Kinder Morgan Interstate Gas Transmission LLC

Pony Express Pipeline Conversion Project

Volume 1

Public Information

KINDER MORGAN
INTERSTATE GAS
TRANSMISSION LLC

August 6, 2012

Federal Energy Regulatory Commission
Docket Branch, Room 1A
888 First Street, N.E.
Washington, D.C. 20426

Attention: Ms. Kimberly D. Bose, Secretary

Re: Kinder Morgan Interstate Gas Transmission LLC;
Pony Express Pipeline Conversion Project
Docket No. CP12-_________

Ladies and Gentlemen:

Enclosed herewith for filing with the Federal Energy Regulatory Commission ("Commission") is Kinder Morgan Interstate Gas Transmission's LLC ("KMIGT") application pursuant to Sections 7(b) and 7(c) of the Natural Gas Act and Part 157 of the Commission's Regulations to: (1) abandon certain mainline natural gas pipeline facilities and the natural gas service therefrom by transfer to an affiliate, Kinder Morgan Pony Express Pipeline LLC, for the purpose of converting the facilities into crude oil pipeline facilities; and (2) construct and operate certain replacement-type facilities necessary to continue service to existing natural gas firm transportation customers following the proposed abandonment.

<u>Description of Items Being Filed</u>

KMIGT has organized the items being filed herein into the following volumes described below pursuant to the Commission's Critical Energy Infrastructure Information ("CEII") filing guidelines.

Public Information

Volume 1 is comprised of the following:

- This letter of transmittal
- Application text
- Federal Register Notice
- Exhibits required pursuant to Sections 157.14 and 157.18 of the Commission's Regulations (excluding Exhibits F-I, G/G-I and G-II)

Volume 2 contains Exhibit F-I (Environmental Resource Reports), Reports 1 through 12.[1]

CEII

Volume 3 contains diagrams and drawings from the Environmental Resource Reports.

Volume 4 contains Exhibit G/G-I and Exhibit G-II.

Privileged Information

Volume 5 contains a landowner list and cultural resource information from the Environmental Resource Reports.

<u>Filing Information</u>

KMIGT respectfully requests: (i) that Volumes 3 and 4 be treated as CEII; and (ii) that Volume 5 be accorded privileged and confidential treatment pursuant to 18 C.F.R. § 388.112. Accordingly, KMIGT has marked Volumes 3 and 4 with "Contains CEII – Do Not Release," and Volume 5 has been marked "Contains Privileged Information – Do Not Release." The person to be contacted regarding this request for privileged treatment is:

Robert F. Harrington
Vice President, Regulatory
Kinder Morgan Interstate Gas Transmission LLC
370 Van Gordon Street
Lakewood, Colorado 80228-8304
Telephone: (303) 763-3258
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KMIGT is filing this application in accordance with the Commission's eFiling procedures. In addition, three complete sets of the application are being hand delivered to the Commission; two to OEP Room 62-46 and one complete set is being hand delivered to OGC-EP Room 101-56. As certified in the verification statement to this filing, the paper copies of the application contain the same information as the electronic version.

Very truly yours,
Kinder Morgan Interstate Gas Transmission LLC

By /s/ Robert F. Harrington
Robert F. Harrington
Vice President, Regulatory

[1] Resource Report 13, Additional Information Related to LNG Plants, is not applicable to this project and has been ommitted from Volume 2.

UNITED STATES OF AMERICA
Before the
FEDERAL ENERGY REGULATORY COMMISSION

Kinder Morgan Interstate	**)**	
Gas Transmission LLC	**)**	**Docket No. CP12-___-000**

Abbreviated Application for Permission and Approval to Abandon Certain Mainline Facilities and for Certificate Authority to Construct and Operate Certain Replacement-Type Facilities

KINDER MORGAN INTERSTATE GAS TRANSMISSION LLC, hereinafter referred to as "KMIGT,"[1] hereby requests authority, pursuant to Sections 7(b) and 7(c) of the Natural Gas Act, as amended ("NGA")[2] and Subpart A of Part 157 of the regulations of the Federal Energy Regulatory Commission:[3] (1) to abandon certain mainline natural gas pipeline facilities and the natural gas service therefrom by transfer to an affiliate, Kinder Morgan Pony Express Pipeline LLC ("KMPXP"), for the purpose of converting the facilities into crude oil pipeline facilities; and (2) to construct and operate certain replacement-type facilities necessary to continue service to existing natural gas firm transportation customers following the proposed abandonment.[4] As set forth herein, the present or future public convenience or necessity clearly warrant the abandonment proposed in this application as well as the proposed construction of facilities. The coordinated actions will serve the public interest by efficiently re-deploying existing

[1] As used herein "KMIGT" also refers to its predecessors: K N Interstate Gas Transmission Co., K N Energy, Inc. and Kansas-Nebraska Natural Gas Company, Inc.
[2] 15 U.S.C. § 717f(b) and (c) (2011).
[3] 18 C.F.R. §§ 157.1 et seq. (2012).
[4] This filing is comprised of five volumes: Volumes 1 and 2 contain public information; Volumes 3 and 4 contain Critical Energy Infrastructure Information ("CEII") and are not to be released to the general public; and Volume 5 contains privileged information. Concurrently herewith, KMIGT is filing a letter requesting, pursuant to Section 388.112 of the Commission's Rules and Regulations, 18 C.F.R. § 388.112, confidential treatment of Volume 5.

natural gas transmission assets to meet the growing market need to transport oil supplies from the Bakken Shale while, at the same time, continuing to operate KMIGT's natural gas transportation facilities to meet all current and expected needs of its natural gas customers.

KMIGT specifically requests approval to abandon, pursuant to Section 7(b) of the NGA, a 432.4-mile pipeline segment on its Pony Express Pipeline system,[5] as further described herein, from the discharge side of the existing Guernsey Compressor Station located in Platte County, Wyoming to the interconnect with Natural Gas Pipeline Company of America LLC ("NGPL") located in Lincoln County, Kansas, (referred to herein as "Pipeline Segment"). The Pipeline Segment will be abandoned in place and sold to KMPXP.[6] In addition, KMIGT proposes to abandon three natural gas compressor stations totaling 33,175 horsepower, four meter stations, taps and certain ancillary facilities on its Pony Express Pipeline system as further described herein (referred to herein as "Related Facilities"). The Related Facilities will be abandoned and removed.

Upon abandonment of the Pipeline Segment and Related Facilities from interstate natural gas transportation service, KMPXP will purchase, convert, own and operate the Pipeline Segment as a crude oil pipeline to meet the increasing demand for pipeline transportation of crude oil.[7] The conversion of these Pony Express Pipeline facilities will create economic and strategic benefits for the United States' energy portfolio by linking

[5] In 1997, KMIGT's predecessor acquired the Pony Express Pipeline facilities. *See KN Interstate Gas Transmission Company*, 79 FERC ¶ 61,268 (1997).

[6] KMIGT's pipeline upstream and downstream of the Pipeline Segment proposed to be abandoned will remain as a fully functional natural gas transmission system, including the Kansas City Lateral.

[7] In addition to the facilities purchased from KMIGT, KMPXP will construct approximately 260 miles of 20-inch oil pipeline facilities to extend the Pipeline Segment to the Cushing Refinery in Oklahoma to transport crude oil. KMPXP also plans to construct 4 to 11 new pump stations.

increased domestic crude oil supplies produced from the Bakken Formation in Montana and North Dakota to Cushing, Oklahoma, where the oil supplies can have access to local refineries or be transported by downstream pipelines to refineries in other regions of the country including the Gulf Coast.

KMPXP commenced three open seasons for firm commitments to capacity on the proposed oil pipeline system based on different scenarios on May 19, 2012, May 25, 2012 and June 1, 2012, respectively. Each open season had a different scenario. As a result, KMPXP secured contractual commitments from various shippers of 110,000 bbls/day up to 145,000 bbls/day of light crude oil transportation service on the converted pipeline to downstream tank farms and refineries where the crude oil will be processed and refined into constituent petroleum products.[8]

Gas service to existing firm customers of KMIGT will continue after the abandonment. However, KMIGT will need to construct certain new replacement facilities. Specifically, KMIGT seeks authorization, pursuant to Section 7(c) of the NGA, to construct: (1) one new mainline compressor station referred to as the Tescott Compressor Station totaling 14,200 horsepower, (2) two lateral pipelines which will be approximately 3 miles and 22 miles in length, (3) two booster compressor units, and (4) certain auxiliary facilities. Additionally, KMIGT seeks approval to construct, convert or modify seven interconnecting meter stations and related pipe to enable deliveries into and/or receipts from the interstate pipeline systems of NGPL, Northern Natural Gas Company ("NNG"), Southern Star Central Gas Pipeline, Inc. ("SSC"), Trailblazer

[8] KMPXP and Belle Fourche Pipeline Company ("Belle Fourche") are jointly filing with the Commission a petition for a declaratory order finding that the proposed local and joint tariffs, rates and rate structure for transporting crude oil through the Pipeline Segment and expansion facilities to be constructed by KMPXP and Belle Fourche will be just and reasonable.

Pipeline Company LLC ("Trailblazer"), and Wyoming Interstate Company, Ltd. ("WIC"). In addition to the facilities described above, in order to continue service to certain existing firm shippers who desire continued firm service, KMIGT will contract for firm transportation with other interstate pipelines. KMIGT has confirmed that available firm capacity exists and has entered into agreements with Trailblazer and NGPL and is currently in discussions with SSC and WIC, to provide long-term firm transportation of natural gas on KMIGT's behalf to meet KMIGT's firm transportation obligations to affected shippers.[9]

With the construction of these facilities and with the firm transportation agreements which KMIGT will enter into with each of the above-named interstate pipelines, the proposed abandonment of the Pipeline Segment and Related Facilities will not result in any adverse effect on existing firm service shippers and will provide substantially similar natural gas service options. As will be explained more fully below, KMPXP will reimburse KMIGT for the costs associated with the construction of the new facilities and will make an annual payment to KMIGT to reimburse KMIGT for the transportation charges on the other pipelines. Moreover, as more fully developed below, there has been a steady decline in demand for natural gas transportation gas service on the Pipeline Segment over recent years due in large part to construction of other transportation infrastructure in the region that can access more attractive markets. Thus, the public convenience and necessity require the Commission to grant the authorizations

[9] KMIGT affirms it will execute these long-term firm transportation agreements prior to commencement of construction of this project. Attached as part of Exhibit Z-2 is a schedule which reflects costs associated with these contracts.

requested herein and permit the conversion of the Pipeline Segment to oil transportation service with its attendant benefits to the Nation's economic and strategic interests.

KMIGT respectfully requests authorization for this project by May 1, 2013. This time frame is necessary to permit the proposed construction of replacement-type natural gas facilities, isolation of specific Pony Express Pipeline segment facilities from KMIGT's existing system, and sufficient time for conversion of the abandoned Pipeline Segment to accommodate the transportation of crude oil to meet a market driven in-service date of August 1, 2014.

In support hereof, KMIGT respectfully states as follows:

I.
COMMUNICATIONS

The name, title, mailing address, telephone and email addresses of those persons to whom correspondence and communications concerning this application should be directed are as follows:

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The exact legal name of KMIGT is Kinder Morgan Interstate Gas Transmission LLC. KMIGT's principal place of business is at 370 Van Gordon Street, Lakewood, Colorado. KMIGT, a wholly-owned entity of Kinder Morgan Energy Partners, L.P., is a limited liability company organized and existing under the laws of the State of Colorado and is duly authorized to do business in the States of Colorado, Kansas, Missouri, Montana, Nebraska, Oklahoma, Texas, and Wyoming.

II.
IDENTITY OF APPLICANT

KMIGT is a "natural-gas company" as defined by Section 2(6) of the NGA[10] and is subject to the jurisdiction of the Commission. KMIGT's existing operations include the transportation, exchange, and storage of natural gas. KMIGT operates in the States of Colorado, Kansas, Missouri, Nebraska and Wyoming, performing one or more of these functions.

KMIGT's system is currently connected to supplies of natural gas from the Hugoton, Bradshaw and Unruh areas in Kansas; the Denver-Julesburg Basin in Colorado, Kansas and Nebraska; the Wind River and Powder River Basins in Wyoming; and to various interstate and intrastate pipelines in Colorado, Kansas, Missouri, Nebraska and

[10] 15 U.S.C. § 717a.

Wyoming. KMIGT owns and operates one underground storage reservoir in the State of Nebraska, the Huntsman Storage Facility.

KMIGT transports gas through its jurisdictional interstate pipeline on an open access, non-discriminatory basis to the various delivery points along its system pursuant to jurisdictional transportation rate schedules and general terms and conditions authorized in Fifth Revised Volume No. 1 of its FERC Gas Tariff.

III.
BACKGROUND

By Commission order issued May 30, 1997 in Docket No. CP96-477-000, KMIGT was granted authorization to acquire and convert to natural gas transportation service approximately 804 miles of an existing crude oil pipeline and to construct and operate related facilities known as the Pony Express Pipeline located in the States of Wyoming, Colorado, Nebraska, Kansas and Missouri.[11] All of the facilities proposed herein to be abandoned were authorized in Docket No. CP96-477-000. The Pony Express Pipeline currently has a delivery capacity of up 260,000 Dth/day of natural gas and provides west to east transportation from gas production basins in Wyoming and Colorado to markets in Kansas City, Missouri and to interconnects with other interstate pipeline systems in the Mid-Continent region.

KMIGT is proposing herein to abandon approximately 432.4 miles of the Pony Express Pipeline. KMIGT also is seeking authorization to construct certain new compression, pipeline segments and interconnects and has agreed to enter into transportation arrangements with SSC, Trailblazer, WIC and NGPL in order to maintain service for the long-term customer needs of approximately 104,000 Dth/day. Through the

[11] *KN Interstate Gas Transmission Company*, 79 FERC ¶ 61,268 (1997).

construction and operation of the new facilities, as well as the transportation contracts to be secured on the other pipelines, KMIGT will be able to continue service to 100 percent of the current firm contract demand customers who want to continue receiving such firm service. Thus KMIGT will continue to meet its firm customers' requirements. Further, KMIGT will be reimbursed for all of its costs attributable to replicating the services to its firm shippers by KMPXP.

IV.
PROPOSAL

Abandonment of the Pipeline Segment and Related Facilities

KMIGT requests NGA Section 7(b) authorization to abandon the following facilities:[12]

Mainline Pipeline:

Approximately 432.4 miles of the Pony Express Pipeline (consisting of 139.1 miles of 20-inch pipe, 244.5 miles of 22-inch pipe and 48.8 miles of 24-inch pipe), with appurtenances, commencing at the discharge side of the Guernsey Compressor Station located in Section 17, Township 26 North, Range 65 West, Platte County, Wyoming and terminating at the NGPL Interconnect located in Section 25, Township 11 South, Range 8 West, Lincoln County, Kansas.[13]

Mainline Pipeline Compression:

1. Sterling Compressor Station consisting of three electric driven compressor units (site rated at 5,500 horsepower each) for a total of 16,500 horsepower, with related appurtenances, located in Section 24, Township 2 North, Range 51 West, Logan County, Colorado.

2. Laton Compressor Station consisting of three gas driven compressor units (site rated at 3,335 horsepower each) for a total of 10,005 horsepower, with related

[12] The Pipeline Segment will be abandoned in place and the Related Facilities will be abandoned by removal.

[13] To isolate this section of pipeline from KMIGT's remaining facilities, the pipeline will be physically separated at four locations: (1) Guernsey Compressor Station; (2) Kimball Junction Compressor Station; (3) Source Gas Trenton Ethanol Delivery Point located in Hitchcock County, Nebraska; and (4) West Stockton Check Meter located in Rooks County, Kansas.

appurtenances, located in Section 20, Township 9 South, Range 15 West, Osborne County, Kansas.

3. Herndon Compressor Station consisting of two gas driven compressor units (site rated at 3,335 horsepower each) for a total of 6,670 horsepower, with related appurtenances, located in Section 31, Township 1 South, Range 31 West, Rawlins County, Kansas.

Meter Stations and Taps:

1. Bledsoe 1” Receipt Meter Station and tap located in Section 23, Township 5 North, Range 44 West, Yuma County, Colorado.

2. Omimex Ferguson 1” Receipt Meter Station and tap located in Section 3, Township 5 North, Range 45 West, Yuma County, Colorado.

3. Noble Energy 4” Receipt Meter and tap located in Section 22, Township 4 North, Range 41 West, Dundy County, Nebraska.

4. NGPL Lincoln Interconnect two dual 10” Delivery Meters located in Section 25, Township 11 South, Range 8 West, Lincoln County, Kansas.

In addition to the facilities described above for which abandonment authorization is requested, KMIGT will abandon the following auxiliary facilities that were previously constructed under the authority of Section 2.55(a) of the Commission’s Regulations:[14]

1. Cliff Check Meter located in Section 26, Township 9 North, Range 53 West, Logan County, Colorado.

2. North Waverly Check Meter located in Section 25, Township 6 North, Range 46 West, Phillips County, Colorado.

3. Herndon Check Meter (aka Colby Check Meter) located in Section 13, Township 2 South, Range 31 West, Rawlins County, Kansas.

KMIGT also intends to abandon station piping, various buildings, valves and other auxiliary equipment as further described in the Purchase and Sale Agreement attached as Exhibit U. The total original cost of all facilities to be abandoned is $138,097,749, as reflected in the attached Exhibit Y.

[14] 18 C.F.R. § 2.55(a)(2012).

Construction of New Facilities

KMIGT requests NGA Section 7(c) authorization to construct and operate, except as noted below, the following facilities in order to continue gas service to existing firm customers:[15]

Mainline Pipeline Compression:

Tescott Compressor Station – Install at the proposed Tescott Compressor Station site, four 3,550 ISO-rated horsepower gas driven compressor units (site rated at 3,550 horsepower each), with related appurtenances, located in Section 4, Township 12 South, Range 5 West, Ottawa County, Kansas.[16]

Lateral Pipelines:

1. Approximately 22 miles of 4-inch pipeline, with appurtenances, off of Segment 330 to serve the Trenton Agri Products Plant (Trenton Ethanol Lateral) commencing in Section 13, Township 2 South, Range 31 West, Rawlins County, Kansas and terminating in Section 26, Township 1 North, Range 34 West, Hitchcock County, Nebraska.

2. Approximately 3 miles of 4-inch pipeline, with appurtenances, to serve the Sterling Ethanol Plant (Sterling Ethanol Lateral) commencing in Section 1, Township 8 North, Range 52 West, Logan County, Colorado and terminating in Section 33, Township 9 North, Range 52 West, Logan County, Colorado.

Booster Compression:

1. Install one 500 horsepower electric driven compressor unit to enable deliveries from KMIGT into WIC's Medicine Bow Lateral at the existing Glenrock Compressor Station located in Section 34, Township 33 North, Range 73 West, Converse County, Wyoming.

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[15] The existing WIC Interconnect Delivery Meter Station and Trailblazer Interconnect Receipt Meter Station both proposed herein to be modified will continue to be owned and operated after the modification by WIC and Trailblazer, respectively.

