

**AURORA PIPELINE COMPANY LTD.**

**Rules and Regulations No. 13**

Replaces all previously issued Rules and Regulations applying to Aurora Pipeline Company Ltd.'s  
Petroleum Pipeline System

**RULES AND REGULATIONS GOVERNING THE  
GATHERING AND TRANSPORTATION  
OF PETROLEUM BY PIPELINE**

**GENERAL APPLICATION**

These Rules apply to and govern the use of Aurora Pipeline Company LTD. Petroleum Pipeline System. The Rules published herein apply under Tariff Bulletins making specific reference to these Rules; such reference shall include supplements hereto and successive issues hereof. These Rules also replace and apply in place of any prior rules and regulations published for the aforementioned pipeline system. Specific rules and regulations published in individual Tariff Bulletins or Contracts will take precedence over these Rules. These Rules apply to all parties using Carrier's system. By Nominating or Tendering Petroleum by or on behalf of the Shipper or Producer to Carrier's system, each Shipper accepts these Rules as a legally binding contract made between Shipper and Carrier on the terms contained herein and as they may be amended in any subsequent revisions which are, from time to time, issued by Carrier.

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**EFFECTIVE: January 01, 2019**

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**ISSUED: November 15, 2018**

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## TABLE OF CONTENTS

	Page
1.0 DEFINITIONS .....	3
2.0 COMMODITY .....	6
3.0 SHIPPER COMPLIANCE .....	6
4.0 CUSTODY OF PETROLEUM .....	6
5.0 VOLUME FORECASTS .....	6
6.0 NOMINATION, TENDER, RECEIPT AND DELIVERY .....	6
7.0 RECEIPT OF PETROLEUM BY THE CARRIER .....	8
8.0 LINEFILL AND WORKING STOCK .....	8
9.0 DIVERSION AND RE-CONSIGNMENT .....	9
10.0 INTRA-SYSTEM TRANSFERS .....	9
11.0 APPORTIONMENT OF PIPELINE SYSTEM RECEIPTS AND NONPERFORMANCE .....	9
12.0 OUTAGES .....	10
13.0 CHANGE IN OPERATING CONDITIONS .....	10
14.0 FORCE MAJEURE .....	10
15.0 NEW SHIPPERS .....	12
16.0 TRANSPORTATION CHARGES .....	12
17.0 OVERAGE AND SHORTAGE FEES .....	12
18.0 PAYMENTS AND REMEDIES .....	12
19.0 FINANCIAL ASSURANCES .....	13
20.0 QUALITY AND QUANTITY SPECIFICATIONS .....	14
21.0 SEGREGATION, CHANGES IN QUALITY, EQUALIZATION AND COMPONENT BALANCING .....	16
22.0 DILUENT BLENDING .....	17
23.0 MEASUREMENT, TESTING AND DEDUCTIONS .....	17
24.0 EVIDENCE OF RECEIPTS AND DELIVERIES .....	18
25.0 DELIVERY AND RECEIVING FACILITIES .....	18
26.0 ACCESS AND USE OF FACILITIES .....	20
27.0 TITLE TO PETROLEUM .....	21
28.0 LIABILITY OF CARRIER .....	21
29.0 LIABILITY OF SHIPPER .....	22
30.0 CLAIMS, SUITS AND TIME FOR FILING .....	23
31.0 DISCRETIONARY WAIVERS .....	23
32.0 INDEMNIFICATION PROCEDURE .....	23
33.0 DEFAULT OF SHIPPER .....	23
34.0 REPRESENTATIONS, COVENANTS AND WARRANTIES .....	24
35.0 GOVERNING LAW .....	25
36.0 NOTICES .....	25
37.0 REGULATORY DISCLOSURE .....	25
EXHIBIT I – STREAM QUALITY SPECIFICATIONS FOR PETROLEUM .....	26
EXHIBIT II – PIPELINE QUALITY EQUALIZATION PROCEDURES .....	27

## 1.0 DEFINITIONS

The following definitions shall apply to these Rules:

"**API**" means the American Petroleum Institute.

"**ASTM**" means the ASTM International.

"**Business Day**" means any day other than a Saturday, Sunday or statutory holiday in the province of Alberta.

"**Calendar Month**" means a period from a specified day in one month to the day numerically corresponding to that day in the following month, less one.

"**Calendar Year**" means a period of twelve consecutive months commencing on January 1.

"**Carrier**" means Aurora Pipeline Company Ltd.

"**Carrier Receivable**" has the meaning given to that term in Section 18.3.

"**Contract**" means any contract executed by Carrier and the Shipper, and into which these Rules are incorporated, including without limitation a transportation service agreement, a connection agreement or a buy/sell agreement.

"**Credit Support Provider**" means an entity that has provided to Carrier a guarantee, in a form satisfactory to Carrier in its sole discretion, of all of the payment obligations of Shipper pursuant to the Rules.

"**Cubic Metre**" or "**m3**" means the volume of Petroleum occupying one cubic metre at a temperature of fifteen degrees Celsius (15°C) and a pressure of 101.325 kilopascals absolute (101.325 kPa).

"**Cure Period**" means:

- (a) for any default or breach involving the payment of amounts due, the 5-day period following the delivery by Carrier of a Default Notice; or
- (b) for any other default or breach, the 30-day period following the delivery by Carrier of a Default Notice.

"**Day**" means a period of 24 consecutive hours, beginning and ending at 7:00 a.m. Mountain Standard Time. The reference date for any day shall be the calendar date upon which the 24 hour period commences.

"**Default Notice**" means a notice in writing from the Carrier to the Shipper specifying a breach or default by the Shipper or its nominees, agents or representatives of these Rules.

"**Deliver**" or "**Delivery**" means delivered by Carrier to Shipper at the Delivery Point.

"**Delivery Point**" means a location on the Pipeline System at which the Carrier has facilities to permit the Delivery of Petroleum to the Shipper.

"**Demurrage Charge**" has the meaning given to that term in the Tariff Bulletin. If not defined in the Tariff Bulletin, then as determined by the Carrier from time to time upon 30 Days notice.

"**Due Date**" has the meaning given to that term in Section 18.2.

**"Event of Default"** has the meaning given to that term in Section 33.0.

**"Force Majeure"** has the meaning given to that term in Section 14.2.

**"Governmental Authority"** means any judicial, legislative, administrative or other national, provincial, municipal or local governmental authority, ministry, department, commission, any administrative agency, office, organization or authority having jurisdiction over the Parties or Carrier's Pipeline System.

**"Laws"** means all statutes, laws, orders, regulations, rules, guidelines or other requirements in effect from time to time made by Governmental Authorities.

**"LACT Equipment"** means lease automatic custody transfer equipment.

**"Linefill Surcharge"** has the meaning given to that term in the Tariff Bulletin. If not defined in the Tariff Bulletin, then as determined by the Carrier from time to time upon 30 Days notice.

**"Low Volume Surcharge"** has the meaning given to that term in the Tariff Bulletin. If not defined in the Tariff Bulletin, then as determined by the Carrier from time to time upon 30 Days notice.

**"Month"** means the period beginning at 07:00 hours Mountain Standard Time (MST) on the first Day of a calendar month and ending at 07:00 hours MST the first Day of the next succeeding calendar month.

**"Monthly Inventory Position"** means, with respect to a Month, the sum of (i) the Monthly Inventory Position for the prior Month, and (ii) the difference, if any, between (A) the sum of all Tenders by Shipper for that Month and (B) the sum of all Deliveries to Shipper that Month.

**"Monthly Nomination Date"** means, unless otherwise stated by Carrier, the date specified in the Crude Oil Logistics Committee calendar, as revised from time to time.

**"NEB"** or **"N.E.B."** means the National Energy Board of Canada or any regulatory or government authority hereafter having a similar jurisdiction in substitution therefor.

**"Nominate"** or **"Nominated"** means an offer by the Shipper to the Carrier of a stated quantity and quality of Petroleum for transportation from a Receipt Point(s) to a Delivery Point(s) in accordance with these Rules.

**"Non-Performance Charge"** has the meaning given to that term in Section 11.0.

**"Notice of Shipment"** means a document as prescribed by Carrier (including electronic forms), completed by the Shipper and delivered to the Carrier identifying a stated quantity of Petroleum for transportation from a Receipt Point(s) to a Delivery Point(s) in accordance with these Rules,

**"Outage"** means any circumstance, whether planned or unplanned, in which the Pipeline System is unable to Receive, transport and/or Deliver all or any portion of the Petroleum Nominated or Tended by Shippers for transportation on the Pipeline System.

**"Overage Fee"** or **"Shortage Fee"** has the meaning given to that term in the Tariff Bulletin. If not defined in the Tariff Bulletin, then as determined by the Carrier from time to time upon 30 Days notice.

