



**OPEN SEASON PROCEDURES
OIL SPRINGS STORAGE FIELD
EXPANSION PROJECT
CARBON COUNTY, WY**

MARCH 6, 2008

SourceGas Storage LLC
370 Van Gordon Street, Suite 4000
Lakewood, CO 80228

**SOURCEGAS STORAGE LLC
OPEN SEASON PROCEDURES
FOR NEW INTERSTATE NATURAL GAS STORAGE CAPACITY
OIL SPRINGS STORAGE FIELD, CARBON COUNTY, WYOMING**

SourceGas Storage LLC (“SGS” or “Transporter”), a Colorado limited liability company, is considering developing and owning new Federal Energy Regulatory Commission (“FERC”) regulated interstate natural gas storage capacity in the Oil Springs Storage Field in Carbon County, Wyoming. SGS will conduct a binding Open Season for this new interstate natural gas storage capacity, beginning at 8:00 a.m. (Mountain Time) on Thursday March 6, 2008 and closing on Friday April 4, 2008 at 5:00 p.m. (Mountain Time).

This Open Season is being held to solicit the submission of executed, binding Precedent Agreements, in the form attached, for firm interstate natural gas storage service through the development of the Oil Springs Storage Project (the “Project” or “Oil Springs”).

SGS may, upon five (5) business day’s notice, and in its sole discretion at any time during this Open Season, extend, shorten, terminate, or modify the parameters of this Open Season or the Precedent Agreement. Interested parties are encouraged to submit binding Precedent Agreements at their earliest convenience during this Open Season.

Description of the Proposed Oil Springs Storage Project

Subject to the approval of the Wyoming Public Service Commission (“WPSC”) and the FERC, SGS intends to purchase existing natural gas storage facilities from SourceGas Distribution LLC (“SGD”), a natural gas utility subject to the jurisdiction of the WPSC, and then construct new injection / withdrawal wells, gathering lines, pipeline facilities, dehydration and compression facilities and approximately 22 miles of interstate pipeline to connect the Oil Spring Storage Field to the interstate pipeline corridor containing the following Interconnecting Pipelines: Rockies Express Pipeline LLC (“REX”), Wyoming Interstate Company (“WIC”), and Colorado Interstate Gas Company (“CIG”) (“the Project”). SGD’s existing intrastate pipeline will also interconnect with the Project’s facilities at the Oil Springs Storage Field location.

Once completed, the Project is expected to provide 12.1 MMDth of annual interstate storage capacity, with 10.4 MMDth of annual storage capacity to the interstate pipelines and 1.7 MMDth of annual storage capacity to SGD. As to the 10.4 MMDth of storage capacity to the interstate pipelines, it will have an associated injection capability in the first tier of the injection season of up to approximately 67,000 Dth per day, and an associated withdrawal deliverability in the first tier of the withdrawal season of up to approximately 133,000 Dth per day.

SGS has completed a 3-D seismic evaluation of the Oil Springs Storage Field, a reservoir engineering study, a preliminary surveying and associated biological and archeological analyses of the pipeline route and preliminary facility engineering evaluations. SGS has also commenced the right-of-way permitting process with applicable governmental agencies and private landowners.

Upon conclusion of this Open Season and a determination by SGS that sufficient capacity commitments warrant further development of this Project, SGS intends to proceed to file for all necessary governmental approvals to proceed with the construction and placement of the Project into service on or before May 1, 2010.

For purposes of developing this Project and conducting this Open Season, certain parties shall be established as "Foundation Shipper" and as "Anchor Shipper," with all remaining parties being designated as a "Standard Shipper."

The Foundation Shipper and its Rights

SGD will be the Project's Foundation Shipper. SGD currently owns the Oil Springs Storage assets, and, if the WPSC approves, is willing to transfer those assets to SGS for dedication to the interstate jurisdiction of the FERC. Under the proposed Project, SGD will contract for 1.7 MMDth of annual storage capacity as the Foundation Shipper so that the expansion of the storage facilities will not negatively impact existing SGD utility service, the needs of SGD's utility customers, or the Wyoming Choice Gas Program.

