

## FACILITIES TRANSFER AND SALES AGREEMENT

This Facilities Transfer and Sales Agreement (“Agreement”) is made and entered into effective as of the \_\_\_\_ day of \_\_\_\_\_, 2009, between **COLORADO NATURAL GAS, INC.**, hereinafter referred to as “BUYER,” and **PUBLIC SERVICE COMPANY OF COLORADO**, a \_\_\_\_\_ corporation, hereinafter referred to as “SELLER.” BUYER and SELLER may be referred to individually as “Party” or together as the “Parties.”

### ARTICLE I DEFINITIONS

In addition to other capitalized terms defined elsewhere herein, for purposes of this Agreement, the following terms shall have the meanings set forth below:

- 1.1 “Assets” means and includes the Pipeline and ROWs.
- 1.2 “Closing” means the consummation of the transfer and exchange of the Assets, as contemplated by this Agreement.
- 1.3 “CPUC” means the Colorado Public Utilities Commission.
- 1.4 “Damages” means all actions, suits, proceedings, hearings, investigations, charges, complaints, claims, demands, injunctions, judgments, orders, decrees, rulings, damages, dues, penalties, fines, costs, reasonable amounts paid in settlement, liabilities, obligations, taxes, losses, expenses, and fees, including court costs and reasonable attorneys' fees and expenses.
- 1.5 “Effective Date” means 11:59 p.m. Mountain time on the date of Closing.
- 1.6 “Environmental Laws” means all federal, state, and local laws, rules, and regulations, agency policies and guidance documents relating to pollution or protection of the public health and the environment including, but not limited to, the emission, discharge, release, manufacture, processing, distribution, use, treatment, handling, storage, disposal, or transportation of substances, materials, pollutants, contaminants, chemical, solid waste, and/or hazardous substances. Environmental Laws shall include, but not be limited to,
  - (i) the Resource Conservation Recovery Act, as amended, 42 U.S.C. Sections 6901 *et seq.*;
  - (ii) the Comprehensive Environmental Response, Compensation, and Liability Act, as amended 42 U.S.C. Sections 9601 *et seq.*;
  - (iii) the Federal Water Pollution Control Act (“Clean Water Act”), as amended, 33 U.S.C. Sections 1251 *et seq.*;
  - (iv) the Safe Drinking Water Act, as amended, 42 U.S.C. Sections 300f *et seq.*;

(v) the Toxic Substances Control Act, as amended, 15 U.S.C. Sections 2601 *et seq.*;

(vi) the Emergency Planning and Community Right-to-Know Act of 1986, as amended;

(vii) the National Environmental Policy Act, as amended, 42 U.S.C. Sections 4321 *et seq.*;

(viii) the Occupational Safety and Health Act, as amended, 29 U.S.C. 651 *et seq.*;

(ix) the Pollution Prevention Act of 1990, Pub. L. 101-508, November 5, 1990, as amended;

(x) the Oil Pollution Act of 1990, Pub. L. 101-380, August 18, 1990, as amended,

(xi) the Hazardous Materials Transportation Act, as amended, 49 U.S.C. Sections 1801 *et seq.*;

(xii) the Clean Air Act, as amended, 42 U.S.C. Sections 7601 *et seq.*; and

(xiii) any regulations promulgated under (i) through (xii).

1.7 “Lien” means any mortgage, pledge, lien, encumbrance, right to purchase, charge, or other security interest.

1.8 “Pipeline” means the SELLER Pipeline.

1.9 “Private Consents” means the consents and approvals from non-governmental persons and entities required to consummate the transactions contemplated by this Agreement.

1.10 “SELLER Pipeline” means (i) that certain natural gas pipeline and appurtenant facilities located in Pueblo County, Colorado, consisting of approximately 5,067 feet of two (2) inch polyethylene pipeline, and 172 feet of 1.25 inch polyethylene pipeline plus a terminus valve, and miscellaneous fittings as more fully described in Schedule A hereto and depicted on the map attached as Schedule B hereto, together with (ii) Records, warranties, indemnities, licenses, and permits owned by or in the possession of SELLER, and used or useful in connection with the ownership, operation, maintenance and/or repair of such pipeline, and (iv) all substances, whether gaseous or liquid, within such pipeline as of the Effective Date. The Parties will cooperate to update and refine Schedule C as necessary.

1.11 “SELLER ROWs” means the rights-of-way, easements, leases, licenses, permits,

fee interests and other rights of use owned or held by SELLER, entitling the Pipeline to be located and serviced on the real property within which the Pipeline is located. A preliminary listing of each SELLER ROW existing as of the date of this Agreement is attached as Schedule D hereto.

1.12. "SELLER Assets" means and includes the SELLER Pipeline and SELLER ROWs.

1.13 "Public Consents" means the following consents and approvals required to consummate the transactions contemplated by this Agreement.