**"Party"** means a Party hereto and bound hereby.

**"Person"** means an individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company, limited liability company, unlimited liability company, corporation, unincorporated

association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority or entity however designated or constituted.

**"Petroleum"** means the liquid hydrocarbon product in its natural state of oil wells, gas wells, oil sands, oil processing plants or a mixture of such product which satisfies the applicable specifications set forth in these Rules. It does not include natural gas liquids, being ethane plus, propane, propane plus, and butane or any similar products, or any mixtures thereof, unless such natural gas liquids are transported as a segregated stream.

**"Pipeline System"** means the Carrier's pipeline system for the transportation of Petroleum, as specified in the Tariff Bulletin.

**"Pipeline Tariff"** means the current transportation charges as outlined in the most current Tariff Bulletin as revised from time to time, issued by the Carrier.

**"Producer"** means the owner or operator of the production or processing facilities upstream of any established Receipt Point on the Pipeline System.

**"Receive"** or **"Receipt"** or **"Received"** mean received by Carrier from Shipper at the Receipt Point.

**"Receipt Point"** means a location on the Pipeline System at which the Carrier has facilities to permit the Shipper to Tender Petroleum to the Carrier.

**"Rules"** means the terms and conditions contained in these Rules and Regulations governing the gathering and transporting of Petroleum on the Pipeline System and the Exhibits attached hereto and incorporated herein, as may be amended from time to time.

**"Shipper"** means a Person who is approved by the Carrier to Deliver Petroleum to the Pipeline System.

**"Tariff Bulletin"** means a document issued from time to time by Carrier setting forth the Receipt Points and applicable Pipeline Tariffs and other fees and charges for the Pipeline System.

**"Tender"** or **"Tendered"** means Receipt by Carrier from Shipper at a Receipt Point of a stated quantity and type of Petroleum for transportation from such Receipt Point to a Delivery Point.

**"Tolerance Margin"** has the meaning given to that term in the Tariff Bulletin. If not defined in the Tariff Bulletin, then as determined by the Carrier from time to time upon 30 Days notice.

## **2.0 COMMODITY**

The Carrier is engaged in the transportation of Petroleum by the Pipeline System and no other commodity will be accepted for transportation under these Rules without the prior written approval of the Carrier. The Pipeline System only accepts certain qualities of Petroleum at certain Receipt Points, as specified in the Contract, the Tariff Bulletin, Section 20.0 of these Rules or in Exhibit I to these Rules.

## **3.0 SHIPPER COMPLIANCE**

The Shipper shall cause each Producer or other third party whose Petroleum is Nominated or Tendered for transportation under these Rules to be bound by these Rules and to cooperate with the Carrier as may be reasonably required to provide any services with respect to the Pipeline System. The Shipper shall indemnify the Carrier against any and all claims, demands, suits, actions, damages, costs, losses, expenses and other consequential damages or claims of whatsoever nature or kind, resulting directly or indirectly from the failure of such party to comply with these Rules.

## **4.0 CUSTODY OF PETROLEUM**

Petroleum Tendered to Carrier shall be deemed to be in the custody and under the control of Carrier from and after the time it is Received by Carrier as the Petroleum passes the first permanent delivery flange and/or meter connecting in the Pipeline System at a Receipt Point until it is Delivered by Carrier as the Petroleum passes the last permanent delivery flange and/or meter at a Delivery Point.

## **5.0 VOLUME FORECASTS**

On April 15th of each Calendar Year, or at Carrier's request, the Producer shall give Carrier a written volume forecast for each Month for the current and next year, and annually for the following four years.

## **6.0 NOMINATION, TENDER, RECEIPT AND DELIVERY**

6.1. Petroleum Nominated to the Carrier for shipment through the Pipeline System may be accepted and received for transportation only when the Shipper submits, and the Carrier accepts, a properly completed Notice of Shipment. The Notice of Shipment shall designate the Receipt Point(s) and the estimated composition at which the Petroleum is to be Received by the Carrier, the Delivery Point(s), and the volume(s) of Petroleum to be transported. A separate Notice of Shipment shall be submitted for each Month on or before the Monthly Nomination Date. Shipper has the sole responsibility to ensure sufficient storage or transportation capacity is available at the Delivery Point(s) to receive the Petroleum. Notices of Shipment may be revised at any time by written notice to the Carrier but the Carrier may reject such revisions in its sole discretion by notification to the Shipper. If the Shipper fails to provide a Notice of Shipment for a Month on or before the Monthly Nomination Date, the Shipper's Nominated Petroleum shall be deemed to be zero for that Month, or adjusted at the Carrier's sole discretion. At the request of the Carrier, a Shipper shall provide Nominations signed by an officer of their Company. If the Shipper fails to provide the Carrier with such signed Nomination, then the Carrier shall not be obligated to accept the Shipper's Petroleum.

6.2. In each Month, the Shipper shall Tender to the Carrier a volume of Petroleum equal to its volume Nominated for that Month. The Carrier reserves the right, in its sole

discretion, to accept a volume of Petroleum Tendered for transportation that differs from the volume Nominated by the Shipper, where the Carrier is of the opinion that the volumes identified in the Notice of Shipment have been either under or over estimated. In this case, the Shipper shall be required to submit a revised Notice of Shipment to the Carrier within 2 Business Days. Should the Shipper fail to do so, its Nomination will be deemed to be zero for that Month, or adjusted at Carrier's sole discretion. Carrier will not be liable to the Shipper for costs, losses, or damages due to any such suspension or apportionment. Shipper shall be responsible for and indemnify Carrier from and against any non-performance penalty or any other penalty, fine or third-party charge incurred by Carrier as a result of Shipper Tendering or Carrier Delivering less volume than it has indicated in a Notice of Shipment.

- 6.3. The Carrier may accept reports, including but not limited to those relating to Receipts or Deliveries, from Carrier-approved third party electronic reporting services. If the Carrier approves any such third party electronic reporting service then Shipper shall utilize such electronic reporting service, and shall pay Carrier a fee as specified in the Tariff Bulletin.
- 6.4. For Petroleum Tendered for transportation, Shipper shall pay Carrier a fee for any technical services specified in the Tariff Bulletin.
- 6.5. The Shipper shall use commercially reasonable efforts to Tender the Monthly Nominated Petroleum to the Carrier in substantially equal vapour pressures, rates of flow and volumes each Day, and of consistent density and quality.
- 6.6. Except and to the extent Carrier cannot provide transportation of Petroleum on the Pipeline System as set forth in ~~Subject to~~ Sections 11.0, 12.0, and 14.0, Carrier shall have the right to charge the Shipper an amount equal to the applicable Pipeline Tariff multiplied by the greater of (i) the actual volume(s) of Product Tendered by the Shipper in a Month, and (ii) 95% of the volume Nominated by the Shipper in that Month.
- 6.7. The Carrier shall not be obligated to:
  - (a) Receive or Deliver, as the case may be, Petroleum on behalf of the Shipper, if the volume or rate of flow of Petroleum is less than the minimum or greater than the maximum volume or rate of flow as specified in the Contract or set from time to time by the Carrier. In the event that Carrier permits a Nomination of Petroleum that is less than the current minimum rate of flow, or volume requirement, Shipper shall pay to Carrier a charge in respect of such Nomination or Tender as set forth in the Tariff Bulletin;
  - (b) accept Petroleum if the Shipper consistently Tenders volumes that vary substantially from Month-to-Month for reasons other than Force Majeure or due to Outages;
  - (c) accept Petroleum that does not satisfy the applicable Petroleum specifications in the Contract, Section 20.0 or Exhibit I of these Rules;
  - (d) receive Petroleum from 2 or more batteries and/or production facilities by a single tank truck;

- (e) transport Petroleum in time for any particular market; or
- (f) accept Petroleum that has been processed or blended.

6.8. The Carrier reserves the right to discontinue service and disconnect and remove its facilities from any Receipt Point, Delivery Point or other connection at any time if Petroleum shipments have ceased or it is not in the Carrier's best interests to continue operations at that location in its sole discretion. The Carrier shall give 30 days' prior notice to the Producer or Shipper of the discontinuance or disconnection.

6.9. The Carrier shall not be required to accept Tender of Petroleum from the Shipper or Producer's facilities at intervals of less than 7 Days, except in the parcels of 125 Cubic Meters or greater.

## **7.0 RECEIPT OF PETROLEUM BY THE CARRIER**

7.1. Subject to these Rules and applicable Laws, the Carrier may, at the Carrier's sole discretion, accept Petroleum for transportation only:

- (a) at the Receipt Points as specified in the Tariff Bulletin;
- (b) at pressures, at rates of flow and at volumes satisfactory to the Carrier in its sole discretion;
- (c) when consigned to the Shipper at an established Delivery Point(s); and
- (d) when the Shipper provides or has made arrangement for, storage and other facilities or transportation service, at the specified Delivery Points, satisfactory to the Carrier. Carrier shall have no obligation to provide storage services to Shipper. At the request of Shipper, Carrier may, in its sole discretion, provide storage services for Shipper's Petroleum at a fee and on the terms and conditions as set forth by Carrier from time to time.

