

**UNDERGROUND
NATURAL GAS STORAGE
AGREEMENT**

THIS AGREEMENT, made and entered into as of the 1st day of May, 2004, by and between WKG Storage, Inc., a Delaware corporation, having its principal office at 11251 Northwest Freeway, Suite 400, Houston, Texas 77092 (hereinafter, "WKG Storage"), and Atmos Energy Corporation, a Texas and Virginia corporation, having its principal office at 1800 Three Lincoln Centre, 5430 LBJ Freeway, Dallas, Texas 75240 (hereinafter, "Atmos") collectively referred to as the "parties";

WITNESSETH:

WHEREAS, WKG Storage owns and operates an underground natural gas storage facility located in Sections 9, 10, 11, and 12-J-25 (Carter Coordinates), Hopkins County, Kentucky (hereinafter, "East Diamond Storage Reservoir"); and a pipeline connector extending from the storage facility westward approximately 15 miles to intersection with ANR Pipeline one-half mile south of Rabbit Ridge, Kentucky (hereinafter, "Pipeline Connector"); said facilities being operated pursuant to an Order issued by authority of the Public Service Commission of Kentucky in Case Number 2001-235 dated September 24, 2001; and

WHEREAS, Atmos is a public natural gas utility that operates a natural gas distribution system that serves customers in communities located throughout portions of western Kentucky; and

WHEREAS, Atmos desires to utilize a portion of the working storage capacity of the East Diamond Storage Reservoir and transmission capacity of the Pipeline Connector, as same are presently designed and constructed, for the exclusive use and benefit of its regulated operations and customers in the Commonwealth of Kentucky; and, WKG Storage desires to make available to Atmos said capacity subject to the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

**ARTICLE I
STORAGE FACILITIES**

- 1.1 WKG Storage agrees to make available to Atmos the East Diamond Storage Reservoir and Pipeline Connector, including the surface facilities, injection-withdrawal wells, and up to 1.75 BCF of working storage capacity associated therewith.

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1.2 WKG Storage retains and excepts from this agreement any facilities, rights, and privileges of ownership not required by Atmos for its utilization of the East Diamond Storage Reservoir and Pipeline Connector, including but not limited to intrastate pipeline facilities and any working storage capacity beyond 1.75 BCF that may be developed by WKG Storage in the reservoir in the future. Any rights retained and the exercise thereof by WKG Storage shall be secondary to the rights of Atmos. To the extent WKG Storage develops and utilizes additional working storage capacity in the East Diamond Storage Reservoir, the parties agree to amend this Agreement to appropriately address operational issues relative to the ownership, injection, withdrawal and balancing of the respective parties' natural gas stored in the reservoir.

**ARTICLE II
PRICE**


2.1 For the use and availability of the East Diamond Storage Reservoir and Pipeline Connector, Atmos shall pay WKG Storage the monthly demand charge set forth in Exhibit "A" hereto, which equates to one-hundred percent utilization of 1.75 BCF of working storage capacity at the currently effective rates authorized by the Public Service Commission of Kentucky (KPSC) in the rate schedules and tariffs of WKG Storage. Said monthly demand charge is inclusive of a ten-percent (10%) discount of the currently effective Storage Service Rate S-1 as set forth in said tariff.

2.2 The demand charge set forth in Exhibit "A" hereto may be adjusted from time to time as a result of changes in the effective rate schedules and tariffs of WKG Storage as approved by the KPSC. The parties agree that in the event said demand charge shall be adjusted, either upward or downward, the ten-percent (10%) discount applicable to the Storage Service Rate S-1 referenced in Article 2.1 shall be retained by Atmos during the term hereof. Atmos agrees to pay such amended charges as may become effective without prejudice to the rights of Atmos to contest such charges or to intervene in any rate proceeding of WKG Storage. Prior to making any filing with the KPSC for changes in the effective rate schedules and tariffs of WKG Storage, WKG Storage shall give advance written notice thereof to Atmos not less than thirty (30) days prior to the intended filing date.

**ARTICLE III
BILLING AND PAYMENT**

3.1 The monthly demand charge set forth in Exhibit "A" hereto shall be invoiced by WKG Storage monthly by the tenth business day and shall be due and payable by Atmos within ten business days of the date of the respective invoice.