As the Foundation Shipper, SGD is willing to make a long-term capacity commitment to this Project, as described below, prior to or during this Open Season, by the execution of a Precedent Agreement with binding commitments. The Foundation Shipper will make a binding commitment for a Maximum Storage Quantity ("MSQ") of 1.7 MMDth on an annual basis. The Foundation Shipper will receive the most favorable rate and priority options available on this Project relative to all other categories of shippers. The capacity allocated to the Foundation Shipper shall not be subject to proration as a result of any other commitments received during this Open Season.

The Foundation Shipper shall hold annual evergreen renewal rights, renewable for one-year terms, to be effective after expiration of its initial term, which shall be applicable at the same rate and quantity (or any portion of the quantity) as set forth in its initial Firm Storage Service Agreement ("FSSA"). The Foundation Shipper will be afforded rights with respect to the rates afforded to all shippers. The Foundation Shipper's service will be the last firm service cut in the event of force majeure, or maintenance.

The Anchor Shipper and its Rights

The Anchor Shipper is the shipper that has already made long-term capacity commitments and other commitments of a size and scope that substantially support the economic viability of this Project. As described below, prior to this Open Season, the Anchor Shipper executed a binding Precedent Agreement which contains commitments equal to or exceeding one-half of the proposed available capacity or 5.2 MMDth on an annual basis, and a backstop commitment to increase its capacity commitment to equal all remaining available capacity.

The Anchor Shipper has agreed to backstop the remaining available capacity for a period of ten (10) years if SGS does not receive any binding submission(s) from Standard Shippers that result in a net present value (“NPV”) greater than the Anchor Shipper’s backstopping commitment.

The allocation of 5.2 MMDth of annual storage capacity to the Anchor Shipper is not subject to proration as a result of any other commitments obtained during this Open Season from Standard Shippers. The Anchor Shipper will have a lower priority to capacity and less favorable rates than the Foundation Shipper.

The Anchor Shipper shall hold annual evergreen renewal rights, renewable for one-year terms, to be effective after expiration of its initial term. The Anchor Shipper shall provide notice to SGS of its intent to extend the term of its FSSA no later than ninety (90) days prior to expiration of its initial term and each subsequent term.

The Anchor Shipper shall purchase a pre-determined volume of gas at a pre-determined price from SGS. Such gas currently operates as cushion gas in the Oil Springs Storage Field and is required to support the current injection and withdrawal characteristics so the field can meet SGD’s existing customer needs. The expansion of the Project will allow for a certain volume of cushion gas to be converted to working gas, which the Anchor Shipper has agreed to purchase.

The Anchor Shipper shall be afforded a one-time right of first refusal (“ROFR”), to be effective after expiration of its FSSA initial term, which shall be applicable to any portion of the quantity (but not at the rate) set forth in its initial FSSA.

Standard Shippers and their Rights

Standard Shippers are shippers that make a long-term capacity commitment to SGS by submitting a binding Precedent Agreement for a firm annual MSQ of 500,000 Dth or greater, and in whole year increments. Subject to FERC approval, Standard Shippers will be afforded capacity, subject to the capacity allocated to the Foundation Shipper and the Anchor Shipper.

Submission of a Bid(s) and Execution of a Precedent Agreement

Attached to these Open Season Procedures is the form of Precedent Agreement for Standard Shippers. Subject to the rights and disclosures contained herein, during the Open Season, any party interested in contracting for firm storage service available from the Project must execute and return two (2) originals of a binding Precedent Agreement.

Should a bid be subject to further approval on behalf of the interested party, such authority and approval must be granted and forwarded to SGS within fourteen (14) calendar days after being notified by SGS of awarded capacity.

The binding Precedent Agreement bid submittal must include the following information:

- Requested Maximum Storage Quantity (“MSQ”). For bids to be conforming, the requested MSQ shall not be less than 500,000 Dth per year, and must be requested on a whole year basis. Based on the results of this Open Season, SGS may consider bid submissions of a lesser quantity, in SGS’ commercially reasonable discretion.
- Minimum acceptable storage quantity (“Minimum SQ”). The Minimum SQ shall be in accordance with the same incremental requirements above for MSQ.
- Allocations to one or more of the Primary Receipt Point(s) and to one or more of the Primary Delivery Point(s) from the list of available primary points described in the attached form of Precedent Agreement. Such allocations shall be designated by point as a Maximum Daily Receipt Quantity (“MDRQ”), a Minimum Daily Receipt Quantity (“Minimum DRQ”), a Maximum Daily Delivery Quantity (“MDDQ”), and a Minimum Daily Delivery Quantity (“Minimum DDQ”), per the allocation methodology described in the form of Precedent Agreement.
- If a bidding party desires a receipt point and/or delivery point not listed in the Precedent Agreement, the party must specify such desired point(s) in the space provided and must indicate whether the stated service request is contingent upon SGS’ accommodation of such other Receipt and/or Delivery Point(s). SGS will evaluate the cost of any such request and will inform the party whether, in its sole discretion, it can accommodate such requested receipt and/or delivery point(s), and will advise the party as to any additional cost responsibility. SGS may accept or reject, in whole or in part, any Precedent Agreement that contains such contingencies.
- Firm Reservation Rate. The indicated firm Reservation Rate must be stated in an amount per dekatherm (“Dth”) of MSQ. Unless otherwise

