

WKG CONTRACT NO. 2-6

GAS PURCHASE CONTRACT

Between

ORBIT GAS COMPANY,

SELLER

and

TEXAS AMERICAN ENERGY CORPORATION,
by and through its unincorporated division,
WESTERN KENTUCKY GAS COMPANY

BUYER

APPENDIX B

McLean County, Kentucky

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GAS PURCHASE CONTRACT

THIS GAS PURCHASE CONTRACT, hereinafter "Contract", is hereby made and entered into this 2 day of December, 1985, by and between Orbit Gas Company, hereinafter referred to as "Seller", and TEXAS AMERICAN ENERGY CORPORATION, by and through its unincorporated division, WESTERN KENTUCKY GAS COMPANY, a Delaware corporation, hereinafter referred to as "Buyer".

WITNESSETH:

WHEREAS, SELLER represents that it owns and/or controls certain valid and subsisting natural gas interests in certain lands located within the Commonwealth of Kentucky which are productive of natural gas; and,

WHEREAS, BUYER desires to acquire a supply of natural gas for distribution through its natural gas transmission and/or distribution system located in the Commonwealth; and,

WHEREAS, SELLER desires to sell natural gas to Buyer in those amounts and upon the terms and conditions herein set forth, and represents that it can and will so deliver natural gas to Buyer;

NOW, THEREFORE, in consideration of the promises and mutual covenants herein contained, the parties hereto do covenant and agree as follows:

ARTICLE I

Definitions

The following terms shall respectively have the meanings as set forth below:

(a) The term "gas" shall mean all natural gas which conforms to the standards of quality set out in Article III hereof.

(b) The term "cubic foot of gas", when used in relation to a quantity of gas, shall mean that volume of gas as determined in accordance with the provisions of Article IV hereof, and the term "Mcf" shall mean one thousand (1,000) cubic feet of gas.

(c) The term British Thermal Unit, hereinafter "Btu", shall mean the quantity of heat that must be added to one pound (avoirdupois) of pure water to raise its temperature from fifty-eight and five-tenths (58.5) degrees Fahrenheit to fifty-nine and five-tenths (59.5) degrees Fahrenheit under standard pressure conditions as set forth at Page 158 of the 1963 edition of the American Gas Association, "AGA Measurement Manual", and the term "MMBtu" shall mean one million (1,000,000) Btu's.

ARTICLE II

Quantity of Gas

Seller agrees, after completion of facilities to be constructed hereunder by it, if any, to sell and deliver to Buyer, and Buyer agrees to purchase and accept, such quantity of gas as Buyer shall request on any day provided such delivery can be made by Seller. It is the intention of Buyer to purchase Seller's available production subject to the limitations of

Buyer's market and pipeline operating conditions.

ARTICLE III

Quality of Gas

The gas to be delivered hereunder by Seller at the point(s) of delivery as specified in Article VII hereof, shall comply at all times with the following quality specifications:

(a) Heating Value: The gas shall have a total (gross) heating value of not less than nine hundred fifty (950) Btu's per cubic foot and not more than one thousand fifty (1,050) Btu's per cubic foot, each being expressed on a 'dry basis'.

(b) Hydrogen Sulphide: The hydrogen sulphide content shall not exceed one-quarter (1/4) grain per one hundred (100) cubic feet of gas.

(c) Mercaptans: The mercaptan content shall not exceed one (1) grain per one hundred (100) cubic feet of gas.

(d) Total Sulphur: The total sulphur content, including hydrogen sulphide and mercaptans, shall not exceed ten (10) grains per one hundred (100) cubic feet of gas.

(e) Carbon Dioxide: The carbon dioxide content shall not exceed two percent (2%) by volume.

(f) Oxygen: The oxygen content shall not exceed two-tenths of one percent (0.2 of 1%) by volume, and Seller shall make every reasonable effort to maintain the gas free from oxygen.

(g) Nitrogen: The nitrogen content shall not exceed three percent (3%) by volume.

(h) Hydrogen: The gas shall contain no carbon monoxide, halogens, or unsaturated hydrocarbons, and no more than

four hundred parts per million (400 ppm) of hydrogen.

