

# **PLAINS MIDSTREAM CANADA ULC**

## **Rules and Regulations No. 49**

Replaces all previously issued Rules and Regulations applying to the Bodo, Milk River, Wapella and Wascana Pipeline Systems.

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

## **GENERAL APPLICATION**

These Rules and Regulations apply to and govern the use of Plains Midstream Canada ULC's pipeline systems, which include the following: Bodo Pipeline, Milk River Pipeline, Wapella Pipeline and Wascana Pipeline. The Rules and Regulations published herein apply under tariffs making specific reference by number to these Rules and Regulations; such reference shall include supplements hereto and successive issues hereof. These Rules and Regulations also replace and apply in place of any prior rules and regulations published for any of the aforementioned pipeline systems. Specific rules and regulations published in individual tariffs will take precedence over these Rules and Regulations. These Rules and Regulations apply to all Shippers and Producers using Carrier's systems and by Tendering Crude Petroleum by or on behalf of a Shipper or Producer to Carrier's systems or by delivering a Notice of Shipment to Carrier, each Shipper and Producer accepts these Rules and Regulations as a legally binding contract made among each Shipper, Producer, Carrier and each of Carrier's other Shippers 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 1, 2014**

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**Issued: December 6, 2013**

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## 1. DEFINITIONS

The following definitions shall apply to these Rules and Regulations, including Exhibits I and II attached hereto and incorporated herein.

- 1.1. “**API**” means the American Petroleum Institute.
- 1.2. “**ASTM**” means the American Society for Testing and Materials.
- 1.3. “**Business Day**” means any day other than a Saturday, Sunday or statutory holiday in the province of Alberta.
- 1.4. “**Carrier**” means Plains Midstream Canada ULC.
- 1.5. “**Consignee**” means the third party designated by the Shipper to take ownership of the Crude Petroleum from the Shipper at the Delivery Point.
- 1.6. “**Contract**” means any contract executed by Carrier and a Shipper or Producer, and into which these Rules and Regulations are incorporated, including without limitation a transportation service agreement or a connection agreement.
- 1.7. “**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 and Regulations.
- 1.8. “**Crude 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 and that satisfies the applicable specifications set forth in these Rules and Regulations and does not include natural gas liquid mixtures or the specification products: ethane plus, propane, propane plus and butane unless such ethane plus, propane, propane plus and butane is transported as a segregated stream.
- 1.9. “**Cubic Metre**” or “**m<sup>3</sup>**” means a cubic metre of Crude Petroleum at a temperature of fifteen degrees Celsius (15°C) and a pressure of 101.325 kilopascals absolute (101.325 kPa) for Crude Petroleum and condensate, and equilibrium vapour pressure for ethane plus, propane, propane plus and butane.
- 1.10. “**Delivery Point**” means a location on the Pipeline System at which the Carrier has facilities to permit the delivery of Crude Petroleum to the Shipper or its Consignee.
- 1.11. “**Density**” means mass per unit volume at fifteen degrees Celsius (15°C) expressed in kilograms per Cubic Metre (kg/m<sup>3</sup>).
- 1.12. “**Due Date**” has the meaning given to that term in Section 12.2.
- 1.13. “**Force Majeure**” has the meaning given to that term in Section 26.2.
- 1.14. “**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.
- 1.15. “**Laws**” means all statutes, laws, orders and regulations in effect from time to time made by Governmental Authorities.
- 1.16. “**Month**” means a calendar month.
- 1.17. “**Notice of Shipment**” means a document as prescribed by Carrier, completed by a Shipper and delivered to the Carrier identifying a stated quantity of Crude Petroleum for transportation from a

Receipt Point(s) to a Delivery Point(s) in accordance with these Rules and Regulations.