[16] The Tescott Compressor Station will be comprised of four compressor units previously installed at the Laton and Herndon Compressor Stations proposed herein to be abandoned. KMIGT intends to rework each unit upon abandonment and prior to installation by replacing the turbochargers and control systems which will uprate each unit from 3,335 to 3,550 horsepower. As a result of proposed abandonment and relocation of the above mentioned compressor units to the Tescott Compressor Station site, KMIGT may install temporary compression at the NGPL Lincoln Interconnect to remove the gas from the Pony Express Pipeline and at the Tescott site to maintain existing service off the Pony Express Pipeline until the subject four units are permanently installed. KMIGT will report the installation of any temporary compression pursuant to Section 157.209 of the Commission's Regulations in its annual blanket report filed after the in-service date of the facilities proposed herein.

2. Install one 350 horsepower electric driven compressor unit at the Yuma Station near the point of interconnection between the pipeline facilities of KMIGT and SSC to enable deliveries from KMIGT into SSC's Rawlins to Hesston Pipeline located in Section 36, Township 3 North, Range 47 West, Yuma County, Colorado.

Interconnecting Meter Stations and Pipe:

1. Convert the existing NGPL Lincoln Interconnect Delivery Meter Station to a receipt meter station located in Section 25, Township 11 South, Range 8 West, Lincoln County, Kansas.

2. Convert the existing NNG Ottawa Interconnect Delivery Meter Station to both receive and deliver gas and construct approximately one mile of 12-inch pipe located in Section 3, Township 12 South, Range 5 West, Ottawa County, Kansas.

3. Construct a new SSC Interconnect Delivery Meter Station (Yuma Station Delivery Meter) and approximately 150 feet of 8-inch pipe located in Section 36, Township 3 North, Range 47 West, Yuma County, Colorado.

4. Construct a new SSC Interconnect Receipt Meter Station (Rockport Station Interconnect) and approximately 200 feet of 8-inch pipe located in Section 5, Township 11 North, Range 66 West, Weld County, Colorado.

5. Construct a new Trailblazer Interconnect Delivery Meter Station and approximately 150 feet of 8-inch pipe located in Section 5, Township 11 North, Range 66 West, Weld County, Colorado.

6. Modify the existing WIC Interconnect Delivery Meter Station by adding an additional meter run located in Section 34, Township 33 North, Range 73 West, Converse County, Wyoming.

7. Modify the existing Trailblazer Interconnect Receipt Meter Station (Adams Interconnect) by adding an additional meter run located in Section 1, Township 6 North, Range 11 West, Adams County, Nebraska.

In addition to the facilities described above for which certificate authorization is requested, KMIGT will construct and operate, under the authority of Section 2.55(a) of the Commission's Regulations: (i) pressure regulators; (ii) valves; (iii) gas coolers on the two existing compressor units located at the Rockport Compressor Station in Logan

County, Colorado; and (iv) pigging facilities at the NGPL Lincoln Interconnect Receipt Meter Station.

The total estimated construction cost of the above described facilities is $56,605,800, including overhead and contingency. The details of the cost estimate for all of these facilities are submitted as part of Exhibit K. In accordance with the Commission's order issued March 18, 2010 in Docket No. AD10-3-000, the Allowance for Funds Used During Construction (AFUDC) accruals included in the cost of the facilities are calculated in accordance with the Commission's rules and regulations and pursuant to and consistent with the following conditions: "(1) capital expenditures for the project have been incurred; and (2) activities that are necessary to get the construction project ready for its intended use are in progress."[17]

Following abandonment, KMIGT will continue to serve all of its current firm customers by means of the newly constructed facilities and transportation arrangements on other pipelines. KMIGT will enter into agreements with interconnected and other downstream interstate pipelines, namely, SSC, Trailblazer, WIC and NGPL, to continue firm transportation service to customers currently served by the Pipeline Segment to be abandoned.[18] Upon construction of the proposed interconnecting facilities and acquisition of the additional pipeline capacity on the above named interstate pipelines, firm shippers will continue to schedule deliveries on KMIGT as provided in its currently effective FERC Gas Tariff. KMIGT will effectuate delivery of those quantities through its firm transportation capacity on other interstate pipelines. Attached as Exhibit F are

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[17] *Florida Gas Transmission Co*., 130 FERC ¶ 61,194, P 25 (2010).

[18] Section 39 of KMIGT's FERC Gas Tariff authorizes KMIGT to acquire capacity on other interstate pipelines for its system operational needs and/or to render service to its customers.

two maps reflecting the facilities proposed herein to be abandoned and to be constructed, as well as the capacity that will be acquired on other pipelines. The maps depict the direction of flow on the interstate pipelines identified above as necessary to maintain service to KMIGT's existing, impacted firm customers.

Feasibility of Installing Waste Heat Cogeneration Facilities

KMIGT has reviewed the potential use of waste heat recovery at the Tescott Compressor Station and determined that the type, size and load factor of the proposed compressor units at the station do not make the facility a viable location for waste heat recovery. The Interstate Natural Gas Association of America (INGAA) whitepaper entitled, *Waste Energy Recovery Opportunities for Interstate Natural Gas Pipelines* states that the floor for economic viability requires "total gas turbine station capacity of at least 15,000 hp and station operation at or more than 5,250 hours per year over the previous 12 months."[19] The proposed compressor units at the Tescott Compressor Station include internal combustion (IC) Caterpillar 3612 engines totaling 14,200 horsepower. The proposed compressor installation is below the 15,000 horsepower threshold, and as noted in the whitepaper, IC engines are not a viable near-term application for exhaust heat recovery. Additionally, based on historical throughput on the Pony Express Pipeline, the proposed Tescott Station's runtime likely will not exceed 5,250 hours per year.

V.
THE PUBLIC CONVENIENCE AND NECESSITY

[19] Bruce A. Hedman, INGAA, Waste Energy Recovery Opportunities for Interstate Natural Gas Pipelines 3, 19 (Feb. 2008).

The market for gas transportation on the Pony Express Pipeline is in decline due to emerging shale supplies in the East and new pipeline "takeaway" capacity out of the Rocky Mountains. At the same time, the demand for oil transportation to move the emerging oil supplies in the Bakken Formation is growing. The Pony Express Pipeline is ideally situated to meet the growing need for oil transportation while mitigating the need to build totally new "green field" infrastructure. As proposed herein, the abandonment and conversion of the Pipeline Segment represents a unique opportunity to redeploy existing assets in a way that greatly benefits the public with minimal environmental impact. Under the circumstances of this proceeding, there can be no doubt that the abandonment and conversion of the Pipeline Segment is required by the public conveniences and necessity.[20]

The Need for Take Away Capacity for Oil Production from the Bakken Formation

The Bakken Formation is a large gas and oil producing region located within the Williston Basin, covering parts of the States of Montana and North Dakota and the Province of Saskatchewan.[21] An April 10, 2008 report by the U.S. Geological Survey ("USGS") estimated the amount of technically recoverable oil using technology readily available at the end of 2007 within the Bakken Formation to be between 3.0 to 4.3 billion

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[20] It is a longstanding principal of abandonment cases that "[T]he public interest is the ultimate criterion under § 7(b) [abandonment] and…all factors relevant to the determination of which course of action best promotes the overall public interest must be fully considered." *Transcontinental Gas Pipeline Corp. v. Federal Power Commission*, 488 F.2d 1325, 1328 (D.C. Cir. 1973). Moreover, the last time the Commission addressed a proposal to convert a gas pipeline to oil, it said: "The effect of an abandonment on the public interest determines whether an abandonment is permitted by the public convenience and necessity…. In similar cases, the Commission has permitted the abandonment of facilities once it is satisfied that firm shippers will not be prejudiced by the sale." *Trunkline Gas Co.*, 94 FERC ¶ 61,381 at p. 62,421 (2001). For the reasons explained herein, these standards are clearly met in the present case.

[21] *See* descriptions by the USGS, Assessment of Undiscovered Oil Resources in the Devonian-Mississippian Bakken Formation, Williston Basin Province, Montana and North Dakota 2008, Assessment of Oil and Gas Fact Sheet (Apr. 2008), *available at* http://pubs.usgs.gov/fs/2008/3021/pdf/FS08-3021_508.pdf.

barrels, with a mean of 3.65 billion barrels.[22] The April 10, 2008 report reflected a 25-fold increase in the quantity of "oil that can be recovered compared to the agency's 1995 estimate of 151 million barrels."[23] In a report issued September 15, 2011, the National Petroleum Council said that "[w]ith respect to the producing tight oil plays, the Bakken is currently considered to be the largest with estimates of recoverable resources …ranging from 3.65 [billion barrels] of oil to 4.3 [billion barrels]."[24]

While the actual quantity of recoverable reserves may be uncertain, the available information supports USGS in declaring that "The Bakken Formation estimate is larger than all other current USGS oil assessments of the lower 48 states and is the largest "continuous" oil accumulation ever assessed by the USGS." [25]

New technology first used in 2007 has caused a boom in Bakken production.[26] In North Dakota alone, the North Dakota Industrial Commission has reported a 42 percent increase in production during the year 2010, and a further increase of 23 percent, to 423,592 barrels per day through July of 2011.[27] The energy analysis firm Bentek Energy reported that Bakken production rose 50 percent in one year to reach 458,000 barrels per day by the end of 2010.[28] "In the Bakken formation, production is rising so fast there is no space in pipelines to bring the oil to market. Instead, it is being transported to

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[22] Press Release, USGS, 3 to 4.3 Billion Barrels of Technically Recoverable Oil Assessed in North Dakota and Montana's Bakken Formation – 25 Times More than 1995 Estimate (Apr. 10, 2008), *available at* http://www.usgs.gov/newsroom/article.asp?ID=1911 ("USGS Assessment News Release").

[23] *Id*.

[24] *See* Unconvetional Oil Subgroup, Resource & Supply Task Group, Unconverntional Oil, 85 (NPC North America Resource Development Study, Working Paper #1-6, Sept. 15, 2011.

[25] USGS Assessment News Release.

[26] Associated Press, New Drilling Method Opens Vast U.S. Oil Fields, published (Feb. 10, 2010), http://www.foxnews.com/us/2011/02/10/new-drilling-method-opens-vast-oil-fields/#ixzz1Y1vuA8Hz.

[27] North Dakota Industrial Commission, Dep't of Mineral Resources, Oil and Gas Div. North Dakota Drilling and Production Statistics, Historical monthly oil production statistics, https://www.dmr.nd.gov/oilgas/stats/historicaloilprodstats.pdf (last visited Aug. 2, 2012).

[28] *Supra* note 26.

refineries by rail and truck. Drilling companies have had to erect camps to house workers."[29] This dramatic increase in oil production from the Bakken Formation creates a corresponding need for take away capacity that the converted Pipeline Segment can help serve without construction of a new green field pipeline from Wyoming to Kansas.

The proposed abandonment of the Pipeline Segment by transfer to KMPXP and the proposals to maintain firm natural gas transportation services would permit an existing, underutilized natural gas pipeline facility to be deployed more efficiently to meet the nation's energy needs. At the same time, with some minor reconfiguration of its system, KMIGT will be able to continue to meet its entire firm natural gas transportation load.

The Pipeline Segment facilities are suitable for conversion to crude oil transportation and can be readily adapted for that purpose. In fact, prior to the acquisition of the Pony Express Pipeline by KMIGT in 1997, these facilities were utilized by Amoco Pipeline Company for the transportation of crude oil.[30] The conversion of these facilities back to a crude oil pipeline avoids the need to build new oil pipeline facilities to meet the increased demand for oil transportation and thereby avoids unnecessary environmental impact. The proposed re-conversion of the Pipeline Segment to a crude oil line will allow the facilities to be employed in their most productive use while customers' demand for natural gas service – and KMIGT's obligation to serve those customers - continues to be met.

Finally, the transfer and conversion of the Pipeline Segment will help to reduce oil imports, which have a direct effect on the national interest. Every barrel of Bakken

[29] *Id*.
[30] *See KN Interstate Gas Transmission Co*., 79 FERC ¶ 61,268.

crude oil which is transported to a refinery for processing and then utilized within the United States will help reduce the need for additional oil imports. The national interest in such reduction in oil imports is obvious in that the drain on the U.S. balance of payments from such oil imports is diminished and our national interest is enhanced with reduced dependence on foreign sources of energy.

The Declining Market Need for Natural Gas Transportation on the Pony Express Pipeline

While the Pipeline Segment is perfectly situated to serve the region's growing need for oil transportation, the demand for gas service on the Pipeline Segment is in steep decline. As reflected on Exhibit Z-1 attached hereto, KMIGT currently has nineteen firm transportation contracts serving customers off of the Pony Express Pipeline. The overwhelming majority of the transportation contracts for firm transportation capacity are set to expire in the year 2017 as shown by Exhibit Z-1. Utilization of the Pony Express Pipeline by these existing shippers already has declined, as illustrated by lower throughput levels in recent years. As reflected on the diagram attached as part of Exhibit Z-1, firm average daily throughput through the Pony Express Pipeline has declined from approximately 225,000 Dth/day in January 2008 to approximately 100,000 Dth/day in January 2012, a reduction of approximately 55 percent. As reflected in Exhibit Z-1, customers served off of the Pony Express Pipeline are currently contracted for 171,466 Dth/day. Through conversations with shippers, KMIGT has been formally or informally notified that actual long-term / long-haul firm transportation needs are approximately 104,000 Dth/day. Additional contract quantities will require vigorous discounting from the maximum rates and would be for a limited term, as these shippers have alternative transportation options available to move their gas to meet market demands. The approximately 104,000 Dth/day of long-term capacity needs is made up of the following types of customers:

Producers	11,500 Dth/day
Marketers	2,300 Dth/day
LDCs/Industrials	90,200 Dth/day
Total	104,000 Dth/day

The reduction in demand from the 225,000 Dth/day to 104,000 Dth/day was primarily made up of reductions in the contracts with producers, marketers and LDCs/industrials (which experienced a decline in market demand).

To a large extent, the decline in the market valuation of Pony Express' capacity has been driven by recently built transportation infrastructure in the region that along with market demand decline has narrowed the basis differential between Rockies supply and Mid-Continent markets, thus putting downward pressure on transportation margins. For instance, in 2004 the Commission authorized construction of the 380-mile Cheyenne Plains Pipeline Company from the Cheyenne Hub area in Colorado extending across Kansas along a route that roughly parallels that of the Pipeline Segment.[31] Like the Pipeline Segment, Cheyenne Plains connects downstream to interstate and intrastate pipelines serving Mid-Continent markets, including, among others, NGPL, ANR Pipeline Company, NNG and Panhandle Eastern Pipe Line Company, LP.[32] Additionally, the Bison Pipeline Project authorized in 2010 that extends 302 miles from the Dead Horse region near Gillette, Wyoming to an interconnection with Northern Border Pipeline

[31] *See Colorado Interstate Gas Co., and Cheyenne Plains Gas Pipeline Company*, 106 FERC ¶ 61,275 (2004), *reh'g denied and clarification granted*, 108 FERC ¶61,052 (2004).
[32] *See Colorado Interstate Gas Co. and Cheyenne Plains Gas Pipeline Company,* 105 FERC ¶ 61,095 at P 9 (2003).

Company in Morton County, North Dakota competes to transport Wyoming natural gas with the Pony Express Pipeline.[33]

More recently, the Rockies Express Pipeline was completed in the fourth Quarter of 2009, providing shippers of Rocky Mountain gas supplies with a transportation only pipeline from Colorado and Wyoming to the eastern border of Ohio, overlapping the Pipeline Segment in Wyoming, Nebraska and Kansas.

Finally, Trailblazer, though not of recent construction, is similarly positioned to compete with the Pipeline Segment for gas transportation. Trailblazer extends approximately 439 miles from the Cheyenne Hub in Colorado to interconnections in Nebraska with, among others, NNG and NGPL serving the Mid-Continent.

Because of the competition in its market area and other factors such as a decline in end-user customer demand, as well as increasing sophistication of supply management activities by all customers, KMIGT has experienced a consistent and steady decline in the demand for transportation capacity on the Pipeline Segment. KMIGT has been forced to offer firm transportation at substantially discounted rates.[34] The level of KMIGT's discounting has increased each year. By year end only 16% of the firm transportation shippers that hold capacity on the Pony Express Pipeline pay maximum rates, with the remaining capacity being discounted or unsubscribed.

The reality is that there is limited market interest in sustaining the operation of the Pipeline Segment in interstate natural gas transportation service as it exists today. The

[33] *See Bison Pipeline LLC*, 131 FERC ¶61,013 (2010).

[34] The majority of the gas transported through the Pony Express Pipeline is delivered to the Kansas City market area. All of KMIGT's natural gas service delivered to the Kansas City market area is discounted. KMIGT's major customers in the Kansas City market area have multiple pipeline transportation options and are not required to rely solely on KMIGT for their natural gas service.

lack of interest in holding capacity on the Pipeline Segment is further evidenced by the monthly open seasons that KMIGT regularly holds to ascertain the value and need for firm natural gas transportation service with respect to this capacity. KMIGT receives only minor interest, at heavily discounted rates, for short-term firm service in response to the open seasons mentioned above. The aggregate revenue to be derived from the open season bids often falls short of the costs necessary to operate the Pony Express Pipeline system. The response to the open seasons confirms KMIGT's conclusions that: (1) there is no additional demand for firm long-term transportation at maximum rates on its Pony Express Pipeline; and (2) the transportation needs of shippers are being met through other means.

Continuation of Service to Existing Customers

As already noted, KMIGT customers who are currently receiving firm transport through the Pipeline Segment and who continue to need long haul transportation have multiple, competitive options to transport gas. To a large extent these customers already have competitive interstate pipeline interconnections. Nevertheless, to address the future transportation needs of its customers, KMIGT will make arrangements for firm transportation with the interconnected and other downstream interstate pipelines to continue service to firm customers currently served by the Pipeline Segment to be abandoned. KMIGT will also enter into agreements with NGPL, NNG, SSC, Trailblazer and WIC to construct new or convert/modify existing points of delivery to and receipt from KMIGT off of their respective pipeline systems. These contracts will provide substantially equivalent transportation service options to these customers.

VI.
COST OF SERVICE IMPACT OF ABANDONMENT

As indicated in the Purchase and Sale Agreement between KMIGT and KMPXP, attached hereto as Exhibit U, the Pipeline Segment will be transferred at net book value which, as of May 31, 2012, totals approximately $90.3 million. Also, the abandonment of the Pipeline Segment and Related Facilities will eliminate the need for future maintenance and upkeep costs associated with these facilities. As a result, KMIGT's overall cost of service level will be reduced by approximately $15 million annually, as reflected in Exhibit Z-2. The proposed accounting treatment for the facilities to be transferred to KMPXP at net book value is set forth in Exhibit Y hereto.

To ensure that KMIGT's shippers are not adversely affected by the abandonment, KMIGT's incremental capital and operating costs to maintain service will be reimbursed by KMPXP. KMPXP will provide an estimated lump sum reimbursement to KMIGT of $57 million for the capital costs of certain interconnect facilities required to be constructed to continue service to existing firm service natural gas shippers and the $8.4 million cost to retire natural gas facilities. Pursuant to the Purchase and Sale Agreement, the annual cost of transportation through other interstate pipelines, including any applicable FL&U, will be recovered as a fee and trackable cost item from KMPXP.

KMIGT has shown on Exhibit Z-2 and the pro forma calculation of its costs and revenues before and after the proposed abandonment, that KMIGT's rates remain just and reasonable.[35] The proposed abandonment results in a "right-sizing" of

[35] Whenever it files a future general rate proceeding, KMIGT will reflect the adjustment in its rate base to remove the cost of the abandoned facilities. *See Trunkline Gas Co.*, 94 FERC ¶ 61,381 at p. 62,442.