(i) Liquids: The gas shall be free from water and hydrocarbons in liquid form at the temperature and pressure at which the gas is delivered and, further provided, the gas shall not contain any hydrocarbons which might condense to the free liquid state under normal pipeline conditions and shall in no event contain water vapor in excess of seven (7) pounds per one million (1,000,000) cubic feet of gas.

(j) Freedom From Objectionable Matter: The gas shall be commercially free from objectionable odors, sand, dust, gums or other solid, liquid or gaseous matters including any additives or diluents which may be injurious to pipelines or which may interfere with the transmission, distribution or commercial utilization of said gas.

(k) Temperature: The gas shall not be at a temperature of less than forty (40) degrees Fahrenheit, nor more than one hundred twenty (120) degrees Fahrenheit.

(l) Negative Pressure: The gas shall not be produced at a pressure less than atmospheric pressure.

2. If the gas offered for delivery hereunder shall fail at any time to conform to any of the quality specifications herein set forth, Buyer may notify Seller of such deficiency and may, at its sole option, refuse to accept further delivery pending correction within a reasonable time by Seller.

ARTICLE IV

Measurement and Tests

1. The sales unit of gas deliverable under this Contract shall be that sales unit as used by Buyer's principal

interstate gas supplier in the area. An Mcf of gas delivered by Seller hereunder shall be determined by dividing the measured volume of gas by one-thousand (1000). An MMBtu of gas delivered by Seller hereunder shall be determined by multiplying the measured volume of gas times the total (gross) heating value and dividing this product by one million (1,000,000).

2. The volume of gas delivered by Seller hereunder shall be measured at Buyer's meter(s) at the point(s) of delivery which, together with any buildings and other collateral equipment required for the determination of volume, Buyer agrees at its expense to install, operate, and maintain. Each Orifice Meter shall be installed, operated, maintained and have the volume computed in accordance with the most recent edition of the American Gas Association, "Orifice Metering of Natural Gas: A.G.A. Report No. 3". Each Displacement Meter shall be installed, operated, maintained and have the volume computed in accordance with the most recent edition of the American Gas Association, "A.G.A. Gas Measurement Manual, Part 2: Displacement Measurement".

3. The unit of volume for the purpose of measurement shall be one (1) cubic foot of gas at a temperature base of sixty degrees (60°) Fahrenheit and at an absolute pressure base of fourteen and seventy-three hundredths (14.73) pounds per square inch absolute (atmospheric pressure shall be assumed at fourteen and four-tenths (14.4) pounds per square inch absolute). The gas sold hereunder shall be measured according to Boyle's Law for the measurement of gas under varying pressures, with corrections for deviations therefrom, determined by use of the tables and formulae as published by the American Gas Association,

"Par Research Project NX-19".

4. The temperature of the gas delivered hereunder shall be determined once each month by a mercurial thermometer of standard manufacture or, at the option of the Buyer, by the use of a recording type thermometer of standard manufacture to be installed, operated and maintained by the Buyer at the point(s) of delivery. If monthly determinations are made, the most recent determination shall be used for the ensuing month to make the proper correction in volume computations. If a recording thermometer is installed, then the arithmetic average of the daily temperature readings from said thermometer for the entire period that gas was flowing through the meter(s) shall be deemed to be the gas temperature for that period and shall be used to make the proper correction in volume computations.

5. The specific gravity of the gas delivered hereunder shall be determined quarterly by a gravitometer of standard manufacture or, at the option of the Buyer, by the use of a recording type gravitometer of standard manufacture to be installed, operated and maintained by Buyer at the point(s) of delivery. If quarterly determinations are made, the most recent determination shall be used for the ensuing quarter to make the proper correction in volume computations. If a recording gravitometer is installed, then the arithmetic average of the daily specific gravity readings from said gravitometer for the entire period that gas was flowing through the meter(s) shall be deemed to be the specific gravity for that period and shall be used to make the proper correction in volume computations.