7.2. Carrier may discontinue Delivery to storage or other facilities if they are no longer satisfactory, provided that any such decision to make or continue Delivery regardless shall not be considered to be a waiver of Shipper's breach and does not affect other Shipper obligations.

## **8.0 LINEFILL AND WORKING STOCK**

As a condition of transporting any Petroleum, unless otherwise declared by the Carrier, the Carrier shall determine the quantity of linefill and working stock required and, unless the Pipeline System is a single-shipper system:

- (a) each Shipper shall purchase or provide a pro rata share of the linefill in any segment of the Pipeline System used or to be used to transport such Shipper's Petroleum; and
- (b) each Shipper shall purchase or provide a pro rata share of the working stock required by the Carrier in the Pipeline System.



- (c) The linefill or working stock allocation can be reviewed and reassessed as determined by the Carrier

If the Pipeline System operates as a single shipper system, or where the Carrier has been advised that only one Shipper will be transporting Petroleum in any segment in a Month, the Carrier will provide necessary linefill and working stock and may impose a Linefill Surcharge.

Upon notice and within such time as directed by Carrier, the Shipper shall remove and dispose of all of its linefill and working stock following the termination of the Shipper's use of the Pipeline System. The Carrier shall be entitled, at its sole discretion and in accordance with Section 18.0, to dispose of any of the Shipper's working stock and/or linefill which are unclaimed by the Shipper, within 15 Business Days after notification by the Carrier to do so. The Carrier shall not be liable to the Shipper for any loss or damage suffered by the Shipper arising out of such disposition and the Shipper shall pay for all costs incurred in disposing of such Petroleum, as if the Shipper had requested and authorized such disposition.

## **9.0 DIVERSION AND RE-CONSIGNMENT**

Diversion or re-consignment may be made at Carrier's discretion, if requested in writing by the Shipper prior to Delivery at the original destination, subject to the Tariff Bulletin and Rules applicable from the original Receipt Point to the final Delivery Point, provided however that no out-of-line or backhaul movement will be made.

## **10.0 INTRA-SYSTEM TRANSFERS**

Other than with respect to batches of Petroleum, Carrier shall, upon written request of a Shipper (the "Transferor") following the Transferor's Nomination and prior to Tender in respect of such Nomination, permit the Transferor to transfer all or any portion of its rights and obligations under the Rules in respect of such Nomination to another Shipper (the "Transferee"); provided that (i) the Transferee satisfies the Financial Assurance requirements set forth in Section 19.0; (ii) the Transferee assumes in writing all obligations and liabilities whatsoever in respect of the Nomination or portion thereof, as applicable, under the Rules from and after the time Carrier approves such transfer; and (iii) the Transferor has Nominated or Tendered a volume of Petroleum equal to or greater than the volume of Petroleum to be transferred to the Transferee. The Transferee and the Transferor shall confirm in writing to Carrier the transfer volume, transfer timing, Delivery Point, swing instructions (which swing instructions are intended to facilitate the balancing of intra-system transfers) and provide to Carrier any other information or documentation required by Carrier, in its sole discretion. In the event that the Transferor and Transferee do not provide swing instructions, Carrier shall use commercially reasonable efforts to balance the intra-system transfer request with the Transferor's Nominated volumes, and any determinations made by Carrier in this regard shall be final and binding on the Transferor and the Transferee. Carrier shall have no liability whatsoever to the Transferee and the Transferor in respect of an intra-system transfer.

## **11.0 APPORTIONMENT OF PIPELINE SYSTEM RECEIPTS AND NONPERFORMANCE**

If Petroleum is Nominated to the Carrier for transportation in volumes beyond the then current capacity of the Pipeline System or any part thereof, the Carrier may suspend or apportion, on the basis of current Nominations, the current operating condition of the Pipeline System or any priority accorded to the Shipper pursuant to a Contract between the Carrier and such Shipper, acceptance of Petroleum while these conditions exist. Upon notice from Carrier, Shipper shall provide written verification of its supply of Petroleum and capability to remove Petroleum from any Delivery Point. The Carrier may also suspend or apportion acceptance of Petroleum if requested or required to suspend or to suffer restricted delivery to

any connecting carrier. As soon as reasonably practicable, Carrier will notify Shipper of any apportionment. Upon receipt of such notice, Shipper will provide Carrier with a revised Nomination in the form and within such time as directed by the Carrier. If Shipper fails to do so, its Nomination will be deemed to be zero for that Month. Carrier will not be liable to the Shipper for costs, losses, or damages due to any such suspension or apportionment.

During periods of apportionment, if the volume of Petroleum Received from the Shipper on any Day is less than Shipper's apportioned volume by more than 5% percent of the apportioned volume, Shipper shall pay to Carrier a per Cubic Metre charge (the "**Non-Performance Charge**") for each Cubic Metre of the difference between that Shipper's apportioned volume for such Day and the volume Nominated by Shipper on that Day. For greater certainty, the Non-Performance Charge shall not apply to that portion of shortfalls caused by an event of Force Majeure or pursuant to Section 14.0. The Non-Performance Charge in effect from time to time shall be set forth in the Tariff Bulletin.

## **12.0 OUTAGES**

Without limiting any other provision in these Rules, Carrier shall have the right to suspend, reduce and/or interrupt the transportation of Petroleum on all or any portion of the Pipeline System in the event of any planned or unplanned Outage. In this regard, Carrier shall:

- (a) provide all Shippers on the affected portion of the Pipeline System with as much notice as reasonably practicable of a planned Outage; and
- (b) advise all Shippers on such portion of the Pipeline System as soon as reasonably practicable that an unplanned Outage has occurred.

## **13.0 CHANGE IN OPERATING CONDITIONS**

Carrier and Shipper shall notify each other from time to time of expected and unexpected changes in the rates of receipt, ability to accept delivery, quality of Petroleum or other operating conditions that may affect the Pipeline System. Such notice shall also include the expected duration of such changes. In the event that Shipper does not provide such notice or such notice is not provided to Carrier in a timely manner, Carrier shall have the right to suspend Receipt from Shipper until Carrier determines, in its sole discretion, there will be no adverse impact to the Pipeline System due to any such change.

## **14.0 FORCE MAJEURE**

14.1. If either Carrier or Shipper fails to perform any obligation under these Rules due to an event of Force Majeure, then such failure shall be deemed not to be a breach of such obligations.

14.2. The term "Force Majeure", as employed herein shall mean:

- (a) any act of God, war, terrorism, sabotage, civil insurrection or disobedience, acts of public enemies, strikes, lockouts or other industrial disturbances, shortage of labour, accidents, blockades, riots, epidemics, quarantines, landslides, storms, lightning, earthquakes, explosions, fires, floods, washouts, civil disturbances, or the act, regulation, order, direction or requisition of any Governmental Authority;

- (b) any fires, explosions, ruptures, contamination or obstruction of, freezing, breakages of or accidents to the Pipeline System, any portion thereof, or any other equipment or facilities necessary to operate the Pipeline System or any portion thereof whatsoever, or
- (c) an unplanned Outage referred to in Section 12.0, or any preventative shut down of the Pipeline System or any portion thereof as a result of conditions that could pose a material threat to safety, the environment or the Pipeline System; or
- (d) any other cause whether of the kind enumerated in subsections (a), (b), or (c), whether or not foreseeable, that is not reasonably within the control of the Party claiming the protection of this Force Majeure provision, and could not have been prevented or overcome by the exercise of due diligence.

14.3. Notwithstanding Section 14.2, the following shall not be events of Force Majeure:

- (a) insufficiency of Shipper's Petroleum supplies;
- (b) lack of funds;
- (c) Shipper's lack of takeaway capacity at the Delivery Point;
- (d) Shipper's failure to meet quality specifications;
- (e) the existence of, and Shipper's diversion to more attractive markets or a change in economic or market conditions including a change in Petroleum or other commodity prices or currency or interest rate fluctuations;
- (f) failure to obtain provincial export or other regulatory documentation; or
- (g) events caused by the gross negligence of the Party claiming Force Majeure.

14.4. A Party that fails to perform any obligation under these Rules where such failure is caused by an event of Force Majeure shall promptly remedy the cause of the Force Majeure insofar as it is commercially reasonably able to do so, and provided that the terms of the settlement of any strike, lockout or other industrial disturbance shall be wholly in the discretion of the Party claiming suspension of its obligations hereunder by reason thereof. For the avoidance of doubt, no Party shall have an obligation to rebuild in part or in full any facility damaged or destroyed in an event of Force Majeure unless such Party determines that it is commercially reasonable for such Party to do so or unless such Party is required under any applicable Law or by any applicable Governmental Authority to do so.