(a) A final order of the CPUC authorizing SELLER to sell the Pipeline and ROWs as contemplated pursuant to this Agreement without condition; provided, however, that if the CPUC attaches a condition to its authorization of the sale not contemplated hereunder SELLER shall promptly provide a copy of the CPUC order to BUYER and: i) if such condition materially and adversely affects SELLER, SELLER must give written notice of such material and adverse impact to BUYER within fifteen (15) days of its receipt of such final order or SELLER shall be deemed to have accepted such condition; and ii) if such condition materially and adversely affects BUYER, BUYER must give written notice to SELLER within fifteen (15) days of its receipt of such final order or BUYER shall be deemed to have accepted such condition. If either Party provides the other Party with the notice of material and adverse impact as provided herein and the other party fails to take such steps as are necessary to eliminate the material and adverse impact of the order or to adequately compensate the impacted party for such material and adverse impact, the impacted party providing such notice of material and adverse impact may unilaterally terminate this agreement by providing the other party notice of termination within fifteen (15) days of receipt by the other party of notice of material and adverse impact.

1.14 "Reasonable Commercial Efforts" means the efforts that a prudent and competent person or entity desirous of achieving a result would use in similar circumstances to ensure that such result is achieved in a reasonably expeditious manner; provided, however, that an obligation to use Reasonable Commercial Efforts shall not be construed to require the person or entity subject to that obligation to take actions that would cause such person or entity to incur any unreasonable out-of-pocket expenses in connection therewith.

1.15 "Records" means all data, information, documents, books and records in any medium related to the acquisition, ownership, operation, construction, maintenance and repair of the Pipeline, owned by or in the possession of SELLER including without limitation:

(a) All real property interests files, including but not limited to easements, grants of rights-of-way, leases, deeds, etc.

(b) All maps, engineering reports, testing data, environmental information, operating reports, operating manuals, tax information, permits, licenses, warranties,

indemnities and maintenance records.

## ARTICLE II TRANSFER OF ASSETS

2.1 Transfer Commitment. Subject to the terms and conditions of this Agreement, at the Closing, SELLER will transfer, convey and assign to BUYER all of SELLER's right, title and interest in and to the SELLER Pipeline. At the Closing, in further consideration for transfer of the SELLER Pipeline to BUYER, BUYER shall pay to SELLER, SELLER's net book value of the assets at the time of closing, by wire transfer or such other means as the Parties shall agree to.

## ARTICLE III REPRESENTATIONS AND WARRANTIES OF SELLER

SELLER represents and warrants to BUYER that:

### 3.1 General.

(a) SELLER is a duly organized corporation validly existing and in good standing under the laws of the State of Colorado.

(b) The execution, delivery and performance of this Agreement is within the power of SELLER, has been duly authorized by all necessary corporate action and does not contravene or constitute a default or require the further consent of any person or entity under any provision of applicable law or regulation or of any articles of incorporation, or any material agreement, judgment, injunction, order, decree or other instrument binding upon SELLER. This Agreement has been duly authorized and executed by, and constitutes a valid and binding agreement of SELLER enforceable in accordance with its terms.

(c) The execution, delivery and performance by SELLER of this Agreement require no consent or approval of, or filing with, any governmental body, agency or official, except for the Public Consents.

(d) There are no claims, audits, actions, suits or arbitration proceedings pending before any court or governmental agency that could result in material impairment or loss of SELLER's title to or could otherwise materially affect the SELLER Assets.

(e) SELLER has properly paid, with respect to the SELLER Assets, as and when due, all ad valorem, property, excise and other taxes and assessments based on or measured by the ownership of property or the receipt of proceeds therefrom.

(f) In connection with its acquisition, construction, ownership, and operation of the SELLER Assets, SELLER has complied in all material respects with all rules, laws,

regulations, ordinances and orders of all local, state, federal and tribal governmental bodies, authorities and agencies having jurisdiction.

(g) SELLER has paid or will pay all costs for work performed in connection with the construction, maintenance and repair of the SELLER Assets. SELLER has paid or will pay all operating expenses for work performed prior to the date of Closing.

(h) BUYER acknowledges that, except as otherwise specifically set forth in this Agreement, **(A) THE SELLER ASSETS ARE BEING TRANSFERRED BY SELLER "AS IS AND WHERE IS," (B) SELLER MAKES NO REPRESENTATION OR WARRANTY, WHETHER EXPRESS OR IMPLIED, IN FACT OR IN LAW, OF MERCHANTABILITY, FITNESS FOR ANY PURPOSE, STATE OF REPAIR, CONDITION OR SAFETY OF THE PERSONAL PROPERTY COMPRISING THE SELLER ASSETS, (C) SELLER HAS MADE NO REPRESENTATIONS, VERBAL OR OTHERWISE, OR WARRANTIES AS TO THE CONDITION OF THE INFORMATION PROVIDED FROM SELLER OR AS TO SELLER'S TITLE TO THE SELLER ASSETS, AND (D) IN ENTERING INTO AND PERFORMING THIS AGREEMENT, BUYER HAS RELIED AND WILL RELY SOLELY UPON ITS INDEPENDENT INVESTIGATION AND JUDGMENT WITH RESPECT TO THE SELLER ASSETS, THEIR USE AND THEIR VALUE.**

### 3.2 SELLER ROW Matters.

(a) SELLER has good title to the SELLER ROWs, and SELLER shall warrant and defend all and singular its title to the SELLER ROWs, against every person whomever lawfully claiming the SELLER Assets or any part thereof, by, through or under SELLER, but not otherwise.