- 1.18. **"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 Crude Petroleum Tendered by Shippers for transportation on the Pipeline System.
- 1.19. **"Overage Fee"** has the meaning given to that term in Section 21.
- 1.20. **"Party"** means a Party hereto and bound hereby.
- 1.21. **"Pipeline System"** means, as the context requires, collectively all, or any part, of that system of pipelines and related equipment including but not limited to pumping, monitoring, storage, inlet and outlet facilities, located in the provinces of Manitoba, Saskatchewan and Alberta and operated by the Carrier.
- 1.22. **"Pipeline Tariff"** means the current transportation charges, as revised from time to time, issued by the Carrier.
- 1.23. **"Producer"** means the owner or operator of the production facilities at any established Receipt Point on the Pipeline System.
- 1.24. **"Receipt Point"** means a location on the Pipeline System at which the Carrier has facilities to permit a Shipper to Tender Crude Petroleum.
- 1.25. **"Rules"** means the terms and conditions contained in these Rules and Regulations governing the gathering and transporting of Crude Petroleum on the Pipeline System.
- 1.26. **"Shipper"** means the Party who contracts with the Carrier for the transportation of Crude Petroleum under these Rules.
- 1.27. **"Shortage Fee"** has the meaning given to that term in Section 21.
- 1.28. **"Tender"** means an offer by a Shipper to the Carrier of a stated quantity and quality of Crude Petroleum for transportation from a Receipt Point(s) to a Delivery Point(s) in accordance with these Rules.

## **2. COMMODITY**

The Carrier is engaged in the transportation of Crude 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 Crude Petroleum at certain Receipt Points, as specified in the Contract or on Exhibit II to these Rules.

## **3. TRANSPORTATION CHARGES**

Crude Petroleum accepted for transportation shall be subject to the tolls in the Pipeline Tariff in effect on the date of receipt by the Carrier, irrespective of the date of Tender or the date of delivery.

## **4. ACCEPTANCE OF CRUDE PETROLEUM BY THE CARRIER**

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

- 4.1. at the Receipt Points specified in a Notice of Shipment;
- 4.2. at pressures and rates of flow satisfactory to the Carrier in its sole discretion;
- 4.3. when consigned to a Shipper or Consignee at an established Delivery Point(s); and

- 4.4. 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.

## 5. TENDERS AND INTRA-SYSTEM TRANSFERS

- 5.1. Crude Petroleum Tendered to the Carrier for shipment through the Pipeline System may be received only when the Shipper submits a properly executed Notice of Shipment form as prescribed by normal industry practice. The Notice of Shipment shall designate the point or points at which the Crude Petroleum is to be received by the Carrier, the Delivery Point(s), the Consignee, if applicable, and the quality(ies) and volume(s) of Crude Petroleum to be transported. A separate Notice of Shipment form shall be submitted for each Month. The Carrier may refuse to accept any Crude Petroleum for transportation unless satisfactory evidence can be furnished that the Shipper or the Consignee, if applicable, has made provision for prompt receipt thereof at the Delivery Point(s). 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.
- 5.2. Intra-system transfers may be allowed by the Carrier, in its sole discretion, however the Party first Tendering volumes of Crude Petroleum subject to an intra-system transfer shall remain the Shipper of record and shall be responsible for all charges pursuant to the Pipeline Tariff or these Rules. The Carrier shall not be obligated to recognize any intra-system transfer and shall incur no liability to the transferor, transferee or any other party with respect thereto or for any losses or damages accruing to any Party involved in an intra-system transfer. A transfer request, if recognized, shall be confirmed in writing by both the transferor and the transferee within twenty-four (24) hours after the transfer request. Such transfer request shall indicate the Parties to the transfer, the quality(ies) and volume(s) of Crude Petroleum to be transferred and its Delivery Point. An intra-system transfer fee will be applied to both Parties as prescribed in the Pipeline Tariff.
- 5.3. The Carrier reserves the right to accept a volume of Crude Petroleum for delivery that differs from the volume Tendered by the Shipper, where the Carrier is of the opinion, based upon historical and other available data in the Carrier's possession, 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 forty-eight (48) hours. Should the Shipper fail to provide the revised Notice of Shipment, the Carrier reserves the right to adjust or limit dispositions where supply is deemed not available or conversely limit supply into the Pipeline System where dispositions are not available. 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 delivering less volume than it has indicated in a Notice of Shipment.
- 5.4. The Carrier may accept reports, including but not limited to Tenders, from Carrier-approved third party electronic reporting services. If the Carrier approves any such third party electronic reporting service then Shipper shall utilize the electronic reporting services, and shall pay Carrier a fee as specified in the Pipeline Tariff.
- 5.5. The Canadian Association of Petroleum Producers and its Industry Technical Services Budgetary Sub-Committee assess charges to the Carrier to cover costs associated with technical services provided by, but not limited to, the Crude Oil Logistics Committee, Crude Monitor and the Equalization Steering Committee. Shipper shall pay Carrier a fee for such technical services, which fee shall be specified in the Pipeline Tariff.
- 5.6. The Carrier shall not be obligated to:
- 5.6.1. accept or deliver, as the case may be, Crude Petroleum on behalf of a Shipper, if the volume of Crude Petroleum is less than the minimum or greater than the maximum volume as set from time to time by the Carrier;
- 5.6.2. accept Crude Petroleum if the Shipper consistently delivers volumes that vary