14.5. Notwithstanding Sections 14.1 through 14.4, no event of Force Majeure shall:

- (a) relieve any Party from any obligation pursuant to these Rules unless such Party gives notice with reasonable promptness of such event to the other Party; or
- (b) relieve any Shipper from its obligations pursuant to these Rules, a Contract or a Tariff Bulletin to make payments to Carrier.

14.6. As soon after the cessation of an event of Force Majeure as possible, the Party claiming Force Majeure shall give written notice of its ability to resume performance of its obligations hereunder.

## **15.0 NEW SHIPPERS**

Prior to a Person becoming a Shipper on the Pipeline System and the commencement of transportation service by Carrier in respect of such Person pursuant to the Rules, such Person must (i) satisfy the Financial Assurance requirements set forth in Section 19.0; (ii) provide to Carrier the financial information set forth in Section 19.0; and (iii) provide to Carrier a new shipper fee of \$20,000.00 CAD. Shippers that do not Nominate Petroleum for 12 consecutive months shall be deemed to have ceased to be a Shipper on the Pipeline System, and must comply with the requirements of this Section 15.0 in order to re-attain Shipper status.

## **16.0 TRANSPORTATION CHARGES**

Petroleum accepted for transportation shall be subject to the Pipeline Tariff in the Tariff Bulletin in effect on the date of Tender by the Shipper, irrespective of the date of Nomination.

## **17.0 OVERAGE AND SHORTAGE FEES**

Subject to any loss allowance that may be imposed in accordance with Section 23.2 and any intra-system transfers pursuant to Section 10.0. Shipper's Monthly Inventory Position shall equal zero for each Month. In the event that Shipper's Monthly Inventory Position is:

- (a) greater than zero, Carrier shall have the right to charge Shipper an amount equal to (i) the Overage Fee multiplied by (ii) the positive difference, if any, between (A) Shipper's Monthly Inventory Position; and (B) Shipper's Tolerance Margin; and
- (b) less than zero, Carrier shall have the right to charge Shipper an amount equal to (i) the Shortage Fee multiplied by (ii) the positive difference, if any, between (A) the absolute value of Shipper's Monthly Inventory Position; and (B) Shipper's Tolerance Margin.
- (c) Any Shipper whose Monthly Inventory Position does not equal to zero may have their shipper status revoked at Carrier's sole discretion.

In the event that Shipper does not take Delivery of its Petroleum at a Delivery Point, Shipper shall be liable for and shall indemnify, defend and hold harmless Carrier from and against any loss, cost, damage or expense whatsoever (including consequential and indirect loss and lost profits) while such Petroleum is in the custody of Carrier. Carrier shall also be entitled to remove and sell such Petroleum.

## **18.0 PAYMENTS AND REMEDIES**

18.1. The Shipper shall pay to the Carrier the current Pipeline Tariff and all other lawful charges accruing on Petroleum Delivered to, accepted and transported by the Carrier. The Carrier may assess against the Shipper any charge, tax, levy or assessment, whether in cash or in kind, imposed upon the Carrier by any third party or by any connecting carrier for acceptance or movement by the connecting carrier of the Petroleum. If required by the Carrier, the Shipper shall make these payments to the Carrier before Delivery.

18.2. The Shipper shall pay to the Carrier all amounts due to the Carrier under Section 18.1 on or before the payments due date as specified in the petroleum industry reporting calendar as published by the Alberta Petroleum Marketing Commission (the "**Due Date**"). If Shipper disputes any amounts required to be paid under these Rules, Shipper shall nonetheless pay the full amount on or before the Due Date. The amount of any invoice shall bear interest at the rate expressed as a percentage per annum equal to the lesser of (i) prime lending rate charged by the principal chartered bank in Canada used by the Carrier plus four (4%) percent per annum and (ii) the maximum lawful interest rate, effective from the date payment was due until the invoice is paid.

18.3. In addition to any lien or security interest otherwise provided by Law, equity or contract, the Carrier shall have a lien, charge and security interest in and on all Petroleum in its possession belonging to the Shipper to secure the payment of any and all amounts payable to Carrier including for any costs, expenses, losses or liabilities for which the Shipper is responsible hereunder, under these Rules, any Contract or any other arrangement whatsoever between the parties, whether liquidated or unliquidated which shall include, without limitation, any amounts incidental to the receipt, transportation and Delivery of Shipper's Petroleum by Carrier (a "**Carrier Receivable**").

## **19.0 FINANCIAL ASSURANCES**

At any time, upon request of the Carrier, the Shipper shall provide the Carrier with such financial information and security or other assurances as the Carrier may reasonably request in respect of the Shipper's financial obligations for the services provided by the Carrier hereunder. These obligations include those that could arise from the transportation or other handling of the Shipper's Petroleum, obligations, as applicable and the value of any loss allowance product and any other related charges resulting from the movement of the Shipper's Petroleum.

The Carrier shall not be obligated to accept Petroleum Nominated or Received from the Shipper if the Shipper or its Credit Support Provider fails to provide the requested information within 10 Business Days of Carrier's request or if the Carrier determines, in its sole discretion, that the Shipper's creditworthiness is unsatisfactory, has become impaired or if financial assurances previously provided no longer provide adequate security.

Unless financial assurances acceptable to the Carrier, in its sole discretion, are provided within 10 Business Days of Carrier's request, the Carrier may decline to Receive of any Petroleum Nominated or Tendered by the Shipper in addition to any other rights of the Carrier hereunder to decline Receipt of such Petroleum. Such assurances may include, but are not limited to, the provision of credit support by a Credit Support Provider, prepayments and letters of credit in an amount equal to the prospective or existing Shipper's obligations for 3 Months of services to be provided by the Carrier.

If the financial assurance provided by Shipper is in the form of a letter of credit, Shipper shall renew or cause the renewal of such letter of credit no later than 30 Days prior to its expiry. If the issuing financial institution has indicated its intention not to renew, Shipper will provide either a substitute letter of credit or such other acceptable financial assurance 30 Days prior to the expiration. Costs of a letter of credit shall be borne by the applicant for such letter of credit.

On the request of Carrier, Shipper shall furnish to Carrier (i) as soon as available, and, in any event, within 90 Days after the end of each fiscal year of Shipper or its Credit Support Provider, as applicable, its annual audited financial statements for each of the three prior fiscal years of Shipper; and (ii) an

organizational chart for Shipper and its Affiliates (that includes full legal names of all entities and ownership percentage of all entities). In addition, upon request of Carrier, Shipper shall furnish to Carrier, as soon as available, and, in any event, within 45 Days after the end of each of the first three fiscal quarters of each fiscal year of Shipper or its Credit Support Provider, as applicable, its quarterly unaudited financial statements prepared on a basis consistent with the corresponding period for the preceding fiscal year. If Shipper fails to provide the foregoing information within the periods set forth above, Carrier may, in addition to any other remedy it may have under the Rules, at law or in equity, suspend Receipt and/or Delivery of Shipper's Petroleum until such information is provided to Carrier; provided that any such suspension shall not relieve such Shipper of its payment obligations pursuant to the Tariff.

## **20.0 QUALITY AND QUANTITY SPECIFICATIONS**

20.1. Unless the Shipper or Producer has obtained the prior written consent of the Carrier (which consent may be withheld in the Carrier's sole discretion), the Shipper or Producer shall at no time Tender Petroleum for shipment having characteristics that do not conform to the specifications listed in Exhibit I attached hereto or that:

- (a) has physical or chemical characteristics that the Carrier deems unfit for transportation, including but not limited to (excessive) wax, (excessive) hydrogen sulphide, (excessive) mercaptans, or other compounds with objectionable physical, biological or chemical properties;
- (b) may, in the Carrier's opinion, adversely affect the quality and/or value of other shipments; or
- (c) may, in the Carrier's opinion, cause damage to or adversely affect any of the Carrier's or another party's facilities, or interfere with the transmission of Petroleum through the Pipeline System.

The requirements set out in this Section 20.1 apply to each Tender by the Shipper; quality will not be averaged over multiple Tenders.

20.2. If Petroleum Tendered to Carrier has characteristics which do not comply with Section 20.1, the Carrier may:

- (a) refuse to accept or transport such Petroleum,
- (b) impose a surcharge on such Petroleum,
- (c) invoice Shipper for any costs, expenses, damages or losses incurred by Carrier as a result of such Tender, or
- (d) any combination of the foregoing.

20.3. Shipper must immediately notify Carrier if it becomes aware of Petroleum that does not comply with Section 20.1.

20.4. Petroleum that has been blended at upstream facilities specifically to comply with Section 20.1 may not be accepted.

