



Ulen North, Jr.
Executive Vice President

November 25, 2003

ERCOT
7620 Metro Center Drive
Austin, Texas 78744
Attn: Legal Department

Dear Sirs:

The reason for our changing from an Associate Member to an Adjunct Member was on the advice of ERCOT counsel.

It appears that Cap Rock Energy Corporation does not meet the requirements to be an IOU. We know we also do not meet the requirements to be an Associate Member.

So therefore, on the advice of ERCOT's counsel, Cap Rock Energy respectfully requests the ERCOT Board of Directors' approval of Cap Rock Energy Corporation as an Adjunct Member. We have attached our ERCOT 2004 Membership Application and Agreement.

On November 14, 2003, Cap Rock Energy Corporation paid the \$500.00 membership fee via wire transfer.

Sincerely,

Ulen North, Jr.
CAP ROCK ENERGY CORPORATION

UN/rdr
Attachment



ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
2004 MEMBERSHIP APPLICATION AND AGREEMENT

This Membership Application and Agreement is effective as of the date executed by and between the Electric Reliability Council of Texas, Inc. ("ERCOT") and Cap Rock Energy Corporation (hereafter called "Member Applicant"), whose address is 500 W. Wall, Suite 400, Midland, TX 79701. In consideration of the mutual covenants contained herein, the parties hereby agree that Member Applicant shall become an ERCOT Member and receive the ERCOT Member Services and benefits described herein, subject to the terms and conditions of this Membership Application and Agreement:

A. Membership Application Information

1. Name of entity applying for Membership: Cap Rock Energy Corporation
2. Type of Membership: Check **ONE** type of Membership. Affiliated entities as defined in the ERCOT Bylaws may hold only one Corporate Membership. Entities applying for additional Memberships, i.e. Associate Membership, should use a separate Membership Application and Agreement for each Membership. The applicable fees as listed below provide for Member Services including hosting ERCOT meetings, providing Members with necessary information and providing other Member Services.

Corporate. Voting. \$2000/year. Corporate Membership includes the right to vote on matters submitted to the general membership such as election of Directors, election of TAC Representatives and subcommittees thereof and amendments to the Articles of Incorporation and the Bylaws. Residential and Commercial Consumer Members do not elect Board Directors.

Associate. Non-voting. \$500/year. Associate Membership includes no voting rights. However, an Associate Member may be elected by Corporate Members to serve as a voting member of the Board, TAC or a subcommittee thereof.

Adjunct. Non-voting. \$500/year. Entities not meeting the Segment requirements for Membership may join as Adjunct Members upon Board approval. Adjunct Membership does not include voting rights or the right to be elected to the ERCOT Board, TAC or subcommittees thereof.

Membership fees for 2004 must accompany this Membership Application and Agreement and be delivered to ERCOT by the Record Date, Sunday, November 16, 2003. Members may pay by check or wire transfer to the account listed below. (Please check one box below to indicate method of payment.)

Check: Payable to ERCOT and mailed to
ERCOT
7620 Metro Center Drive
Austin, Texas 78744
Attention: Legal Department

Wire Transfer: Bank One, NA-Texas
Austin, Texas 78708
Account Name: ERCOT or Electric Reliability Council of Texas
Account Number: 1586941955
ABA Number: 111-000-614

If wiring your membership fee, please fax a copy of your Application to 512-225-7079, attention: Legal Department, and mail or hand deliver your original Application to ERCOT at 7620 Metro Center Drive, Austin, Texas 78744, Attention: Legal Department.

3. Segment Participation: (Check **ONE** Segment designation.)

Consumer. Any organization or agency representing the interests of end-users of electricity in the ERCOT Region.

Check **ONE** Subsegment designation:

Residential Consumer

Small Commercial Consumer (Peak demand of 1000 KW or less)

Large Commercial Consumer (Peak demand greater than 1000 KW)

Industrial Consumer (Average monthly demand greater than 1 megawatt and engaged in an industrial process)

Cooperative. An entity operating in the ERCOT Region that is: (i) a corporation organized under Chapter 161 of the Texas Utilities Code or a predecessor statute to Chapter 161 and operating under that chapter; (ii) a corporation organized as an electric cooperative in a state other than Texas that has obtained a certificate of authority to conduct affairs in the State of Texas; (iii) a cooperative association organized under Tex.Rev.Civ.Stat. 1396-50.01 or a predecessor to that statute and operating under that statute; or (iv) a River Authority as defined in Tex. Water Code §30.003.

Independent Generator. Any entity that is not a Transmission and Distribution Entity (“T&D Entity”) or Affiliate of a T&D Entity and (i) owns or controls generation capable of operating at least 10 MW in the ERCOT Region, or (ii) is preparing to operate and control generation of at least 10 MW, in the ERCOT Region, and has approval of the appropriate governmental authority, has any necessary real property rights, has given the connecting transmission provider written authorization to proceed with construction and has provided security to the connecting transmission provider.