substantially from month-to-month for reasons other than Force Majeure or due to Outages; or

5.6.3. accept Crude Petroleum that has been processed or blended at a Receipt Point.

## **6. QUALITY AND QUANTITY SPECIFICATIONS**

- 6.1. The Shipper shall not Tender, and the Carrier may in its sole discretion refuse to accept, Crude Petroleum for shipment having characteristics that do not conform to the specifications listed in Exhibit II attached hereto and incorporated herein, without prior written approval of the Carrier, which approval may be withheld in the sole discretion of the Carrier. All Crude Petroleum Tendered for transportation shall be free of (i) compounds with physical, biological or chemical properties that may adversely affect the quality of other shipments, (ii) suspended foreign materials, and (iii) hydrogen sulphide, sulphur reducing bacteria, mercaptans, cracked materials or carbon dioxide inhibitors that may, in the Carrier's reasonable opinion, cause damage to any of the Carrier's facilities, or that may be objectionable to the public, other connecting carriers or refineries. No Crude Petroleum will be accepted for transportation that contains any measurable quantity of organic chlorides or organic halides as determined by the Carrier.
- 6.2. If Crude Petroleum has basic sediment, water or other impurities in excess of the limit shown in Exhibit II hereto, the Carrier may (i) refuse to accept or transport such Crude Petroleum, or (ii) impose a surcharge on such Crude Petroleum.
- 6.3. The indirect liquid products of oil or gas wells, including natural gasoline and liquefied petroleum gases, may be accepted and transported as a mixture with Crude Petroleum, provided that the Reid vapour pressure of the resulting mixture does not exceed the limit shown in Exhibit II hereto. Crude Petroleum mixtures (other than those naturally occurring) containing excessive amounts, in the Carrier's reasonable opinion, of C3 and/or C4 gases (i.e. propane, butane) may be rejected by the Carrier for shipment, or the Carrier may impose a surcharge on such Crude Petroleum.
- 6.4. The Carrier reserves the right to refuse acceptance of Crude Petroleum for transportation that is at a temperature outside the limits shown in Exhibit II hereto.
- 6.5. No Crude Petroleum will be accepted for transportation at the point of measurement that has a Density greater than or less than that shown in Exhibit II hereto, unless prior arrangements have been made with the Carrier in writing for such Crude Petroleum to be segregated for shipment. Volumes of Crude Petroleum that have been blended at upstream facilities specifically to reduce the Density to meet this limit shall not be accepted.
- 6.6. No Crude Petroleum will be accepted for transportation at the point of measurement that has total sulphur greater than the limit shown in Exhibit II hereto, unless prior arrangements have been made with the Carrier. The Carrier may impose a surcharge for Crude Petroleum outside the specified sulphur limits.
- 6.7. The Carrier reserves the right to refuse acceptance of Crude Petroleum for transportation that has a kinematic viscosity greater than the limit shown in Exhibit II hereto at the lower of the receipt temperature and the Carrier's reference temperature (available upon request), or a Density greater than the maximum limit for Heavy Crude shown in Exhibit II hereto.
- 6.8. The Carrier reserves the right to refuse acceptance of Crude Petroleum for transportation that: (i) has physical or chemical characteristics that the Carrier deems unfit for transportation, (ii) may adversely affect the quality and/or value of other shipments, or (iii) may adversely affect the Carrier, the Pipeline System, or other Shippers or Producers, as determined by the Carrier in its sole discretion.
- 6.9. The Shipper shall, as required by the Carrier, provide to the Carrier an independent laboratory analysis report with respect to the quality specifications of Crude 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 Crude Petroleum.