- 20.5. Petroleum containing excessive amounts, in the Carrier's reasonable opinion, of C3 (i.e. propane) or C4 gases (i.e. butane) may be rejected by the Carrier for shipment, or the Carrier may impose a surcharge on such Petroleum.
- 20.6. After any shutdown or turnaround of a Shipper or Producer facility, the Shipper or Producer will provide a current independent laboratory analysis certificate that includes all quality specifications set out in Exhibit I with respect to the Petroleum to be Received by the Carrier from the Shipper. If the Shipper fails to provide the Carrier with such report, then the Carrier shall not be obligated to accept the Shipper's Petroleum.
- 20.7. The Carrier reserves the right to take, or cause to have taken, at any time, a sample of any Petroleum Tendered by the Shipper for transportation in the Pipeline System and perform a quality analysis. Results from such analysis shall be considered final and binding on the Shipper.
- 20.8. If Petroleum of unacceptable quality as described herein is Tendered to the Carrier's facilities Shipper shall pay to Carrier an amount equal to all of the costs and expenses incurred by Carrier in connection with the performance of quality and component analysis on the Petroleum. The frequency of quality and component analysis on the Petroleum shall be determined by Carrier, in its sole discretion. Any payment pursuant to this Section 20.0 shall be in addition to, and not in substitution of, any other rights or remedies of the Carrier set forth herein or in any Contract or otherwise at law or equity.
- 20.9. Shipper is liable for any loss and all costs, damages and expenses incurred by the Carrier as a result of such Shipper's failure to comply with any provision of these Rules or applicable Tariff.
- 20.10. If Petroleum of unacceptable quality as described herein is Tendered, the Carrier has the right to remove Shipper's Petroleum from the Pipeline System and return same to Shipper. In the event Shipper does not take delivery of any Petroleum removed from the Pipeline System by Carrier, Carrier shall have the right to sell such Petroleum and may use the proceeds to first pay for all costs incurred by and solely determined by the Carrier in connection therewith, after which any remaining amounts shall be remitted to the Shipper. The Carrier shall not be responsible for any loss or damage resulting from any such treatment, removal or disposal. The Carrier may withhold the Shipper's Petroleum from delivery, may enforce its lien, charge and security interest against Shipper's Petroleum so withheld, and may exercise any other rights and remedies provided at law or by contract, until all such charges and costs have been paid.
- 20.11. Notwithstanding any other provision express or implied in these Rules, the Carrier may, in its sole discretion, by written notice effective on the first (1<sup>st</sup>) Day of the Month next following the date of the giving of the notice, amend or replace all or any portion of Exhibit I to these Rules. If at any time the Petroleum specifications for a downstream carrier are revised to be more limiting, onerous, or restrictive than the specifications required pursuant to these Rules, the more limiting, onerous, or restrictive specifications shall apply.
- 20.12. The Shipper shall, as required by the Carrier, provide to the Carrier an independent laboratory analysis certificate with respect to the quality specifications of Petroleum to

be received by the Carrier from the Shipper. If the Shipper fails to provide the Carrier with such certificate, then the Carrier shall not be obligated to accept the Shipper's Petroleum.

20.13. At the request of the Carrier, Shipper shall, at its sole cost and expense, provide and inject:

- (a) a corrosion inhibitor compound into Petroleum Tendered for transportation on the Pipeline System. Shipper must obtain prior written approval from Carrier for the type and amount of corrosion inhibitor. Shipper shall accept Delivery of Petroleum containing corrosion inhibitors from Carrier at the Delivery Point.
- (b) a wax dispersant into Petroleum Tendered for transportation on the Pipeline System. Shipper must receive prior written approval from Carrier for the type and amount of wax dispersant. Shipper shall accept Delivery of Petroleum containing wax dispersant from Carrier at the Delivery Point.

## **21.0 SEGREGATION, CHANGES IN QUALITY, EQUALIZATION AND COMPONENT BALANCING**

21.1. Petroleum Tendered for transportation shall be Received by the Carrier only on the condition that it shall be subject to those changes in quality or characteristics while in transit as may result from the transportation thereof, including the mixture of this Petroleum with other Petroleum in the Pipeline System. Carrier expressly disclaims liability for any express or implied warranty for Petroleum, including for merchantability or fitness for use.

21.2. The Carrier shall be under no obligation to Deliver the identical Petroleum Received. Any re-evaluations deemed appropriate by the Carrier by reason of difference in grade, composition, colour or quality resulting from blending individual Receipt streams together to form a common stream shall be between and for the account of the Shippers involved. At the sole option of the Carrier, it may equalize for differences in the Petroleum grade, composition or quality, or alternatively, furnish data on the volume and quality of the Petroleum Received into and Delivered out of the respective stream. A quality equalization fee, plus applicable taxes, may be calculated and applied monthly. The Carrier shall have no liability, obligation or responsibility (financial or otherwise) for these re-evaluations or settlements. Where applicable, quality equalization shall be calculated consistent with industry guidelines and procedures, and in accordance with Exhibit II attached to these Rules and incorporated herein.

21.3. The Carrier may, by written notice, to be effective on the first (1<sup>st</sup>) Day of the Month next following the date of the notice, amend or replace Exhibit II to these Rules.

21.4. If segregated service is required, as determined by Carrier, Shipper shall pay the incremental capital and operating costs, including but not limited to providing buffer material as may be required by Carrier in its sole discretion. The buffer material and any Petroleum commingled therewith shall be transported by Carrier in accordance with these Rules. Carrier may require a minimum batch size and may limit the maximum batch size in its sole discretion.



## **22.0 DILUENT BLENDING**

Carrier may add such diluent at Receipt Points or other locations on Carrier's system as Carrier determines is advantageous for the operation of Carrier's system or to meet a prescribed blended stream viscosity, density or quality specification. As a condition to accepting Petroleum, Carrier may require of those Shippers Tendering Petroleum either at Receipt Points to be specified by Carrier or having a density or quality in excess of parameters specified by Carrier, to provide for each Month the volume of diluent prescribed to be provided for such Month by Carrier, of a quality and quantity acceptable to Carrier, commensurate with the volume and density or quality of Petroleum Nominated by Shipper. Shipper shall be responsible for the blending shrinkage resulting from adding such diluent.

## **23.0 MEASUREMENT, TESTING AND DEDUCTIONS**

- 23.1. Petroleum received for transportation shall be measured or caused to be measured by the Carrier at the Receipt Point. Volumes measured shall be corrected as to temperature and pressure from observed values as determined by the Carrier. Alternately, quantities may be measured at the discretion of the Carrier on a mass basis. Methods of measurement shall be in accordance with accepted industry standards for the Petroleum transported. The results of this measurement and testing shall be final and binding upon the Shipper.
- 23.2. The Carrier shall have the right to implement a loss allowance, deduction or other similar charge with respect to the Petroleum Received from the Shipper and Delivered by the Carrier, at a rate specified in the Tariff Bulletin.
- 23.3. Petroleum Received by the Carrier for transportation shall be metered and may be sampled and tested by a representative of the Carrier prior to, during or after its Receipt. The Shipper or Producer, as applicable, may have a representative present at the metering and testing. All measurement of Petroleum shall be documented with custody transfer tickets, or the electronic equivalent, showing the location and date to which the custody transfer ticket applies.
- 23.4. With reasonable notice, a representative of the Carrier shall have the right to enter upon the premises where Petroleum is Received or Delivered to or from the Pipeline System, and shall have access to any and all storage receptacles or meters for the purposes of measurement and testing and to make any examination, inspection, measurement or test required by the Carrier to verify such measurements and tests.
- 23.5. The Carrier shall calibrate and maintain its metering instrumentation in accordance with generally accepted industry practice in the API Manual of Petroleum Measurement Standards. If there is a meter failure, the meter shall be closed off and a standby meter, if available, shall be placed into operation within a reasonable period of time after the discovery of the meter failure. Where a standby meter is not provided, the Receipt or Delivery shall be stopped until a replacement meter has been installed. Should failure or malfunction of a meter result in excessive inaccuracies appropriate adjustments to Petroleum quality or quantity, at the Carrier's sole discretion, shall be made between the Carrier and the Shipper on the basis of the most accurate information available.

23.6. The Shipper or its authorized representative shall have the privilege of witnessing meter calibrations, gauging and other tests referred to herein which affect the computed volume of Petroleum used for custody transfer. The Shipper may at any time on 10 Business Days' written notice, request that the Carrier prove meters. The cost will be borne by the Shipper unless the meters are shown to be inaccurate by more than one-half of one (½%) percent. Shipper will bear the costs if Carrier is required to test and calibrate its meters more frequently than normal.

23.7. Volumetric reporting of Petroleum Received and Delivered will be corrected to standard base conditions of fifteen degrees Celsius (15°C) and 101.325 Kpa static pressure by use of the latest API Petroleum Measurement Tables. Volume corrections for compressibility, where applicable, shall be determined from API Manual of Petroleum Measurement Standards, Chapter 11.1.