Independent Power Marketer. Any entity that is not a T&D Entity or Affiliate of a T&D Entity and is registered at the PUCT as a Power Marketer to serve in the ERCOT Region.

Independent REP. Any entity that is certified by the PUCT to serve in the ERCOT Region as a Retail Electric Provider (REP) under PURA §39.352 and that is not an Affiliate of a T&D Entity operating in the ERCOT Region. An Aggregator may register to participate in this Segment if unable to qualify in any other Segment.

Investor Owned Utility. (i) An investor-held, for profit “electric utility” as defined in PURA §31.002(6) that (a) operates entirely within the ERCOT Region, (b) owns 345 KV interconnected transmission facilities in the ERCOT Region, (c) owns more than 500 pole miles of transmission facilities in the ERCOT Region, or (d) is an Affiliate of an entity described in (a), (b) or (c); or (ii) a public utility holding company of any such electric utility.

Municipal. An entity operating in the ERCOT Region that owns or controls transmission or distribution facilities, owns or controls dispatchable generating facilities, or provides retail

electric service and is either: (i) a municipally owned utility as defined in PURA §11.003 or (ii) a River Authority as defined in Tex. Water Code §30.003.

4. Identify your designated representative for required notices to ERCOT Members and for participation in meetings of the Corporate Members:

Name: ULEN NORTH, JR.
Title: EXECUTIVE VICE PRESIDENT
Address: 500 W. WALL, SUITE 400
MIDLAND, TEXAS 79701
Phone: 432-684-0311
Fax: 432-684-0333
Email: unorth@caprockenergy.com

5. List any other ERCOT Memberships held by Member Applicant or any Affiliates:

(a) Entity name: _____

Segment: _____

(b) Entity name: _____

Segment: _____

(c) Entity name: _____

Segment: _____

(d) Entity name: _____

Segment: _____

(e) Entity name: _____

Segment: _____

B. Membership Agreement

1. **Membership.** Membership in ERCOT is open to any entity that meets any of the Segment definitions set forth in the Bylaws. Members must be an organization that either operates in the ERCOT Region or represents consumers within the ERCOT Region. Member Applicants may join as a Corporate, Associate or Adjunct Member subject to the criteria set forth in the ERCOT Bylaws. Member Applicants must apply for Membership through an authorized officer or agent.

2. Fees. **Applicable Annual Member Services Fees must accompany this Membership Application and Agreement or be wired by the Record Date, Sunday, November 16, 2003.** Annual Member Services Fees are described in the ERCOT Bylaws and may be changed through the procedure set forth therein. Any change in fees shall automatically become effective as to all ERCOT Members without the necessity of amending this Agreement. All Memberships are year to year and will renew automatically unless there is a change in the Bylaws affecting Membership prior to renewal. Annual Member Services Fee renewals will be billed to the Member and shall be due within thirty (30) days after receipt of ERCOT's annual statement of such fees. Membership fees are not prorated.

3. Application for Membership. Member Applicant will submit the following items in order to apply for Membership: (i) payment of the Annual Member Services Fee and (ii) a signed copy of this Membership Application and Agreement. Upon approval, ERCOT will promptly notify Member Applicant of the same and will issue a certificate of Membership on which the name of the designated representative of Member Applicant will be stated.

4. Change of Designated Representative. An ERCOT Member may change its representative at any time by written request (signed by a duly authorized representative of the ERCOT Member) to the ERCOT Chief Executive Officer.

5. Suspension and Expulsion. All ERCOT Members shall abide by the ERCOT Bylaws and any other rule or regulation duly adopted by the Board of Directors. Any ERCOT Member who willfully violates any provision of this Agreement, the Bylaws, or any other rule or regulation duly adopted by the Board of Directors, may be reprimanded, suspended, and/or expelled in accordance with procedures adopted by the Board of Directors or set forth in the ERCOT Bylaws. Such action will affect all persons deriving Membership privileges through such ERCOT Member.

6. Amendment. This Agreement may be amended, modified, superseded, canceled, renewed, or extended and the terms and conditions hereof may be waived only by a written instrument executed by both parties hereto or, in the case of a waiver, by the party waiving compliance.

7. Governing Law. This Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of Texas that apply to contracts executed in and performed entirely within the State of Texas, without reference to any rules of conflict of laws. Parties consent to the exclusive jurisdiction of Texas.

IN WITNESS WHEREOF, Member Applicant certifies that (i) Member Applicant meets the requirements for ERCOT Membership in the Segment designated herein (ii) all information provided herein is true and correct to the best of Member Applicant's knowledge, and (iii) through its authorized representative agrees to be bound by the terms of this Agreement, the ERCOT Bylaws and any other requirements duly adopted by the Board of Directors.

By:  Date: 11-25-03

Printed Name: ULEN NORTH, JR
Title: EXECUTIVE VICE PRESIDENT