas below 200 psi shall be required to have a positive shut off drip. PEOPLES agree that acceptable water vapor levels will be based upon actual measured operating pressures. All meters not participating in the production enhancement service will be subject to the terms of the applicable contractual provisions regarding water vapor maximums. In the event PEOPLES wishes to enforce a more stringent standard than that described herein for a specific system problem, PEOPLES shall present PRODUCER with documentation thereof. PRODUCER may be required to perform additional remedial activities over and above those needed to meet the enforcement level described herein. In these circumstances, PRODUCER shall be required to install a coalescing filter, positive shut off drip, desiccant dryer, particulate filter, or other equipment as so approved by PEOPLES in an attempt to reduce the water vapor to the level PEOPLES identifies as being operationally necessary, but in no event shall that amount be lower than 5 pounds of water vapor per million standard cubic feet of gas. In the event such PRODUCER installs the required equipment and reduces the water vapor to the contract level of 5 pounds, PRODUCER shall be relieved of paying production enhancement service fees for any meter so identified. If PRODUCER fails to install and/ or maintain the equipment identified herein within 30 days after PEOPLES provides documentation of the specific system problem, PEOPLES shall be authorized to require the affected wells to be immediately shut-in until said equipment is installed or water vapor is otherwise reduced to the required level.

4. PEOPLES shall withhold payments due under Paragraph 2 from monthly payments to PRODUCER for PEOPLES' purchase of PRODUCER'S gas. If PRODUCER is selling its production to an entity other than PEOPLES, PRODUCER shall require said purchaser of PRODUCER'S gas to withhold from payments made to PRODUCER for the purchase of said gas an amount equal to the fees invoiced and shall have the purchaser remit said fees within fourteen days of the date of issuance of the invoice.

5. Charges previously billed to PRODUCER or its designee, for which payment has not been received by PEOPLES in full within thirty days of the DUE DATE, will be assessed a late-payment charge of two percent (2%) per month on the unpaid balance. If PRODUCER'S or its designee's failure to pay in full continues for forty-five (45) days after the Due Date, then PEOPLES, in addition to any other remedy it may have, may (a) shut in PRODUCER'S gas that passes through the measurement points and metering equipment identified on **Appendix "A"** until PEOPLES has received payment in full; (b) deduct the unpaid amount from any payments accruing to PRODUCER under any agreement between the PRODUCER and PEOPLES; (c) take gas in kind from PRODUCER in satisfaction of obligations; or, (d) terminate the agreement with PRODUCER upon ten (10) days written notice to PRODUCER. Provided that if

PRODUCER: (a) in good faith disputes the amount of any fees or part thereof and pays PEOPLES the undisputed amount when due; and (b) within thirty (30) days of a demand by PEOPLES, furnishes a good and sufficient surety bond in an amount and with sureties satisfactory to PEOPLES to cover any of the disputed amount ultimately due PEOPLES, then PEOPLES shall not be entitled to shut in PRODUCER'S production unless and until default be made in the conditions on such surety bond or there is subsequent default under the conditions of this Agreement.

6. For the term of this Agreement and a twenty-four (24) month period thereafter, both parties shall have the right, at any and all reasonable times, to examine the books and records of the other party to the extent necessary to verify the accuracy of any charge, computation or demand made under or pursuant to this Agreement. Provided, however, that neither party shall be required to maintain such records for a period longer than twenty-four (24) months after the service related to such records was performed.

7. This Agreement shall take effect as of the production month of April 2005 (the "Effective Date") and shall continue in effect for a period of seventy-two (72) months thereafter. This Agreement shall renew automatically for successive additional twelve-month terms, upon the same terms and conditions, unless either party shall have cancelled the Agreement by giving to the other ninety (90) days' written notice prior to the end of the initial seventy-two (72) month term or ninety (90) days' written notice prior to the expiration of any subsequent twelve (12) month evergreen term.

8. If the Master Production Enhancement Agreement entered into by PEOPLES and IOGA-PA is terminated, PEOPLES may shutdown both its compression and dehydration equipment installed under the Pennsylvania Production Enhancement Program. If the Master Production Enhancement Agreement entered into by PEOPLES and IOGA-PA is terminated at the end of the primary term, the PRODUCER may, on a meter-by-meter basis, choose to continue to pay the fees as identified in **Appendix "B"** hereto and described in paragraph 2 hereof in order to continue to benefit from the water vapor provisions in paragraph 3 with the terms of paragraph 13 still in effect. Fees shall be remitted directly to PEOPLES, however, and not to IOGA-PA.

9. This Agreement does not obligate PEOPLES to operate the facilities and equipment described in Paragraph 1 or any of its other facilities or equipment in excess of their maximum allowable operating pressures, as those pressures may change from time to time.

10. PRODUCER shall make deliveries to PEOPLES' system against the existing pressure in PEOPLES' lines. Any other provisions of this Agreement notwithstanding, PRODUCER shall never deliver gas into PEOPLES' lines at a pressure that exceeds the maximum safe allowable working pressure as determined solely by PEOPLES.

11. PRODUCER must own and operate measuring and regulating sets pursuant to the terms of a Meter Operating Agreement between PEOPLES and PRODUCER. PRODUCER can purchase meters still owned by PEOPLES for \$500 per meter. This

provision shall supercede any provision to the contrary in any contracts between PEOPLES and PRODUCER and is deemed to satisfy any requirement in those contracts that a modification or amendment of those contracts must be in writing in order to become effective

12. PRODUCER and PEOPLES are responsible for the installation and maintenance of overpressure equipment on their respective pipeline(s), valve(s), and any other interconnection equipment.

