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U.S. BANKRUPTCY COURT
NORTHERN DISTRICT OF TEXAS
ENTERED
TAWANA C. MARSHALL, CLERK
THE DATE OF ENTRY IS
ON THE COURT'S DOCKET

ATTORNEYS FOR THE DEBTORS AND DEBTORS-IN-POSSESSION

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
FORT WORTH DIVISION**

_____)	
In re)	Chapter 11 Case
)	
MIRANT CORPORATION, <u>et al.</u> ,)	Case No. 03-46590 (DML)
)	Jointly Administered
Debtors.)	
)	
)	
_____)	

**AGREED ORDER CONCERNING MODIFICATION OF THE
AUTOMATIC STAY**

Came on for consideration the "Motion For Approval Of Agreement Pursuant To Rule 4001(d) Of Federal Rules Of Bankruptcy Procedure (the "Motion") filed by Mirant Corporation ("Mirant") and its affiliated debtors (collectively with Mirant, the "Debtors"), as debtors and debtors-in-possession. Based upon a review of the pleadings on file and representations of counsel for the Debtors and Kern River Gas Transmission Company ("Kern River"), the Court makes the following findings of fact:

1. On July 14, 2003 and various dates thereafter (collectively, the "Petition Date"), the Debtors filed voluntary chapter 11 petitions.

2. On or about May 29, 2001, Kern River and debtor Mirant Americas Energy Marketing, LP (“MAEM”) entered into a “Firm Transportation Service Agreement,” bearing a contract No. 1712, which was subsequently amended on July 23, 2001 and again on April 5, 2002 (as amended, the “Kern River Agreement”).

3. Pursuant to the Kern River Agreement and to Kern River’s Federal Energy Regulatory Commission Gas Tariff, MAEM posted a letter of credit to secure its obligations under the Kern River Agreement.

4. The letter of credit posted by MAEM was scheduled to expire during early November of 2003. Pursuant to the terms of the letter of credit, Kern River had the right to draw thereon if MAEM failed to obtain an extension of the letter of credit. On October 30, 2003, Kern River drew on the letter of credit. As the result of that draw, Kern River currently holds \$14,751,589 as cash security for the obligations of MAEM under the Kern River Agreement.

5. On December 18, 2003, the Kern River Agreement was deemed rejected based on a motion filed by MAEM on December 4, 2003 for authority to reject to the Kern River Agreement.

6. Kern River alleges that it has suffered damages far in excess of the cash security deposit as the result of the MAEM’s rejection of the Kern River Agreement. On January 13, 2004, Kern River filed a proof of claim against MAEM in the amount of \$210,210,543 based on the damages that Kern River alleges resulted from that rejection and Kern River asserts that the cash security secures this claim.¹ MAEM disputes the amount of Kern River’s alleged claim and contends that Kern River’s damages are substantially less than the \$210,210,543 proof of claim filed by Kern River.² MAEM does, however, acknowledge that

¹ On December 15, 2003, Kern River filed a proof of claim against MAEM for an unliquidated amount. The Debtors believe that this proof of claim is amended and superceded by the proof of claim filed thereafter on January 13, 2004.

² For example, without limitation, the amount asserted in Kern River’s proof of claim does not (i) account for any mitigation of its alleged damages; or (ii) discount its alleged rejection damages to reflect the present value of future payments.

Kern River's actual damages as the result of the rejection of the Kern River Agreement exceed the cash security deposit.³

7. Kern River has requested that MAEM stipulate to the application of the cash security deposit to Kern River's allowable claim, without prejudice to the rights of the parties with respect to the total amount of Kern River's claim.

8. The Debtors and Kern River have agreed to modify the automatic stay to allow Kern River to take all necessary actions to apply the cash security deposit as described herein.

9. Good, adequate, and sufficient cause has been shown to justify the granting of the final relief herein, and the entry of this Order.

It is now therefore:

ORDERED that the automatic stay of section 362 of the Bankruptcy Code is hereby lifted and modified solely to permit Kern River to immediately apply 100% of the cash security deposit to its claim for damages arising from the rejection of Kern River Agreement; it is further

ORDERED that this Order is without prejudice to, and the Debtors reserve any and all rights that it has to object, to the allowance of Kern River's proof of claim and to the dollar amount of that proof of claim; and it is further

³ Even under the most favorable mitigation and present value calculation.

ORDERED that this Order is without prejudice to any other rights of the parties, including without limitation the allowance of the balance of Kern River's alleged claim and any claims that the Debtors may have against Kern River, including without limitation any actions arising under Chapter 5 of the Bankruptcy Code, or Kern River's defenses thereto.

Dated: May 25, 2004

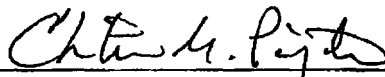


HONORABLE D. MICHAEL LYNN
UNITED STATES BANKRUPTCY JUDGE

ACKNOWLEDGED AND AGREED ON BEHALF OF THEIR CLIENTS:

Dated: May 4, 2004

KERN RIVER GAS TRANSPORTATION COMPANY



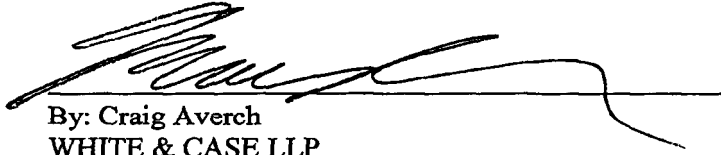
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Dated: May 4, 2004

MIRANT AMERICAS ENERGY MARKETING LP

A handwritten signature in black ink, appearing to read 'Craig Averch', is written over a horizontal line.

By: Craig Averch

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