

**PRO FORMA
PRECEDENT AGREEMENT**

THIS PRECEDENT AGREEMENT is entered into this ____ day of _____, 2007 by and between Floridian Natural Gas Storage Company, LLC, a Delaware limited liability company herein referred to as “FGS,” and _____, a _____ company, herein referred to as “Customer.” In this Precedent Agreement, FGS and Customer may be referred to individually as “Party” and collectively as “Parties.”

WHEREAS, FGS intends to develop, construct, own and operate a natural gas storage facility in Martin County, Florida (the “Facility”);

WHEREAS, Customer desires that FGS provide Customer storage service at FGS’s Facility;

NOW, THEREFORE, in consideration of the understandings and mutual covenants set forth herein, and intending to be legally bound, FGS and Customer agree as follows:

1. The Parties recognize that FGS is seeking to construct and operate a new natural gas storage facility in Martin County, Florida (the “Facility”) that will be authorized and operated pursuant to the Regulations of the Federal Energy Regulatory Commission (“FERC”). During an open season held for storage service by FGS, Customer requested and FGS agreed to provide service; the terms for such service are set forth in the *pro forma* Service Agreement under FGS’s FSS Rate Schedule which is attached hereto as Appendix 1 and in which all open terms have been specified (the “Service Agreement”). Subject to the terms and provisions of this Precedent Agreement, FGS and Customer agree to execute the Service Agreement no later than 30 days following FGS’s acceptance of its FERC certificate.

2. Notwithstanding the Parties’ execution of the Service Agreement, FGS’s obligation to construct and operate the Facility and to provide storage service to Customer are

expressly subject to the satisfaction or waiver, in FGS's sole discretion, of the following conditions precedent:

- (a) FGS's determination that Precedent Agreements and Service Agreements have been executed by sufficient third parties to make the proposed Facility economically viable;
- (b) FGS's receipt and acceptance of all necessary certificates and authorizations from the FERC to construct, own and operate the Facility and to charge the market-based rates mutually agreed by FGS and its customers;
- (c) FGS's receipt of all other necessary regulatory and governmental authorizations, approvals and permits required to construct the Facility;
- (d) FGS's receipt of commitments for all financing necessary to construct the Facility in a form satisfactory to FGS in its sole discretion;
- (e) FGS's receipt of all necessary internal approvals to construct and operate the Facility, including approval from FGS's Board of Directors to expend the capital necessary to construct the Facility;
- (f) FGS's procurement of all necessary rights of way, easement or other property or contract rights necessary to the construction and operation of the Facility and the provision of storage service to Customer, all in a form satisfactory to FGS in its sole discretion;
- (g) FGS's completion of construction of the Facility and being ready to place the Facility into commercial service; and,
- (h) FGS's determination in its sole discretion that Customer satisfies FGS's creditworthiness criteria as set forth in FGS's *pro forma* FERC Gas Tariff.

All authorizations under subsections (b) and (c) (the "FGS Regulatory Approvals") must be final and not subject to rehearing or appeal, unless FGS waives such requirement. FGS shall provide prompt notice to Customer when each of the foregoing conditions precedent has been either satisfied or waived.

3. In the event that any condition precedent has not been satisfied within a commercially reasonable period of time, FGS may provide notice to Customer terminating this Precedent Agreement and the Service Agreement.

4. If by the date 24 months after the date specified in the Service Agreement for the commencement of service FGS has not provided notice that all the conditions precedent in Section 2 have been either satisfied or waived, then Customer shall have the right, for 30 days thereafter, to give 90 days advance notice to FGS of its intent to terminate this Precedent Agreement and the Service Agreement if FGS has failed to provide notice that all the conditions precedent have been either satisfied or waived by the end of such 90-day period.

5. This Precedent Agreement shall become effective as of the date of its execution and shall continue in effect, notwithstanding the intervening execution of the Service Agreement, until such time as:

- (a) FGS has provided notice to Customer under Section 2 that all of the conditions precedent have been either satisfied or waived, in which event the rights and obligations of the Parties shall thereafter be governed by the Service Agreement and FGS's FERC Gas Tariff as in effect from time to time and service under the Service Agreement will commence on the later of the date specified in the Service Agreement or the date 5 days after the date of FGS's notice to Customer that all the conditions precedent have been either satisfied or waived; or
- (b) FGS has provided notice to Customer in accordance with Section 3 terminating this Precedent Agreement and the Service Agreement, in which event this Precedent Agreement and the Service Agreement shall be terminated and of no further force and effect; or
- (c) the 90-day period after Customer's notice to FGS in accordance with Section 4 of its intent to terminate this Precedent Agreement and the Service Agreement has expired if FGS has failed to provide notice that all the conditions precedent have been either satisfied or waived by the end of such 90-day period.

