

CLAYTON ENERGY CORPORATION

Natural Gas Service Agreement

City of Bloomfield ("Customer") wishes to have Clayton Energy Corporation ("Clayton") provide gas supplies to Customer and to perform certain functions as specified herein with respect to the nomination and scheduling for all of Customer's transportation and storage service on the Pipeline. Therefore, Customer and Clayton enter into this agreement for these services pursuant to the following terms:

I DEFINITIONS

In addition to terms defined elsewhere, for all purposes of this Agreement, the following terms and expressions are defined as follows:

- A. "Customer's Facilities" means the municipal natural gas delivery system, both inside and outside of the corporate boundaries of the Customer's city, which is owned and operated by Customer, and shall include any future facilities, whether built or purchased, that become a part of Customer's natural gas delivery system.
- B. "Pipeline" means the interstate pipeline(s) that deliver Gas to Customer.
- C. "Customer's Transportation Agreement" means that agreement that provides for the transportation and/or storage of Gas by Pipeline on a firm or interruptible basis from the Delivery Point to Customer's Facilities.
- D. "Actual Nominations" means the quantity of Gas specified by Customer in its Monthly Notice to Clayton as the actual nomination for the deliveries and receipts of Gas for each Day during the Month.
- E. "Btu" means the amount of heat required to raise the temperature of one pound of water from fifty-nine degrees Fahrenheit to sixty degrees Fahrenheit at a constant pressure of fourteen and seventy-three hundredths pounds per square inch absolute (14.73psia).
- F. "Commodity Charge" means a rate defined as the "commodity charge" in Customer's Transporter FERC Gas Tariff, as amended from time to time.
- G. "Day" means the North American Energy Standards Board ("NAESB") definition of that term, as amended from time to time during the Term of this Agreement, which definition is incorporated into and made a part of this Agreement. This definition shall be modified as necessary to accommodate the change from daylight savings time to standard time, and from standard time to daylight savings time.
- H. "Delivery Point" means those authorized points of interconnection with Pipeline, including but not limited to major pools, wellhead locations, plants, and pipeline interconnections, for points of receipt of Gas for transportation

under Customer's Transportation Agreements, as amended from time to time.

- I. "FERC" means the Federal Energy Regulatory Commission or any successor governmental authority or body having jurisdiction over the sale, transportation or services of Gas acquired pursuant to this Agreement.
- J. "Force Majeure" has the meaning given in Section XII to this Agreement.
- K. "Gas" means natural gas that meets the quality specifications for gas in Natural's tariff, as amended from time to time, subject to any waivers of gas quality standards that Pipeline may make in writing for gas transported under Customer's Transportation Agreement.
- L. "MMBtu" means one million (1,000,000) Btu's.
- M. "Month" means a period of time beginning with the beginning of the first Day of a calendar month and ending at the beginning of the first Day of the next calendar month.
- N. "Monthly Fee" means Clayton's monthly fee due pursuant to Section V hereof.
- O. "Monthly Notice" means the notice specifying Customer's Actual Nomination given by Customer to Clayton each Month.
- P. "System Supply Requirements" means the total quantity of Gas necessary for Customer to meet all of its requirements.
- Q. "Term" means that period of time during which this Agreement will be in full force and effect, including the primary term and all secondary terms, if any, as provided for in Section II of this Agreement.

II. TERM

This Agreement shall have a primary term of three years, commencing on the 1st day of November 1, 2006 ("Effective Date"), and shall be automatically extended one year on each annual anniversary of the Effective Date, unless one party gives the other not less than six (6) months written notice to terminate prior to the annual anniversary of the Effective Date.

Upon termination of this Agreement, neither Party will have any remaining liability or obligation to the other Party, except for (1) each Party's obligation to pay all amounts due and owing as of the effective date of such termination; (2) Customer's obligation to compensate Clayton for imbalances in deliveries or under or over deliveries, if any, which exists as of the effective date of such termination; and (3) any obligation on Clayton's part to flow through or otherwise return any refunds or any other credits of any type from Customer's Transporter with respect to Customer's contracts with Customer's Transporter.

