

Whenever any such cash shall not have been paid out or applied as hereinbefore provided in this Section within three years after the receipt thereof by the Corporate Trustee, such cash (if in an amount equal to \$250,000 or more) shall, unless an event of default, as defined in Section 10.02, shall have happened and be continuing, be applied to the redemption of bonds (except any amount which shall not be sufficient to effect the redemption of the smallest outstanding bond or portion thereof which shall then be redeemable) on the earliest practicable date or dates on which the bonds of each redeemable series shall be redeemable, and the Company covenants that it will promptly call for redemption the bonds to be redeemed with such cash. So far as practicable, bonds of different series shall be redeemed pro rata according to the respective principal amounts of bonds of such series then outstanding.

Notwithstanding any other provision of this Section 8.12, any cash deposited with the Corporate Trustee in connection with the release of shares of stock of Western Natural Gas Company pledged hereunder may, subject to the provisions of the immediately preceding paragraph, be paid out or applied by the Corporate Trustee at any time or from time to time in the manner provided in and pursuant to the provisions of Section 4.06, except that such cash shall be paid out or applied in an amount or amounts equal to 150% of the aggregate principal amount of bonds which the Company would otherwise be entitled to have authenticated and delivered, instead of 100% of such aggregate principal amount.

Notwithstanding the foregoing provisions of this Section, if at any time there shall be released from the lien of this Indenture all or substantially all of the mortgaged property owned by the Company at the date of the execution and delivery hereof or all or substantially all of the New Pipe Line or all or substantially all of the properties constituting the Loop Line Project or the San Juan Project, all cash proceeds received by the Corporate Trustee upon the release thereof (and all cash deposited with the Corporate Trustee to obtain the release of any purchase money obligations deposited with the Corporate Trustee upon any such release) shall, unless an event of default shall have happened and be continuing, be applied forthwith by the Corporate Trustee to the