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ARTICLE IV TERM

- 4.1 This Agreement shall be effective as of 9am central standard on May 1, 2004, and shall continue and remain in full force and effect through 9am central standard time on June 1, 2006 and year to year thereafter until terminated by either party by the giving of at least one (1) year's written notice to the other party. There shall be no prohibition preventing the parties from mutually agreeing to terminate the Agreement sooner than the initial two (2) year term.
- 4.2 The parties shall agree upon the material balance of cushion and working gas in the East Diamond Storage Reservoir upon commencement and termination of this agreement.
- 4.3 Upon the termination of this Agreement for any reason, Atmos shall promptly and in a diligent manner undertake to effectuate a zero storage balance of working gas in the East Diamond Storage Reservoir. Termination of this Agreement shall not relieve Atmos of the obligation to effectuate a zero storage balance of working gas hereunder or the obligation to pay any charges due WKG Storage for utilization of the storage facilities up to and including the date that such zero balance is achieved. However, Atmos shall owe no additional monies to WKG Storage for storage utilization if the failure of Atmos to obtain a zero balance by the termination of this Agreement is due to actions or lack thereof by WKG Storage, their operators, or facilities.

ARTICLE V GOVERNMENTAL REGULATIONS

- 5.1 This agreement is subject to all existing and future legislation, orders, rules, and regulations issued by any governmental authority having jurisdiction hereunder. In the event that the activities or operations of either party may become subject to regulation of any kind under any law including changes to WKG Storage's tariff, to a greater or different extent than that existing as of the effective date hereof, and as a result continued performance under this agreement becomes commercially impracticable by either party, then the party so affected shall have the right to terminate this agreement upon ninety (90) days written notice to the other. Upon mutual agreement, termination notice of no less than thirty (30) days may be accepted. However, prior to suspending performance or terminating the agreement, the affected party will provide the other party notice as provided herein and the parties will attempt to take whatever action is possible to mitigate the effects of such law or regulation in order to continue performance hereunder. Either party shall have the right to contest the validity of such law, order, rule or regulation and neither acquiescence therein or compliance therewith for any period of time, nor any other provision contained herein, shall be construed as a waiver of such right.

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5.2 To the extent that this agreement shall require regulatory approval(s) and in the event such required approval(s) is withheld or denied in whole or in part, then such occurrence will constitute an event of Force Majeure that may be asserted by the affected party.


**ARTICLE VI
FORCE MAJEURE**

6.1 Except with regard to a party's obligation to make payment(s) hereunder, neither party shall be liable to the other for failure to perform a firm obligation, to the extent such failure was caused by Force Majeure. The term "Force Majeure" as employed herein means any cause not reasonably within the control of the party claiming suspension, including (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings, such as tornadoes, which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe; (ii) weather related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells or lines of pipe; (iii) interruption and/or curtailment of firm or secondary transportation and/or storage by Transporters; (iv) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections or wars; and (v) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, regulation, or policy having the effect of law promulgated by a governmental authority having jurisdiction, including receipt of any required regulatory approval or deviation related to activity between affiliates. Each party shall make reasonable efforts to avoid the adverse impacts of a Force Majeure event and to resolve the occurrence once it has occurred in order to resume performance. Upon providing written Notice of Force Majeure to the other party, the affected party will be relieved of its obligation(s), from the onset of the Force Majeure event, to the extent and for the duration of Force Majeure occurrence, and neither party shall be deemed to have failed in such obligations to the other during such occurrence or event.

**ARTICLE VII
ASSIGNMENTS**

7.1 This agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto and is intended solely for the benefit of Atmos and WKG Storage and their respective successors and permitted assigns and not for the benefit of any other person or entity not a party hereto; provided, neither party may assign its rights and obligations hereunder without the written consent of the other Party, which consent shall not be unreasonably withheld.

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**ARTICLE VIII
CHOICE OF LAW**

8.1 The interpretation and performance of this Agreement shall be in accordance with, and controlled by, the laws of the Commonwealth of Kentucky.