- 6.10. The Carrier reserves the right to take, or cause to have taken, at any time, a sample of any Crude Petroleum Tendered by a Shipper for transportation in the Pipeline System and test and analyze same. The quality results will be used in the equalization process. Results from such analysis shall be considered final.
- 6.11. If Crude Petroleum of unacceptable quality as described herein is delivered to the Carrier's facilities, it shall be removed within twenty-four (24) hours as directed by Carrier. If it is not removed within twenty-four (24) hours, the Carrier may, but shall not be obligated to, remove and dispose of this Crude Petroleum in accordance with Section 12.3 or cause it to be processed to acceptable quality. The Carrier shall not be responsible for any loss or damage resulting from this treatment, removal or disposal, and shall be reimbursed by the Shipper for all costs incurred by the Carrier in connection therewith.
- 6.12. The Carrier shall not be required to accept delivery of Crude Petroleum from the Producer's facilities at intervals of less than seven (7) days, except in parcels of seventy (70) Cubic Metres or greater.
- 6.13. 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 Crude Petroleum shipments have ceased or it is not in the Carrier's best interests to continue operations at that location. The Carrier shall give three (3) Months' notice to the Producer of proposed discontinuance or disconnection.
- 6.14. Notwithstanding any other provision express or implied in these Rules, 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 giving of the notice, amend or replace Exhibit II to these Rules.

## **7. SEGREGATION AND CHANGES IN QUALITY**

- 7.1. Crude Petroleum Tendered for transportation may be received by the Carrier only on the condition that it shall be subject to those changes in Density, quality or characteristics while in transit as may result from the transportation thereof, or the mixture of this Crude Petroleum with other Crude Petroleum in the Pipeline System.
- 7.2. The Carrier shall be under no obligation to deliver the identical Crude Petroleum received. Any re-evaluations deemed appropriate by reason of difference in grade, colour or quality resulting from blending individual receipt streams together to form a common delivery stream shall be between and for the account of the Shippers and Consignees involved. The Carrier shall have no obligation or responsibility (financial or otherwise) for these re-evaluations or settlements other than to furnish data on volume, quality and Density of the Crude Petroleum received into and delivered out of the respective stream.
- 7.3. Notwithstanding the provisions of Sections 7.1 and 7.2, if the Crude Petroleum Tendered is of a kind or quality not being currently transported through the Carrier's facilities, the Carrier may, at the request of a Shipper and to the extent permitted by its existing facilities, endeavour to segregate such Crude Petroleum during transportation and to make delivery of substantially the same Crude Petroleum at destination provided that in such instances:
  - 7.3.1. the Carrier may require the Shipper to accept batch interfaces in the event the segregated stream varies significantly in quality from the main stream;
  - 7.3.2. the Carrier shall not be liable for failure to deliver identical Crude Petroleum or for any variations in quality while in its custody;
  - 7.3.3. the Carrier may, at its discretion, require payment of transportation charges in addition to regular rates for transportation of segregated Crude Petroleum volumes, to cover

incremental costs associated with the transportation of such volumes; and

- 7.3.4. the Carrier may require a minimum batch size and may limit the maximum batch size depending upon system hydraulics and operational concerns.