KMIGT's pipeline system so as to balance costs and revenues in the wake of declining west to east natural gas transportation margins on the Pipeline Segment. Thus the project will have no material adverse impact on KMIGT's customers and in fact this proposed transaction should provide benefits to KMIGT's customers over the long term in that the project sheds costs associated with under-utilized capacity.

VII.
LANDOWNER PARTICIPATION

KMIGT held three open house meetings to provide information to landowners along the Pipeline Segment. Likewise, KMIGT has been in on-going consultations with the affected federal, state and local government agencies with respect to this Project. In addition, KMIGT held meetings and made informational presentations to state governors and/or governor's staffs and US Senate and congressional staffs in those states which the Pipeline Segment and the pipeline to be constructed by KMPXP traverses.

KMIGT has been in contact with potentially affected agricultural landowners to address the project's effects on agricultural lands and operations. In addition to crop loss payments, repairs to irrigation systems and right-of-way restoration, KMIGT also will work with landowners with regard to the timing associated with land cultivation and the construction of the replacement facilities. KMIGT has worked with, and will continue to work with affected landowners to identify any other potential issues of concern. A toll-free hotline (888-212-9346) has been installed to address any concerns raised by landowners before, during or after construction of the facilities proposed herein. Further, the KMIGT website (www.kindermorgan.com) is periodically updated with new information pertaining to the project. Based on this preliminary and ongoing work, KMIGT anticipates that there will be no significant impact to the affected landowners.

VIII.
ENVIRONMENTAL COMPLIANCE

The proposed project facilities are designed and will be constructed in a manner that is intended to minimize environmental impacts. An Environmental Report submitted herewith as Exhibit F-I provides an analysis of the existing environmental conditions and the impact of the proposed facilities on the environment as required under NEPA. For the majority of the proposed construction, the facilities will be located on, or adjacent to, existing pipeline right-of-way.

KMIGT has been and continues to be engaged in consultations and coordination with the relevant federal, state and county government agencies concerning the proposed construction activities associated with the project. KMIGT has met with federal, state and county officials to explain the project, discuss their specific requirements, and provide an opportunity for any early concerns to be raised and resolved.

With respect to landowners, KMIGT has engaged in an extensive effort to contact landowners early in the planning process and continues to work with, and be available to affected landowners. As set forth in the Environmental Report that accompanies this application, KMIGT has complied, and will continue to comply with the Commission's landowner requirements at 18 C.F.R. § 157.6(d). A list of affected landowners is included with the Environmental Report. KMIGT has contacted all affected landowners either by mail, phone and/or direct contact concerning the proposed project.

Within three business days following the Commission's issuance of a notice of the application, KMIGT will mail the required formal notification letter in conformance with 18 C.F.R. § 157.6(d)(3) to each affected landowner and county, state and federal governments and agencies involved in the project.[36] Further, within three business days after the Commission assigns a docket number for the application, an electronic copy of the application will be made available for inspection in centrally located public libraries in each of the counties where abandonment and/or construction activities will occur. A hard copy of the application will be furnished to any requesting party. Within 14 days after the assignment of a docket number, a notice that the application has been filed will be published twice in newspapers of general circulation in the affected counties.

IX.
COMPLIANCE WITH CERTIFICATE POLICY STATEMENT

On September 15, 1999, the Commission issued a Policy Statement to provide guidance regarding the evaluation of applications to certificate new construction (Certificate Policy Statement).[37] The Certificate Policy Statement established criteria for determining whether there is a need for a proposed project and whether the proposed project will serve the public interest.

In deciding whether to authorize the construction of new interstate pipeline facilities under the Certificate Policy Statement, the Commission will balance the public benefits created by the proposed project against the potential adverse consequences that could result from the project. Pursuant to this balancing process, the Commission has stated that its goal in evaluating new pipeline construction is to give appropriate consideration to: the enhancement of competitive transportation alternatives, the

[36] Within 30 days after the application filing date, KMIGT will file an updated list of affected landowners, including information concerning any notices that were returned as undeliverable.

[37] *Certification of New Interstate Natural Gas Pipeline Facilities; Statement of Policy*, 88 FERC ¶61,227 (1999), *Order Clarifying Statement of Policy*, 90 FERC ¶61,128 (2000) and *Order Further Clarifying Statement of Policy* 92 FERC ¶61,094 (2000) ("*Certificate Policy Statement*").

possibility of overbuilding, subsidization by existing customers, the applicant's responsibility for any unsubscribed capacity, the avoidance of unnecessary disruptions of the environment, and the unneeded exercise of eminent domain.[38]

Pursuant to the Certificate Policy Statement, the threshold requirement for a pipeline proposing a new project is that the applicant must "be prepared to financially support the project without relying on subsidization from existing customers."[39] Once the no-subsidization requirement has been considered, the next inquiry is "to determine whether the applicant has made efforts to eliminate or minimize any adverse effect the project might have on": (1) applicant's existing customers; (2) "existing pipelines in the market and their captive customers or"; (3) "landowners and communities affected by the route of the new pipeline" construction.[40] If residual adverse effects on these interest groups are identified after efforts have been made to minimize them, the Commission will evaluate the project by balancing the evidence of public benefits to be achieved against the residual adverse effects. The Commission has stated that this is essentially an economic test.[41] Only when the benefits outweigh the adverse effects on economic interests will the Commission proceed to complete the environmental analysis where other interests are considered.

KMIGT's project meets the threshold requirement and the additional tests set forth in the Certificate Policy Statement. KMIGT is not relying on a subsidy from existing customers for construction of the proposed facilities. To the contrary, KMPXP will provide a lump sum reimbursement to KMIGT for the cost of the new facilities, so

[38] *See, e.g., ANR Pipeline Company*, 108 FERC ¶ 61,179, P16 (2004).
[39] *Certificate Policy Statement*, 88 FERC at p. 61,746.
[40] *Id*. at 61,745.
[41] *See id.*

there will be no rate impact on existing customers. Further, under to the terms of KMIGT's last section 4 rate case settlement in Docket RP98-117-000, and more recently in its section 5 Stipulation and Agreement in Docket No. RP11-1494-000, KMIGT has no presumption of rolled-in rate treatment on the Pony Express Pipeline.[42] In fact, KMIGT must attain revenues sufficient to cover the Pony Express Pipeline's allocable share of the total cost of service, or existing customers can challenge rolled-in rate treatment and require KMIGT to absorb any under-recovery of revenues versus costs on the Pony Express Pipeline facilities. The proposed abandonment sheds costs associated with the Pony Express Pipeline facilities so as to reduce such potential issues.

Moreover, no existing primary firm customer will suffer any degradation of service as a result of this project. The facilities to be constructed are for the very purpose of ensuring continued comparable service to existing firm customers while the Pipeline Segment is redeployed to serve a more productive public need.

In compliance with the Policy Statement, KMIGT has structured this project to eliminate or minimize any adverse effects. The facilities proposed for construction herein will have no effect on existing pipelines and their customers and little or no effect on landowners and communities. KMIGT will attempt to minimize the need to exercise eminent domain for any additional right-of-way through negotiations with landowners.

This project will also result in substantial public benefits by allowing the Pipeline Segment to serve a more highly valued need with minimal environmental effects. Therefore, the public benefits of KMIGT's project herein outweigh any adverse impacts. Consistent with the Commission's Policy Statement, the Commission should so find.

[42] *See Stipulation and Agreement of Settlement*, Section 6.4, Docket No. RP11-1494-000 filed on May 5, 2011.

X.
WAIVER

Pursuant to Rules 801 and 802 of the Commission's Rules of Practice and Procedure, 18 C.F.R. §§ 385.801 and 385.802, KMIGT requests that the Commission's shortened procedures be applied to this application. Accordingly, KMIGT requests that the intermediate decision procedure be omitted and waives oral hearing and opportunity for filing exceptions to the decision of the Commission. As set forth under these procedures, the decision of the Commission will be final, yet subject to reconsideration by the Commission upon request for rehearing, as provided by statute.

KMIGT specifically requests waiver to modify the term or extension rights of affected firm transportation agreements so as to support the provision of substitute but equivalent services, as described herein.

XI.
EXHIBITS

In accordance with Sections 157.14 and 157.18 of the Commission's Regulations, the following exhibits are attached or omitted for the reason indicated.

Exhibit A – Articles of Incorporation and Bylaws

KMIGT requests the incorporation by reference of Exhibit A to its application filed January 16, 2003 at Docket No. CP03-39-000.

Exhibit B – State Authorization

KMIGT requests the incorporation by reference of Exhibit B to its application filed January 16, 2003 at Docket No. CP03-39-000.

Exhibit C – Company Officials

Attached hereto as part of this Volume 1.

Exhibit D – Subsidiaries and Affiliation

Attached hereto as part of this Volume 1.

Exhibit E – Other Pending Applications and Filings

Omitted. There are no applications or filings made by KMIGT with and now pending before this Commission that directly and significantly affects this application.

Exhibit F – Location of Facilities

Attached hereto as part of this Volume 1.

Exhibit F-I – Environmental Report

Attached as Volumes 2, 3 and 5.

Exhibit G/G-I – Flow Diagrams

Attached as part of Volume 4.

Exhibit G-II – Flow Diagram Data

Attached as part of Volume 4.

Exhibit H – Total Gas Supply Data

Omitted. This exhibit is not applicable.

Exhibit I – Market Data

Omitted. This exhibit is not applicable.

Exhibit J – Federal Authorization

Attached hereto as part of this Volume 1.

Exhibit K – Cost of Facilities

Attached hereto as part of this Volume 1.

Exhibit L – Financing

Omitted. KMIGT will finance the project with existing funds.

Exhibit M – Construction, Operation and Management

Omitted. KMIGT will construct or cause to be constructed, own, operate, and maintain the proposed facilities.

Exhibit N – Revenues-Expenses-Income

Omitted. This exhibit is not applicable.

Exhibit O – Depreciation and Depletion

Omitted. This exhibit is not applicable.

Exhibit P – Tariff

Omitted. KMIGT is not proposing any changes to its existing rate schedules.

Exhibit T – Related Applications

Other than the docket proceeding described herein, there are no applications pending before or granted by the Commission that are related to the instant application. Therefore, Exhibit T is inapplicable and is omitted.

Exhibit U – Contracts and Other Agreements

Attached as Exhibit U is a form of the Purchase and Sale Agreement to be executed between KMIGT and KMPXP which sets forth the terms and conditions under which KMIGT will sell and KMPXP will purchase, own and operate the Pony Express Pipeline facilities. Also attached as Exhibit U is a copy of the firm transportation agreement KMIGT has entered into with Trailblazer.

Exhibit V – Flow Diagrams Showing Daily Design Capacity and Reflecting Operation of KMIGT's System After Abandonment

Submitted herewith as Exhibit G/G-I.

Exhibit W – Impact on Customers Whose Service will be Terminated

Desired levels of service is maintained to KMIGT's existing shippers holding primary firm service along the affected segment. As discussed in Section IV of this application, there are four receipt / delivery meters that are proposed to be abandoned and service from those meters being terminated. With respect to the Bledsoe and Noble Energy Receipt Meters (PIN 41918 and PIN 42690) that are proposed to be abandoned, no primary firm service is contracted through these receipt meters. No service has been rendered through the Omimex Ferguson Receipt Meter (PIN 43481) since December 1, 2010. With respect to the NGPL Lincoln Interconnect Delivery Meters (PIN 999728) proposed to be abandoned, KMIGT has renegotiated the Transportation Agreements currently rendering primary firm and non-primary firm service at this meter station to provide for deliveries to NGPL at an existing delivery point located in Gage County, Nebraska off of Trailblazer's pipeline system. Attached as Exhibit W are schedules reflecting the shippers that received transportation service from the Bledsoe and Noble Energy Receipt Meters from June 1, 2011 through June 1, 2012 and shippers that delivered gas for the same period at the NGPL Lincoln Interconnect Delivery Meters.

Exhibit X – Effect of the Abandonment on Existing Tariffs

No effect upon any of KMIGT's rate schedules or tariffs on file with the Commission will result from grant of the proposed abandonment. Therefore, Exhibit X is omitted.

Exhibit Y – Accounting Treatment of Abandonment

Submitted herewith as Exhibit Y is a statement respecting KMIGT's proposed accounting treatment applicable to the facilities to be abandoned. KMPXP will reimburse KMIGT the net book value of these facilities as of the date of transfer.

Exhibit Z – Location of Facilities

Submitted herewith as Exhibit F.

Exhibit Z-1 – Customers Receiving Service on the Pony Express Pipeline

Submitted herewith is a list of the firm customers currently receiving service on the Pony Express Pipeline. The exhibit shows each customer's contract numbers, GID, MDQ, term year, receipt and delivery points, rate and revenue. In addition, attached is a diagram reflecting shipper throughput decline through the Pony Express Pipeline from January 2008 to January 2012.

Exhibit Z-2 – Cost of Service Impact

Submitted herewith.

XII.
FEDERAL REGISTER NOTICE

Appended hereto is a notice, prepared in conformity with Sections 2.1 and 157.6(b)(7) of the Commission's Regulations Under the NGA, suitable for publication in the Federal Register, summarizing the instant application.

XIII.
CONCLUSION

KMIGT's proposal to abandon a portion of the Pony Express Pipeline and to construct certain replacement-type facilities as described herein is required by the public convenience and necessity under both Sections 7(b) and 7(c) of the NGA.

Implementation of this project directly addresses the changing market demands in the oil and gas sectors of the United States. These changes are driven by surging supplies of natural gas in the Utica and Marcellus Shales in the east and coincidentally surging crude oil supplies from the Bakken Shale in the west. The existing Pony Express Pipeline, a traditional west-to-east gas pipeline, is caught in the middle. Existing customers have a diminishing need for the pipeline to transport gas eastward. Instead, there is a much greater need for the facilities as a link to transport crude oil from the Bakken Shale to refineries in the east and south. KMIGT's abandonment and certificate proposal addresses these new supply dynamics in an efficient manner and with minimum disturbance to the environment.

The proposed conversion, moreover, does not affect KMIGT's ability to meet the natural gas transportation requirements of its remaining firm customers on the Pony Express Pipeline. KMIGT's proposed construction of facilities will allow firm customers to obtain the transportation services which KMIGT currently is obligated to provide. Current customers will have multiple, competitive options on which to transport their gas. Customers moreover will not be saddled with additional costs. Accordingly, KMIGT's proposal to abandon the Pipeline Segment for purposes of its re-conversion to an oil pipeline and to construct certain replacement-type facilities is required by the public convenience and necessity and should be approved.

WHEREFORE, Kinder Morgan Interstate Gas Transmission LLC respectfully requests permission and approval under Section 7(b) of the NGA to abandon certain mainline facilities by transfer to its affiliate, KMPXP, for conversion to crude oil transportation service, and for authorization to construct and operate under Section 7(c) of the NGA certain facilities necessary to replace the firm service attributable to the facilities to be abandoned, all as herein set forth.

Respectfully submitted,

Kinder Morgan Interstate Gas
Transmission LLC

By /s/ Robert F. Harrington
Robert F. Harrington
Vice President, Regulatory

TJ Carroll
Vice President, General Counsel
Kinder Morgan Interstate Gas Transmission LLC
370 Van Gordon Street
Lakewood, Colorado 80228-8304
(303) 763-3269

J. Curtis Moffatt
Robert F. Christin
Van Ness Feldman, P.C.
1050 Thomas Jefferson Street, NW
Washington, D.C. 20007-3877
(202) 298-1800

Dated: August 6, 2012

VERIFICATION

STATE OF COLORADO)
) SS
COUNTY OF JEFFERSON)

Robert F. Harrington, being duly sworn upon his oath says: that he is Vice President of Regulatory for Kinder Morgan Interstate Gas Transmission LLC; that he has read the foregoing application and has personal knowledge of the matters herein set forth; that the facts herein stated are true to the best of his knowledge, information, and belief; and that the paper copy of the foregoing filing contains the same information on the electronic version.

R. F. Harrington

Robert F. Harrington

SUBSCRIBED AND SWORN to before me this 6th day of August, 2012.

JANE MARTHA WILSON
Notary Public
State of Colorado

Jane Martha Wilson

Notary Public
370 Van Gordon Street
Lakewood, CO 80228

(SEAL)

My commission expires:

12-10-2012

Kinder Morgan Interstate Gas Transmission LLC

Federal Register Notice

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Kinder Morgan Interstate Gas Transmission LLC) Docket No. CP12-________

NOTICE OF APPLICATION

(August __, 2012)

Take notice that on August 6, 2012, Kinder Morgan Interstate Gas Transmission LLC ("KMIGT") whose mailing address is 370 Van Gordon Street, Lakewood, Colorado 80228, filed an application pursuant to Sections 7(b) and 7(c) of the Natural Gas Act ("NGA"), and Part 157 of the Federal Energy Regulatory Commission's ("Commission") Regulations at Docket No. CP12-_________ to: (1) abandon certain mainline natural gas pipeline facilities and the natural gas service therefrom by transfer to an affiliate, Kinder Morgan Pony Express Pipeline LLC ("KMPXP"), for the purpose of converting the facilities into crude oil pipeline facilities; and (2) construct and operate certain replacement-type facilities necessary to continue service to existing natural gas firm transportation customers following the proposed abandonment. This filing is available for review at the Commission or may be viewed on the Commission's web site at http://www.ferc.gov using the "eLibrary" link under the tab "Documents & Filing." Enter the docket number excluding the last three digits in the docket number field to access the document. For assistance, please contact FERC Online Support at FERCOnlineSupport@ferc.gov or toll free at (866) 208-3676, or for TTY, contact (202) 502-8659.

KMIGT is requesting authorization to abandon a 432.4-mile segment on its Pony Express Pipeline system from the discharge side of the existing Guernsey Compressor Station located in Platte County, Wyoming to the Natural Gas Pipeline Company of America LLC ("NGPL") Interconnect located in Lincoln County, Kansas. The pipeline segment will be abandoned in place and sold to KMPXP. In addition, KMIGT proposes to abandon three natural gas compressor stations totalling 33,175 horsepower, four meter stations, taps and certain ancillary facilities on its Pony Express Pipeline system. Upon authorization to abandon the facilities described above, KMPXP will purchase, convert, own and operate the pipeline segment as a crude oil pipeline to meet the increasing demand for pipeline transportation of crude oil.

To continue gas service to existing firm customers otherwise affected by the proposed abandonment, KMIGT seeks approval to construct and operate: (1) one new mainline compressor station referred to as the Tescott Compressor Station, (2) two laterals which will be approximately 3 miles to 22 miles in length, (3) two booster compressor units, and (4) certain auxiliary facilities. Additionally, KMIGT seeks approval to construct, convert or modify seven interconnecting meter stations and pipe to enable deliveries into and/or receipts from the interstate pipeline systems of NGPL, Northern Natural Gas Company, Southern Star Central Gas Pipeline, Inc. ("SSC"), Trailblazer Pipeline Company LLC ("Trailblazer"), and Wyoming Interstate Company, Ltd. ("WIC"). To replace capacity provided by the pipeline segment abandoned, KMIGT will enter into long-term firm transportation arrangements with SSC, Trailblazer, WIC and NGPL to transport quantities of natural gas on KMIGT's behalf to meet KMIGT's transportation obligations to affected shippers.