**ARTICLE IX
NOTICES**

9.1 All invoices, payments, statements, notices, and communications made pursuant to this Agreement shall be made as follows:

Notices to Atmos:

Atmos Energy Corporation
Attn: Contract Administration
5430 LBJ Freeway, Suite 160
Dallas, TX 75240

Phone: 972.855.3721
Fax: 214.550.9353

Invoices to Atmos:

Atmos Energy Corporation
Attn: Accounts Payable
377 Riverside Drive, Suite 201
Franklin, TN 37064

Phone: 615.261.2244
Fax: 615.790.9337

To WKG Storage:

WKG Storage, Inc.
11251 Northwest Freeway, Suite 400
Houston, TX 77092
Attn: Brent McDaniel

Phone: 713.688.7771
Fax: 713.688.5124

Either Party may modify the notification information specified above by written notice to the other Party. Any notice required hereunder may be sent by telecopy, data facsimile, overnight courier service, or first-class mail. Notices sent by telecopy shall be deemed to have been received by the close of the business day on which it was transmitted; notices by overnight courier shall be deemed to have been received on the next business day after it was sent.

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**ARTICLE X
REMEDIES UPON MATERIAL DEFAULT**

- 10.1 If either party hereto shall fail to perform any material covenant or obligation upon it under this Agreement, then in such event the non-defaulting party may, at its option, terminate this Agreement upon acting in accordance with the procedures hereafter set forth in this Section. The non-defaulting party shall cause a written notice to be served on the defaulting party, which notice shall state specifically the cause of terminating this Agreement and shall declare it to be the intention of the non-defaulting party to terminate this Agreement if the default is not cured. The defaulting party shall have ten (10) days after receipt of the aforesaid notice in which to remedy or remove the cause or causes stated in the termination notice, and, if within such ten-day period, the defaulting party does so remedy or remove such cause or causes and fully indemnifies the non-defaulting party for any and all consequences of such breach, then such termination notice shall be withdrawn and this Agreement shall continue in full force and effect. In the event that the defaulting party fails to remedy or remove the cause or causes or to indemnify fully the non-defaulting party for any and all consequences of such breach within such ten-day period, this Agreement shall be terminated and of no further force or effect from and after the expiration of such ten-day period.
- 10.2 Any termination of this Agreement pursuant to the provisions of this Article shall be (a) without prejudice to the rights of WKG Storage to collect any amounts then due for any service or use of facilities prior to the time of termination, (b) without prejudice to the rights of Atmos to receive any service or use of facilities for which it has paid but not received prior to the time of termination, and (c) without waiver of any other remedy to which the non-defaulting party may be entitled.
- 10.3 The procedures for termination of this Agreement set forth in Section 11.1(a) above are not applicable to immediate terminations hereof by either party made in accordance with any other provisions of this Agreement.

**ARTICLE XI
INDEMNIFICATION**

- 11.1 Each party hereto agrees, whether or not the transactions contemplated by this Agreement are consummated and whether or not this Agreement has expired or been terminated, to assume liability for, and each party hereby agrees to indemnify, defend and save and keep the other party, its agents, employees and representatives, from and against, any and all liabilities, obligations, losses, damages, penalties, fines, amounts in settlement, claims, actions, proceedings, suits, judgments, costs, interest, expenses and disbursements of any kind and nature that may be incurred under any theory of legal liability (including attorneys fees and costs) (a "Claim") that may be imposed on, incurred by or asserted against the indemnified party, its agents, employees or representatives, in any way relating to, resulting from, based

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upon or arising out of this Agreement or the transactions contemplated by this Agreement or the subject matter of this Agreement, including without limitation (i) any breach or violation of this Agreement by the indemnifying party or (ii) any breach or alleged breach of the representations, warranties or covenants made in this Agreement by the indemnifying party; provided, however, that the indemnifying party is not required to indemnify the indemnified party, its agents, employees or representatives, for any Claim against an indemnitee to the extent that such Claim resulted from the negligence of such indemnitee (unless attributed or imputed to such indemnitee by reason of any act or omission of the indemnifying party, whether as agent for the indemnifying party or otherwise). "Theories of Legal Liability" include, but are not limited to, contract, tort, strict liability, breach of express or implied warranty and breach of implied covenant.