(b) The SELLER ROWs are free and clear of all Liens arising by, through or under SELLER.

(c) To the knowledge of SELLER after due inquiry, except as otherwise specifically noted on Schedule D hereto, (i) all legal descriptions of the SELLER ROWs are accurate and are legally sufficient, and (ii) the SELLER Pipeline lies within the boundaries of the SELLER ROWs.

(d) Except for the foregoing, **SELLER DOES NOT REPRESENT OR WARRANT AND DOES HEREBY DISCLAIM AND NEGATE ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, COMPLETENESS OR ADEQUACY OF THE SELLER ROWs OR THAT THERE ARE NO GAPS IN THE SELLER ROWs.**

3.3 SELLER Pipeline Matters.

(a) SELLER has good title to the SELLER Pipeline, free and clear of all Liens, and SELLER shall warrant and defend all and singular its title to the SELLER Pipeline, against every person whomever lawfully claiming the SELLER Pipeline or any part thereof.

(b) Except for the foregoing, **SELLER DOES NOT REPRESENT OR WARRANT AND DOES HEREBY DISCLAIM AND NEGATE ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE CONDITION, FUNCTIONALITY OR USEFULNESS OF THE PIPELINE.**

3.4 Records.

(a) To the best of SELLER's knowledge after due inquiry, all of the information set forth in the Records is accurate and not misleading.

(b) Except for the foregoing, **SELLER DOES NOT REPRESENT OR WARRANT AND DOES HEREBY DISCLAIM AND NEGATE ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE COMPLETENESS OR ACCURACY OF THE RECORDS.**

**ARTICLE IV  
PRE-CLOSING COVENANTS**

4.1 Public Consent. Prior to Closing, SELLER shall cooperate and use Reasonable Commercial Efforts to obtain, as soon as practicable, the Public Consent.

4.2 Private Consents. Prior to Closing, SELLER shall use Reasonable Commercial Efforts to obtain, as soon as practicable, all Private Consents.

4.3 Operation in Normal Course. Prior to Closing, SELLER shall operate its Assets in the Ordinary Course of Business. By way of example and not of limitation, SELLER shall:

(a) operate its Pipeline in accordance with industry standards, and keep the Assets in good maintenance and repair;

(b) not encumber or otherwise affect title to the Assets;

(c) not enter into any new transportation, services or other contracts with respect to the Assets;

(d) notify the other Party promptly of any casualty or other event outside of the Ordinary Course of Business with respect to any of the Assets.

4.4 Access to Information: Property. SELLER has made and will continue to make available to the other Party and its representatives (i) physical inspection rights with respect to the Pipelines, and (ii) all land, contract, financial, production, environmental and use permit, engineering, and property tax files and records which relate to the Assets.

4.5 Notice of and Remedies for Title Defects.

(a) Upon discovery of a Title Defect, BUYER shall immediately notify SELLER in writing of the nature of the Title Defect, shall furnish SELLER with the basis for the assertion of such Title Defect and data in support thereof, and shall furnish SELLER with a dollar amount attributable to such Title Defect.

(b) Within twenty (20) days following receipt of any such notice, SELLER, at its discretion, shall choose one of the following options:

(1) use Reasonable Commercial Efforts to cure the Title Defect at its expense and to BUYER's reasonable satisfaction prior to Closing; or

(2) adjust the purchase price provided in Article II in the amount proposed by BUYER (or such other amount as may be mutually agreed upon) to compensate BUYER for accepting the Assets with the Title Defect

(3) absent such cure or purchase price adjustment, propose to indemnify BUYER against any and all Damages related to the Title Defect following the Closing, which proposal BUYER may or may not accept at its sole discretion

Unless all Title Defects are cured, the purchase price is adjusted, or the indemnity provided for above is accepted by BUYER prior to Closing, this Agreement shall terminate and be of no further force and effect.

(c) Any Title Defect not disclosed to SELLER prior to Closing shall conclusively be deemed waived for all purposes.

## **ARTICLE V PROCEEDS, EXPENSES AND TAXES**

5.1 Expenses. SELLER shall be responsible for the payment of all operating expenses attributable to the SELLER Assets prior to the Effective Date. BUYER shall be responsible for the payment of all operating expenses attributable to the SELLER Assets after the Effective Date. A Party paying any such expenses which, are the responsibility of the other Party, shall be entitled to prompt reimbursement upon evidence of such payment.

5.2 Sales and Other Transfer Taxes. BUYER shall be responsible for any and all sales, use or transfer taxes associated with the transfer of the Assets.

5.3 Ad Valorem Taxes. Ad Valorem taxes on the Assets shall be prorated as of the Effective Date. Whichever Party receives statements for Ad Valorem taxes (or taxes imposed in lieu thereof) assessed against the Assets will pay such taxes prior to delinquency, and the other Party agrees to reimburse the paying Party for its pro rata share thereof, prorated to the Effective Date, upon receipt of an invoice accompanied by evidence of such payment.