KMIGT states that with the construction of these facilities and the firm transportation agreements which KMIGT will enter into with each of the above named interstate pipelines, the proposed abandonment of a segment of the Pony Express Pipeline and related facilities will not result in any adverse effect on existing firm service shippers and will provide substantially similar natural gas service options. KMIGT requests authorization of this project by May 1, 2013 to meet an in-service date of August 1, 2014.

Any questions regarding this application should be directed to Skip George, Manager of Regulatory, Kinder Morgan Interstate Gas Transmission LLC, 370 Van Gordon Street, Lakewood, Colorado 80228, phone (303) 914-4969.

There are two ways to become involved in the Commission's review of this project. First, any person wishing to obtain legal status by becoming a party to the proceedings for this project should file with the Federal Energy Regulatory Commission, 888 First Street, NE, Washington, D.C. 20426, a motion to intervene in accordance with the requirements of the Commission's Rules of Practice and Procedure (18 CFR 385.214 or 385.211) and the Regulations under the NGA (18 CFR 157.10). A person obtaining party status will be placed on the service list maintained by the Secretary of the Commission and will receive copies of all documents filed by the applicant and by all other parties. A party must submit 14 copies of filings made with the Commission and must mail a copy to the applicant and to every other party in the proceeding. Only parties to the proceeding can ask for court review of Commission orders in the proceeding.

However, a person does not have to intervene in order to have comments considered. The second way to participate is by filing with the Secretary of the Commission, as soon as possible, an original and two copies of comments in support of or in opposition to this project. The Commission will consider these comments in determining the appropriate action to be taken, but the filing of a comment alone will not serve to make the filer a party to the proceeding. The Commission's rules require that persons filing comments in opposition to the project provide copies of their protests only to the party or parties directly involved in the protest.

Protests and interventions may be filed electronically via the Internet in lieu of paper; see, 18 CFR 385.2001(a)(1)(iii) and the instructions on the Commission's web site under the "e-Filing" link. The Commission strongly encourages electronic filings.

If the Commission decides to set the application for a formal hearing before an Administrative Law Judge, the Commission will issue another notice describing that process. At the end of the Commission's review process, a final Commission order approving or denying a certificate will be issued.

Comment Date:

Kimberly D. Bose
Secretary

Kinder Morgan Interstate Gas Transmission LLC

Exhibit C

Company Officials

OFFICERS
OF
KINDER MORGAN INTERSTATE GAS TRANSMISSION LLC
(As of June 28, 2012)

Name	Office(s)
Rock Meyer**	President
Steve Kean*	Executive Vice President
Joseph Listengart*	Vice President and Secretary
David D. Kinder*	Vice President and Treasurer
Debra Witges*	Vice President, Controller
Jordan Mintz*	Vice President, Chief Tax Officer
Meli Armstrong*	Vice President
T. J. Carroll**	Vice President
Debbie Cone*	Vice President
John Eagleton**	Vice President
Stefan Evanoff**	Vice President
Robert F. Harrington**	Vice President
Jim Saunders*	Vice President, Chief Financial Officer
Dwayne Burton*	Vice President
Maureen Bulkley**	Assistant Secretary
Dick Sears**	Assistant Secretary
Randy Holstlaw**	Vice President, General Manager
Sheila R. Tweed*	Vice President
Jorge Torres*	Vice President
Ron Brown*	Vice President
Fred Metzger***	Vice President
Charles Schwager*	Vice President, Chief Compliance Officer
Keith Snider**	Vice President

Address for Officers:

*	**	***
One Allen Center	370 Van Gordon Street	3250 Lacey Road
500 Dallas Street, Suite 1000	Lakewood, CO 80228-8304	Suite 700
Houston, TX 77002		Downers Grove, IL 60515

Kinder Morgan Interstate Gas Transmission LLC

Exhibit D

Subsidiaries and Affiliation

KINDER MORGAN INTERSTATE GAS TRANSMISSION LLC

SUBSIDIARIES AND AFFILIATION

Kinder Morgan Interstate Gas Transmission LLC (KMIGT) is a limited liability company organized and existing under the laws of the State of Colorado. KMIGT is a wholly owned subsidiary of Kinder Morgan Operating L.P. “A”, a Delaware limited partnership. The partnership interests in Kinder Morgan Operating, L.P. “A” are owned by Kinder Morgan Energy Partners, L.P (KMEP).

KMIGT does not, directly or indirectly, own or control an interest in any other person or organized group of persons engaged in the production, transportation, distribution or sale of natural gas, or in the construction or financing of such enterprises.

Kinder Morgan, Inc. (KMI) is a publicly traded corporation listed on the New York Stock Exchange. KMI indirectly owns the general partner interest of KMEP and El Paso Pipeline Partners, L.P. (EPB), publicly traded master limited partnerships, the common units of which are listed on the New York Stock Exchange. The following individual owns and controls the following percentage of KMI:

Richard D. Kinder	23.1%

The remaining interests in KMI are owned by individuals and entities, none of which own more than a 10% interest.

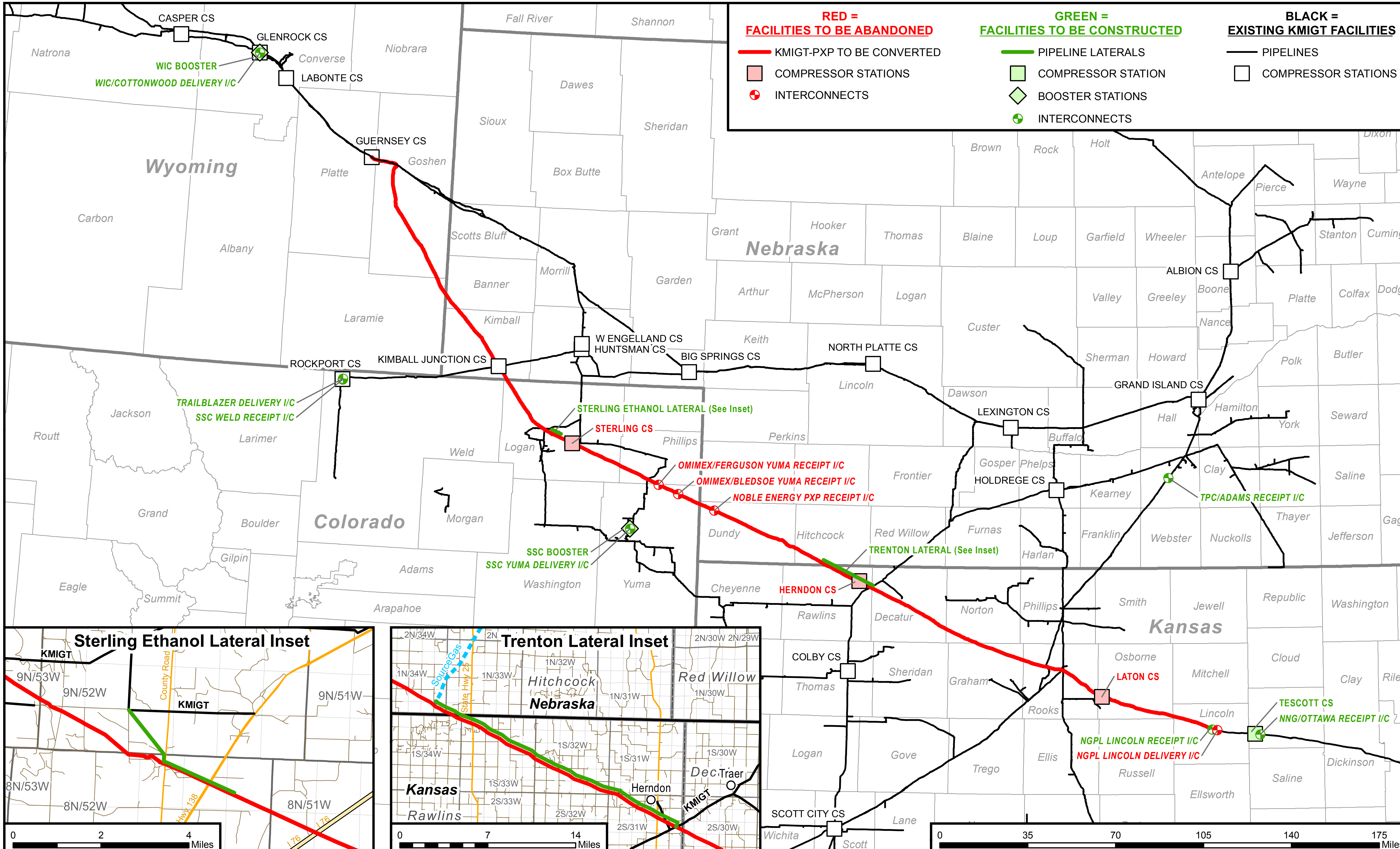
Kinder Morgan Interstate Gas Transmission LLC

Exhibit F

Location of Facilities

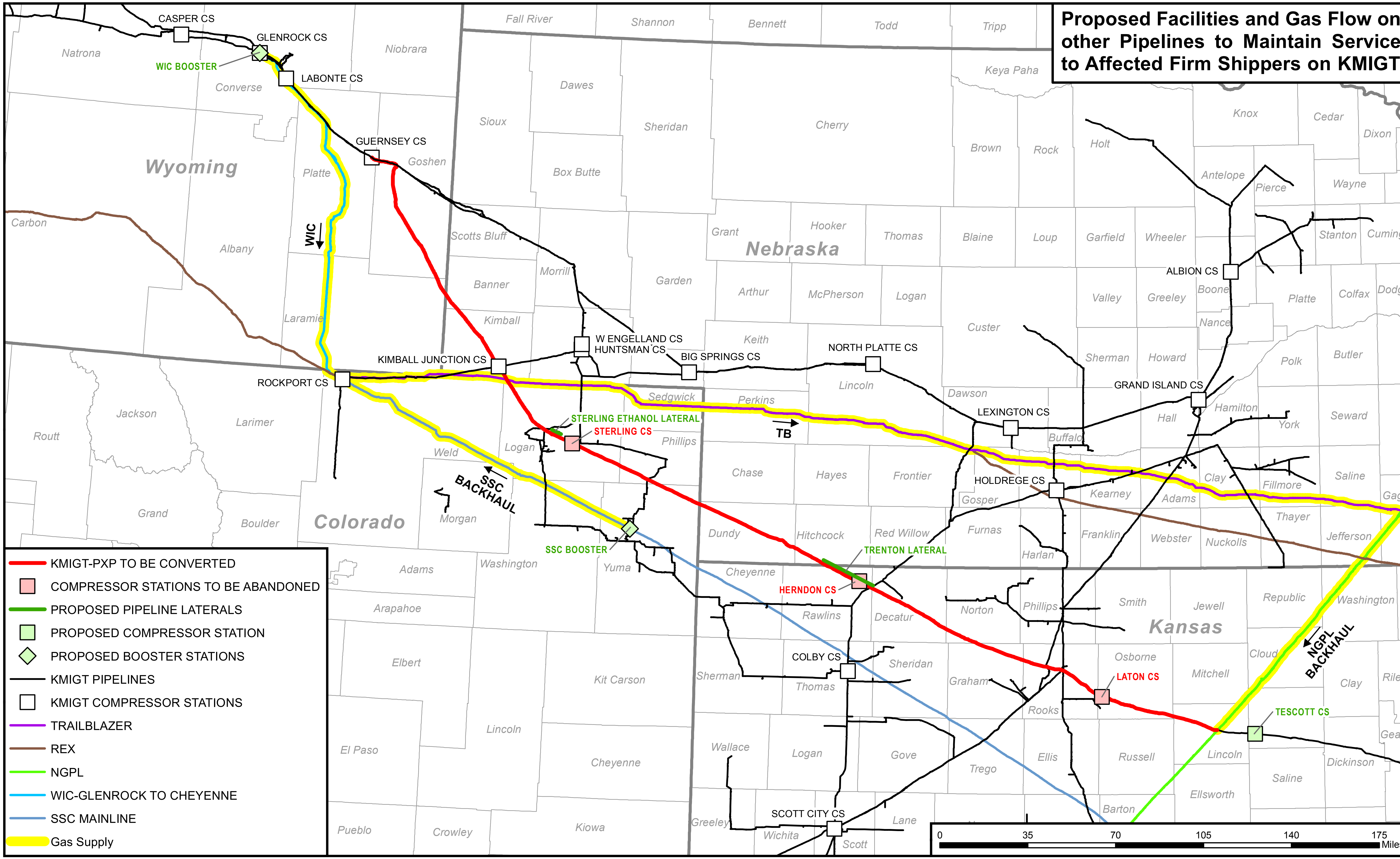
Pony Express Pipeline Conversion Project

Exhibit F



Prepared by: SADavis 17 July 2012 Design Scale: as shown File: KMIGT-PXP_Exhibit F_B_v712D.mxd

Pony Express Pipeline Conversion Project



Prepared by: SADavis 17 July 2012 Design Scale: as shown File: KMIGT-PXP_Pipe Flow_B_v712c.mxd

Kinder Morgan Interstate Gas Transmission LLC

Exhibit J

Federal Authorization

Exhibit J
PXP Conversion Project
Federal Authorizations Requiring Approval

Permit	Issuing Agency	Application Submittal Date	Anticipated Approval Date	Status
FEDERAL				
Certificate of Public Convenience and Necessity Natural Gas Act Sec 7(c) and Abandonment authorization 7(b)	Federal Energy Regulatory Agency (FERC)	August 2012	May 2013	
Clearance under Section 7 of the Endangered Species Act (ESA)	U.S. Fish and Wildlife Service (USFWS) Mountain Prairie Region (CO, KS, NE, and WY)	July 2012	August 2012	
Migratory Bird Treaty Act (MBTA)	USFWS Mountain Prairie Region (CO, KS, NE, and WY)	July 2012	August 2012	
Sec 404 Permit Clean Water Act (CWA) and Sec 401 WQC, CWA	U.S. Army Corps of Engineers (USACE) Omaha District	No PCN Required	N/A	Construction will be conducted in accordance with NWP 12
Sec 404 Permit CWA and Sec 401 WQC, CWA	USACE Kansas City District	No PCN Required	N/A	Construction will be conducted in accordance with NWP 12
WYOMING				
National Pollutant Discharge Elimination System (NPDES) Storm Water Permit, General Permit for Construction Storm Water Discharge	Wyoming Department of Environmental Quality (WDEQ) Water Quality Division	April 2013	May 2013	
General Permit for Temporary Discharge	WDEQ Water Quality Division Water & Wastewater Program	May 2013	June 2013	
National Historic Preservation Act (NHPA) Section 106 Consultation	Wyoming State Historic Preservation Office (SHPO)	July 2012	August 2012	SHPO letter submitted on 6/29/2012. Concurrence received 7/06/2012.
COLORADO				
Construction Storm Water Discharge Permit	Colorado Department of Public Health and Environment (CDPHE), Division of Water Resources-Water Quality Control Division	May 2013	June 2013	
Construction Dewatering Wastewater Discharge	CDPHE, Division of Water Resources-Water Quality Control Division	May 2013	June 2013	

Exhibit J
PXP Conversion Project
Federal Authorizations Requiring Approval

Permit	Issuing Agency	Application Submittal Date	Anticipated Approval Date	Status
Hydrostatic Test Water Discharge General permit COG-604000	CDPHE, Division of Water Resources-Water Quality Control Division	May 2013	June 2013	
NHPA Section 106 Consultation	Colorado Historical Society-SHPO	July 2012	August 2012	SHPO letter submitted on 6/29/2012.
NEBRASKA				
Construction Dewatering Wastewater Discharge Permit NEG671000	Nebraska Department of Environmental Quality (NDEQ) Division of Water Resources	May 2013	June 2013	
Hydrostatic Test Water Discharge Permit NEG672000	NDEQ Division of Water Resources	April 2013	June 2013	
NHPA Section 106 Consultation	Nebraska SHPO	July 2012	August 2012	SHPO letter submitted on 6/29/2012.
KANSAS				
Hydrostatic Test Water Discharge Permit	Kansas Department of Health and Environment (KDHE), Bureau of Water	April 2013	June 2013	
Construction Permit	KDHE, Bureau of Air	July 2012	January 2013	
Class I Title V Operating Permit	KDHE, Bureau of Air	January 2014	January 2015	
NHPA Section 106 Consultation	Kansas SHPO	July 2012	August 2012	SHPO letter submitted on 7/02/2012. 7/12/2012 – Staff archaeologist requested a survey report of the resource found in Kansas. Survey report currently in progress.

Kinder Morgan Interstate Gas Transmission LLC

Exhibit K

Cost of Facilities

Kinder Morgan Interstate Gas Transmission LLC

Exhibit K
Summary of Total Estimated Project Costs

Description	Total Estimated Costs
Land and Right of Way	$1,430,300
Survey	$226,500
Materials	$15,247,300
Labor	$21,940,000
Engineering & Inspection	$3,567,400
Environmental	$1,111,700
Line Pack / Gas Lost	$18,800
Legal and Other Services	$23,800
Contingencies	$6,535,000
Overheads	$5,010,000
AFUDC	$1,495,000 1/
Total Estimated Project Costs	$56,605,800 2/

1/ AFUDC accruals included in the cost of the facilities are calculated in accordance with the FERC's rules and regulations and pursuant to and consistent with the AFUDC policy conditions.

2/ Total estimated project costs to construct replacement-type facilities necessary to continue service to existing natural gas firm transportation customers following the abandonment of a 432.4-mile segment of the Pony Express Pipeline system.

Kinder Morgan Interstate Gas Transmission LLC

Exhibit K
Summary of Estimated Costs for Lateral Pipelines

Description	22 Miles of 4" Pipe	3 Miles of 4" Pipe	Total Estimated Costs
Land and Right of Way	$827,000	$95,000	$922,000
Survey	$63,000	$15,400	$78,400
Materials	$1,446,300	$261,100	$1,707,400
Labor	$3,686,100	$754,600	$4,440,700
Engineering & Inspection	$757,900	$138,500	$896,400
Environmental	$609,600	$82,000	$691,600
Line Pack / Gas Lost	$5,000	$1,100	$6,100
Legal and Other Services	$12,600	$0	$12,600
Contingencies	$1,111,100	$202,200	$1,313,300
Overheads	$851,900	$155,000	$1,006,900
AFUDC	$177,600	$32,300	$209,900
Total Estimated Costs	$9,548,100	$1,737,200	$11,285,300

Kinder Morgan Interstate Gas Transmission LLC

Exhibit K
Summary of Estimated Costs for Compression

Description	Mainline Tescott 1/	Booster 500 HP Unit	Booster 350 HP Unit	Total Estimated Costs
Land and Right of Way	$385,100	$33,800	$21,300	$440,200
Survey	$45,800	$15,400	$12,000	$73,200
Materials	$4,897,300	$2,520,900	$1,370,000	$8,788,200
Labor	$12,008,200	$1,690,100	$534,600	$14,232,900
Engineering & Inspection	$1,693,000	$320,000	$122,000	$2,135,000
Environmental	$228,200	$55,000	$58,000	$341,200
Line Pack / Gas Lost	$5,200	$700	$600	$6,500
Legal and Other Services	$6,200	$0	$0	$6,200
Contingencies	$2,890,400	$695,400	$317,800	$3,903,600
Overheads	$2,215,900	$533,100	$243,600	$2,992,600
AFUDC	$792,200	$190,600	$87,100	$1,069,900
Total Estimated Costs	$25,167,500	$6,055,000	$2,767,000	$33,989,500

1/ Tescott Compressor Station will utilize four compressor units previously utilized at the Laton and Herndon Compressor Stations proposed herein to be abandoned. The net book value of such units are a part of the $90.3 million shown on Exhibit Y and the sale price of the abandoned plant. Because the cost is reimbursed by KMPXP to KMIGT, the salvage value of these units are not a part of the estimated costs.