11.2 The obligation of a party to defend the other, its agents, employees or representatives, against any Claim is separate and distinct from the obligation of indemnity set forth in this Agreement. The indemnifying party shall have the right and obligation to assume the defense of any Claim with counsel chosen by the indemnified party and reasonably acceptable to the indemnifying party, provided that counsel to the indemnifying party may participate in the defense of the Claim with counsel for the indemnified party, and such counsel shall remain at the cost and expense of the indemnifying party. The indemnifying party will not have the right to assume the defense of a Claim made against both the indemnified party, its agents, representatives or employees, and the indemnifying party if counsel for the indemnifying party or the indemnified party advises in writing that conflicts of interest would under applicable ethical principles preclude a single counsel or firm from defending both parties.

ARTICLE XII MISCELLANEOUS

12.1 This Agreement sets forth the entire agreement between the parties with respect to the subject matter contained herein and supercedes all prior negotiations, representations, contracts or agreements whether written or oral. This agreement and any attachments hereto may not be amended or supplemented except in writing signed by all parties hereto.

12.2 The parties hereto acknowledge that the natural gas to be injected, withdrawn and stored hereunder is subject to that certain Natural Gas Sales, Transportation and Storage Management Agreement dated as of June 1, 2002, between Woodward Marketing, LLC (Seller) and Western Kentucky Gas Company, a division of Atmos Energy Corporation (Buyer); the term of said agreement commencing at 9am central standard time on June 1, 2002, and ending at 9am central standard time on June 1, 2006.

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- 12.3 No waiver by either party hereto of any default of the other party under this Agreement shall operate as, or be deemed to be, a waiver of any other or subsequent default, whether of a like or different nature.
- 12.4 Each provision of this Agreement is intended to be several. If any term or provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity of the remainder of this Agreement.
- 12.5 The descriptive headings of the provisions of this Agreement are formulated and used for convenience only and shall not be deemed to affect the meaning or construction of any of such provisions.
- 12.6 With respect to claims under this agreement, no party shall be required to pay or be liable for exemplary, punitive, incidental, consequential or indirect damages (whether or not arising from its negligence) to any other party except to the extent the payments required to be made pursuant to this agreement are deemed to be such damages. If and to the extent any payment required to be made pursuant to this agreement is deemed to constitute liquidated damages, the parties acknowledge and agree that such damages are difficult or impossible to determine and that such payment is intended to be a reasonable approximation of the amount of such damages and not a penalty.

IN WITNESS WHEREOF, this Agreement has been executed by the parties on the dates set out below but by mutual agreement shall be effective as of May 1, 2004.

WKG STORAGE, INC.

BY: _____
Title:

Date: May ²⁸/₁, 2004

ATMOS ENERGY CORPORATION

BY: _____
Title:

Date: May ²⁸/₁, 2004

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EXHIBIT "A"

This Exhibit "A" is incorporated by reference and is made a part of that certain Underground Natural Gas Storage Agreement made and entered into as of May 1, 2004, between WKG Storage, Inc, and Atmos Energy Corporation;

MONTHLY DEMAND CHARGE CALCULATION

1.75 BCF WORKING STORAGE CAPACITY AT 100% ANNUAL UTILIZATION

TS-1 Rate Schedule

Injection:	1.75 BCF @ \$0.15 per Dth =	\$262,500
Withdrawal:	1.75 BCF @ \$0.15 per Dth =	\$262,500
		<hr/>
	Total:	\$525,000

S-1 Rate Schedule

Storage Reservation Charge:		
1.75 BCF X \$0.05/Dth X 90% X 12 Months =		\$945,000
		<hr/>
	Total:	\$945,000

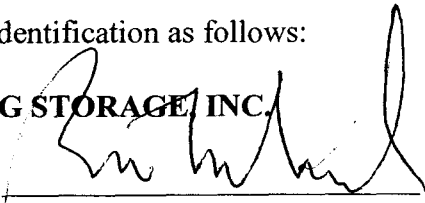
Annual Charges: \$1,470,000

Monthly Demand Charge: \$122,500

Effective Date of this Exhibit "A": May 1, 2004

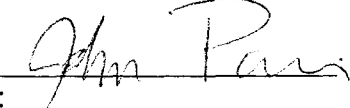
(WKG Storage, Inc., TS-1 and S-1 rates approved by an Order of the Public Service Commission.)

Signed for identification as follows:

WKG STORAGE, INC.
 BY: 
 Title: _____


Date: May ²⁸~~1~~, 2004

ATMOS ENERGY CORPORATION

BY: 
 Title: _____

Date: May ²⁸~~1~~, 2004

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