6. The total or gross heating value of the gas

is the total caloric value, expressed in British Thermal Units (Btu's), obtained by the complete combustion, at constant pressure, of that amount of gas which would occupy a volume of one (1) cubic foot at a temperature of sixty (60) degrees Fahrenheit, free from water vapor (dry basis) and at an absolute pressure equivalent to that of fourteen and seventy-three hundredths (14.73) pounds per square inch absolute and under standard gravitational force (980.665 centimeters per second squared), with air of the same temperature and pressure as the gas, when the products of combustion are cooled to the initial temperature of the gas and air, and when the water formed by combustion is condensed to the liquid state. The heating value shall be determined from time to time by Buyer or at the request of the Seller by submitting a sample of the natural gas to a competent testing laboratory of Buyer's choice or by using the heating value as determined by a Cutler-Hammer or any equally efficient recording calorimeter of Buyer or calculated using the results determined by gas chromatograph of Buyer, located at Owensboro, Kentucky, or at such other place designated by the Buyer.

7. Seller may install, operate, maintain and remove such check measuring equipment as it desires, provided that such check meter(s) and equipment shall be installed so as not to interfere with the operation of Buyer's meter(s) through which Buyer receives gas at the point(s) of delivery.

8. In the event any of Buyer's measuring equipment is out of service or registering inaccurately, the volume of gas delivered hereunder shall be estimated by (a) using the registration of any check measuring equipment if installed and

accurately registering, or (b) correcting the error if the percentage of error is ascertainable by calibration test or mathematical calculation, or (c) estimating the quantity of gas delivered by comparison with deliveries during a period under similar conditions when the measuring equipment was known to be registering accurately. The choice as to the above estimation methods shall be with the Buyer.

9. The accuracy of Buyer's measuring equipment shall be verified by Buyer at reasonable intervals, and if requested, in the presence of representatives of Seller, but Buyer shall not be required to routinely verify the accuracy of such equipment more frequently than once in any thirty (30) day period. In the event either party shall notify the other that it desires a special test of any measuring equipment, the parties shall cooperate to secure a prompt verification of the accuracy of such equipment. The expense of any such special test, if called for by Seller, shall be borne by Seller if inaccuracy found is less than a two percent (2%) error in favor of Buyer.

10. If, upon any test, any measuring equipment is found to be no more than two percent (2%) slow or fast, previous readings of such equipment shall be considered correct in computing deliveries of gas hereunder, but such equipment shall be adjusted at once to read accurately. If, upon any test, any measuring equipment is found to be inaccurate by an amount exceeding two percent (2%) at a reading corresponding to the average rate of flow for the period since the last preceding test, such equipment shall be adjusted at once to read accurately and any previous reading of such equipment shall be corrected to zero

error for any period which is known definitely or agreed upon. But in case the period is not known definitely or agreed upon, such correction shall be for a period extending over one-half (1/2) of the time elapsed since the date of the last test but not to exceed a correction period of more than sixteen (16) days.

11. Buyer and Seller shall have the right to be represented at and to participate in all tests of gas delivered hereunder or of any equipment used in measuring or determining the nature or quality of such gas and to inspect at any time during normal business hours any and all equipment of Buyer used for the measurement or determination of the nature or quality of gas hereunder.

12. All test data, charts and other similar records shall be preserved by Buyer for a period of at least one (1) year and shall on the request of Seller be available to Seller for inspection during normal business hours at Buyer's place of business.

ARTICLE V

Pressure

The gas sold under the terms of this Contract shall be delivered by Seller into Buyer's pipeline at the point(s) of delivery at a pressure sufficient to enter Buyer's pipeline. If the natural pressure of the Seller's well(s) shall become insufficient to deliver gas at the point(s) of delivery at a pressure sufficient to enter Buyer's pipeline, then Seller shall have the right, but shall be under no obligation, to compress such gas to the pressure referred to above upon receiving written consent of Buyer, such consent not to be unreasonably withheld;

however, if initial deliveries of gas hereunder are known to require compression such consent is not herein required. If Seller elects not to compress the gas to meet the pressure called for hereunder and cannot otherwise provide the pressure herein specified, Buyer has the right to compress the gas at Buyer's expense or to terminate this Contract. Elections under this paragraph shall be by written notice as provided in Subparagraph (a) of Paragraph One (1) of Article XV hereof.