III. SERVICES

Clayton shall, subject to the terms and conditions of this Agreement, provide the following services only on behalf of Customer:

- A. Delivery of natural gas supplies sufficient to provide for all of Customer's System Supply Requirements up to the amount of the Firm Transportation Quantity and as otherwise provided in this Agreement.
- B. Administration of Customer's Transportation Agreement with Pipeline including nominations, scheduling, receipt point changes, and balancing. With respect to any and all other issues associated with Customer's Transportation Agreement with Pipeline, Clayton shall not take any such action unless it has obtained written or verbal authorization from Customer prior to taking such action. Clayton shall notify Customer of any proposed action in sufficient time for Customer to review the proposed action and provide Clayton with written or verbal authorization to take such action.
- C. Advise Customer of proposed changes to Pipeline's tariff, and how those changes could potentially affect Customer's Transportation Agreement.
- D. Attendance at Pipeline's customer meetings, if prior written authorization is obtained from Customer to attend such meetings.
- E. Customer may from time to time desire to release its excess transportation or storage capacity to third party buyers. If Customer elects to release such excess capacity, then Clayton shall take appropriate steps on Customer's behalf to release such capacity. Clayton shall credit Customer on the next monthly billing statement provided to Customer.

IV. PROCEDURES

- A. Nominations: Customer will notify Clayton of its Actual Nomination for each Month no later than two (2) business days prior to the time the Pipeline requires transportation nominations for the first Day of any Month. Customer shall retain all rights it has under Pipeline's tariffs, as amended from time to time, to change its nominations for any Day. Customer shall notify Clayton of all changes to its nominations under this Agreement in accordance with Pipeline's FERC tariff, including any subsequent amendments. All notices pursuant to this Section shall be in writing and shall be sent by facsimile, email, or such other means as are reasonable under the circumstances.
- B. Imbalance Penalties: Clayton will be responsible for balancing Customer consumption with nominations made to Pipeline, taking into account Pipeline's allowance and daily tolerance levels between nominations and actual consumption. Customer acknowledges that in order for Clayton to perform balancing hereunder for Customer, both parties shall cooperate to avoid imbalances and correct any imbalances, which may occur. Customer and Clayton agree to cooperate to avoid imbalance penalties and to correct any

imbalances that occur, within the time limits set forth in Pipeline's tariff, as amended from time to time, to avoid such penalties. Customer shall be responsible for and agrees to indemnify and hold Clayton harmless against any imbalance penalties or quantities of gas necessary to correct an imbalance and avoid a penalty.

V. COMPENSATION

Clayton will be entitled to a monthly fee of one thousand two hundred dollars for its services rendered in addition to any other amount(s) due under this Agreement.

Customer will not reimburse Clayton for any expenses incurred by Clayton and not specifically authorized by this Agreement except for those expenses which Customer may from time to time authorize in writing prior to any such expenses being incurred. Any request by Clayton for reimbursement of any expenses shall be in writing and shall be delivered to Customer not later than fourteen (14) days prior to the date on which such expenses will be incurred or will be to be incurred.

Customer will pay to Clayton an amount equal to the total cost of Gas purchased for or delivered to Customer's city gate or storage for Customer's System Supply Requirements including the cost of transporting such gas to the Delivery Point.

VI. FINANCIAL RESPONSIBILITY / GAS QUALITY

Clayton warrants it will acquire good title to and pay for all Gas acquired on behalf of Customer hereunder, free and clear of all liens, encumbrances and claims to such title and hereby agrees to defend, indemnify and hold Customer harmless from and against all suits, debts, judgments, claims, demands, causes of action, costs, losses and expenses arising from or out of or in any way connected with any adverse claims of title made by any or all persons to or against Customer's title to the Gas acquired on behalf of Customer hereunder including without limitation, any royalties, taxes, license fees or charges which are applicable before title to the Gas passes to Customer.

Gas delivered to Customer at the Delivery Point by Clayton under this Agreement shall meet the quality standards set forth by Pipeline, at the Delivery Point(s) in its then applicable FERC tariff, subject to any written waivers for such quality standards made pursuant to Customer's Firm Gas Transportation Agreement or any subsequent amendment thereto.

VII. PAYMENT

On or before the tenth (10th) Day of each Month, Clayton will submit to Customer, by telecopy, email or other means, a statement showing the Monthly Fee and the cost of Gas purchased for the preceding Month, less any credits due Customer. If actual amounts are unavailable, billing and payment will be made on Clayton's best estimates, subject to adjustments for actual quantities delivered and received hereunder. Customer shall pay by wire transfer the full amount due, within ten (10) calendar days from the date of said statement, for the full amount, on or before the due date of Clayton's statement by wire transfer as follows:

Wire to: Midwest Independent Bank
ABA: 086505273
Credit to: Wahoo State Bank
Account Number: 750072
Further Credit to: Clayton Energy Corporation
Account Number: 112664

VIII. RECORDS

Each Party agrees to maintain such charts, data, books, and other records as reasonably required to verify the accuracy of any statement, charge or computation made under this Agreement. Notwithstanding payment of a statement by Customer or acceptance of payment by Clayton, any error shall be corrected, if such error is discovered by either Party within twelve (12) months of the end of the then-current contract year. Thereafter, no such claims shall be asserted by either party. Either party, at its sole expense, shall have the right to inspect the other party's books and records relating to any disputed statement or payment made hereunder, provided such inspection is requested within twelve (12) months after the close of the then-current contract year. Errors detected shall be corrected by appropriate payment.