23.8. The full amount of basic sediment, water and other impurities shall be deducted from the corrected volume.

#### **24.0 EVIDENCE OF RECEIPTS AND DELIVERIES**

Carrier shall evidence the Receipt and Delivery of Petroleum by ticket or other records (including electronic records) showing the volume, quality and any other specifications with respect to such Petroleum as specified by the Carrier from time to time.

#### **25.0 DELIVERY AND RECEIVING FACILITIES**

25.1. Each Shipper shall provide and maintain (or ensure that Producer provides and maintains) adequate upstream storage and lease facilities, commensurate with the quantities of Petroleum Tendered. Shippers will be required to provide a minimum of 36 hours storage. In all instances, Shipper's infrastructure will be equipped with positive shut-off valves complete with locking devices.

25.2. The Shipper shall provide or maintain or cause the Producer to provide and maintain valves and lines of an acceptable size to the suction flange of metering or pump facilities. When in the Carrier's opinion any of the Shipper's or Producer's storage vessels are unsafe or unsuitable for use because of improper connections, accumulations and encrustations of sediment or other extraneous materials, or any other unacceptable condition, the Carrier may refuse to accept Petroleum from these facilities.

25.3. Where the Carrier determines that automatic metering is feasible for the custody transfer measurement of any of the Shipper's Petroleum received by the Carrier, the metering facilities and their operation and calibration shall be in accordance with the Carrier's engineering standard titled "Measurement and Control Installation Guidelines" (or any replacement thereof), available from the Carrier upon request. Shipper may at its expense request Carrier to install automatic metering services.

25.4. Prior to the entry by the Shipper or its agents or contractors onto a truck terminal site or a rail facility owned or controlled by the Carrier, all such parties must be approved by Carrier in writing, in its sole discretion, and, when requested by the Carrier, shall have

executed a terminal access agreement acceptable to the Carrier. Shipper shall be solely liable for any breach of these Rules caused by its agent or contractor.

25.5. In respect of Petroleum Tendered to or from the Carrier's truck or rail facilities, Shipper shall ensure that it has, or if applicable, its contractors have in place the following types of insurance and limits of liability; Commercial General Liability \$5,000,000 (including a specific endorsement for sudden and accidental pollution coverage), Automobile Liability \$5,000,000, Non Owned Automobile Liability \$5,000,000 and Excess Liability in excess of the insurance coverages required above in the amount of \$5,000,000. The specified limits of liability are the minimum amount acceptable to the Carrier hereunder and not limits of liability and may be increased by Carrier upon written notice to Shipper. Each Shipper shall provide to the Carrier a valid Certificate of Insurance as evidence of insurance, naming the Carrier as an additional insured and waiving the Shipper's and its insurers' rights to subrogate against the Carrier, before initial unloading or loading are commenced, at any time a material change is made to the relevant insurance policy or upon the request of the Carrier. Shipper agrees to provide 30 Days written notice of cancellation of or material change to the required insurance coverages. All insurance coverage required hereunder shall be primary to, and not in excess of or contributory with, any insurance that may be maintained by the Carrier. Such insurance coverages shall specifically provide that they apply separately to each insured against which claim is made or suit is brought, except with respect to the limits of the insurer's liability. Notwithstanding anything herein contained, Shipper shall be fully responsible for, and liable to Carrier for any loss or damage (including environmental damage) caused by or attributable to its employees, contractors, agents or representatives or by the release of Petroleum on Carrier's owned, operated or leased property and Shipper will indemnify, defend and hold Carrier harmless for any loss or damage (including environmental damage) caused by or attributable to its employees, contractors, agents or representatives or by the release of Petroleum on Carrier's owned, operated or leased property.

25.6. In respect of Petroleum Tendered or Delivered to or from Carrier's truck facilities, Shipper shall ensure that its truck carriers and drivers have been pre-authorized as required by Carrier and comply at all times with all applicable Laws (including federal or provincial legislative requirements for the province in which they are hauling, shipping or receiving). The Carrier has the right to implement third party inspections on all tractors and trailers Tendering to, or receiving Petroleum from Carrier's owned or operated facility. Cooperation from driver and trucking company is required, identified deficiencies must be corrected, and will be confirmed prior to entering any Carrier owned or operated facility. Carrier has the right to conduct post incident drug and/or alcohol testing for Parties involved in an incident. It is the responsibility of all Parties to be familiar with Carrier's drug and alcohol policy.

25.7. Trucks Tendering Petroleum to the Carrier's truck receiving terminals shall be equipped with proper loading and unloading equipment, including a fully automatic engine positive air shut down system and product pumps with a fluid bypass system or double bypass system, to provide Tender of each shipment with a minimum of delay. Adequate equipment shall be provided and maintained on tank trucks for inspection of the tank and contents before and after unloading Petroleum at any terminal. The Carrier may refuse to accept Petroleum by tank truck when, in the Carrier's opinion:

- (a) the danger of fire exists due to spillage or leaks,
- (b) the driver disregards good housekeeping practices, instructions issued by the Carrier or any site policies or procedures imposed by Carrier,
- (c) there is risk of injury, explosion, release of Petroleum, environmental damage, or inaccurate quality or quantity measurement,
- (d) the Petroleum being Tendered does not meet specifications as outlined in Section 20.0 and Exhibit I, or
- (e) the Shipper or its agents or contractors are in breach of the terminal access agreement referred to in Section 25.4. The driver and trucking company shall adhere to these Rules and all instructions relative to tank truck unloading or loading as issued by the Carrier from time to time.

25.8. Railcars entering the Carrier's rail terminals for the Tendering or Delivery of Shipper's Petroleum shall be suitable for the loading, unloading and transportation of the Petroleum, including that such railcars:

- (a) meet the current/imminent regulatory standards and industry standards, for Canada and the United States as set by the primary regulatory agencies that set these standards, which include but are not limited to: the Department of Transportation, the Association of American Railroads and Transport Canada, for the loading, unloading and transportation of Petroleum;
- (b) comply with all Laws and railroad requirements for the loading, unloading and transportation of Petroleum;
- (c) meet all additional rail facility design criteria as may be communicated to the Shipper by the Carrier from time to time; or
- (d) are fully compliant, free of any defects and safe to transport the Petroleum for which they are being used. In the event, as determined by the Carrier,
  - (i) a railcar does not meet the foregoing requirements or has a defect and is in need of repair or cleaning,
  - (ii) the Petroleum being Tendered does not meet specifications as outlined in Section 20.1 and Exhibit I, or
  - (iii) the Shipper or its agents or contractors are not in compliance with the terminal access agreement referred to in Section 25.4, then the Carrier shall be entitled to reject the Railcar at no cost to the Carrier, and the Shipper shall not be permitted to access the Carrier's facilities until the default set forth in subsections (i), (ii) or (iii) above has been corrected.

## **26.0 ACCESS AND USE OF FACILITIES**

26.1. With reasonable notice, the Carrier shall be allowed full and free use of roads and airstrips built or owned by the Shipper or the Producer when in the Carrier's opinion such use is required, or convenient to the Carrier, in the course of construction,

operation and maintenance of its facilities upon the surface lands of the Shipper or the Producer.

26.2. Upon provision of notice to the Shipper or the Producer, not to be unreasonably withheld, the Carrier shall be permitted to install upon the surface lands held by the Shipper or the Producer, the pipeline, power service connections and all pipeline equipment required for the Carrier's operations in transporting the Petroleum.

26.3. Where applicable, upon provision of notice to the Shipper or the Producer, not to be unreasonably withheld, the Carrier's employees or authorized representatives shall be permitted to enter upon the premises where Petroleum is produced, Received or Delivered and shall have access to the Shipper's or the Producer's lines, meters or other equipment for the purposes of operation and maintenance of these facilities including any, testing, examination or measurement authorized by these Rules. Prior to the Carrier's employees or authorized representatives entering upon these premises, the Shipper or the Producer shall explain all of the applicable safety rules pertaining to these premises to the Carrier's employees or authorized representatives entering thereon.

26.4. The Shipper shall, or shall cause Producer to, provide the Carrier a method of receiving storage level measurements, as stipulated by the Carrier in its sole discretion.

26.5. Shipper shall use commercially reasonable efforts to ensure that all weather access roads to LACT Equipment or other facilities are maintained. Carrier shall have the right to use such access roads in connection with the operation or maintenance of the Pipeline System.

## **27.0 TITLE TO PETROLEUM**

Shipper shall not Tender and Carrier will not be obligated to accept any Petroleum which is in any way subject to or involved in litigation, or the ownership of which may be in dispute, or which is encumbered by a lien or charge of any kind unless and until the Shipper furnishes a bond or other form of indemnity satisfactory to the Carrier, protecting the Carrier against any liability or loss arising as a result of any such litigation, dispute, lien or charge. Shipper will notify Carrier if at any time any Petroleum Nominated or Tendered becomes subject to any litigation or becomes encumbered by a lien or charge.