ARTICLE VI

Term of Contract

Subject to the provisions of Paragraph Two (2) of Article XV herein, this Contract shall be effective from November 1, 1985 and shall continue and remain in full force and effect for a term of five (5) years and shall continue after the expiration of the primary term, from year to year thereafter until terminated as herein provided. Either party may terminate this Contract after the expiration of the primary term by giving the other party three (3) months prior written notice.

ARTICLE VII

Point of Delivery

1. The Point of Delivery of gas delivered by Seller to Buyer hereunder shall be at approximately Station Number 2035 + 60 on Buyer's 12-inch Nortonville-Hancock County Transmission Line No. 176, located on the south side of Kentucky Hwy. 138 in McLean County, Kentucky.

2. Seller shall have title to the gas deliverable hereunder and shall be in control and possession of and be responsible for any damage or injury caused thereby until

the same shall have been delivered to Buyer, after which delivery, title to such gas shall pass to Buyer and Buyer shall be deemed to be in exclusive control and possession thereof and responsible therefor.

ARTICLE VIII

Prices

1. The price(s) to be paid for gas delivered by Seller to Buyer under this Contract shall be determined as follows:

(a) With respect to that gas which Seller purchases under gas purchase contracts for resale and subsequently resells to Buyer, Buyer shall pay a price equal to the applicable area commodity rate for gas then being paid by Buyer to its principle interstate gas supplier for such area multiplied by a factor equal to 0.90.

(b) With respect to that gas which Seller produces and sells to Buyer in a first sale, Buyer shall pay a price(s) which shall be the lower of (i) the applicable area commodity rate for gas then being paid by Buyer to its principle interstate gas supplier for such area multiplied by a factor equal to 0.90, or (ii) the maximum lawful price per million British Thermal Units (MMBtu) for such gas as prescribed in the Natural Gas Policy Act of 1978, as amended.

(c.) With reference to the commodity rate of Buyer's principal interstate supplier, any change in said rate shall become effective on the effective date of any change in said supplier's tariff, except that if said supplier collects an increase prior to Federal Energy Regulatory Commission,

hereinafter "FERC", final approval of any tariff, the increase in price will be placed in escrow and within 30 days after the date of final approval the amount attributable to the finally approved increase in price will be paid to Seller for all gas purchased during the escrow period. If the FERC gives final approval to any tariff that decreases the applicable area commodity rate for gas from Buyer's principle interstate gas supplier and Buyer has paid Seller a price for gas in excess of the amount finally approved, then Buyer shall be entitled to prompt refund of any excess payments theretofore from Seller equal to the difference between the price actually paid by Buyer and the finally approved price.

2. With respect to the natural gas mentioned in 1(b) of this Article VIII, the parties hereto will file with the appropriate jurisdictional agency, and with all other regulatory bodies having jurisdiction, any required application for price determinations which may be necessary in order to implement the terms herein. Pending final approval of any required application, Buyer will pay Seller for such gas delivered prior to the effective date of such final approval, the lower of (i) the then current applicable area commodity rate for gas of Buyer's principle interstate gas supplier multiplied by a factor equal to 0.90, or, (ii) the maximum lawful price per MMBtu (saturated basis) as described in Section 109 of the Natural Gas Policy Act of 1978, as amended.

3. With respect to the natural gas mentioned in 1(b) of this Article VIII, or any portion thereof, which the Congress of the United States, the President of the United States, FERC, or any other governmental authority having jurisdiction,

ceases to have jurisdiction or exercise control over rates that may be lawfully charged and collected thereon, known hereafter as "deregulated gas", the price shall be the applicable area commodity rate for gas of Buyer's principal interstate gas supplier multiplied by a factor equal to 0.90.