## **8. DELIVERY AND RECEIVING FACILITIES**

- 8.1. Each Producer of Crude Petroleum shall provide and maintain adequate upstream tankage and lease facilities, commensurate with the quantities of Crude Petroleum Tendered. Producers injecting directly into the Pipeline System will, at the discretion of the Carrier, be required to provide a minimum of thirty-six (36) hours storage when required by the Carrier operationally; otherwise, Producers will be required to provide a minimum of twenty-four (24) hours storage. Tankage shall be provided with positive shut-off valves complete with locking devices, and shall be designed to permit a minimum of twenty-four (24) hours weathering of all Crude Petroleum prior to shipment. If proper weathering is not obtained, the Carrier may refuse to ship the Crude Petroleum, or apply a weathering factor to the volume of Crude Petroleum being received. Tank mixers or other forms of agitation shall not be operated in shipping tanks. The Carrier may request the Producer to install level controls approved by the Carrier and located at levels on the Producer's tankage as specified by the Carrier.
- 8.2. The Producer shall provide and maintain stairways and walkways on all tanks and storage receptacles in a safe condition to facilitate the measuring and testing of the Crude Petroleum therein. The Producer shall also 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, the Producer's tanks are unsafe or unsuitable for use because of improper connections, accumulations and encrustations of wax or other extraneous materials, or any other unacceptable condition, the Carrier may refuse to accept Crude Petroleum from these facilities, or alternatively, in the case of accumulations and encrustations, the Carrier may apply a clingage factor in accordance with API Standard 2556 (latest revision).
- 8.3. Prior to any entry onto a truck receiving or loading terminal site owned or controlled by the Carrier, all parties must be approved by Carrier in writing, in its sole discretion.
- 8.4. Tank trucks delivering or receiving Crude Petroleum to and from the Carrier's truck receiving or loading terminals shall be equipped with proper loading and unloading facilities, including a fully automatic engine positive air shut down system and product pumps with a fluid bypass system, and unloading pumps to provide delivery of each shipment with a minimum of delay. Adequate facilities shall be provided and maintained on tank trucks for inspection of the tank and contents before and after delivering Crude Petroleum at any terminal. The Carrier may refuse to accept delivery of Crude Petroleum by tank truck when, in the Carrier's opinion, (i) the danger of fire exists due to spillage or leaks, (ii) the driver disregards good housekeeping practices, instructions issued by the Carrier or any site policies or procedures imposed by Carrier, or (iii) there is risk of injury, explosion, release of Crude Petroleum, environmental damage, or inaccurate quality or quantity measurement. 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.
- 8.5. Where the Carrier and a Shipper or Producer agree that automatic metering is feasible for the custody transfer measurement of any of the Shipper's Crude Petroleum gathered by the Carrier, the metering facilities and their operation and calibration shall be in accordance with the Carrier's engineering standard titled "Lease Automatic Custody Transfer Unit Specification", available at the Carrier's head office.
- 8.6. Each Shipper delivering or receiving Crude Petroleum to the Carrier's truck receiving or loading terminals 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 Automobile Liability \$5,000,000. The specified limits of liability are the minimum amount acceptable to the Carrier hereunder. Each



Shipper shall provide to the Carrier a valid Certificate of Insurance as evidence of insurance in place before initial deliveries or loading are commenced, at any time a material change is made to the relevant insurance policy or upon the request of the Carrier. 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 Crude Petroleum on Carrier's owned or leased property prior to custody transfer 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 Crude Petroleum on Carrier's owned or leased property prior to custody transfer.

- 8.7. Each Shipper delivering Crude Petroleum to the Carrier's truck receiving terminals shall ensure that its truck carriers and drivers can provide evidence of compliance to all applicable traffic laws and federal (if applicable) 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 delivering to, or receiving Crude Petroleum from Carrier's owned or operated truck receiving or loading terminals. 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.