## **28.0 LIABILITY OF CARRIER**

28.1. The Carrier shall not be liable for any damage or loss, whether direct or indirect, suffered or incurred by the Shipper or Producer resulting from or in any way attributable to or arising out of any act or omission, whether negligent or otherwise, except when and to the extent that such damage or loss is directly caused by the Carrier's gross negligence.

28.2. Notwithstanding Section 28.1, the Carrier shall not be liable for any damage or loss, whether direct or indirect, suffered by the Shipper or Producer arising from the failure of any computer hardware, data processing equipment (including meters), media, microchip, integrated circuit or similar device or equipment or any software, whether controlled, operated, or owned by the Carrier or not.

28.3. If damage to or loss of Petroleum results while such Petroleum is in the custody of the Carrier, the Carrier shall apportion the cost of such damage or loss of such Petroleum on a pro rata basis among all Shippers on the Pipeline System. Each Shipper's share of such cost shall be determined by the Carrier based on the proportion of the volume of the Shipper's Petroleum in the custody of the Carrier in the Pipeline System on the date of such loss to the total volume of Petroleum in the custody of the Carrier in the Pipeline System on the date of such loss. Alternatively, at its discretion, Carrier may deliver only that portion of Shipper's Petroleum as may remain after deduction of its proportionate share of such damage or loss. Statements of loss provided by Carrier shall be accepted by Shipper as prima facie correct.

## **29.0 LIABILITY OF SHIPPER**

29.1. If Petroleum is not removed from the Carrier's facilities in accordance with these Rules, the Shipper shall be solely responsible for and shall indemnify, defend and hold harmless Carrier from and against all actions, proceedings, claims, demands, losses, costs, damages and expenses whatsoever (including legal fees), which may be brought against or suffered or incurred by the Carrier associated with any disruption to the Carrier's operations, including the loss of revenue therefrom, unless the non-removal of such Petroleum is solely due to the gross negligence of the Carrier.

29.2. The Shipper shall be solely liable for, and shall indemnify, defend and hold harmless the Carrier from and against all actions, proceedings, claims, demands, losses, costs, damages and expenses whatsoever (including legal fees), which may be brought against or suffered or incurred by the Carrier as a result of:

- (a) the Carrier Receiving pursuant to Section 6.2 a volume of Petroleum different from the volume Nominated by the Shipper or contained in the Notice of Shipment, regardless of the cause;
- (b) the Shipper's failure to comply with any provisions of these Rules, including payment of the Pipeline Tariff or any other amounts pursuant to these Rules;
- (c) the Shipper's failure to pay, or cause to be paid, any and all taxes, duties, charges, levies or any other assessments made or imposed by any Governmental Authority;
- (d) any action of, or failure to take action by, the Shipper, or the negligence or gross negligence of the Shipper;
- (e) any adverse claims by third parties claiming ownership or an interest in the Petroleum Tendered by the Carrier;
- (f) Carrier performing any services hereunder, where performed in accordance with applicable Law and the terms hereof; or
- (g) Any errors or omissions of Shipper in the provision or non-provision of information provided by interconnection of Shipper's and Carrier's facility control systems.

### **30.0 CLAIMS, SUITS AND TIME FOR FILING**

Any claim by the Shipper in relation to these Rules must be submitted in writing to Carrier within 30 Days after receipt of invoice, or, in the case of failure to make Delivery, then within 30 Days after the expected time for receipt of invoice has elapsed; and suits arising out of such claims must be instituted against Carrier within 2 years from the date when notice in writing is given by Carrier to such Shipper that Carrier has disallowed the claim or any part or parts thereof specified in such notice. Claims advanced beyond such 2 year period shall be null and void as between Shipper and Carrier. In causing Petroleum to be transported under the Rules, Shipper agrees to be bound by the provisions of this Section 30.0 and waive any and all rights which it might otherwise have at law, equity or otherwise to make a claim after the expiration of such period 30 Days or to bring an action after the expiration of such period of 2 years.

### **31.0 DISCRETIONARY WAIVERS**

The Carrier may waive any of its rights hereunder or any obligations of Shipper on a basis that is not unduly discriminatory; provided that no waiver by the Carrier of any one or more performance defaults by the Shipper shall operate or be construed as a waiver of any future default or defaults, whether of a like or of a different character.

### **32.0 INDEMNIFICATION PROCEDURE**

Wherever in these Rules that the Shipper has the obligation to defend Carrier, it shall do so in good faith, and shall utilize counsel of Carrier's choosing, acting reasonably.

### **33.0 DEFAULT OF SHIPPER**

Each of the following shall constitute an "**Event of Default**" for the purposes of these Rules:

- (a) If the Shipper or its Credit Support Provider:
  - (i) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due;
  - (ii) makes a general assignment, arrangement or composition with or for the benefit of its creditors;
  - (iii) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar Law affecting creditors' rights, or a petition is presented for its winding up or liquidation;
  - (iv) has a resolution passed for its winding up, receivership or liquidation (other than pursuant to a consolidation, amalgamation or merger);
  - (v) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;
  - (vi) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets; or

- (vii) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts;
  - (viii) fails to pay any Carrier Receivable within 10 Business Days after notice has been given to the Shipper; or
- (b) If the Shipper fails to cure any breach or default specified in a Default Notice within the Cure Period.
- (c) If an Event of Default occurs, the Carrier, in addition to any other right or remedy, whether granted by these Rules, any Contract, or otherwise at common law or equity, may, in its sole discretion: (i) may immediately suspend Receipt and Delivery of Shipper's Petroleum, until any and all Carrier Receivables (including interest thereon) are paid to Carrier; (ii) withhold any amounts owing to Shipper under the Rules, any Contract or other arrangement between the Carrier and the Shipper and set-off such withheld amounts against any Carrier Receivables; (iii) enforce its lien, charge and security interest as against any Petroleum in its possession or control belonging to the Shipper in any manner permitted by law and including, without limitation, taking possession of such Petroleum and disposing thereof on whatever terms the Carrier can arrange, acting reasonably; and (iv) exercise any rights it may have under any financial assurances provided by Shipper in accordance with Section 19.0.
- (d) From the proceeds of any sale of Petroleum, Carrier shall be entitled to pay itself an amount equal to the amount of any Carrier Receivables (including interest thereon and reasonable storage charges pending sale and costs and expenses incident to such sale), and the balance remaining, if any, shall be held by the Carrier for the Shipper and any other party entitled to the proceeds.

### **34.0 REPRESENTATIONS, COVENANTS AND WARRANTIES**

- 34.1. Carrier represents and warrants that it shall operate its Pipeline System in accordance with all applicable Laws.
- 34.2. Shipper represents and warrants that:
- (a) it has in place for all Nominated and Tendered Petroleum all required approvals, permits and authorizations for the removal and transportation of Petroleum under these Rules;
  - (b) it owns or controls, and has the right to Nominate, Tender or have Delivered for its account, the Petroleum that is Nominated or Tendered to Carrier;
  - (c) it has sufficient funds to pay Carrier all amounts due under these Rules and will pay all amounts due and owing to Carrier by the Due Date; and
  - (d) it will indemnify Carrier against any adverse claims by a third party claiming an interest in the Petroleum.



### **35.0 GOVERNING LAW**

These Rules shall be construed and applied in accordance with and be subject to the laws of the province of Alberta, and, where applicable, the laws of Canada, and shall be subject to the rules, regulations, decisions and orders of any Governmental Authority. No Party will institute any action, suit or other proceeding with respect to a Contract, the Tariff Bulletin or these Rules or any matter relating to Carrier other than in the Alberta Court of Queen's Bench in the judicial district of Calgary, or, if that court for any reason lacks subject matter jurisdiction, the appropriate court for the province of Alberta or Canada, as applicable. In that regard, each Party hereby irrevocably attorns to the jurisdiction of such courts in Alberta or Canada in the event of any such action, suit or other proceeding by the other Party. The Parties specifically and knowingly waive a trial by jury and any such controversy shall be litigated solely before a justice or panel of justices.