5.4 Other Taxes. All other taxes imposed with respect to the SELLER Assets for periods or portions of periods prior to the Effective Date shall be the burden of the SELLER and all such taxes imposed with respect to the SELLER Assets for periods or portions of periods after the Effective Date shall be the burden of BUYER. Any Party that pays any such taxes, which are the responsibility of the other Party, shall be entitled to prompt reimbursement upon evidence of such payment.

## ARTICLE VI DESTRUCTION OF OR DAMAGE TO THE ASSETS, RISK OF LOSS

### 6.1 Casualty Losses.

(a) SELLER shall assume all risk of loss, claims, costs, expenses and liabilities of whatever nature relative to the SELLER Assets until the Effective Date. In the event all or a part of the SELLER Assets, including, but not limited to, plant, pipeline, meters, equipment, facilities or improvements are damaged or destroyed by weather, fire, explosion or any other calamity prior to the Effective Date, then SELLER shall bear such loss. In such event, (i) if the cost to repair the damage (as reasonably determined by SELLER) is less than \$50,000, SELLER shall repair the damage as soon as practicable, and (ii) if the cost to repair the damage (as reasonably determined by SELLER) is \$50,000 or more, SELLER may elect to repair or replace the portion of the SELLER Assets so damaged or destroyed, but shall not have any obligation to repair or replace any damaged or destroyed portion of the SELLER Assets. In the event SELLER does repair or replace the portion of the SELLER Assets so damaged or destroyed, then the Parties shall be obligated to go forward with the transaction contemplated by this Agreement. In the event SELLER elects not to repair or replace or cannot repair or replace the portion of the SELLER Assets so damaged or destroyed, or, after inspection by BUYER the repair or replacement or the condition of the SELLER Assets is unacceptable to BUYER, then BUYER may elect to terminate this Agreement, upon which termination the Parties shall have no further rights or obligations with respect to the transfer and exchange of the Assets under this Agreement, except for such indemnifications of the Parties that survive termination of this Agreement.

## ARTICLE VII CONDITIONS TO CLOSING

### 7.1 Non-Obtained Private Consents.

(a) SELLER shall keep BUYER informed of its success in obtaining Private Consents, and if one or more Private Consents have not been obtained by fourteen (14) days prior to Closing (“Non-Obtained Consents”), either Party shall have the right (but not the obligation) to provide notice to the other Party (a “Non-Attainment Notice”). Any such Non-Attainment Notice shall include (i) a list of the Non-Obtained Consents that the Party sending such notice considers critical to its willingness to proceed with the Closing (“Critical Consents”), and (ii) an assertion of said Party intent to terminate this Agreement if any of the Critical Consents is not obtained. The failure by both Parties to deliver a Non-Attainment Notice within the referenced fourteen-day time period shall be deemed a waiver by the Parties of their right not to close based upon failure to obtain all Private Consents.

(b) Following receipt of a Non-Attainment Notice and prior to the Closing, the Party providing Non-Attainment Notice shall have the right (but not the obligation) to notify the other Party that it is willing to proceed with the Closing notwithstanding the absence of the Critical Consents (a “Waiver Notice”). If a Party delivers a Non-Attainment Notice, and fails to deliver a Waiver Notice within fourteen (14) days prior to Closing, then this Agreement shall terminate and be of no further force and effect.

## ARTICLE VIII CLOSING

8.1 Date and Place of Closing. The Closing shall occur at 10:00 a.m. on or before June 30, 2009, which date may be extended by agreement of the Parties.

8.2 Closing Obligations. At the Closing the Parties shall be obligated as follows:

(a) SELLER shall execute, acknowledge and deliver to BUYER conveyance documents and such other instruments of transfer, conveyance and assignment in form reasonably satisfactory to BUYER necessary to transfer, convey and assign the SELLER Assets to BUYER. This shall include the execution and delivery by SELLER of (i) an Assignment, Conveyance and Bill of Sale in the form of Exhibit A hereto, (ii) a deed or other conveyance with respect to each SELLER ROW in recordable form reasonably satisfactory to BUYER, and (iii) such other transfer or conveyance instruments as may reasonably be requested by BUYER. BUYER shall execute its acceptance thereof.

(b) SELLER shall deliver the Records to BUYER.

(c) SELLER shall deliver to BUYER exclusive possession of the SELLER Assets, and BUYER shall take possession of the SELLER Assets, as of the Effective Date.

(d) SELLER shall deliver to BUYER a Guaranty of SELLER’s indemnification and other post-Closing obligations under this Agreement, executed by a guarantor satisfactory to BUYER, in form and substance reasonably satisfactory to BUYER.

(e) BUYER and SELLER shall execute, acknowledge and deliver such other instruments and take such other action as may be necessary to carry out their respective obligations under this Agreement.

## ARTICLE IX POST-CLOSING MATTERS

9.1 Books and Records. The Parties shall maintain a true and correct set of books and records pertaining to their performance of this Agreement and all transactions related thereto and shall retain all such records for a period of not less than two (2) years after the date of this Agreement. Any representative or representatives authorized by any Party may audit any and all such records of the other parties at any time during performance of this Agreement and during the two (2) year period after the date of this Agreement.