6. FGS shall proceed with due diligence to obtain all FGS Regulatory Approvals, respectively. All decisions relating to the process of obtaining the FGS Regulatory Approvals shall be made by FGS in its sole discretion, including decisions to file, prosecute, amend, supplement, or withdraw any application for the FGS Regulatory Approvals, accept or reject any FGS Regulatory Approval, or seek court review thereof. Customer shall support and cooperate with the efforts of FGS to obtain the FGS Regulatory Approvals, including filing interventions in support and providing any information reasonably requested by FGS related to obtaining such FGS Regulatory Approvals.

7. Customer shall either satisfy the creditworthiness criteria of FGS in FGS's sole discretion or provide to FGS security for its obligations hereunder in an amount and form acceptable to FGS in its sole discretion, in either case consistent with the terms of FGS's FERC Gas Tariff.

8. Customer acknowledges that FGS has made and will continue to make advance expenditures in connection with satisfying the conditions precedent, including seeking FGS Regulatory Approvals, site acquisition, obtaining long lead time materials and the services of engineering and environmental consultants. In consideration of these efforts to provide the storage service requested by Customer, if Customer fails to comply with the terms of this Precedent Agreement, Customer shall reimburse FGS for its pro rata share of the total of such advance expenditures based on Customer's percentage of the total storage capacity sought in the Regulatory Approvals; any such reimbursement payment will be due from Customer to FGS within 10 days of delivery of FGS's invoice to Customer.

9. Notwithstanding any other provision of this Precedent Agreement, FGS shall have the right to pursue all legal and equitable remedies available with respect to any breach by Customer of its obligations under this Precedent Agreement, including its obligation to execute the Service Agreement.

10. Any company which shall succeed by purchase, merger, consolidation or otherwise to the properties substantially as an entirety, of FGS or of Customer shall be entitled to the rights and shall be subject to the obligations of its predecessors in title under this Precedent Agreement. FGS shall have the right to assign this Precedent Agreement and the rights and obligations hereunder to any affiliate that is creditworthy; in the event of any such assignment, such assignee affiliate shall assume, and be bound by, all the rights and obligations of FGS hereunder. No other assignment of this Precedent Agreement, or of any of the rights or obligations hereunder, shall be made unless there first shall have been obtained the consent thereto of FGS, in the event of any assignment by Customer, or the consent thereto of Customer, in the event of an assignment by FGS. These restrictions on assignment shall not in any way prevent any party from pledging or mortgaging its rights under this Precedent Agreement as security for its indebtedness.

10. Notices to either Party shall be in writing, transmitted by personal delivery, by United States mail or courier service, or via email or facsimile to the Parties at the addresses shown below or such other address as either Party may designate by proper notice to the other Party, and, if transmitted and confirmed by email or facsimile before 5:00 p.m. Central Clock Time on a business day, be deemed to have been given or made on the business day on which so transmitted, or if not before such deadline, on the next business day, and, if sent by overnight courier and delivery is confirmed, or, if mailed by registered or certified mail, return receipt requested, be deemed to have been given or made on the day on which delivered:

If to FGS:

Floridian Natural Gas Storage Company, LLC
1000 Louisiana Street Suite 4361
Houston, TX 77002
Telephone: 800-621-6843
Facsimile 866-616-6706
info@floridiangstorage.com

Beth L. Webb
Dickstein Shapiro LLP
1825 Eye Street NW
Washington, DC 20006
Telephone: 202-420-4782
Facsimile: 202 420 2201
webbb@dicksteinshapiro.com

If to Customer:

Address
Telephone
Facsimile
Email

11. This Precedent Agreement shall be governed by the laws of the State of New York.

12. This Precedent Agreement and the rights and obligations of the Parties hereunder are subject to all applicable laws, regulations, rules and orders of all governmental and regulatory bodies having jurisdiction.

13. A waiver by a Party of any one or more defaults hereunder shall not operate as a waiver of any future default, whether of a like or a different character.

14. No modification to the terms and provisions of this Precedent Agreement or any Service Agreement executed by FGS and Customer pursuant hereto shall become effective except by an amendment executed by both FGS and Customer.

15. This Precedent Agreement sets forth all understandings and agreements of the Parties and supersedes all other agreements, whether oral or written, respecting the subject matter hereof, except the Service Agreement executed by FGS and Customer pursuant hereto.

Floridian Natural Gas Storage Company, LLC

Customer _____

By _____

By _____

Printed Name _____

Printed Name _____

Title _____

Title _____

EXHIBIT A

pro forma Service Agreement