VIV. INDEPENDENT CONTRACTOR

The Parties agree that the services rendered by Clayton pursuant to this Agreement will be as an independent contractor and not as an employee, and Clayton, its officers, directors, owners and employees are not entitled to the benefits provided by Customer to its employees.

X. CONFIDENTIALITY

Each Party acknowledges that the terms of this Agreement as well as the other Party's books, records and documents, information concerning its products, equipment, services and processes, the names of and other information, such as credit and financial data, concerning its customers and business affiliates comprise confidential business information; provided, however, confidential business information will not include any information which was in the possession of a party prior to its receipt from the other party, is or becomes generally known to the public or trade, is obtained from a source not known by the Party to be bound by a confidentiality agreement with the other party or is otherwise lawfully obtained. Accordingly, Clayton and Customer hereby agree that it will not make any unauthorized disclosure of any confidential business information supplied to it by the other party or make any use thereof, except as required by law or governmental authority or is necessary to perform its obligations pursuant to this Agreement.

In the event that interrogatories, requests for production of documents, documents subpoena, civil investigative demand or similar process, call for either party to disclose

any confidential information in connection with this Agreement, it is agreed that the disclosing Party will provide the other Party with prompt notice of such process so that the other party may seek an appropriate protective order.

XI. ASSIGNMENT

This Agreement will bind and inure to the benefit of the Parties' successors in interest, representatives, and assigns, provided, however, that this Agreement may not be transferred or assigned by operation of law or otherwise, in whole or in part without the written consent of the other Party, which consent will not unreasonably be withheld.

XII. FORCE MAJEURE

Except as provided below, neither party shall be liable for a failure to perform to the extent that such failure was caused by an event of Force Majeure. Except with regard to a party's obligation to make payment hereunder or to correct nominations to avoid imbalance penalties, neither party shall be liable to the other for failure to perform to the extent such failure was caused by Force Majeure. The term "Force Majeure" as employed herein means any cause not reasonably within the control of the party claiming suspension.

Force Majeure shall include but not be limited to the following (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment of lines of pipe; (ii) weather related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells of lines of pipe; (iii) interruption of firm transportation and/or storage by Transporters; (iv) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections or wars; and (v) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, or regulation promulgated by a governmental authority having jurisdiction. Seller and Buyer shall make reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the events or occurrence once it has occurred in order to resume performance.

Neither party shall be entitled to the benefit of the provisions of Force Majeure to the extent performance is affected by any or all of the following circumstances: (i) the curtailment of interruptible or secondary firm transportation unless primary, in-path, firm transportation is also curtailed; (ii) the party claiming excuse failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch; or (iii) economic hardship. The party claiming Force Majeure shall not be excused from its responsibility for Imbalance Charges.

Notwithstanding anything to the contrary herein, the parties agree that the settlement of strikes, lockouts or other industrial disturbances shall be entirely within the sole discretion of the party experiencing such disturbance.

The party whose performance is prevented by Force Majeure must provide notice to the other party. Initial notice may be given orally; however, written notification with

reasonably full particulars of the event or occurrence is required as soon as reasonably possible. Upon providing written notification of Force Majeure to the other party, the affected party will be relieved of its obligation to make or accept delivery of Gas as applicable to the extent and for the duration of Force Majeure, and neither party shall be deemed to have failed in such obligations to the other during such occurrence or event.

XIII. NOTICES

Any notice or information required hereunder will be made by writing directed to such party's address stated below or other address provided in writing to the other party and will be deemed effective when received by email.

Clayton:

**William C. Lindley
Clayton Energy Corporation
514 North Linden Street
Wahoo, NE 68066**

Customer:

**Ted Henderson
City of Bloomfield
111 W Franklin St
Bloomfield, IA 52537**

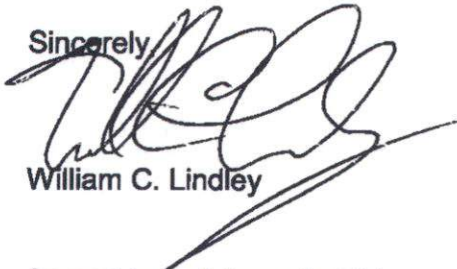
XIV. MISCELLANEOUS

- A. **Entire Agreement:** This Agreement sets forth the entire agreement of the Parties and supersedes any and all prior or contemporaneous agreements or negotiations. No amendments or modifications to this Agreement will be binding unless same are in writing and signed by the Parties. This Agreement is not made or intended for the benefit of any third person.
- B. **Choice of Law:** This Agreement will be governed and construed in accordance with the laws of the State of Iowa, without reference to those laws that would apply the laws of another jurisdiction.
- C. **Waiver:** Failure by either Party to enforce a particular provision of this Agreement to its fullest extent will not be deemed a waiver of any rights to enforce such provision in the future nor will waiver of any default be construed as a waiver of any future default whether of like or different character.
- D. **Headings:** The headings of the Articles and Sections of this Agreement have been inserted for convenience of reference only and will in no way restrict or otherwise modify any of the terms or provisions hereof.
- E. **Further Action:** Each Party hereto hereby covenants to the other that it will take all necessary action to perform all of its obligations hereunder.
- F. **Enforceability:** If any term, provision, or covenant in this Agreement is construed to be invalid or unenforceable by a regulatory authority or court having jurisdiction over the Agreement, and that term, provision, or covenant is deemed material by either party, then either Party shall have the right to immediately terminate the Agreement upon written notice to the other Party.

G. **Counterparts:** Duplicate originals will be fully executed by both Parties and one original shall be kept by each Party.

Please acknowledge your agreement to the foregoing by executing both originals of this Agreement in the space provided below, retaining one (1) fully executed original for your files and returning one (1) fully executed original to my attention.

Sincerely,



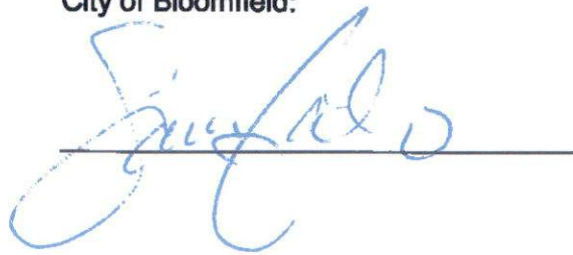
William C. Lindley

Agreed to and Accepted this

28th day of August, 2006

ATTESTATION:

City of Bloomfield:



AMENDMENT TO CONTRACT

THIS AMENDMENT TO CONTRACT is entered into effective this 19th day of November, 2013, by and between the undersigned City of Bloomfield, Iowa ("Bloomfield") and Clayton Energy Corporation ("Clayton").

WHEREAS, Bloomfield and Clayton entered into a certain Natural Gas Service Agreement dated effective the 1st day of November, 2006 (the "Agreement"); and

WHEREAS, Bloomfield and Clayton desire to amend the Agreement as set forth below.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. The first paragraph of Article II entitled "Term" is hereby deleted and the following is inserted in its place:

"This Agreement shall have a primary term of five (5) years, commencing on the 1st day of January, 2014 ("Effective Date"), and shall be automatically extended one (1) year on each annual anniversary of the Effective Date, unless one party gives the other party written notice to terminate prior to the annual anniversary of the Effective Date, with such termination to be effective on the expiration of the extended term."

2. The following shall be added at the end of the second paragraph of Article II entitled "Term:"

"; and (4) any obligation of either party to indemnify the other party pursuant to the terms of this Agreement shall survive termination."

3. Article V "Compensation" shall be modified as follows.

The first paragraph of Article V entitled "Compensation" is hereby deleted and the following is inserted in its place:

"Clayton will be entitled to a monthly fee of one thousand three hundred and twenty dollars for its services rendered in addition to any other amount(s) due under this Agreement."

The following paragraph shall be added in such Article:

"On each 4th annual anniversary of this Agreement, such compensation as set forth in this Article shall be increased two percent (2%)."

4. Except as set forth above, the parties hereby ratify and reaffirm the terms and provisions of said Agreement.

[Remainder of this page intentionally left blank. Signature page follows.]

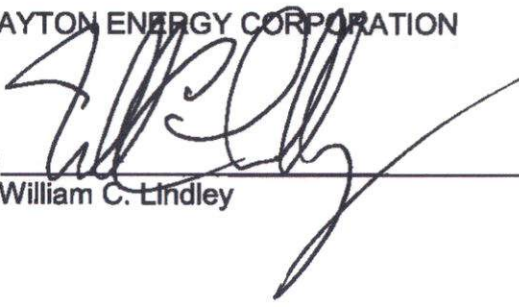
CITY OF BLOOMFIELD, IOWA

By: 

Its: Mayor

12-19-13
Date

CLAYTON ENERGY CORPORATION

By: 
William C. Lindley

1-2-14
Date