9.2 Ownership and Use of Records. Title to the Records shall transfer from one Party to the other Party as of the Effective Date but shall be open for inspection by representatives of the other Party at reasonable times and upon reasonable notice during regular business hours for a period of two (2) years following the Effective Date. Each Party may during such period, at its expense, make such copies of the Records in the possession of the other as it may reasonably request. Except as may otherwise be required by law, each Party shall maintain the confidentiality of (and shall not use to the detriment of the other Party) all data and information contained in the Records for a period of two (2) years following the Closing.

9.3 Further Assurances. The Parties agree that after the Closing they will execute and deliver to each other such additional documents, deeds, conveyances, assignments, governmental applications or forms and other instruments as may be necessary to complete the transfer of the Assets and fulfill the terms, conditions and obligations of this Agreement.

## ARTICLE X INDEMNIFICATION

### 10.1 Indemnifications Regarding the SELLER Assets.

(a) SELLER Assets. As of the Effective Date, BUYER shall assume sole responsibility and liability for BUYER's or any affiliate's ownership, operation, use and possession of the SELLER Assets, and BUYER shall forever defend, indemnify and hold harmless SELLER and its parent, affiliates, directors, officers and employees from any and all Damages of whatever kind or nature arising out of or related to or resulting from actions taken by BUYER or any of its affiliates with respect to the ownership, operation, use or possession of the SELLER Assets from and after the Effective Date. SELLER, for a period of two (2) years from and after the Effective Date, shall remain liable for and agrees to defend, indemnify and hold harmless BUYER, its members and employees from any and all Damages, arising out of or related to or resulting from actions taken by SELLER and its affiliates with respect to its ownership, use or possession of the SELLER Assets prior to the

Effective Date. BUYER shall then assume sole responsibility and liability for any and all rights, obligations and liabilities pertaining to the SELLER Assets and the ownership, operation, use and possession of the SELLER Assets, whether by SELLER or any predecessor of SELLER, or by SELLER or its affiliates, and whether known or unknown, asserted or unasserted, and whether occurring during the period prior to or after the Effective Date, and BUYER shall forever defend, indemnify and hold harmless SELLER and its affiliates, directors, officers, and employees from any and all claims and liabilities arising out of or related to actions taken by BUYER or any predecessor or by BUYER or its affiliates, with respect to the ownership, operation, use or possession of the Assets for the period prior to or after the Effective Date; except for such claims notice of which is given by BUYER to SELLER during the two-year period of SELLER's indemnification and for which SELLER is obligated to indemnify BUYER under this Section 10.1(a).

(b) Environmental Liability for the SELLER Assets - General. By way of example and without in any way limiting Section 10.1(a) above, as to all environmental risks and liabilities, BUYER shall be solely responsible for and will forever defend, indemnify and hold harmless SELLER, its parent, affiliates, directors, officers and employees from all Damages arising under Environmental Laws relating to contaminating events and the resulting environmental condition of the SELLER Assets and the real property upon which the same are located occurring or resulting from BUYER's or any affiliate's actions from and after the Effective Date. SELLER, for a period of two (2) years from and after the Effective Date, shall be solely responsible and liable for and will defend, indemnify, and hold harmless BUYER, its members and employees from all Damages arising under Environmental Laws relating to contaminating events and the resulting environmental condition of the SELLER Assets and the real property upon which the same are located resulting from SELLER's and its affiliates' actions occurring prior to the Effective Date. After such two-year period, BUYER shall then assume sole responsibility and liability for any and all liabilities under Environmental Laws, whether known or unknown or whether asserted or unasserted, relating to contaminating events and the resulting environmental condition of the SELLER Assets and the real property upon which the same are located whether occurring or resulting from SELLER's or any predecessor's actions or the actions of BUYER or its affiliates and whether occurring during the period prior to or after the Effective Date; except for such claims notice of which is given by BUYER to SELLER during the two-year period of SELLER's indemnification and for which SELLER is obligated to indemnify BUYER under this Section 10.1(b).

10.2 Representations and Warranties. For a period of two (2) years following the Closing, SELLER and BUYER each shall indemnify and hold harmless the other, and the directors, officers and employees of each, from and against any and all Damages arising out of or related to any inaccuracy or breach of any of the representations and warranties by one to the other under this Agreement. Such representations and warranties shall expire and become null and void upon the expiration of such two-year period, except for any related claims notice of which has been given within such two-year period.

10.3 Survival of Indemnifications. Except as otherwise specifically provided herein, subject to applicable statutes of limitations and the limitations and allocations of risk set forth elsewhere in this Agreement, all of the respective indemnifications of the Parties provided for in this Agreement shall survive the Closing forever.