4. In the event that the price(s) payable by Buyer to Seller pursuant to this Article VIII, together with any additional payments, allowances or reimbursements payable under this Contract and applicable to gas delivered hereunder, in Buyer's sole judgment, results or will result in such gas being uncompetitive in Buyer's end-use markets, Buyer shall have the right to nominate a new price(s) and price computation method for such gas which, in Buyer's sole judgment, will result in such gas being competitive in said end-use markets. Buyer shall give Seller written notice ("Buyer's Notice") setting forth the details of such new price and price(s) computation method, to be effective on the date of receipt by Seller. If such price(s) is not acceptable to Seller, then, Seller may solicit bona fide offers from other purchasers for the gas for which Buyer has nominated a new price(s) hereunder. Seller shall submit in writing to Buyer a notice ("Seller's Notice") setting out in reasonable detail the terms of any such offer which is acceptable to Seller within sixty (60) days after the date of Seller's receipt of Buyer's Notice. If Seller issues a Seller's Notice, Buyer shall have fifteen (15) days after the date of Buyer's receipt of Seller's Notice in which to elect in writing to continue purchasing such gas from Seller in accordance with the terms of the bona fide offer set out in Seller's Notice, or to release such gas from commitment

hereunder. In the event Buyer elects to release such gas, the obligations of the parties hereunder with respect to the sale and purchase of such gas shall continue for an interim period beginning on the date of receipt by Seller of Buyer's election as provided in the immediately preceding sentence, until the third party purchaser is able to accept deliveries of the released gas, but in no event to exceed sixty (60) days, after which the obligations of the parties hereunder shall, except as otherwise provided herein, cease as to such released gas. During such interim period, the price(s) applicable to deliveries of gas covered by Buyer's Notice shall be the price(s) nominated by Buyer under this paragraph for such gas.

5. The price(s) payable from time to time pursuant to this Contract shall prevail so long as such price(s) is allowed by the Kentucky Public Service Commission, hereinafter "Commission", to be included in Buyer's jurisdictional cost of service. If the Commission should at any time disallow the inclusion in Buyer's jurisdictional cost of service of any portion of the price(s) paid hereunder, then Seller agrees that such price(s) will be reduced to the maximum price(s) which the Commission will allow Buyer to include in its jurisdictional cost of service, effective as of the effective date of such disallowance, and Seller shall make prompt refund of any excess payments theretofore made by Buyer. In the event of such disallowance by the Commission, Seller shall thereafter have the right to terminate this Contract at any time as to all gas subject to such disallowance by giving thirty (30) days prior written notice to Buyer that Seller has obtained and accepted an offer for

such gas from a third party purchaser providing for a price(s) greater than the highest price(s) allowed to be included in Buyer's rates. Thereafter, such gas shall be released from commitment hereunder.

ARTICLE IX

SPECIAL REDETERMINATION OF PRICE

1. (a) Either Seller or Buyer may request a Special Redetermination of Price to be paid for the gas sold and delivered hereunder, in which case the party making such request must demonstrate in good faith, by written notice, that the price(s) being paid does not reflect the market value of gas of similar quality and quantity being sold in the area where it is being produced.

(b) This Special Redetermination of Price may be exercised only after the first anniversary date of this Contract, namely, on or after, November 1, 1986, and no more frequently than yearly thereafter.

2. (a) The parties will attempt by negotiation to arrive at pricing provisions which reflect the market conditions then prevailing in the natural gas industry in the area.

(b) In the alternative, where the parties cannot arrive at other pricing provisions by negotiation, then the party making such request under Subparagraph (a) of Paragraph One (1) of this Article IX, must notify the other in writing of its intention to either continue to sell/purchase gas under current pricing terms of this Contract or to terminate this Contract at any time as to all gas subject to this request by giving thirty

(30) days prior written notice. Thereafter, such gas shall be released from commitment hereunder.

ARTICLE X

Payment and Statements

1. Payment shall be made by check payable to the order of the Seller, on or about the 20th day of each month for all gas sold and delivered during the preceding month. This check shall be accompanied by a statement showing the amount of gas sold during the same preceding month, together with a computation of the amount due Seller.