Kinder Morgan Interstate Gas Transmission LLC

Exhibit K
Summary of Estimated Costs for Interconnecting Meter Stations and Pipe

Description	Interconnections	Total Estimated Costs
Land and Right of Way	$64,200	$64,200
Survey	$72,700	$72,700
Materials	$3,637,100	$3,637,100
Labor	$2,619,000	$2,619,000
Engineering & Inspection	$453,400	$453,400
Environmental	$57,900	$57,900
Line Pack / Gas Lost	$5,700	$5,700
Legal and Other Services	$5,000	$5,000
Contingencies	$1,037,300	$1,037,300
Overheads	$795,200	$795,200
AFUDC	$189,500	$189,500
Total Estimated Costs	$8,937,000	$8,937,000

Kinder Morgan Interstate Gas Transmission LLC

Exhibit K
Summary of Estimated Costs for Section 2.55(a) Facilities

Description		Total Estimated Costs
Land and Right of Way	$3,900	$3,900
Survey	$2,200	$2,200
Materials	$1,114,600	$1,114,600
Labor	$647,400	$647,400
Engineering & Inspection	$82,600	$82,600
Environmental	$21,000	$21,000
Line Pack / Gas Lost	$500	$500
Legal and Other Services	$0	$0
Contingencies	$280,800	$280,800
Overheads	$215,300	$215,300
AFUDC	$25,700	$25,700
Total Estimated Costs	$2,394,000	$2,394,000

Kinder Morgan Interstate Gas Transmission LLC

Exhibit U

Contracts and Other Agreements

Purchase and Sale Agreement

PURCHASE AND SALE AGREEMENT

by and between

KINDER MORGAN INTERSTATE GAS TRANSMISSION LLC

and

KINDER MORGAN PONY EXPRESS PIPELINE LLC

August 1, 2012

PURCHASE AND SALE AGREEMENT

This Purchase And Sale Agreement ("**Agreement**") is being entered into by and between KINDER MORGAN INTERSTATE GAS TRANSMISSION LLC, a Colorado limited liability company ("**Seller**"), and KINDER MORGAN PONY EXPRESS PIPELINE LLC, a Delaware limited liability company ("**Purchaser**"), as of the 1st day of August, 2012. (“**Effective Date**”).

1. Agreement. For and in consideration of the mutual benefits enjoyed by each of the parties to this Agreement and of the payment by Purchaser to Seller of One Hundred and No/100 Dollars ($100.00) in cash, which payment shall be credited against the Consideration (as hereinafter defined) at the Closing (as hereinafter defined) but which shall otherwise be nonrefundable to Purchaser, Seller agrees to sell and convey to Purchaser, and Purchaser agrees to purchase and accept conveyance of, the Property (as hereinafter defined) pursuant to the terms and conditions herein set forth.

2. Property. The property which is the subject of this Agreement (collectively, the "**Property**") is as follows:

(a) Approximately 432.4 miles of the pipeline (consisting of 139.1 miles of 20-inch pipe, 244.5 miles of 22-inch pipe and 48.8 miles of 24-inch pipe), with appurtenances, commencing at the discharge side of the Guernsey Compressor Station located in Section 17, Township 26 North, Range 65 West, Platte County, Wyoming and terminating at the NGPL Interconnect located in Section 25, Township 11 South, Range 8 West, Lincoln County, Kansas (the **“Pipeline”)**, which will be conveyed using the form of Assignment and Bill of Sale set forth in **Appendix A** attached hereto.

(b) Station piping, various buildings, structures, improvements, valves, personal property, fixtures and auxiliary equipment (the “**Related Facilities”),** which will be conveyed using the form of Assignment and Bill of Sale set forth in Appendix A attached hereto.

(c) Easements, licenses, rights-of-way, leases, and other interests in real property regarding the Pipeline and Related Facilities (the “**Real Property Interests”**) which will be conveyed using the form of Assignment, Conveyance and Bill of Sale set forth in Appendix A attached hereto.

(d) Fee simple interests in any real property (the “**Fee Simple Property”**) to be conveyed using the form of Special Warranty Deed attached hereto as listed on **Appendix B**.

(e) To the extent assignable, all of Seller's right, title and interest in and to all other agreements that relate to Purchaser’s ownership or use of the Property, which Purchaser elects to assume (the "**Property Agreements**").

3. Consideration. Seller agrees to accept and Purchaser agrees to pay as consideration for the sale of the Property (the "**Consideration**") the following:

(a) The actual net book value of the Pipeline at the time of Closing, estimated to be approximately $90.3 million as of May 31, 2012, payable at Closing (less any credits thereto provided in this Agreement).

(b) Reimbursement to KMIGT for its actual reasonable and prudent costs of abandonment of the gas facilities described in its application to the Federal Energy Regulatory Commission ("**FERC**"), currently estimated to be $8.4 million, payable within 60 days of receipt of invoice from KMIGT.

(c) Reimbursement to KMIGT for its actual reasonable and prudent costs to construct the gas service facilities described in its application to the FERC, currently estimated to be $56.6 million, payable within 60 days of receipt of invoice from KMIGT.

(d) Reimbursement to KMIGT for actual reasonable and prudent costs incurred to obtain gas pipeline transportation services from other interstate pipelines for a minimum period of five (5) years up to ten (10) years as described in its application to the FERC, currently estimated to be $9.3 million per year, payable annually within 30 days of receipt of invoice from KMIGT.

4. Purchaser's Investigation. Purchaser shall have the period (the "**Contingency Period**") commencing as of the Effective Date and ending as of the Close of Business on the date (30) thirty days prior to Closing, within which to conduct such due diligence investigations regarding the Property as Purchaser shall desire.

(a) Documents Relating to the Property. Seller, at Seller's sole cost and expense, shall deliver to Purchaser, at least thirty (30) days prior to Closing, the following documents and materials:

(i) a completed draft of the Assignment, Conveyance and Bill of Sale substantially in the form attached hereto as Appendix A, including the schedules setting forth in detail the Property to be conveyed as provided in this Agreement.

(ii) a completed draft of the Special Warranty Deed(s) substantially in the form attached hereto as Appendix B regarding any Fee Simple Property to be conveyed as provided in this Agreement

(iii) a copy of any other documents in Seller's possession relating to the Property, including any existing surveys, maps, and any engineering or other technical reports or information related to the Property, including the soil or subsoil condition or topography of the Property; and

(iv) such other documents and information as Purchaser may reasonably from time to time request which are in Seller's possession.

(b) On-Site Inspections. During the Contingency Period and at all times thereafter prior to the Closing or the termination of this Agreement, Purchaser shall have the right, at Purchaser's expense, to conduct all on-site inspections of the Property determined by Purchaser to be necessary or appropriate to determine whether the

Property is suitable for Purchaser's intended use, including, without limitation, the testing and inspection of the Property (and its subsurface) for any environmental contamination and for its suitability for development, the taking of ground water and core samples, soil tests, topographical and fault studies, and all other surveys, studies, tests and analysis desired by Purchaser. Seller hereby grants to Purchaser and its designated agents or contractors the right to enter upon the Property to perform such inspections, tests and other studies; provided, that (i) if the Closing does not occur hereunder, Purchaser shall repair any physical damage to the Property resulting therefrom and (ii) Purchaser shall indemnify and hold Seller harmless from and against any damage, claim, cause of action, liability, cost (including, without limitation, reasonable attorneys' fees and court costs) or other obligation caused by Purchaser's entry upon the Property. The obligation of Purchaser to indemnify Seller under this Section 4(b) shall survive the Closing or termination of this Agreement.

(c) Notice of Objections. On or before the Close of Business on the last day of the Contingency Period, Purchaser shall deliver to Seller its written objections (the "**Purchaser's Objections**") to (i) any of the materials delivered to Purchaser pursuant to Section 4(a), and (ii) any other matters or conditions revealed by Purchaser's due diligence with respect to the Property, including the tests, inspections or reports conducted pursuant to Section 4(b), which, in Purchaser's sole and absolute discretion, would materially interfere with or impair Purchaser's ability to use the Property for Purchaser's intended purpose, or cause material additional expense to Purchaser in order to eliminate or correct the interference or impairment. Any matters reflected in the written materials described in Sections 4(a) which are not objected to by Purchaser prior to the expiration of the Contingency Period shall, as to the portions of the Property shown to be affected thereby, be considered "**Permitted Encumbrances**"; provided, that in no event may any matter or instrument which affects the Property become a Permitted Encumbrance prior to the time Purchaser has (i) been advised in writing of its existence and (ii) failed to object to said encumbrance for a period of thirty (30) days following Purchaser's receipt of written notification of the existence of such encumbrance or the instrument creating such encumbrance, and in no event shall any liens or assessments be Permitted Encumbrances. Seller shall have the period (the "**Seller's Cure Period**") commencing with Seller's receipt of any notice of Purchaser's Objections and extending until the Close of Business on the date thirty (30) days following the termination of the Contingency Period in which to cure or remove Purchaser's Objections at Seller's sole cost and expense. Seller agrees to use reasonable efforts to cure any of Purchaser's Objections and shall cure, remove, or pay off at or before the Closing any current assessments affecting the Property and all mortgages, deeds of trust, judgment liens, mechanics and materialmen's liens, and similar liens against the Property.

(d) Purchaser's Termination Rights. If Seller fails for any reason, in Purchaser's sole discretion, to cure or satisfy any of Purchaser's Objections on or before the expiration of Seller's Cure Period, Purchaser shall have the option, on or before the date ten (10) days from the date Seller's Cure Period expires, as Purchaser's sole and exclusive remedies, to either (i) accept conveyance of the Property subject to such uncured matters and proceed with the Closing contemplated herein (in which event all such matters objected to by Purchaser but not cured by Seller shall be deemed Permitted

Encumbrances), or (ii) give written notice to Seller electing to terminate this Agreement. In the event on or before the expiration of such ten (10) day period Purchaser fails to notify Seller that Purchaser has elected one of the foregoing options, Purchaser shall be deemed to have elected to accept such uncured matters as Permitted Encumbrances. In addition, and notwithstanding anything set forth above or in this Agreement to the contrary, if for any reason Purchaser determines, in its sole and absolute discretion, that it is dissatisfied with the Property, that the Property is not suitable for Purchaser's intended use or that Purchaser does not for any other reason desire to purchase the Property, Purchaser shall have the right, by giving notice to Seller on or before the Close of Business on the last day of the Contingency Period, to terminate this Agreement. If Purchaser should terminate this Agreement for any reason set forth in this Section 4(d) neither party hereto shall have any further obligation to the other by virtue of this Agreement, other than pursuant to the provisions hereof that are expressly to survive any such termination.

5. Warranties and Representations by Seller. Seller makes the following representations and warranties as of the Effective Date and as of Closing:

(a) Seller is the lawful owner of all rights, titles and interests in all of the Property.

(b) No condemnation or eminent domain proceedings are now pending or threatened concerning the Property, and Seller has received no notice from any governmental or quasi-governmental agency or authority or potential condemnor concerning any right-of-way, utility or other taking which may affect the Property.

(c) Seller is not a "foreign person" within the meaning of Section 1445 of the Internal Revenue Code, or under any comparable state statutes that are applicable to this transaction. Seller is not a "disregarded entity" and shall be considered the "transferor" for purposes of Section 1445 of the Internal Revenue Code. At Closing Seller will execute and deliver to Purchaser an affidavit regarding such matters. If Seller fails to execute and deliver such affidavit, Purchaser may deduct and withhold from the Purchase Price such amount as Purchaser may be required to withhold to satisfy any of Purchaser's tax withholding obligations under such statutes or regulations promulgated pursuant thereto. Seller is duly organized, validly existing and in good standing under the laws of the state of its organization. Seller is authorized to transact business in the states in which the Property is located. Seller has full power and authority to enter into and perform this Agreement in accordance with its terms, and the persons executing this Agreement on behalf of Seller have been duly authorized to do so.

(d) To the best of Seller's knowledge: (i) the Property is in full compliance with all applicable Environmental Laws (as defined below); (ii) the Property does not now contain and has not contained any underground storage tanks, landfills, or hazardous waste management facilities or any hazardous or toxic substance or material which is regulated or controlled by any Environmental Law (collectively, "**Hazardous Materials**"), other than those associated with normal operation of pipeline compressor stations; (iii) the Property is not listed on any state or federal environmental remediation priority list; and (iv) no claim, action, suit or proceeding is pending or threatened against Seller or any third party arising, either directly or indirectly, out of the presence or discharge (whether intentional or unintentional) of any Hazardous Materials in, on, under, at, or about the Property, the violation of any Environmental Law, or the presence of any underground tanks. For the purposes of this Agreement, "**Environmental Law**" means any law, statute, ordinance, rule, regulation or legal requirement in effect at the Effective Date and/or the Closing Date pertaining to (a) the protection of health, safety, or the environment; (b) the conservation, management, protection, or use of natural resources and wildlife; (c) the protection or use of source water and groundwater; (d) the management, manufacture, possession, presence, use, generation, transportation, treatment, storage, disposal, release, threatened release, abatement, removal, remediation, or handling of, or exposure to, any Hazardous Material; or (e) pollution (including any release to air, land, surface water and groundwater), and includes, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 USC 9601 *et seq.*, Solid Waste Disposal Act, as amended by the Resource Conservation Act of 1976 and Hazardous and Solid Waste Amendments of 1984, 42 USC 6901 *et seq.*, Federal Water Pollution Control Act, as amended by the Clean Water Act of 1977, 33 USC 1251 *et seq.*, Clean Air Act of 1966, as amended, 42 USC 7401 *et seq.*, Toxic Substances Control Act of 1976, 15 USC 2601 *et seq.*, Hazardous Materials Transportation Act, 49 USC App. 1801, Occupational Safety and Health Act of 1970, as amended, 29 USC 651 *et seq.*, Oil Pollution Act of 1990, 33 USC 2701 *et seq.*, Emergency Planning and Community Right-to-Know Act of 1986, 42 USC App. 11001 *et seq.*, National Environmental Policy Act of 1969, 42 USC 4321 *et seq.*, Safe Drinking Water Act of 1974, as amended by 42 USC 300(f) *et seq.*, and any similar, implementing or successor law, and any amendment, rule, regulation, order or directive, issued thereunder. Seller shall indemnify, defend, and hold harmless Purchaser, its successors and assigns, from and against any and all claims, losses, damages, penalties, and costs, including but not limited to reasonable attorney, engineering, expert, or other professional fees, arising out of or resulting from a breach of the representations and warranties set forth in this Section. The foregoing indemnity shall survive Closing or termination of this Agreement.

(e) Neither the execution and delivery of this Agreement by Seller nor the consummation by Seller of the transactions contemplated hereby will (i) conflict with or breach any provisions of the organizational documents of Seller; (ii) violate or breach any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under any note, bond, mortgage, indenture, deed of trust, license, franchise, permit, lease, contract, agreement or other instrument, commitment or obligation to which Seller is a party, or by which Seller, the Property or any of Seller's material assets may be bound; or (iii) violate any order, writ, injunction, decree, judgment, statute, law or ruling of any court or governmental authority applicable to Seller, the Property or any of Seller's material assets.

(f) Seller is not aware of any violations of any laws, ordinances, rules, regulations, zoning, or other legal requirements with respect to the Property except as have been disclosed to Purchaser.

(g) Neither this Agreement nor any Appendix nor any written statement furnished or to be furnished by Seller to Purchaser in connection with the transactions contemplated by this Agreement contains or will contain any untrue statement of material fact or omits or will omit any known material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading. Seller shall furnish to Purchaser copies of any notice, claim, or demand received by Seller during the pendency of this Agreement that would materially change any representation given by Seller herein.

(h) Seller shall not further encumber the Property or allow an encumbrance upon the title to the Property, or modify the terms or conditions of any existing leases, contracts or encumbrances, if any, without the written consent of Purchaser.

(i) Seller has not received written notice of any action, suit, arbitration, unsatisfied order or judgment, government investigation or proceeding pending against Seller which, if adversely determined, could individually or in the aggregate materially interfere with the consummation of the transaction contemplated by this Agreement.

(j) Seller is solvent, has not made a general assignment for the benefit of its creditors, and has not admitted in writing its inability to pay its debts as they become due, nor has Seller filed, nor does it contemplate the filing of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or any other proceeding for the relief of debtors in general, nor has any such proceeding been instituted by or against Seller, nor is any such proceeding to Seller's knowledge threatened or contemplated. The sale of the Property will not render Seller insolvent.

If, prior to the Closing, Purchaser discovers that any of the representations and warranties made by Seller in this Agreement were when made, or have subsequently become, materially false or misleading and Seller does not, as to any false or misleading statement, cause at Seller's expense a change in the underlying facts to make such statement no longer materially false or misleading, then Purchaser shall have the option to either (i) waive objection to such false or misleading statement and proceed to Closing; or (ii) cancel this Agreement thereafter neither party shall have any further obligations to the other hereunder (except with respect to obligations that are expressly to survive such termination).

6. <u>Warranties and Representations of Purchaser.</u> Purchaser makes the following representations and warranties as of the Effective Date and as of Closing.

(a) Purchaser is duly organized, validly existing and in good standing under the laws of the state of its organization. Purchaser is authorized or shall obtain authorization to transact business in the states in which the Property is located. Purchaser has full power and authority to enter into and perform this Agreement in accordance with its terms, and the persons executing this Agreement on behalf of Purchaser have been duly authorized to do so.

(b) Purchaser has not received written notice of any action, suit, arbitration, unsatisfied order or judgment, government investigation or proceeding pending against

Purchaser which, if adversely determined, could individually or in the aggregate materially interfere with the consummation of the transaction contemplated by this Agreement.

(c) Purchaser is solvent, has not made a general assignment for the benefit of its creditors, and has not admitted in writing its inability to pay its debts as they become due, nor has Purchaser filed, nor does it contemplate the filing of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or any other proceeding for the relief of debtors in general, nor has any such proceeding been instituted by or against Purchaser, nor is any such proceeding to Purchaser's knowledge threatened or contemplated. The purchase of the Property will not render Purchaser insolvent.

If, prior to the Closing, Seller discovers that any of the representations and warranties made by Purchaser in this Agreement were when made, or have subsequently become, materially false or misleading and Purchaser does not, as to any false or misleading statement, cause at Purchaser's expense a change in the underlying facts to make such statement no longer materially false or misleading, then Seller shall have the option to either (i) waive objection to such false or misleading statement and proceed to Closing; or (ii) cancel this Agreement and thereafter neither party shall have any further obligations to the other hereunder (except with respect to obligations that are expressly to survive such termination).

7. <u>Conditions to Obligations of Seller</u>

The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment as of the Closing Date of each of the following conditions:

(a) All warranties and representations of Purchaser contained in this Agreement shall, as of the Effective Date and the Closing Date, be true and correct, except for any such failure of warranties and representations to be true and correct that, individually or in the aggregate, would not be reasonably likely to result in a material adverse affect to Seller.

(b) Purchaser shall have performed and complied in all material respects with all covenants and agreements required by this Agreement to be performed or complied with by it on or prior to the Closing Date.

(c) There shall have been obtained by Seller an order from the FERC, in form and substance satisfactory to Seller, authorizing Seller to abandon the Property to be conveyed to Purchaser and to construct facilities and enter into all arrangements necessary to provide adequate natural gas service to Seller's existing customers who receive natural gas services that utilize the Property.