10.4 Notices, Defense and Resolution of Claims.

(a) Notice to SELLER. Upon the occurrence of any event which would give rise to a claim by BUYER for indemnification by SELLER hereunder, or in the event that a suit, action, investigation, claim or proceeding is begun or initiated which would give rise to a claim by BUYER for indemnification by SELLER hereunder, or upon receipt by BUYER of notice of any of the foregoing or other claim as a result of which SELLER may become liable to indemnify BUYER hereunder, then BUYER shall give notice to SELLER of such occurrence, event or claim within twenty (20) days of BUYER receiving actual notice of such occurrence, event or claim. The omission of BUYER to provide such timely notice shall relieve SELLER from any obligation of indemnification hereunder for such occurrence, event or claim if and to the extent (and only if and to the extent) that such omission materially prejudices SELLER's ability to defend the claim. In case any such occurrence, event or claim shall be brought and SELLER is notified thereof by BUYER, then SELLER shall be entitled to participate with BUYER, and to the extent that it shall wish to do so, to participate in directing the defense thereof or to participate in any decision by BUYER as to what action or actions and the cost and expense to be expended in conducting such action or actions in addressing any such occurrence, event or claim for which SELLER may be liable to indemnify BUYER hereunder. SELLER shall not be liable for any amounts paid or expended by BUYER in resolution of any such occurrence, event or claim not reasonably and prudently incurred by BUYER and not consented to by SELLER.

**ARTICLE XI  
NOTICES**

11.1 Notices and Addresses. All notices, requests, demands, and other communications required or permitted to be given under this Agreement shall be deemed to have been duly given if in writing and delivered either (i) personally, (ii) via first-class, postage prepaid, certified mail, or (iii) by FedEx or other nationally recognized overnight courier service, addressed as follows:

If to BUYER:

COLORADO NATURAL GAS, INC  
7810 Shaffer Pkwy, Suite 120  
P.O. Box 270868  
Littleton, CO 80127  
Attention: Michael P. Earnest

If to SELLER:

PUBLIC SERVICE COMPANY OF COLORADO  
550 15<sup>th</sup> Street, Suite 900  
Denver, CO 80202  
Attention: Patrick Downey

with a copy in the same manner to:

PUBLIC SERVICE COMPANY OF COLORADO  
1225 17<sup>th</sup> Street, Suite 1000  
Denver, CO 80202  
Attn: General Counsel

Any Party may change the address to which such communications are to be directed to it by giving notice to the other in the manner provided in this Section 11.1.

## ARTICLE XII MISCELLANEOUS

### 12.1 Intent.

(a) It is the intent of SELLER to transfer, convey and assign to BUYER all of SELLER's interest in the SELLER Assets. In the event that any interests owned by SELLER in such properties is omitted or incorrectly described, the Parties agree to execute the documents necessary to effect the intent stated herein.

12.2 Entire Agreement; Amendment and Modification. Except as expressly set forth herein, neither Party makes to the other any representation or warranty, whether express or implied, or any kind whatsoever. This Agreement constitutes the entire agreement between the Parties with respect to its subject matter. The descriptive headings for the Articles, Sections and paragraphs in this Agreement were constructed and arranged for convenience only and shall not be considered to affect the meaning or interpretation of the provisions herein.

12.3 Governing Law; Venue. **THE PARTIES HEREBY AGREE THIS AGREEMENT AND EACH INSTRUMENT AND CONTRACT RELATED TO THE CONTEMPLATED TRANSACTIONS SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF COLORADO, EXCLUDING, HOWEVER, ANY PROVISION OF COLORADO LAW WHICH WOULD OTHERWISE REQUIRE THE APPLICATION OF THE LAW OF A DIFFERENT JURISDICTION. ANY SUIT TO CONSTRUE OR ENFORCE THIS AGREEMENT SHALL BE FILED ONLY IN COURTS WITHIN THE STATE OF COLORADO.**

12.4 Binding Effect; Assignment. This Agreement shall be binding upon and shall inure to the benefit of and be enforceable by each of the Parties, their successors, assigns and legal

representatives.

12.5 Incorporated Exhibits. Attached hereto and forming an integral part hereof are the following Schedules and Exhibits:

Schedule A	Description of SELLER Pipeline
Schedule B	Map of SELLER Pipeline
Schedule C	Description of SELLER Personal Property
Schedule D	Description of SELLER ROWs
Exhibit A	Form of Bill of Sale, Conveyance and Assignment

12.6 Drafting. This Agreement was drafted by SELLER. In the event of any ambiguity in any of the terms or conditions of this Agreement, including any exhibits or attachments, whether or not placed of record, such ambiguity shall not be construed for or against any Party hereto on the basis that such Party did or did not author the same.

12.7 Counterparts. This Agreement may be executed in any number of counterparts, and each such counterpart hereof shall be deemed to be an original, and all of which together shall constitute one and the same instrument.

12.8 No Third-Party Beneficiary. Except for the Parties and their successors and assigns, no other person shall have any rights as a third-party beneficiary or otherwise under this Agreement.

12.9 Recording Fees. BUYER shall be responsible for recording fees applicable to the recording of the documentation respecting the SELLER Assets.

12.10 Reasonable Efforts. Reasonable efforts shall mean efforts in accordance with reasonable commercial practice and without the incurrence of unreasonable expense.