2. With respect to the gas referred to in Paragraph 1(a) of Article VIII, Seller will pay or cause to be paid all royalties, taxes, Kentucky Severance Taxes, and all other sums due on production, gathering, or handling of such gas delivered by it to Buyer. With respect to the gas referred to in Paragraph 1(b) of Article VIII, Seller will pay or cause to be paid all royalties, taxes with the exception of the Kentucky Severance Tax, and all other sums due on production, gathering or handling of such gas delivered by it to Buyer. Buyer will collect the 4-1/2% severance tax levied by the Commonwealth of Kentucky on the gas referred to in Paragraph 1(b) and remit it to the Kentucky Department of Revenue, said tax being deductible from the amount due Seller during each billing period.

3. Seller agrees to indemnify and hold Buyer harmless against any and all loss, damage and expense of every character on account of any potential and/or real adverse claim resulting from the nonpayment or mistaken payment of any and all royalties, taxes, and other sums due on production, gathering,

handling or other charges applicable thereon before or upon delivery to Buyer.

ARTICLE XI

Force Majeure

1. In the event of any party being rendered unable, in whole or in part, by force majeure or other causes herein specified, to carry out its obligations under this Contract, it is agreed that on such party's giving notice and reasonably detailed particulars of such force majeure in writing or by telegraph to the other party within a reasonable time after the occurrence of the cause relied on, then the obligations of the party giving notice, so far as and to the extent that they are affected by such force majeure or other causes herein specified, shall be suspended during the continuance of any inability so caused, but for no longer period, and such cause shall so far as possible be remedied with all reasonable dispatch.

2. The term "force majeure" as used herein shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests, and restraints of the government, either federal or state, civil or military, civil disturbances, explosions, breakage or accident of machinery or lines of pipe, freezing of wells or lines of pipe, inability of any party hereto to obtain necessary materials, supplies or permits, due to existing or future rules, regulations, orders, laws or proclamations, of governmental authorities (both federal and state), including both civil and military, any act or

omission on the part of any purchaser or purchasers of gas from Buyer by reason of force majeure affecting such purchaser or purchasers, and any other causes, whether of the kind herein enumerated or otherwise, which are not reasonably within the control of the party claiming suspension. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the party having the difficulty, and that the above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of opposing party when such course is inadvisable in the discretion of the party having the difficulty.

ARTICLE XII

Warranty of Title

Seller hereby warrants that it has good and clear title to the gas sold hereunder and that it has the exclusive right to sell the same, and that all such gas is free from all liens and adverse claims, including liens to secure payment of production taxes, severance taxes and other taxes. Seller agrees to indemnify Buyer and save it harmless from any and all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of adverse claims of any or all entities to said gas or to royalties, taxes, license fees or charges thereon which are applicable before the title to the gas passes to Buyer or which may be levied and assessed upon the sale thereof to Buyer. In the event any adverse claim of any character whatsoever is asserted in respect to any of said gas, Buyer may retain as security for the performance of Seller's obligations

with respect to such claim under this section, monies then or thereafter payable to Seller under this Contract up to the amount of such claim, including interest, until such claim has been finally determined or until Seller shall have furnished bond to Buyer in an amount satisfactory to Buyer.

ARTICLE XIII

Arbitration

1. In case the parties hereto shall be unable to agree on any question or dispute arising under this Contract, such question or dispute shall be referred for settlement to three arbitrators, one appointed by Seller, one appointed by Buyer, and the third appointed by the two (2) individuals chosen by the parties hereto. The party desiring such arbitration shall notify the other in writing and in such notices shall name an arbitrator. The arbitrator to be appointed by the other party shall be named within ten (10) days after receipt of such written notice of arbitration, and an additional arbitrator shall, within ten (10) days of the appointment of the second arbitrator, be selected by the two (2) arbitrators heretofore appointed.