8. <u>Conditions to Obligations of Purchaser</u>

The obligations of Purchaser to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment as of the Closing Date of each of the following conditions:

(a) All warranties and representations of Seller contained in this Agreement shall, as of the Effective Date and the Closing Date, be true and correct, except for any such failure of warranties and representations to be true and correct that, individually or in the aggregate, would not be reasonably likely to result in a material adverse affect to Purchaser.

(b) Seller shall have performed and complied in all material respects with all covenants and agreements required by this Agreement to be performed or complied with by it on or prior to the Closing Date.

(c) No throughput and deficiency agreements between Purchaser and its prospective shippers shall have been terminated by either party to those agreements pursuant to the terms and conditions of those agreements.

(d) No joint tariff agreements between Purchaser and upstream pipelines shall have been terminated by either party to those agreements pursuant to the terms and conditions of those agreements.

9. Closing.

(a) The consummation of the purchase and sale of the Property (the "**Closing**") shall take place at the offices of Seller within 30 days following the date of written notice by Seller to Purchaser that Seller has completed its abandonment of the Pipeline and Related Facilities pursuant to FERC authorization and they are ready to be physically transferred and legally conveyed to Purchaser (the "**Closing Date**"), or such other date mutually agreed to by the Seller and Purchaser

(b) At the Closing, Seller, at its own cost and expense, shall deliver to Purchaser all documents and items as are contemplated to be delivered by Seller to Purchaser at the Closing pursuant to the other provisions of this Agreement.

(c) Upon Seller's delivery of the foregoing, Purchaser shall deliver to Seller the Consideration required under Section 3(a) of this Agreement (less any credits to which Purchaser is entitled pursuant to the terms hereof).

10. Prorations and Credits to be Made at Closing.

(a) All normal and customarily proratable items, including without limitation real estate taxes, assessments, utility bills, and insurance premiums, shall be prorated as of the Closing Date, Seller being charged and credited for all of the same up to such date and Purchaser being charged and credited for all of same on and after such date. If the actual amounts to be prorated are not known as of the Closing Date, the prorations shall be made on the basis of the best evidence then available, and thereafter, when actual figures are received, a cash settlement shall be made between Seller and Purchaser. All deposits shall be credited against the Consideration in lieu of assigning such deposits to Purchaser. The provisions of this Section shall survive the Closing.

(b) If Seller changes the use of the Property before Closing or if a denial of a special valuation on the Property claimed by Seller results in the assessment of additional taxes, penalties, or interest (assessments) for the periods before Closing, the assessments will be the obligations of the Seller. If this sale or Purchaser's use of the Property after Closing results in additional assessments for periods before Closing, the assessments will be the obligation of Purchaser. The provisions of this Section shall survive the Closing.

11. Indemnities. Seller hereby indemnifies Purchaser as owner of the Property against, and agrees to defend and hold Purchaser harmless from and against, any and all third party obligations, liabilities, claims, suits, debts, accounts, liens or encumbrances, and all costs and expenses, including reasonable attorneys' fees relating thereto, that Purchaser may suffer or incur and that result from the ownership or operation of the Property prior to the Closing. Purchaser hereby indemnifies Seller as owner of the Property against, and agrees to defend and hold Seller harmless from and against, any and all third party obligations, liabilities, claims, suits, debts, accounts, liens or encumbrances and all costs and expenses, including reasonable attorneys' fees relating thereto, that Seller may suffer or incur and that result from Purchaser's ownership or operation of the Property after the Closing. The provisions of this Section 11 shall survive the Closing for a period of three years.

12. Remedies.

(a) In the event the purchase and sale of the Property is not consummated after the expiration of the Contingency Period because of default by Purchaser (willful or otherwise), or a condition to Seller’s obligations has not been fulfilled, then Seller may, as its sole and exclusive remedy, terminate this Agreement.

(b) In the event the purchase and sale of the Property is not consummated because of default by Seller (willful or otherwise), or a condition to Purchaser’s obligations has not been fulfilled, then Purchaser may, in addition to all other remedies Purchaser may have at law or in equity, (i) terminate this Agreement, (ii) enforce specific performance of this Agreement, or (iii) pursue such other remedies as may be available to Purchaser at law or in equity.

(c) The provisions of this Section shall survive the Closing or termination of this Agreement.

13. Notices. All notices, requests or permissions required or permitted to be given to either Purchaser or Seller under the terms of this Agreement shall be sufficient if they are in writing and (a) mailed registered or certified mail, return receipt requested, (b) delivered in person, or (c) sent electronically by email or fax, as follows:

To Seller:	Kinder Morgan Interstate Gas Transmission LLC 370 Van Gordon Street Lakewood, CO 80228 Attention: General Counsel

To Purchaser: Kinder Morgan Pony Express Pipeline LLC
370 Van Gordon Street
Lakewood, CO 80228
Attention: General Counsel

Mailed notices shall be deemed delivered and effective five (5) days following the date when placed in the United States mail, certified or registered mail, return receipt requested, postage prepaid. All notices delivered by overnight courier, by telecopy or telefax, or in person shall be deemed delivered upon receipt at the above addresses.

14. Assignment. Purchaser shall have the right to assign or otherwise transfer its interest in this Agreement. In the event of any such assignment, such assignee shall assume in writing all of the obligations of Purchaser under this Agreement, and upon such assumption, Purchaser shall be deemed to be relieved of and released from all of its obligations and liabilities under this Agreement, whether then existing or thereafter arising.

15. Miscellaneous.

(a) This Agreement shall be construed and interpreted in accordance with the laws of the State of Colorado.

(b) Time is of the essence as to all matters contained in the Agreement.

(c) If the final day of any time period or limitation set out in any provision of this Agreement falls on a Saturday, Sunday or legal holiday recognized by the United States government or the State of Colorado, then and in such event the time of such period or limitation shall be extended to the next day which is not a Saturday, Sunday or such legal holiday.

(d) This Agreement may be executed in any number of counterparts, each of which, when executed and delivered, shall be an original, but such counterparts shall together constitute one and the same instrument.

(e) This Agreement may not be modified or amended except by a subsequent agreement in writing signed by both Seller and Purchaser. Purchaser and Seller may waive any of the conditions herein or any of the obligations of the other party hereunder, but any such waiver shall be effective only if in writing and signed by the party waiving such condition or obligation.

(f) This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors, legal representatives and assigns.

(g) This Agreement, including the appendices, schedules, and attachments attached thereto (all of which shall be deemed incorporated into this Agreement by reference), constitutes the entire agreement and understanding between the parties hereto and supersedes all prior and contemporaneous agreements and understandings of the parties in connection therewith. No statements, agreements or understandings, representations, warranties or conditions not expressed in this Agreement shall be binding upon the parties hereto, or shall be effective to interpret, change or restrict the provisions of this Agreement unless such is in writing signed by the party against whom enforcement thereof is sought.

(h) If any term, covenant, or condition of this Agreement or the application thereof to any person or circumstance is, to any extent, invalid, illegal, or unenforceable, the remainder of this Agreement, or the application of such term, covenant, or condition to parties or circumstances other than those to which it is held invalid, illegal, or unenforceable, is not affected thereby and each term, covenant, and condition of this Agreement remains valid and enforceable to the fullest extent permitted by law, but only if the essential terms and conditions of this Agreement for each party remain valid, binding, and enforceable.

(i) EACH PARTY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVES ITS RIGHT TO A TRIAL BY JURY TO THE EXTENT PERMITTED BY LAW IN ANY ACTION OR OTHER LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE TRANSACTIONS IT CONTEMPLATES. THIS WAIVER APPLIES TO ANY ACTION OR OTHER LEGAL PROCEEDING, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE. EACH PARTY ACKNOWLEDGES THAT IT HAS RECEIVED THE ADVICE OF COMPETENT COUNSEL.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, this instrument has been executed by the parties hereto as of the date set forth below, but effective as of the Effective Date.

SELLER:

KINDER MORGAN INTERSTATE GAS TRANSMISSION LLC

By: ______________________________
Name: ____________________________
Title: _____________________________

PURCHASER:

KINDER MORGAN PONY EXPRESS PIPELINE LLC

By: ______________________________
Name: ____________________________
Title: _____________________________

APPENDIX A

ASSIGNMENT, CONVEYANCE AND BILL OF SALE

THIS ASSIGNMENT, CONVEYANCE AND BILL OF SALE (this "Assignment") is executed on this ______________, 2012, but is made effective for all purposes as of _______AM Mountain Time on ____________, 2012 (the "Effective Time") by and among KINDER MORGAN INTERSTATE GAS TRANSMISSION LLC, a Colorado limited liability company with an address of 370 Van Gordon Street, Lakewood, Colorado 80228, ("ASSIGNOR") and KINDER MORGAN PONY EXPRESS PIPELINE LLC, a Delaware limited liability company with an address of 370 Van Gordon Street, Lakewood, Colorado 80228 ("ASSIGNEE").

1. NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and confessed, ASSIGNOR hereby conveys, delivers, assigns, and transfers to ASSIGNEE, effective as of the Effective Time, regardless of the date of execution, all of ASSIGNOR's right, title and interest in and to, together with all privileges appurtenant thereto, including, but not limited to, all fixtures, pipelines and improvements located thereon, the assets listed and more particularly described on Exhibit “A” attached hereto and made a part hereof (the "Subject Assets").

TO HAVE AND TO HOLD the Subject Assets unto ASSIGNEE, its successors and assigns forever.

2. Subject to and in accordance with the terms and conditions of this Assignment, ASSIGNEE hereby assumes all of the liabilities of Assignor under the Subject Assets.

3. ASSIGNEE acknowledges that in accepting this Assignment, ASSIGNEE has relied solely on the terms and conditions and representations, warranties, and covenants contained in this Assignment.

4. If there are prohibitions against or conditions to the conveyance of one or more portions of the Subject Assets without the prior written consent of third parties (other than consents of a ministerial nature which are normally granted in the ordinary course of business) that, if not satisfied, would result in a breach thereof by Assignor or would give a third party the right to terminate Assignor’s or Assignee’s rights with respect to such Subject Assets (any such prohibition or condition being herein called a "Restriction"), then notwithstanding anything herein to the contrary, the transfer of title to, or interest in, such portion of the Subject Assets through this Assignment shall not become effective unless and until such Restriction is satisfied or waived by the parties hereto, or becomes otherwise inoperable or unenforceable. When and if such Restriction is so satisfied, waived or removed, the assignment of such portion of the Subject Assets as may be subject thereto shall become effective automatically as of the date of this Assignment, without further action on the part of Assignor or Assignee, respectively. Until such Restriction can be satisfied or waived, or becomes otherwise inoperable or unenforceable, Assignor shall, as of and from the Effective Date (a) hold such Subject Assets in trust for Assignee and (i) perform the covenants and obligations thereunder in Assignor's name and all benefits and obligations existing

thereunder shall be for Assignee's account (subject to an agreement between Assignor and Assignee regarding the allocation of costs related thereto), or (ii) to the extent permitted by the terms of the agreements underlying such Subject Assets, authorize Assignee to perform obligations and receive all the benefits of Assignor under such Subject Assets, or (b) enter into such other mutually agreeable arrangements with Assignee and/or the appropriate third party that would otherwise allow Assignee to receive all benefits of Assignor under the Subject Assets.

5. Assignor does hereby covenant and agree to indemnify, defend and hold Assignee harmless from and against any and all costs, expenses (including, without limitation, reasonable attorneys' fees, related legal expenses and costs of court), losses, liabilities and damages which Assignee may suffer by reason of any claim or cause of action accruing prior to the Effective Time and directly or indirectly arising out of the ownership and/or operation of the Subject Assets.

6. This Assignment shall be binding upon and inure to the benefit of the respective designees, successors and permitted assigns of the ASSIGNOR and ASSIGNEE, and may be executed in a number of identical counterparts, each of which for all purposes is to be deemed as original, and all of which constitute, collectively, one instrument.

7. This Assignment, Conveyance and Bill of Sale shall be governed by and construed in accordance with the laws of the state in which the Subject Assets are located.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be duly executed on date first set forth above but is hereby made effective for all purposes as of the Effective Time.

ASSIGNOR:

KINDER MORGAN INTERSTATE GAS TRANSMISSION LLC

By: ______________________________
Name:
Its:

ASSIGNEE:

KINDER MORGAN PONY EXPRESS PIPELINE LLC

By: ______________________________
Name:
Its:

THE STATE OF _____________ §
§
COUNTY OF _____________ §

BEFORE ME, the undersigned authority, on this ____ day of ________, 2012 appeared ____________________, the _______________ of Kinder Morgan Interstate Gas Transmission LLC, a Colorado limited liability company, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated and as the act and deed of the limited liability company.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the ___ day of ________, 2012.

____
Notary Public in and for the
State of ____________________
Name: ___________________________________
My Commission Expires: ___________________

THE STATE OF _____________ §
§
COUNTY OF ________________ §

BEFORE ME, the undersigned authority, on this ____ day of ___________, 2012 appeared _____________________, the ______________ of Kinder Morgan Pony Express Pipeline LLC, a Delaware limited liability company, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated and as the act and deed of the limited liability company.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the ____ day of _________, 2012.

____
Notary Public in and for the
State of ____________________
Name: ___________________________________
My Commission Expires: ___________________

GENERAL CONVEYANCE, ASSIGNMENT, AND BILL OF SALE

EXHIBIT A

Subject Assets

APPENDIX B

SPECIAL WARRANTY DEED

KINDER MORGAN INTERSTATE GAS TRANSMISSION LLC, a Colorado limited liability company, with an address of 370 Van Gordon Street, Lakewood, Colorado 80228 (“GRANTOR”), County of Jefferson and State of Colorado, for and in consideration of Five Dollars ($5.00) and other good and valuable consideration, in hand paid, hereby sells and conveys to KINDER MORGAN PONY EXPRESS PIPELINE LLC, a Delaware limited liability company (“GRANTEE”), whose legal address is 370 Van Gordon, Lakewood, Colorado 80228 of the County of Jefferson and State of Colorado, the parcels of real estate situated in ________County, State of ___________, more
rights and appurtenances pertaining to the Properties:

This conveyance is subject to all matters recorded in the real property records of __________County, State of ___________ and all matters that would be revealed by a current, on the ground survey of the Properties.

Grantor warrants the title against all persons claiming by, through or under the Grantor but not otherwise.

Signed this _________ day of _____________, 2012.

GRANTOR: KINDER MORGAN INTERSTATE
GAS TRANSMISSION LLC

By: ______________________________

STATE OF COLORADO)
) ss.
COUNTY OF JEFFERSON)

The foregoing instrument was acknowledged before me this _______ day of _________ 2012, by ____________________ of Kinder Morgan Interstate Gas Transmission LLC, a Colorado limited liability company.

Witness my hand and official seal.

____

____
My commission expires: ___________
Notary Public

Firm Transportation Agreement

Contract No. 946513

TRAILBLAZER PIPELINE COMPANY LLC (TRAILBLAZER)
TRANSPORTATION RATE SCHEDULE FTS
AGREEMENT DATED August 3, 2012
UNDER SUBPART G OF PART 284
OF THE FERC'S REGULATIONS

1. SHIPPER is: KINDER MORGAN INTERSTATE GAS TRANSMISSION LLC.

2. MDQ totals: 105500

3. TERM: The primary term of this Agreement shall commence on the date that Shipper notifies Transporter that Shipper has completed the abandonment of natural gas service on its Pony Express line and the construction of new facilities after receiving all required federal and state agency approvals, including NGA Section 7(b) and 7(c) authorization from the Federal Energy Regulatory Commission, and shall continue for a period of one year (1) year thereafter.

   Shipper shall provide Transporter with at least ten (10) days advance notice of the anticipated effective date of the FTS Agreement.

4. Service will be ON BEHALF OF:

   __X__ Shipper or
   ____ Other: ____________, a __________

5. The ULTIMATE END USERS are (check one):

   ____ customer of the following LDC/pipeline company(ies):________________;
   ____ customers in these states:________________________;
   or
   ____ customers within any state in the continental U.S.

6. ____ This Agreement supersedes and cancels a __________ Agreement dated __________
   ____ Capacity rights for this Agreement were released from ________________
   ____ Service and reservation charges commence the later of:
   __x__ The date capacity to provide the service hereunder is available on Trailblazer's System.
   __X__ Other: This is Expansion System Capacity.

7. SHIPPER'S ADDRESSES

KINDER MORGAN INTERSTATE GAS TRANSMISSION LLC
ATTN: CRYSTAL HETER
370 VAN GORDON
LAKEWOOD, CO 80228-8304

TRAILBLAZER'S ADDRESSES

TRAILBLAZER PIPELINE COMPANY LLC
ATTENTION: ACCOUNT SERVICES
ONE ALLEN CENTER, SUITE 1000
500 DALLAS ST.
HOUSTON, TEXAS 77002

Payments:
KMIGT-Trailblazer-TransColorado
DEPT 3040
P. O. BOX 201607
DALLAS, TX 75320-1607

FOR WIRE TRANSFER:
KMIGT-Trailblazer-TransColorado
WELLS FARGO BANK
ABA 121 000 248
ACCOUNT # 412 112 9266

8. Any or all of the following provisions may be included (where applicable) in maximum rate agreements or in negotiated rate or discount contracts, if any:

   a. (DISCOUNTED RATE AGREEMENTS ONLY) Applicable Maximum and Minimum Rates. Notwithstanding any other provision of this Agreement, in no event shall a discounted rate billed by Trailblazer be less than the applicable minimum rate or more than the applicable maximum rate set forth in Trailblazer's FERC Gas Tariff, as may be revised from time to time.

TRAILBLAZER PIPELINE COMPANY LLC (TRAILBLAZER)
TRANSPORTATION RATE SCHEDULE FTS
AGREEMENT DATED August 3, 2012
UNDER SUBPART G OF PART 284
OF THE FERC'S REGULATIONS

b. (NEGOTIATED RATE AGREEMENTS ONLY) Maximum and Minimum Tariff Rates. Unless otherwise expressly provided in this Agreement, the negotiated rates shall apply to service provided by Trailblazer to Shipper for the term of the Agreement notwithstanding any otherwise applicable maximum or minimum rates set forth in Trailblazer's FERC Gas Tariff as revised from time to time.

c. (DISCOUNTED RATE AGREEMENTS ONLY) Refunds. In no event shall Trailblazer be required to refund to Shipper any amounts collected for service to which the discounted rate(s) apply, unless the relevant discounted rate billed to Shipper exceeds the corresponding applicable effective maximum rates set forth in Trailblazer's FERC Gas Tariff, as approved by the FERC from time to time.

d. (NEGOTIATED RATE AGREEMENTS ONLY) Refunds. In no event shall Trailblazer be required to refund to Shipper any amounts collected for service to which the negotiated rates apply, notwithstanding any otherwise applicable maximum or minimum rate set forth in Trailblazer's FERC Gas Tariff, as may be revised from time to time.

e. Notifications. Except as otherwise may be expressly provided herein, any notice or communication contemplated or required by this Agreement shall be in writing unless oral notification is expressly authorized herein, and shall be sent to the appropriate party at the relevant address set forth in this Agreement, as may be revised from time to time.

f. Nonwaiver of Rights. No delay or failure to exercise any right or remedy accruing to either Trailblazer or Shipper upon breach or default by the other will impair any right or remedy or be construed to be a waiver of any such breach or default, nor will a waiver of any single breach be deemed a waiver of any other breach or default.

g. Succession and Assignment. Any entity which shall succeed by purchase, merger or consolidation to title to the properties, substantially as an entirety, of Trailblazer or Shipper as the case may be, shall be entitled to the rights and shall be subject to the obligations of its predecessor in title under this Agreement. No other assignment of this Agreement nor of any of the individual rights or obligations hereunder by Shipper shall be effective as to Trailblazer without the prior express written consent of Trailblazer.

h. No Third Party Beneficiaries. This Agreement shall not create any rights in any third parties, and no provision of this Agreement shall be construed as creating any obligations for the benefit of, or rights in favor of, any person or entity other than Trailblazer or Shipper.

i. Conformance to Law. It is understood that performance hereunder shall be subject to all valid laws, orders, rules and regulations of duly constituted governmental authorities having jurisdiction or control of the matters related hereto, including without limitation the Federal Energy Regulatory Commission.

j. Effect of Tariff. This Agreement shall at all times be subject to all applicable provisions of Trailblazer's FERC Gas Tariff.

k. GOVERNING LAW. THE CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT OF THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF TEXAS, EXCLUDING ANY CONFLICT OF LAW RULE WHICH WOULD REFER ANY MATTER TO THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF TEXAS.