12.11. Limitation on Liability. **IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY HEREUNDER FOR EXEMPLARY, PUNITIVE, INDIRECT, SPECIAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES OF ANY KIND SUSTAINED, ARISING DIRECTLY OR INDIRECTLY FROM, INCIDENT TO, OR CONNECTED WITH THE ASSETS OR THE TRANSFER THEREOF, REGARDLESS OF SOLE OR CONCURRENT NEGLIGENCE OF EITHER PARTY OR THIRD PARTIES, STRICT LIABILITY, OR DEFECT IN PREMISES, EQUIPMENT OR MATERIAL, AND REGARDLESS OF WHETHER PREEXISTING THIS TRANSACTION, OR BE LIABLE HEREUNDER FOR ANY DAMAGES OR BE OBLIGATED TO INDEMNIFY THE OTHER PARTY UNDER ARTICLE X FOR ANY LIABILITY UNDER ANY CIRCUMSTANCES UNLESS AND UNTIL THE AGGREGATE AMOUNT OF DAMAGES OR CLAIM FOR INDEMNIFICATION FOR WHICH SUCH PARTY WOULD, BUT FOR THE PROVISIONS SET FORTH IN THIS SECTION 14.12 OR ARTICLE X, BE LIABLE EXCEEDS, IN THE AGGREGATE FIFTY THOUSAND DOLLARS (\$50,000); PROVIDED, HOWEVER, THAT ONCE**

**SUCH \$50,000 THRESHOLD IS EXCEEDED, THE RESPONSIBLE PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR ALL DAMAGES, NOT MERELY THE DAMAGES IN EXCESS OF \$50,000.**

12.12 Expenses. Each Party shall pay and discharge all liabilities and expenses incurred by or on behalf of it in connection with the preparation, authorization, execution, and performance of this Agreement and the transactions contemplated herein, including but not limited to all agents, representatives, counsel, and accountants.

12.13 Recitals. The Recitals in Article II above are hereby made a part of this Agreement.

12.14 No Assumed Liabilities. Except as specifically set forth in this Agreement and the documents to be executed by the Parties at Closing, neither Party is assuming nor shall be deemed to have assumed any liabilities as a consequence of the execution of this Agreement and the Closing hereof. The Parties shall not be required to terminate nor shall they be required to retain any employees or contractors of the other in connection with the transactions contemplated by this Agreement.

**IN WITNESS WHEREOF**, the Parties have duly executed this Agreement as of the date first set forth above.

**COLORADO NATURAL GAS, INC**

By: \_\_\_\_\_

**PUBLIC SERVICE COMPANY OF COLORADO**

By: \_\_\_\_\_



**Schedule A**

**Facilities Transfer and Sales Agreement between**  
**COLORADO NATURAL GAS, INC**  
**and**  
**PUBLIC SERVICE COMPANY OF COLORADO**