13. PEOPLES and PRODUCER recognize that PEOPLES, by order of state or federal regulatory bodies, may be forced to modify the gas quality standards stipulated to in this agreement, may be forced to change the operating requirements of the distribution, gathering, or transmission systems, or may be forced to bear additional costs not currently borne by PEOPLES for the operation of the Production Enhancement compression. In the event that these regulatory requirements change, PEOPLES and PRODUCER agree that PEOPLES may terminate this agreement with 90 days written notice.

14. Any modifications of terms or amendments of provisions of this Agreement shall become effective only by supplemental written agreement between the parties.

15. No waiver by either party of any default of the other party under this Agreement shall operate as a waiver of any future default, whether of a like or different character.

16. This Agreement shall be binding on each party's successors and assigns. Either party may, without relieving itself of its obligations under this Agreement, assign any of its rights hereunder to any entity. Any sale or assignment shall be made expressly subject to the rights of the non-assigning party and with the provision that the assigning party's purchaser or assignee shall assume and agree to perform all of the assigning party's obligations under this Agreement.

17. PEOPLES shall be relieved of its obligations under this Agreement in the event PRODUCER: (a) applies or has applied for bankruptcy under the laws of the United States; (b) fails to demonstrate minimal creditworthiness in accordance with the criteria contained in PEOPLES' currently effective Supplier Tariff; or (c) is in arrears for any payments under this Agreement unless otherwise excused hereby. PRODUCER may, however, continue to receive services under this Agreement if Producer prepays for such service, on a continuing basis, an amount equal to its obligation for such services, based on its historic average obligation, for the following three (3) months. In lieu of such prepayment, PEOPLES may, at its sole discretion, accept good and sufficient surety bond, or other good and sufficient security, as furnished by PRODUCER, in the amount of such prepayment.

18. It is expressly understood that there is no third party beneficiary of this Agreement, and that this Agreement does not confer enforceable rights on anyone who is not a party or a party's successor or assignee.

19. If PRODUCER fails to comply with any provisions of this Agreement, then PEOPLES, upon written notice to PRODUCER, may refuse to accept any additional gas volumes that pass through the measurement points and metering equipment identified on **Appendix "A"** from PRODUCER until PRODUCER resumes full compliance with the terms of this Agreement.

20. Subject to Paragraph 13, this Agreement shall be subject to all valid applicable federal, state and local laws, rules and regulations of any governmental body or official having jurisdiction.

21. PRODUCER shall direct any notices, statements, questions or comments required or arising under this Agreement as follows:

Frank Milfeit, Director, Operations-Engineering
PEOPLES NATURAL GAS COMPANY, LLC
1201 Pitt Street
Pittsburgh, PA 15221
Phone: 412-244-7164
Fax: 412-244-2546

22. PEOPLES shall direct any notices, statements, questions or comments required or arising under this Agreement as follows:

Phone: _____
E-mail: _____

23. As to all matters of construction and interpretation, this Agreement shall be interpreted, construed and governed by the laws of the Commonwealth of Pennsylvania.

24. This Agreement supercedes any previously existing Agreement(s) between PRODUCER and PEOPLES, which provided for the payment by PRODUCER of fees to PEOPLES for production enhancement services.

25. For those individual meters where there is more than one ownership interest producing gas being measured by a single meter, all ownership interests of gas flowing through that meter must enter into this Agreement in order for any ownership interest to enjoy the benefits of this agreement.

26. The provisions of this agreement are available to PRODUCER only if other producers entering into identical agreements with PEOPLES for production enhancement

services, together with PRODUCER, produce 80% of the natural gas locally produced that is delivered directly into PEOPLES' system.

IN WITNESS WHEREOF, the parties have duly executed this Agreement to be effective as of the day and year first written above.

**PEOPLES NATURAL GAS
COMPANY, LLC**

By _____
Its _____

By _____
Its _____

ATTEST:

ATTEST:

By _____
Its _____

By _____
Its _____

APPENDIX A

**LIST OF MEASUREMENT POINTS AND/OR METERING AGREEMENT
SUBJECT TO SECTION 2 OF THIS AGREEMENT**

Producer	Meter	System	Regulator Set Point	Fee	Type

By _____

Its _____

Appendix B

Fee Schedule

Gas entering Peoples' Gathering and Distribution systems

Inside FERC Dominion Transmission, Inc., Appalachia first-of-the-month index price six month rolling average price ("AP") (per Dth)	Production Enhancement Fee (per Mcf) ^{1, 2}
AP > \$7.40	\$0.28
$\$6.40 \leq AP \leq \7.40	\$0.27
$\$4.40 \leq AP < \6.40	\$0.26
$\$3.40 \leq AP < \4.40	\$0.24
$\$2.40 \leq AP < \3.40	\$0.21
AP < \$2.40	\$0.18

Gas entering Peoples' Transmission systems
(above 200 psi operating pressure)

Inside FERC Dominion Transmission, Inc., Appalachia first-of-the-month index price six month rolling average price ("AP") (per Dth)	Production Enhancement Fee (per Mcf) ^{1, 2}
AP > \$7.40	\$0.15
$\$6.40 \leq AP \leq \7.40	\$0.14
$\$4.40 \leq AP < \6.40	\$0.13
$\$3.40 \leq AP < \4.40	\$0.11
$\$2.40 \leq AP < \3.40	\$0.08
AP < \$2.40	\$0.05

Note 1: Production Enhancement Fee includes an Administrative Fee of \$0.01 per Mcf of PRODUCER'S gas that passes through PRODUCER'S measurement points and/or metering equipment identified on **Appendix "A"** to this Agreement, which shall be retained by the Association for arranging and administering the production enhancement program.

Note 2: If participation levels are above 90% of local production for the most recently measured production period, the production enhancement service fees for the applicable term will be reduced by \$0.02 per Mcf.