Contract No. 946513

TRAILBLAZER PIPELINE COMPANY LLC (TRAILBLAZER)
TRANSPORTATION RATE SCHEDULE FTS
AGREEMENT DATED August 3, 2012
UNDER SUBPART G OF PART 284
OF THE FERC'S REGULATIONS

l. Entire Agreement. This Agreement contains the entire agreement between Trailblazer and Shipper with respect to the subject matter hereof, and supersedes any and all prior understandings and agreements, whether oral or written, concerning the subject matter hereof, and any and all such prior understandings and agreements are hereby deemed to be void and of no effect. No amendments to or modifications of this Agreement shall be effective unless agreed upon in a written instrument executed by Trailblazer and Shipper which expressly refers to this Agreement.

9. The above-stated Rate Schedule, as revised from time to time, controls this Agreement and is incorporated herein. The attached Exhibits A, B and C (if applicable) are a part of this Agreement. Shipper shall provide the actual end user purchaser name(s) to Trailblazer if Trailblazer must provide them to the FERC.

Agreed to by:

RMH TRAILBLAZER PIPELINE COMPANY LLC
TRAILBLAZER

/s/: RM Holstlaw

NAME: Randy M. Holstlaw

TITLE: Vice President, Commercial Operations
Randy M. Holstlaw
Vice President

KINDER MORGAN INTERSTATE GAS TRANSMISSION LLC
SHIPPER

/s/: R.F. Harrington

NAME: R.F. HARRINGTON

TITLE: V.P., REGULATORY

EXHIBIT A
DATED August 3, 2012
EFFECTIVE

Shipper: KINDER MORGAN INTERSTATE GAS TRANSMISSION LLC

Contract No.: 946513

Receipt Point(s):

	Name / Location	County / Area	State	PIN No.	MDQ (Dth)
PRIMARY RECEIPT POINT(S):					
1.	WIC/TPC DULL KNIFE WELD	WELD	CO	5001	105500

SECONDARY RECEIPT POINT(S):

Shippers under Rate Schedule FTS shall have the right to use all Receipt Points on Trailblazer's system as Secondary Receipt Points. The MDQ at any secondary point shall be equal to the aggregate MDQ.

Receipt Pressure, Assumed Atmospheric Pressure

Natural gas to be delivered to Trailblazer at the Receipt Point(s) shall be at a delivery pressure sufficient to enter Trailblazer's pipeline facilities at the pressure maintained from time to time, but Shipper shall not deliver gas at a pressure in excess of the Maximum Allowable Operating Pressure (MAOP) stated for each Receipt Point in Trailblazer's Catalog of Points. The measuring party shall use or cause to be used an assumed atmospheric pressure corresponding to the elevation at such Receipt Point(s).

Rates

Except as provided to the contrary in any written agreement(s) between the parties in effect during the term hereof, Shipper shall pay Trailblazer the applicable maximum rate(s) and all other lawful charges as specified in Trailblazer's applicable rate schedule. Shipper and Trailblazer may agree that Shipper shall pay a rate other than the applicable maximum rate so long as such rate is between the applicable maximum and minimum rates specified for such service in the Tariff. Trailblazer and Shipper may agree that a specific discounted rate will apply only to certain volumes under the agreement. The parties may agree that a specified discounted rate will apply only to specified volumes (MDQ or commodity volumes) under the agreement; that a specified discounted rate will apply only if specified volumes are achieved or only if the volumes do not exceed a specified level; that a specified discounted rate will apply only during specified periods of the year or for a specifically defined period; that a discounted rate shall not apply to Access Requests received after a specified time in the nomination cycle; that a specified discounted rate will apply only to specified points or other defined geographical area(s); and/or that a specified discounted rate(s) will apply in a specified relationship to the volumes actually transported (i.e., that the reservation charge will be adjusted in a specified relationship to volumes actually transported). Notwithstanding the foregoing, no discount agreement may provide that an agreed discount as to a certain volume level will be invalidated if the Shipper transports an incremental volume above that agreed level. In addition, the discount agreement may include a provision that if one rate component which was at or below the applicable maximum rate at the time the discount agreement was executed subsequently exceeds the applicable maximum rate due to a change in Trailblazer's maximum rates so that such rate component must be adjusted downward to equal the new applicable maximum rate, then other rate components may be adjusted upward to achieve the agreed overall rate, so long as none of the resulting rate components exceed the maximum rate applicable to that rate component. Such changes to rate components shall be applied prospectively, commencing with the date a Commission order accepts revised tariff sheets. However, nothing contained herein shall be construed to alter a refund obligation under applicable law for any period during which rates which had been charged under a discount agreement exceeded rates which ultimately are found to be just and reasonable. If the parties agree upon a rate other than the applicable maximum rate, such written Agreement(s) shall specify that the parties mutually agree either: (1) that the agreed rate is a discount rate; or (2) that the agreed rate is a Negotiated Rate (or Negotiated Rate Formula). In the event that the parties agree upon a Negotiated Rate or Negotiated Rate Formula, this Agreement shall be subject to Section 38 of these General Terms and Conditions of Trailblazer's Tariff.

Fuel Gas and Unaccounted For Gas Percentage (%)

Shipper will be assessed the applicable percentage for Fuel Gas and Unaccounted For Gas unless Trailblazer and Shipper mutually agree on monetary reimbursement.

EXHIBIT B
DATED August 3, 2012
EFFECTIVE

Shipper: KINDER MORGAN INTERSTATE GAS TRANSMISSION LLC
Contract No.: 946513

Delivery Point(s):

	Name / Location	County / Area	State	PIN No.	MDQ (Dth)
PRIMARY DELIVERY POINT(S):					
1.	TPC/NGPL GAGE	GAGE	NE	902900	105500

SECONDARY DELIVERY POINT(S):

Shippers under Rate Schedule FTS shall have the right to use all Delivery Points on Trailblazer's system as Secondary Delivery Points. The MDQ at any secondary point shall be equal to the aggregate MDQ.

Delivery Pressure, Assumed Atmospheric Pressure

Natural gas to be delivered by Trailblazer to Shipper, or for Shipper's account, at the Delivery Point(s) shall be at the pressures available in Trailblazer's pipeline facilities from time to time. The measuring party shall use or cause to be used an assumed atmospheric pressure corresponding to the elevation at such Delivery Point(s).

Kinder Morgan Interstate Gas Transmission LLC

Exhibit W

Impact on Customers Whose Service will be Terminated

Bledsoe Receipt Meter (PIN 41918)

For the Period of June 1, 2011 to June 1, 2012

Shipper Name	K type	K #	Primary Rights as of June 1, 2012	Nom'd MMBTU	Conf'd MMBTU	Allocated MMBTU
SEMINOLE ENERGY SVCS.	FTS	557020	no	492,548	492,445	492,445
SEMINOLE ENERGY SVCS.	NNS	557021	no	264,266	264,266	264,266
SEMINOLE ENERGY SVCS.	FTS	553143	no	207,659	207,659	207,659
SEMINOLE ENERGY SVCS.	FTS	554861	no	162,764	162,764	162,764
SEMINOLE ENERGY SVCS.	FTS	558037	no	37,312	37,312	37,312
SEMINOLE ENERGY SVCS.	FTS	557482	no	23,846	23,846	23,846
SEMINOLE ENERGY SVCS.	FTS	557134	no	21,235	21,235	21,235
SEMINOLE ENERGY SVCS.	FTS	557268	no	18,324	18,324	18,324
SEMINOLE ENERGY SVCS.	FTS	557087	no	9,639	9,639	9,639
SEMINOLE ENERGY SVCS.	FTS	556898	no	7,434	7,434	7,434
SEMINOLE ENERGY SVCS.	FTS	557511	no	6,195	6,195	6,195
SEMINOLE ENERGY SVCS.	FTS	557748	no	4,902	4,902	4,902
SEMINOLE ENERGY SVCS.	FTS	556511	no	3,086	3,086	3,086
SEMINOLE ENERGY SVCS.	FTS	568121	no	3,000	3,000	3,000
SEMINOLE ENERGY SVCS.	FTS	557794	no	1,538	1,538	1,538
				1,263,748	1,263,645	1,263,645

Nobel Energy Receipt Meter (PIN 42690)

For the Period of June 1, 2011 to June 1, 2012

Shipper Name	K type	K #	Primary Rights as of June 1, 2012	Nom'd MMBTU	Conf'd MMBTU	Allocated MMBTU
MISSOURI GAS ENERGY	FTS	569	No	344,593	344593	344,593
CONCORD ENERGY LLC	FTS	556322	No	216,117	214720	214,720
CONCORD ENERGY LLC	FTS	557990	No	98,050	98050	98,050
MIDWEST ENERGY, INC.	FTS	550902	No	1,000	1000	1,000
				659,760	658,363	658,363

Exhibit W

NGPL Lincoln Interconnect Delivery Meters (PIN 999728)
For the Period of June 1, 2011 to June 1, 2012

Shipper Name	K type	K #	Primary Rights as of June 1, 2012	Nom'd MMBTU	Conf'd MMBTU	Allocated MMBTU
MIECO, INC.	FTS	556812	no	6,982,686	6818584	6,818,584
ANADARKO ENERGY SVC.	FTS	552381	no	5,645,869	5644901	5,644,901
CHEVRON USA INC.	FTS	555220	no	2,083,541	2009343	2,009,343
CIMA ENERGY, LTD.	FTS	556842	no	421,737	400048	400,048
MIECO, INC.	FTS	556764	no	325,534	325390	325,390
ONEOK ENERGY SERVICES CO.	FTS	558077	no	278,478	278478	278,478
BP ENERGY COMPANY	FTS	555344	no	259,972	255089	255,089
SEMINOLE ENERGY SVCS.	FTS	557020	no	250,503	250499	250,499
SOURCEGAS ENERGY SERVICES	FTS	557019	no	172,780	172675	172,675
SEMINOLE ENERGY SVCS.	FTS	556511	no	156,046	156046	156,046
MIECO, INC.	FTS	557130	no	151,882	151882	151,882
MIECO, INC.	FTS	557097	no	151,218	151218	151,218
ONEOK ENERGY SERVICES CO.	FTS	557337	no	143,540	143540	143,540
ONEOK ENERGY SERVICES CO.	FTS	29073	no	132,583	132582	132,582
MIECO, INC.	FTS	557248	no	125,000	125000	125,000
ONEOK ENERGY SERVICES CO.	FTS	558024	no	118,640	118640	118,640
ONEOK ENERGY SERVICES CO.	FTS	557009	no	110,770	110770	110,770
ONEOK ENERGY SERVICES CO.	FTS	557252	no	107,792	107792	107,792
SEMINOLE ENERGY SVCS.	FTS	553143	no	93,501	93500	93,500
TENASKA MKTG. VENTURES	FTS	556813	no	93,082	92279	92,279
TRADEMARK MERCHANT	FTS	557269	no	85,000	84999	84,999
TRADEMARK MERCHANT	FTS	558003	no	77,810	77807	77,807
ONEOK ENERGY SERVICES CO.	FTS	557394	no	77,340	77340	77,340
ONEOK ENERGY SERVICES CO.	FTS	557133	no	65,073	65073	65,073
MIECO, INC.	FTS	557226	no	64,881	64881	64,881
ONEOK ENERGY SERVICES CO.	FTS	557071	no	59,930	59930	59,930

Exhibit W

NGPL Lincoln Interconnect Delivery Meters (PIN 999728)
For the Period of June 1, 2011 to June 1, 2012

Shipper Name	K type	K #	Primary Rights as of June 1, 2012	Nom'd MMBTU	Conf'd MMBTU	Allocated MMBTU
MIECO, INC.	FTS	556962	no	54,634	54633	54,633
ONEOK ENERGY SERVICES CO.	FTS	556805	no	46,162	46162	46,162
CIMA ENERGY, LTD.	FTS	558038	no	44,629	44629	44,629
MIECO, INC.	FTS	557267	no	39,160	39160	39,160
SEMINOLE ENERGY SVCS.	NNS	557021	no	33,697	33697	33,697
CONCORD ENERGY LLC	FTS	557990	no	32,900	32900	32,900
MIECO, INC.	FTS	557253	no	30,000	30000	30,000
DCP MIDSTREAM MARKETING	FTS	558071	no	28,600	28585	28,585
TRADEMARK MERCHANT	FTS	557225	no	29,880	25540	25,540
ONEOK ENERGY SERVICES CO.	FTS	557979	no	23,562	23562	23,562
TRADEMARK MERCHANT	FTS	557182	no	23,208	23208	23,208
SEMINOLE ENERGY SVCS.	FTS	557748	no	22,361	22361	22,361
CIMA ENERGY, LTD.	FTS	557056	no	22,000	22000	22,000
CIMA ENERGY, LTD.	FTS	557251	no	17,882	17882	17,882
CHEVRON USA INC.	FTS	568111	no	17,277	17067	17,067
CIMA ENERGY, LTD.	FTS	557200	no	14,322	14313	14,313
ENSERCO ENERGY LLC	FTS	557254	no	14,000	13999	13,999
MIECO, INC.	FTS	557004	no	13,940	13940	13,940
ONEOK ENERGY SERVICES CO.	FTS	568142	no	13,560	13560	13,560
ONEOK ENERGY SERVICES CO.	FTS	557699	no	12,518	12518	12,518
SEMINOLE ENERGY SVCS.	FTS	557482	no	12,475	12475	12,475
CIMA ENERGY, LTD.	FTS	557183	no	11,825	11824	11,824
CIMA ENERGY, LTD.	FTS	555064	no	12,760	11646	11,646
SEMINOLE ENERGY SVCS.	FTS	557087	no	10,744	10744	10,744
SEMINOLE ENERGY SVCS.	FTS	558037	no	10,319	10319	10,319
MACQUARIE ENERGY	FTS	557244	no	10,398	10123	10,123

NGPL Lincoln Interconnect Delivery Meters (PIN 999728)
For the Period of June 1, 2011 to June 1, 2012

Shipper Name	K type	K #	Primary Rights as of June 1, 2012	Nom'd MMBTU	Conf'd MMBTU	Allocated MMBTU
ONEOK ENERGY SERVICES CO.	FTS	557403	no	9,934	9934	9,934
ONEOK ENERGY SERVICES CO.	FTS	557336	no	9,793	9787	9,787
MIECO, INC.	FTS	557242	no	10,000	9736	9,736
TRADEMARK MERCHANT	FTS	557180	no	9,670	9670	9,670
CIMA ENERGY, LTD.	FTS	557379	no	10,831	9629	9,629
TENASKA MKTG. VENTURES	FTS	557139	no	9,407	9407	9,407
SEMINOLE ENERGY SVCS.	FTS	554861	no	8,339	8339	8,339
CIMA ENERGY, LTD.	FTS	557081	no	6,357	6357	6,357
ENSERCO ENERGY LLC	FTS	557138	no	5,000	5000	5,000
CIMA ENERGY, LTD.	FTS	557375	no	5,000	5000	5,000
CIMA ENERGY, LTD.	FTS	557411	no	4,901	4901	4,901
ENBRIDGE MARKETING (U.S.) L.P.	FTS	557575	no	4,858	4857	4,857
CIMA ENERGY, LTD.	FTS	557184	no	5,000	4835	4,835
TENASKA MKTG. VENTURES	FTS	552909	no	4,456	4456	4,456
CIMA ENERGY, LTD.	FTS	553444	no	4,123	4038	4,038
TENASKA MKTG. VENTURES	FTS	553249	yes (2,250/day)	3,991	3991	3,991
ENSERCO ENERGY LLC	FTS	557240	no	3,101	2837	2,837
MIDWEST ENERGY, INC.	FTS	550902	no	2,300	2300	2,300
CIMA ENERGY, LTD.	FTS	557466	no	2,001	2001	2,001
TENASKA MKTG. VENTURES	FTS	557991	no	2,000	1997	1,997
CIMA ENERGY, LTD.	FTS	557077	no	1,912	1912	1,912
MIECO, INC.	FTS	557078	no	1,305	1305	1,305
ONEOK ENERGY SERVICES CO.	FTS	557137	no	1,106	1106	1,106
SEMINOLE ENERGY SVCS.	FTS	557794	no	1,053	1053	1,053
SEMINOLE ENERGY SVCS.	FTS	557134	no	967	967	967
CIMA ENERGY, LTD.	FTS	557421	no	643	643	643

NGPL Lincoln Interconnect Delivery Meters (PIN 999728)
For the Period of June 1, 2011 to June 1, 2012

Shipper Name	K type	K #	Primary Rights as of June 1, 2012	Nom'd MMBTU	Conf'd MMBTU	Allocated MMBTU
MIECO, INC.	FTS	557395	no	571	571	571
SEMINOLE ENERGY SVCS.	FTS	557936	no	200	200	200
ONEOK ENERGY SERVICES CO.	FTS	557266	no	36	36	36
				18,966,856	18,691,998	18,691,998

Kinder Morgan Interstate Gas Transmission LLC

Exhibit Y

Accounting Treatment of Abandonment

Kinder Morgan Interstate Gas Transmission LLC

Exhibit Y

Accounting Treatment of Facilities to be Abandoned East of Guernsey on Pony Express Pipeline 1/

1. Original Cost of Facilities Abandoned

36511 – Land	$ 573
36512 – Land Rights	$ 4,500
36521 – ROW	$ 932,180
36610 - Compressor Station Structures	$ 20,495
36620 – Measurement Station Structures	$ 31,505
36630 – Other Structures	$ 150,415
36700 – Pipe	$ 84,674,953
36800 - Compressor Station Equipment	$ 44, 644,770
36901 – Measurement Equipment	$ 6,969,164
37102 – Dehydration Equipment	$ 589,527
39001 – Structures	$ 21,674
39103 – Computer Equipment	$ 13,847
39400 – Tools	$ 33,790
39700 - Communication Equipment	$ 10,356
Total	$138,097,749

2. Proposed Accounting Entries

<u>To Record Retirement of Plant</u>	<u>Debit</u>	<u>Credit</u>
102 – Gas Plant Sold	$138,097,749	
101 – Gas Plant in Service		$138,097,749
108 – Accumulated Depreciation	$ 47,758,850	
102 – Gas Plant Sold		$ 47,758,850

1/ The accounting treatment reflect costs on KMIGT's books as of May 31, 2012.