### **36.0 NOTICES**

Any notice, designation, statement, invoice or other communication hereunder from Carrier to Shipper or from Shipper to Carrier shall be made in writing and sent by electronic transmission, by ordinary mail, or by personal delivery by such Person to (i) in the case of notices to Carrier, its electronic transmission address or mail address set forth in the Tariff Bulletin, or (ii) in the case of notices to Shipper, to the last electronic transmission address or mail address for Shipper provided by Shipper to Carrier. In this regard, Shipper shall, by notice in writing to Carrier, provide its electronic transmission address, mail address and other relevant contact information to Carrier prior to Shipper's initial Nomination of Petroleum into a Pipeline System and shall provide notice of any charges that are made thereto at any time thereafter. At the Carrier's discretion, the Carrier may publish Rules or Tariff Bulletin (including any appendix thereto) on the website [www.plainsmidstream.com](http://www.plainsmidstream.com). Publication of these Rules or Tariff Bulletin (including any appendix thereto) on the website [www.plainsmidstream.com](http://www.plainsmidstream.com) shall be deemed to constitute notice of these Rules and the Tariff Bulletin (including any appendices thereto) to all Shippers and other applicable Persons (including a Shipper's Credit Support Provider). The Rules and Tariff Bulletin (including any appendices thereto) provided by electronic transmission, by ordinary mail, by personal delivery, or published on the foregoing website and in effect at the time of Tendering Petroleum by Shipper shall govern the Receipt, Transportation and Delivery of such Petroleum. Subject to the foregoing, the deemed receipt date for a mail communication is 3 Business Days following the mailing date. The deemed receipt date for a communication by personal delivery or electronic transmission is the Day on which such notice was sent; provided that if such Day is not a Business Day or such notice was received after 2:00 p.m. MST on such Day, such notice shall be deemed to have been received on the immediately following Business Day.

### **37.0 REGULATORY DISCLOSURE**

The tolls of the Carrier for the Aurora Pipeline System are regulated by the National Energy Board ("the Board") on a complaint basis. The Carrier is required to make copies of tariffs and supporting financial information readily available to interested persons. Persons who cannot resolve traffic, toll and tariff issues with the Carrier may file a complaint with the Board. In the absence of a complaint, the Board does not normally undertake a detailed examination of the Carrier's tolls.

## EXHIBIT I – STREAM QUALITY SPECIFICATIONS FOR PETROLEUM

	Density Kg/m <sup>3</sup> @ 15°C	Total Sulphur (mass %)	Kinematic Viscosity mm <sup>2</sup> /s	Receipt Temperature Minimum °C	Receipt Temperature Maximum °C	Vapour Pressure kPa @ 37.8°C	Salt g/m <sup>3</sup>
<b>Test Procedure<sup>1</sup></b>	ASTM D5002	ASTM D4294	ASTM D445	API 7.3	API 7.3	ASTM D6377	ASTM D3230
Condensate <sup>2</sup>	600 – 775	≤0.5%	<2	0	40	<103	<285
Light Sweet <sup>3</sup>	800 – 876	≤0.5%	<20	0	40	<95	<285
Light Sour <sup>4</sup>	800 – 871	≤1.2%	<20	0	40	<95	<285
Light Sour Blend <sup>5</sup>	800 – 871	n/a	<20	0	40	<90	<285
Medium Sour Blend <sup>6</sup>	871.1 – 904	n/a	<100	0	40	<90	<285
Bow River Medium Sour <sup>7</sup>	<925	n/a	<210	0	40	<95	<285
Heavy Crude <sup>8</sup>	900 - 955	n/a	n/a	5	60/80 <sup>11</sup>	<95	<285
Heavy Raw Crude <sup>9</sup>	940 – 1000	n/a	n/a	10	60/80 <sup>11</sup>	<35	<285
Heavy Blend Crude <sup>10</sup>	<940	n/a	>100 - <350	5	60	<95	<285

	Organic Halides/ Organic Chlorides (ppmW, naphtha fraction)	Phosphorous (ppm)	Olefins (mass %)	Total Contaminant Content <sup>13</sup> Maximum (vol %)	Moisture Content (vol %)	pH of contained Water	Pour Point
<b>Test Procedure<sup>1</sup></b>	ASTM D4929	Maxxam CCQTA ICP OES	HNMR	Centrifuge API 10.4 Karl Fisher API 10.9 ASTM D4928	API 10.4	Litmus Test	ASTM D5853
Condensate <sup>2</sup>	<1	<1.5	<0.3	0.5	<0.3	>5.0	>-7°C
Light Sweet <sup>3</sup>	<1	<1.5	<0.3	0.5	<0.3	>5.0	>-7°C
Light Sour <sup>4</sup>	<1	<1.5	<0.3	0.5	<0.3	>5.0	>-7°C
Light Sour Blend <sup>5</sup>	<1	<1.5	<0.3	0.5	<0.3	>5.0	>-7°C
Medium Sour Blend <sup>6</sup>	<1	<1.5	<0.3	0.5	<0.3	>5.0	>-7°C
Bow River Medium Sour <sup>7</sup>	<1	<1.5	<0.3	0.5	<0.3	>5.0	>-7°C
Heavy Crude <sup>8</sup>	<1	<1.5	<0.3	0.5	<0.3	>5.0	>-7°C
Heavy Raw Crude <sup>9</sup>	<1	n/a	<0.3	0.5	<0.3	>5.0	>-7°C
Heavy Blend Crude <sup>10</sup>	<1	n/a	<0.3	0.5	<0.3	>5.0	>-7°C

### Notes to Quality Specifications

#### General

1. Test procedures shall be determined based on the most recent API or ASTM standards or at the Carrier's sole discretion.
2. Applicable Streams: Rangeland/Aurora Condensate, Rainbow Condensate, Manito Condensate.
3. Applicable Streams: Rainbow Sweet, Rangeland/Aurora Sweet, Wascana Sweet.
4. Applicable Streams: Rangeland/Aurora Sour.
5. Applicable Streams: Wapella Light Sour Blend, SSPL Moose Jaw Tops.
6. Applicable Streams: Wapella Medium Sour.
7. Applicable Streams: Milk River Bow River.
8. Applicable Streams: SSPL Fosterton.
9. Applicable Streams: Rainbow Seal Heavy, Rainbow Wabasca Heavy, Manito and Cactus Lake LLK.
10. Applicable Streams: Rainbow Seal Heavy and Rainbow Wabasca Heavy.
11. The maximum receipt temperature for Heavy Crude is 60°C for LACTs, and 80°C for trucked volumes.
13. Contaminant content means all non-hydrocarbon materials, such as Basic Sediment and Water (BS&W) and other impurities.

## EXHIBIT II – PIPELINE QUALITY EQUALIZATION PROCEDURES

1. If the Carrier elects to perform quality equalization in accordance with Section 20.0 of these Rules, the Carrier shall perform quality equalization in accordance with procedures as determined by the Carrier in accordance with industry standards.
2. To enable the equalization permitted or required hereunder, the Carrier, at the cost of the Shipper and, at such intervals reasonably specified by the Carrier, shall:
  - (a) obtain representative samples of Petroleum from each Receipt Point and each truck terminal Tendering to a Receipt Point which is connected to the Pipeline System;
  - (b) conduct, or cause to be conducted, independent laboratory tests and analyses of these samples of Petroleum; and
  - (c) obtain proper certificates therefrom showing:
    - (i) the individual hydrocarbon components contained in the sample;
    - (ii) other information reasonably required by the Carrier to conduct equalization of each of the samples, and

Each Shipper shall fully co-operate with the Carrier and specifically hereby grants to the Carrier the right of access to any battery employed by such Shipper with respect to such Shipper's Petroleum, and authorizes the sampling by the Carrier of same. All certificates obtained by the Carrier under this Exhibit II shall be deemed correct for all purposes unless and until replaced by a certificate of later analysis. Unless otherwise agreed to by the Carrier, all streams of Petroleum Received at any tank battery connected to the Pipeline System shall be deemed to have a composition and quality of the stream Received out of such battery.

The Carrier may refuse to accept Receipt of any Petroleum unless the Carrier has first received the certificate or statement thereof. The Carrier assumes no liability for errors made by it in any equalization of Petroleum hereunder, due to fraud, or mistake of any persons or misrepresentation of any person to the Carrier regarding the quality or composition of any Petroleum Nominated or Tendered for shipment in the Pipeline System.

The Carrier shall have the right to take, at any time, a sample of any Petroleum Tendered by the Shipper for transportation in the Pipeline System and test and analyze the same.

3. Where:
  - (a) The Shipper is required to make a payment to the Carrier, due to any equalization conducted by the Carrier hereunder, the payment shall be made to the Carrier on or before the payments due date as specified in the petroleum industry reporting calendar as published by the Alberta Petroleum Marketing Commission for the Month in which the Carrier's statement of the required equalization is received; or
  - (b) The Carrier is required to make payment to the Shipper, due to any equalization conducted by the Carrier hereunder; the payment shall be made by the Carrier to the Shipper so entitled when all equalization payments, due the Carrier under Section 3(a) of this Exhibit II, have been received by the Carrier.

The Carrier shall have no liability for interest on the equalization payments due the Shipper unless the Carrier has not made equalization payment to the Shippers within twenty (20) Business Days of the Carrier's receipt of the last equalization payment due to the Carrier from all Shippers for a specific Month.