negotiated, the indicated rate would be valid through the entire primary term of any Service Agreement(s) entered into resulting from this Open Season process.

- Requested Primary Term. The requested Primary Term must be on a whole year basis, and bidders are advised, as described further herein, that bids will be evaluated on a ten (10) year NPV basis.
- Evidence of Creditworthiness. Bidding parties shall provide, and must maintain, sufficient evidence of creditworthiness, as reasonably determined by SGS, to satisfy Shipper's financial obligations under the Precedent Agreement and the Service Agreement. Shipper shall be deemed creditworthy if it, or its guarantor's, unenhanced senior unsecured debt meets the Minimum Acceptable Credit Rating (at least "BBB-" by Standard and Poor's or an equivalent rating by Moody's). Shipper may satisfy creditworthiness by providing an Acceptable Shipper Guaranty by Shipper's parent or affiliate or a third party guarantor, in each case with a credit rating of at least the Minimum Acceptable Credit Rating.
- A completed and signed Open Season bid tracking form, attached hereto, which includes an indication of whether the bid is subject to further approval.

Interested parties may submit a completed Open Season bid tracking form and two (2) executed originals of a binding Precedent Agreement at any time prior to the close of the Open Season to:

SourceGas Storage LLC
Attention: Kent Harris, Manager, Business Development
370 Van Gordon Street, Suite 4000
Lakewood, CO 80228
Phone: (303) 243-3504
Fax: (303) 243-3603

Bids may be submitted using one or more of the following methods, however, the acceptance of a conforming bid by SGS will require the submission of two (2) executed originals of a Precedent Agreement from a shipper to SGS:

- A scanned .PDF file submitted by electronic mail to
- kent.harris@sourcegas.com
- U. S. Mail, regular.
- U. S. Mail, certified.
- Overnight express mail.
- By facsimile to (303) 243-3603.
- Courier or hand delivery service.

All submitted materials received will be time and date-stamped by SGS. Any executed binding submissions received (or post-marked, if sent by registered or certified mail) after the close of the Open Season, will be considered only at SGS' election.

Market Based Rates

No recourse rates are stated and no maximum or minimum rate guidance is being provided because SGS intends to seek FERC approval for Market Based Rates for this Project. Through the submission of a binding Precedent Agreement, the successful bidder is bidding a negotiated reservation rate and will be deemed to have waived a maximum reservation rate bid.

Additionally, the form of Precedent Agreement contains information regarding Commodity Rates and Overrun Rates to be charged, and FL&U reimbursement quantities to be collected, by SGS. FL&U reimbursement quantities will be subject to adjustment via an authorized FL&U tracking mechanism to be described in the Tariff.

ACA, as applicable, and any additional authorized surcharges per SGS' FERC Gas Tariff shall also be charged accordingly.

Additional Guidance

These Open Season materials are provided for informational purposes to enable interested parties to make binding firm commitments for firm storage service via the proposed Project. However, the information contained herein, or that provided in response to questions or requests for information, establishes no contractual or other relationship between SGS and any party. Any contractual relationship between parties and SGS will be reflected solely in an executed Precedent Agreement.

Upon notification by SGS, interested parties will have the period of time allotted in the Precedent Agreement to provide sufficient written evidence of creditworthiness, or, alternatively, post an irrevocable letter of credit, make a prepayment, or provide a guarantee from an acceptable party, equal to the amount of contract revenues indicated in the Precedent Agreement. Such evidence of creditworthiness will be evaluated by SGS prior to the execution of any Precedent Agreement.