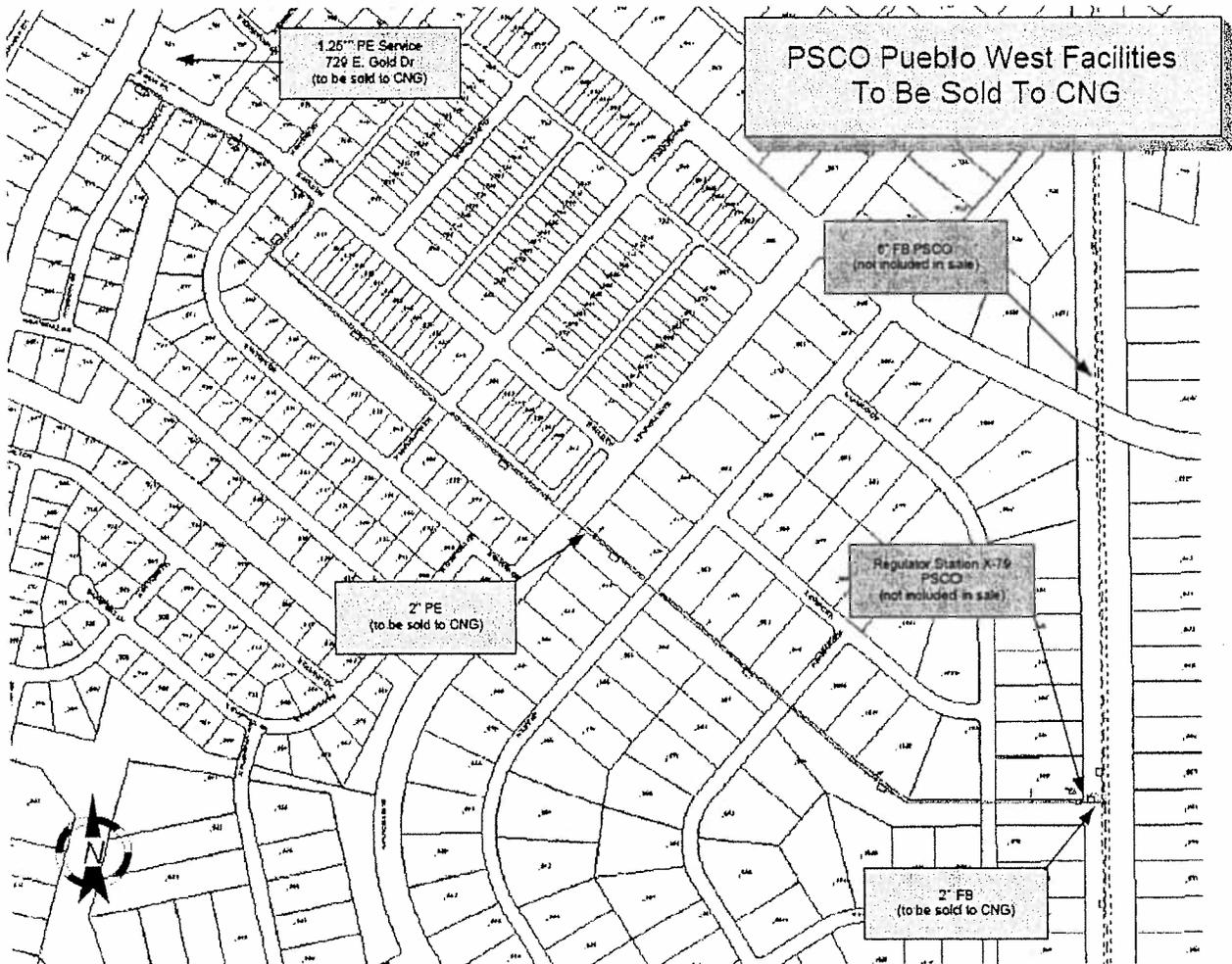
**Description of SELLER Pipeline**

SELLER Pipeline refers to approximately 5,067 feet of two (2) inch diameter polyethylene pipeline, and approximately 172 feet of one and one-quarter (1.25) inch polyethylene pipeline, and a terminus valve all located in Pueblo County, Colorado.

Schedule B

Facilities Transfer and Sales Agreement between  
COLORADO NATURAL GAS, INC  
and  
PUBLIC SERVICE COMPANY OF COLORADO

Map of SELLER Pipeline



**Schedule C**

**Facilities Transfer and Sales Agreement between**  
**COLORADO NATURAL GAS, INC**  
**and**  
**PUBLIC SERVICE COMPANY OF COLORADO**

**Description of SELLER Personal Property**

No SELLER Personal Property is identified in sale of SELLER Pipeline. All ancillary components attached to the pipeline are included as part of the SELLER Pipeline as described in Article 1.10 of the Facilities Transfer and Sales Agreement.

**Schedule D**

**Facilities Transfer and Sales Agreement between**  
**COLORADO NATURAL GAS, INC**  
**and**  
**PUBLIC SERVICE COMPANY OF COLORADO**

**Description of SELLER ROWs**

**-see attached-**

**Exhibit A**

**Facilities Transfer and Sales Agreement between**  
**COLORADO NATURAL GAS, INC**  
**and**  
**PUBLIC SERVICE COMPANY OF COLORADO**

**ASSIGNMENT, CONVEYANCE AND BILL OF SALE  
FROM SELLER TO BUYER**

**KNOW ALL MEN BY THESE PRESENTS:**

For and in consideration of approximately \$51,000.00, the final amount to be determined based on the actual net book value of the assets at the time of closing plus costs to remove and abandon the X79 regulator station to be paid by COLORADO NATURAL GAS, INC, a Colorado corporation, whose address is 7810 Shaffer Pkwy, Suite 120, P.O. Box 270868 Littleton, Colorado 80127, hereinafter called ("BUYER"), and PUBLIC SERVICE COMPANY OF COLORADO, a Colorado corporation, whose address is 1225 17<sup>th</sup> Street, Denver, Colorado, hereinafter together called ("SELLER"), does hereby sell, transfer, assign and set over unto BUYER to have and to hold forever:

1. That certain natural gas pipeline located in Pueblo County, Colorado, consisting of approximately 5,067 feet of two (2) inch and 172 feet of one and one-quarter (1.25) inch pipeline as more fully described in Schedule A hereto and depicted on the map attached as Schedule B hereto, together with a terminus valve and (i) all ancillary components attached to the pipeline, Records, warranties, indemnities, licenses, permits and other tangible and intangible personal property owned by or in the possession of SELLER, and used or useful in connection with the ownership, operation, maintenance and/or repair of such pipeline, and (ii) all substances, whether gaseous or liquid within such pipeline as of the Effective Date.

2. All documents, books and records in any medium related to the acquisition, ownership, operation, construction, maintenance and repair of the foregoing pipelines, owned or in the possession of SELLER, including without limitation:

(a) All real property interests files, including but not limited to easements, grants of rights-of-way, leases, deeds, etc.

(b) All maps, engineering reports, testing data, environmental information, operating reports, operating manuals, tax information, permits, licenses, warranties, indemnities and data and maintenance records.

SELLER for itself and its successors and assigns shall warrant and forever defend BUYER's title to the Assets against every person or entity whomever claiming the Assets or any

part thereof. This Assignment, Conveyance and Bill of Sale shall be effective as of 11:59 p.m. Mountain time as of June 30, 2009.

This Assignment, Conveyance and Bill of Sale is being executed and delivered by SELLER to BUYER at the Closing of the Facilities Exchange Agreement between BUYER and SELLER, dated \_\_\_\_\_, 2009, the terms and conditions of which are specifically incorporated herein by reference.