2. The matter in question or dispute shall be submitted in writing to the arbitrators immediately upon the completion of their appointments, and the parties shall do all things necessary to make proper submission thereof according to the character of the question or dispute involved, or as required by the arbitrators. It is the intent of the parties hereto that only those persons qualified as specialists in their field arbitrate disputes or questions within their field. The decision

in writing signed by a majority of the arbitrators shall be final and conclusive with respect to the matter submitted and the parties hereto agree to accept and abide by the same. The cost of any arbitration hereunder will be paid by the party requesting such arbitration.

ARTICLE XIV

Regulatory Bodies

This Contract shall be subject to all valid applicable federal, state and local laws, rules and regulations. All such laws, rules and regulations shall be presumed by both parties to be valid unless and until a court of competent jurisdiction shall hold otherwise with respect thereto.

ARTICLE XV

Miscellaneous

1. No waiver by either party of any one or more defaults by the other party in the performance of this Contract shall operate or be construed as a waiver of any future default or defaults, whether of a like or a different character.

(a) Any notice, request, demand, statement or bill provided for in this Contract shall be in writing and shall be addressed to the post office address of each of the parties hereto, as the case may be as follows:

Buyer: Western Kentucky Gas Company
Attn: L. E. Van Meter II
Post Office Box 866
Owensboro, Kentucky 42302

Seller: Orco, Inc.
ATTN: Frank I. Lindsey
711 Leitchfield Road
Owensboro, Kentucky 42301

or to such other address as either party shall from time to time designate for that purpose by certified letter addressed to the other party. The date of service of such notice, request, demand, statement, or bill shall be the date the same is delivered by registered or certified mail by the party giving same.

(b) All the terms, covenants, agreements and obligations contained in this Contract shall run in favor of and be binding upon the parties hereto, and Buyer and Seller agree that Seller may not sell or assign either the properties which are the subject of this Contract, or this Contract without the prior written consent of the Buyer, such consent not to be unreasonably withheld.

2. Buyer and Seller shall with due diligence proceed in an expeditious manner to obtain all necessary federal, state, and local authorizations, permits, consents, licenses and approvals as may be required for the sale and delivery and the purchase and receipt of natural gas produced under the terms of this Contract, and this Contract shall be subject to such approval. If Buyer and Seller are unable to obtain such requisite authorizations on terms satisfactory to the party applying therefor not later than six (6) months from the date hereof, Buyer or Seller may, after thirty (30) days prior written notice, terminate this Contract unless, before the expiration of such thirty (30) day period, Buyer and Seller have received and accepted such requisite authorizations, in which event the notice of cancellation shall be null and void and of no force and effect. Notwithstanding the foregoing, in the event Seller is unable to sell and/or deliver to Buyer that quantity of gas as set out in Article II herein, within thirty

(30) days of the date of receipt of the requisite authorizations as herein set out, Buyer may, upon ten (10) days prior written notice, terminate this contract.

3. This Contract may be executed in a number of counterparts, each of which shall be considered an original.

4. This writing is intended by the parties as a final expression of their agreement and is intended also as a complete and exclusive statement of the terms of their agreement. No course of prior dealings between the parties shall be relevant to supplement or explain any term used in this Contract. Acceptance or acquiescence in a course of performance rendered under this Contract shall not be relevant to determine the meaning of this Contract even though the accepting or acquiescing party has knowledge of the nature of the performance and opportunity for objection.

5. This Contract may be modified, amended, rescinded, or terminated only by a writing signed by Buyer and Seller or their duly authorized agents.

6. The parties agree that the place of execution of this Contract is Daviess County, Kentucky. Buyer and Seller agree that this Contract shall be construed according to the laws of the Commonwealth of Kentucky.

7. The provisions of this contract shall in no way be deemed to amend or effect the provisions of that certain gas purchase contract entered into between Seller and Orbit Gas Company dated June 27, 1985.

IN WITNESS WHEREOF, this instrument is executed as of the
date first hereinabove written.

Attest:

SELLER: Orbit Gas Company

TAXPAYER I.D. NUMBER: _____

By: _____

Title: _____

Attest:

BUYER: TEXAS AMERICAN ENERGY CORPORATION
by and through its unincorporated division,
Western Kentucky Gas Company

By: _____

Title: _____