To Record Cost of Retiring	Debit	Credit
108.1 – Retirement Work in Progress		$ 8,402,300
102 – Gas Plant Sold	$ 8,402,300	

3. Accumulated Deferred Income Taxes

The accumulated deferred income taxes attributable to the facilities to be abandoned east of Guernsey on the Pony Express Pipeline are estimated to be $28,678,266 for federal taxes and $3,162,503 for state taxes.

Kinder Morgan Interstate Gas Transmission LLC

Exhibit Z-1

Customers Receiving Service on the Pony Express Pipeline

Kinder Morgan Interstate Gas Transmission LLC

Exhibit Z-1

Customers Served On the Pony Express Pipeline

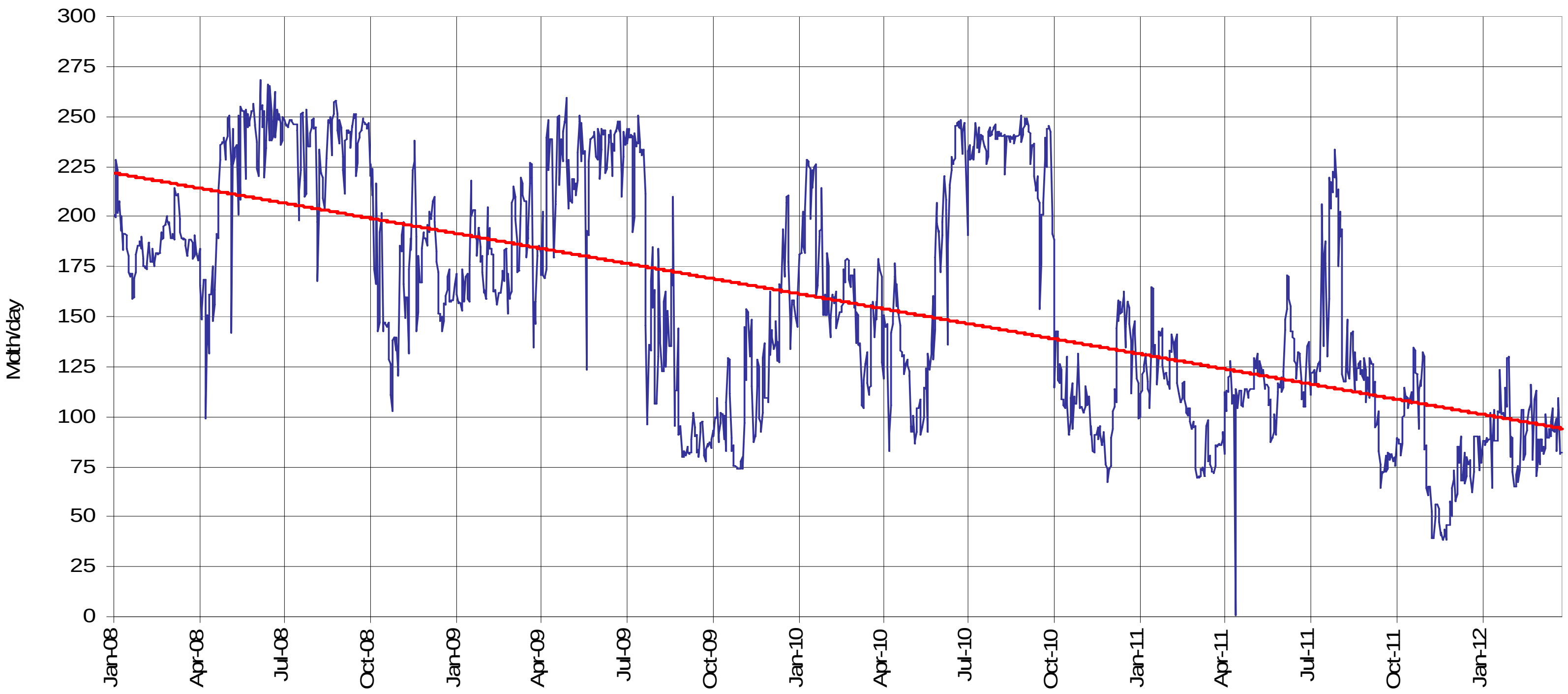
(as of July 31, 2012)

	Contract	Customer GID	MDQ	Term Yr	Receipt	Delivery	Rate	Revenue
1	2140	3955	5,000	2012	NE Colo	PEPL Miami	$ 12.10	$ 726,234
2	555914	5121	1,300	2012	Lost Cabin	Seg 260/Cambridge	$ 17.34	$ 270,499
3	551324	4404	1,250	2012	NE Colo	Seg 770	$ 6.90	$ 103,545
		Subtotal	7,550	4.4%				
4	550902	19252	8,250	2013	Glenrock	Various KS pts	$ 15.39	$ 1,523,927
5	551523	4465	6,000	2013	FUGG	Abengoa	$ 17.34	$ 1,248,458
6	550303	8664	2,500	2013	NE Colo	PEPL Grant	$ 6.90	$ 207,090
7	554220	4921	2,500	2013	NE Colo	PEPL Grant	$ 6.90	$ 207,090
8	553143	2173	1,056	2013	Lost Cabin	PEPL Grant	$ 12.14	$ 153,823
9	553571	4587	1,000	2013	Glenrock	PEPL Miami	$ 17.34	$ 208,076
		Subtotal	21,306	12.4%				
10	551577	4491	3,400	2014	West End	Seg 365	$ 15.39	$ 628,043
		Subtotal	3,400	2.0%				
11	552972	20536	10,000	2015	Rockport	KC	$ 11.40	$ 1,367,580
12	29012	26349	2,500	2015	Rockport	Sterling PSCo	$ 6.90	$ 207,090
13	555220	15034	8,960	2015	Arminto	PEPL Miami	$ 12.17	$ 1,308,164
14	551323	4404	1,500	2015	Glenrock	Pony KSGS Dickinson	$ 17.34	$ 312,115
15	555941	5121	1,500	2015	Glenrock	Seg 260/Cambridge	$ 17.34	$ 312,115
16	550443	4046	1,600	2015	West End	Seg 773	$ 17.34	$ 332,922
	550443	4046	900	2015	Central	Seg 773	$ 6.65	$ 71,836
		Subtotal	26,960	15.7%				
17	569	1918	60,000	2017	Rockport	KC	$ 10.08	$ 7,259,832
18	570	1918	50,000	2017	PEPL Miami	KC	$ 5.00	$ 3,000,000
		Subtotal	110,000	64.2%				
19	553249	19129	2,250	2019	Wind River	NGPL/Lincoln	$ 17.34	$ 468,172
		Subtotal	2,250	1.3%				
		Grand Total	171,466	100%				$ 19,916,610

Kinder Morgan Interstate Gas Transmission LLC

Exhibt Z-1

Diagram of Throughput Through Pony Express Pipeline
From January 2008 to January 2012



Kinder Morgan Interstate Gas Transmission LLC

Exhibit Z-2

Cost of Service Impact

KINDER MORGAN INTERSTATE GAS TRANSMISSION LLC

Estimated Cost and Revenue Impact

Cost of Service Reduction Associated with Abandoned Plant

The abandonment-by-sale of the proposed facilities will reduce the overall cost of service underlying Kinder Morgan Interstate Gas Transmission LLC's (KMIGT) currently effective rates by approximately $15 million annually. Pages 4 through 9 of Exhibit Z-2 detail the derivation of the estimated cost of service associated with the abandoned plant. In developing the cost of service, KMIGT has utilized a pro forma capital structure and rate of return[1]. KMIGT has used its last approved 2.5% transmission depreciation rate underlying currently effective rates. Operation and maintenance expenses were determined from direct labor and materials reported on cost center reports associated with the facilities proposed to be abandoned in the past twelve months. Ad Valorem taxes were determined by applying the effective assessment ratios and tax rates for each state to the facilities associated with the abandonment.

Rates Are Not Impacted By Costs To Maintain Service Under Cost Reimbursement Provisions of the PSA between KMPXP and KMIGT

The estimated cost of service reduction on the abandonment plant does not include the incremental cost of replacement facilities or Account 858 transportation services, which are proposed to be reimbursed by KMPXP to KMIGT as an element of the Purchase & Sale Agreement ("PSA") and as provided for

[1] KMIGT is among those assets being divested by Kinder Morgan Energy Partners, LP as of the date of this filing pursuant to an FTC consent agreement entered into around the acquisition of El Paso's western pipeline assets. The new buyer of KMIGT is not known at this time and a pro forma capital structure is assumed.

recovery in oil rates by the Declaratory Order in Docket _______. KMIGT will separately record and track the Account 858 transportation costs associated with maintaining service to affected customers as shown on Exhibit Z-2, Page 12. The reservation, commodity and FL&U paid for transportation on these offsystem transportation agreements will be accumulated and reimbursed by billing to KMPXP for up to ten years. KMIGT shall set-off and credit costs recorded on its books which are reimbursed by KMPXP each year. Similarly, the capital cost of KMIGT's replacement facilities and retirement costs to abandon plant will be paid by KMPXP to KMIGT as a contribution-in-aid and will not increase the gross plant or the rate base upon which KMIGT rates are computed.

Fuel Cost Impacts

KMIGT's proposes by this application to abandon the Herndon, Laton and Sterling compressor stations. The avoided fuel costs of these electric and gas fired compression costs on the abandoned facilities are shown on Exhibit Z-2, Page 11 and were equal to approximately $1.5 million in cost in 2011. As a part of this application, KMIGT proposes to install a new mainline compressor at Tescott, along with the installation of new booster stations at the WIC interconnect at Glenrock and with SSC at Yuma. The incremental fuel cost associated with new compressors is estimated at $.9 million, resulting in a $.6 million reduction in total annual fuel costs. Pursuant to the cost reimbursement provisions of the PSA, fuel costs associated with incremental Account 858 transportation services are reimbursed by PXP to KMIGT for up to ten years. Consequently, the net impact to overall fuel consumption on the KMIGT system is not material of the proposed abandonment and replacement facilities.

Fuel rates on the KMIGT system were last approved in Docket RP11-1494 and remain just and reasonable.

Overall Cost-Revenue Balance Before and After Proposed Abandonment

Exhibit Z-2, Page 10 calculates KMIGT's cost of service and base rate revenue requirement to be $117.2 million based on the 2011 Form 2. Revenues from base rates in the same period were $104.9 million, illustrating a $12.4 million revenue deficiency existing in rates. In calendar 2011, revenues associated with the Pony Express Pipeline facilities represented $28.6 million. As of July 31, 2012, annualized revenues on the Pony Express segments have further declined to $19.9 million in long-term contracts, as shown on Exhibit Z-1. Consequently, the abandonment sought herein reduces KMIGT's cost of service by an estimated $15 million and remedies a significant portion of its expected revenue deficiency. KMIGT rates remain just and reasonable after the proposed abandonment of facilities and no rate adjustment is necessary.

Kinder Morgan Interstate Gas Transmission LLC

Cost of Service Associated With Abandoned Facilities

Line No.	Description (a)	Amount (b)	Reference
1	Operation And Maintenance Expense	$1,233,167	Page 5 of 7
2	Depreciation Expense	3,452,444	Page 4 of 7
3	Other Taxes	2,272,374	Page 6 of 7
4	Return	5,411,077	Page 3 of 7
5	Federal and State Income Taxes	$2,405,615	Page 7 of 7
6	Total Cost of Service	$14,774,677	

Kinder Morgan Interstate Gas Transmission LLC

Rate Base and Return

Rate Base Calculation

Line No.	Description	Amount
	(a)	(b)
1	Gross Plant 1/	$138,097,749
2	Accumulated Depreciation	(47,758,850)
3	Net Plant in Service	$90,338,899
4	Accumulated Deferred Taxes	(31,840,769)
5	Total Rate Base	$58,498,130

Rate of Return 2/

Line No.	Description	Transmission
	(a)	(c)
6	Capitalization - Long-Term Debt	45.00%
7	Capitalization - Equity	55.00%
8	Total Capitalization	100.00%
9	Long-Term Debt Cost	6.50%
10	Return On Equity	11.50%
11	Weighted Long-Term Debt Rate	2.93%
12	Weighted Equity Rate	6.33%
13	Overall Rate of Return	9.25%

Return on Rate Base

Line No.	Description	Transmission
	(a)	(b)
14	Return on Rate Base (Line 5 x Line 13)	$5,411,077

Notes: 1/ Plant balances as of May 31, 2012, as reflected on Exhibit Y. Actual net book value of the facilities to be abandoned will be determined as of the date of the transfer.

2/ Pro Forma Capital Structure and Rate of Return.

Kinder Morgan Interstate Gas Transmission LLC

Calculation of Depreciation

Line No.	Description	Amount
	(a)	(b)
	Depreciation	
1	Depreciable Plant	$138,097,749
2	Depreciation Rate 1/	2.50%
3	Depreciation Expense	$3,452,444

Note: 1/ Per the Settlement in KMIGT's latest rate case proceeding at Docket No. RP98-117.

Kinder Morgan Interstate Gas Transmission LLC

Operation and Maintenance Expenses

Line No.	Description	Amount
	(a)	(b)
1	Operation & Maintenance Expense - Labor	$568,745
2	Operation & Maintenance Expense - Non-Labor	$664,422
3	Total Operation and Maintenance Expenses	$1,233,167

Kinder Morgan Interstate Gas Transmission LLC

Ad Valorem Taxes

Line No.	Description	Total	Wyoming	Colorado	Nebraska	Kansas
	(a)	(b)	(c)	(d)	(e)	(f)
1	Facilities	$138,097,749	$12,071,637	$47,844,866	$15,225,787	$62,955,459
2	Assessment Ratio		4.54%	19.53%	25.78%	17.39%
3	Assessed Value		$548,052	$9,344,102	$3,925,208	$10,947,954
4	Effective Tax Rate		6.74%	7.13%	1.85%	13.67%
5	Estimated Ad Valorem Taxes	$2,272,374	$36,939	$666,234	$72,616	$1,496,585

Kinder Morgan Interstate Gas Transmission LLC

Income Taxes

Line No.	Description (a)	Amount (b)
1	Return on Rate Base	$5,411,077
2	Less: Interest Expense	$1,711,070
3	Tax Base	$3,700,007
4	Federal & State Composite Tax Rate	39.40%
5	Income Taxes	$2,405,615 1/

Note: 1/ Line 3 x 39.40% / (100% - 39.40%).

KINDER MORGAN INTERSTATE GAS TRANSMISSION LLC

Cost-Revenue Balance

Line No.		Form 2 Page Reference	Current (2011 Form 2)
	Cost of Service		
1	Operation & Maintenance Expense	Page 317 - 325	$36,538,443
3	Depreciation and Amortization Expense	Page 114	23,033,032
4	Taxes Other than Income Taxes	Page 114	9,769,306
5	Return	Line 19 x Line 27	33,167,770
6	Federal & State Income Taxes	Line 19 x Line 26 x (Line 28 / (1- Line 28))	14,745,472
7	Total Cost of Service		$117,254,022
	Revenue		
8	ACA	Page 300	$300,308
9	Total Non-ACA Revenue	Page 301	148,835,883
10	Sales for Resale	Page 301	(25,472,643)
11	Fuel In Revenue	Page 305.1	(18,794,506)
12	Total Revenue		$104,869,042
13	Revenue Deficiency		($12,384,980)
	Rate Base		
14	Gas Plant in Service	Page 110	$801,428,450
15	Accumulated Provision for Depreciation	Page 110	(300,424,629)
16	Gas Stored	Page 110	8,983,739
17	Accumulated Deferred Income Taxes	Page 113	(152,908,419)
18	Working Capital	Page 111	1,491,344
19	Total Rate Base		$358,570,485
	Capital Structure (Pro Forma)		
20	Long-Term Debt %		45.00%
21	Equity %		55.00%
22	Total Capitalization %		100.00%
23	LT Debt Rate		6.50%
24	Equity Rate		11.50%
25	Weighted LT Debt Rate		2.93%
26	Weighted Equity Rate		6.33%
27	Overall Rate of Return		9.25%
28	Effective Tax Rate	Page 122.5	39.40%

KINDER MORGAN INTERSTATE GAS TRANSMISSION LLC

Impact of Facilities Abandonment on System Fuel Usage

Line No.	Station	Form 2 Page Reference	Current (2011 Form 2)		Gas Price	Fuel Cost
	Fuel Reduction					
1	Sterling (Electric)	Page 509	(9,847,427)	kWh		($927,942)
2	Herndon (Gas)	Page 509	(128,407)	Dth	$3.41	($437,868)
3	Laton (Gas)	Page 509	(33,872)	Dth	$3.41	($115,504)
4						($1,481,313)
	Incremental Fuel					
5	Tescott (Gas)		200,000	Dth	$3.41	$682,000
6	WIC/SSC Boosters (Electric)					$200,000
7						$882,000
8	Net Fuel Increase (Decrease)					($599,313)

Kinder Morgan Interstate Gas Transmission

Replacement Capacity via Transportation (858) Contracts

Line No.	CUSTOMER GID	MDQ	Term Yr	WIC 858 1/	TPC 858 2/	NGPL 858 3/	Southern Star 858 4/	
1	1918	60,000	2017	-	60,000	60,000	-	
2	1918	50,000	2017	-	-	-	-	
3	20536	10,000	2015	-	10,000	10,000	-	
4	19252	8,250	2013	8,250	8,250	-	-	
5	4465	6,000	2013	6,000	6,000	-	-	
6	4491	3,400	2014	3,400	3,400	-	-	
7	5121	1,300	2012	1,300	1,300	-	-	
8	5121	1,500	2015	1,500	1,500	-	-	
9	4404	1,250	2012	-	-	-	-	
10	4404	1,500	2015	1,500	-	-	-	
11	4046	1,600	2015	-	-	-	-	
12		900	2015	-	-	-	-	
13	26349	2,500	2015	-	-	-	-	
14	3955	5,000	2012	-	-	-	-	
15	8664	2,500	2013	-	2,500	-	2,500	
16	4921	2,500	2013	-	-	-	-	
17	2173	1,056	2013	-	-	-	-	
18	4587	1,000	2013	-	-	-	-	
19	15034	8,960	2015	8,960	8,960	8,960	-	
20	19129	2,250	2019	2,250	2,250	2,250	-	
21	2014	171,466		33,160	104,160	81,210	2,500	
22	Reservation Rate			$0.1400	$0.0725	$0.0633	$0.1905	
23	Commodity Rate			$0.0026	$0.0001	$0.0010	$0.0098	
24	Fuel Percentage			0.68%	1.50%	0.47%	1.54%	
25	Reservation Cost (Line 21 x 365 x Line 22)			$1,694,476	$2,756,334	$1,877,305	$173,831	
26	Commodity Cost (Line 21 x 365 x Line 23)			$31,469	$3,802	$29,642	$8,943	
27	Fuel Cost (Line 21 x 365 x Line 24 x Gas Price 5/)			$280,654	$1,944,641	$475,067	$47,919	
28	Total Cost by Pipe			$2,006,598	$4,704,777	$2,382,013	$230,693	
29	Grand Total							$9,324,081

Note: 1/ Wyoming Interstate Company

2/ Trailblazer Pipeline Company LLC

3/ Natural Gas Pipeline Company of America

4/ Southern Star Central Gas Pipeline

5/ Gas price = $3.41