The attached form of Precedent Agreement contains numerous key terms and conditions of service, including certain draft pro forma terms anticipated to be part of SGS' FERC Gas Tariff. The full Tariff is still under development; however, upon request SGS will provide drafts of the Tariff to those parties to whom it awards capacity, prior to the filing of SGS' 7 (c) application with the FERC. SGS anticipates filing the FERC 7 (c) application in the 4th quarter of 2008.

Evaluation of Bids

SGS shall only consider binding submissions to the extent they provide for an objectively quantifiable reservation rate payment by the interested party.

SGS will, in its sole discretion, consider submissions which contain non-conforming conditions. SGS, however, will only evaluate and include in its NPV analysis those portions of a binding submission that are objectively quantifiable. SGS retains sole discretion to make a final determination of the economics associated with the Project. Such determination will be based, in part, upon the evaluation by SGS of executed binding Precedent Agreements from parties and adequate contracting of firm storage service from the Project.

Binding submissions received during the course of this Open Season will be assigned a corresponding NPV, at a discount rate of ten percent (10%), based on the reservation rate multiplied by the requested MSQ, with the term considered for purposes of establishing NPV capped at ten (10) years. The backstopping commitment of the Anchor Shipper may be used in evaluating bids of less than ten (10) years.

SGS will award available capacity, based on NPV, to those parties from whom it receives conforming binding Precedent Agreements based on the submission process described herein. Capacity will first be allocated as explained in the descriptions of the Foundation and Anchor Shippers.

If shippers that are not designated as the Foundation or Anchor Shipper submit a binding submission that produces an economic value greater than those produced by the Foundation Shippers' and/or the Anchor Shippers' Precedent Agreements, and/or a potential awarding of capacity greater than the Project, then SGS will evaluate, in its sole discretion, including the potential for accommodating such shippers through acquisition of other storage facilities and/or the design of increased capacity.

SGS may combine requests from several parties in order to maximize total NPV. If, by the end of the Open Season, SGS receives binding submissions from two or more interested parties which yield equivalent NPV, and there is insufficient unsubscribed capacity still available to satisfy both requests, SGS will allocate available capacity (above that level awarded to the Foundation Shipper and the Anchor Shipper) on a pro rata basis, based on the MSQ's requested by those parties during the Open Season, unless those parties agree on an alternative allocation method, and subject further to the execution of binding Precedent Agreements with each of the parties. In the event that the allocated pro rata share falls below any party's specified minimum acceptable storage quantity, then such bid will be discarded; provided, however, that before discarding such a bid, SGS will contact the party to determine if they would agree to a reduction in their specified Minimum SQ.

SGS anticipates notifying parties no later than forty-five (45) days after the close of this Open Season of any capacity awarded to them as a result of this Open Season, subject, as described herein, to the execution of a binding Precedent Agreement.

For More Information

Please direct any questions or requests you may have concerning this Open Season to:

Names	Phone Numbers	E-mails
Kent Harris	(303) 243-3504	kent.harris@sourcegas.com
Scott Emerson	(303) 243-3455	scott.emerson@sourcegas.com
Debbie Fishel	(303) 243-3506	debbie.fishel@sourcegas.com

Additional information regarding this Open Season and a map of the Project may be obtained by accessing information about the Project on the World Wide Web at www.SourceGas.com, and then by clicking on the Oil Springs Project link.

**OPEN SEASON BID TRACKING FORM FOR FIRM GAS STORAGE CAPACITY
SOURCEGAS STORAGE LLC
OIL SPRINGS GAS STORAGE FIELD EXPANSION PROJECT
CARBON COUNTY, WYOMING**

Submitting Party
Company Name: _____

Contact and Title: _____

Telephone Number and Fax: _____

E-mail Address: _____

Signature: _____

Date: _____

Subject to Bidding party's further approval:

Yes: _____ No: _____

Other Bid Terms and Conditions: Please attach any other bid terms and conditions to this form.

E-MAIL, FAX OR MAIL BIDS TO:

Kent Harris
SourceGas Storage LLC
370 Van Gordon Street, Suite 4000
Lakewood, CO 80228
Office: (303) 243-3504
Fax (303) 243-3603
Kent.harris@sourcegas.com

For use by SGS only

Date Bid Received: _____

Time Bid Received: _____

Awarded MSQ: _____ Dth Date: _____