## **9. ACCESS AND USE OF FACILITIES**

- 9.1. The Carrier shall be allowed full and free use of roads and airstrips built or owned by the Producer when in the Carrier's opinion this 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 Producer.
- 9.2. After having obtained the prior consent of the Producer, not to be unreasonably withheld, the Carrier shall be permitted to install upon the surface lands held by the Producer, the pipelines, power service connections and all pipeline equipment required for the Carrier's operations in transporting the Crude Petroleum Tendered by a Shipper.
- 9.3. After having obtained the prior consent of the Producer, not to be unreasonably withheld, the Carrier's employees or authorized representatives shall be permitted to enter upon the premises where Crude Petroleum is produced, received or delivered and shall have access to the Producer's lines, tanks, meters or other equipment for the purposes of operation and maintenance of these facilities including any gauging, testing, examination or measurement authorized by these Rules. Prior to the Carrier's employees or authorized representatives entering upon these premises, the Producer shall explain all of the applicable safety rules pertaining to these premises to the Carrier's employees or authorized representatives entering thereon.

## **10. MEASUREMENT, TESTING AND DEDUCTIONS**

- 10.1. Crude Petroleum received for shipment shall be measured by Carrier by either metering or tank gauging as determined in the sole discretion of the Carrier, and tested by a representative of the Carrier prior to, during or after receipt. The results of this measurement and testing shall be final.
- 10.2. A representative of the Carrier shall have the right to enter upon the premises where Crude 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 Carrier to verify such measurements and tests.
- 10.3. The Carrier reserves the right to put seals on all quality or quantity control points concerned with shipment of Crude Petroleum.

- 10.4. The Carrier shall calibrate custody transfer meters in accordance with generally accepted industry practice. If there is a meter failure, the meter shall be closed off and a standby meter, if available, shall be placed into operation. 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 shall be made between the Carrier and the Shipper on the basis of the most accurate information available.
- 10.5. If measurement is made from tank gauges, and the tanks are standard API lease tanks, then standard tank capacity tables shall be used in calculating individual gauged runs from these tanks. If individual tank capacity tables are unavailable for tanks other than standard API lease tanks, the Carrier shall strap these tanks and supply the necessary tank capacity tables in accordance with the latest issue of API Chapters 2.2A and 2.2B, allowing the Producer the privilege of witnessing the strapping and table preparation. Notwithstanding the foregoing provisions, either Party shall have the right to strap or re-strap any tank used in transfer of custody measurements to which it is a Party and to prepare new tank capacity tables from this strapping, allowing the other Party the privilege of witnessing the strapping and table preparation.
- 10.6. 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 Crude Petroleum used for custody transfer. The Shipper may at any time on ten (10) days' written notice, require 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 percent ( $\frac{1}{2}\%$ ).
- 10.7. Crude Petroleum of required specification will be received and delivered with volume corrected as to temperature from observed temperature to fifteen degrees Celsius ( $15^{\circ}$ ) by use of API 2540 Petroleum Measurement Tables (ASTM D 1250) (latest revision). Volume corrections for compressibility, where applicable, shall be determined from API Manual of Petroleum Measurement Standards, Chapter 11.2.1M.
- 10.8. The full amount of basic sediment, water and other impurities shall be deducted from the corrected volume.
- 10.9. The Carrier may apply a shrinkage correction factor to correct for volumetric shrinkage that occurs as a result of blending Crude Petroleum.

## 11. EVIDENCE OF RECEIPTS AND DELIVERIES

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

## 12. PAYMENTS, LIEN AND SALE

- 12.1. The Shipper shall pay to the Carrier the current Pipeline Tariff and all other lawful charges accruing on Crude 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 receipt or movement by the connecting carrier of the Crude Petroleum. If required by the Carrier, the Shipper shall make these payments to the Carrier before delivery.
- 12.2. The Shipper shall pay to the Carrier all amounts due to the Carrier under Section 12.1 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**"). The amount of any invoice shall bear interest at the rate expressed as a percentage per annum equal to the prime lending rate charged by the principal chartered bank in Canada used by the Carrier plus four percent (4%) per annum from the date payment was due until the invoice is paid. If the Shipper fails to pay any invoice within ten (10) Business Days of the Due Date, the Carrier, in addition to any other right or

remedy whether granted by these Rules or otherwise at common law or equity, may refuse to accept any of the Shipper's Crude Petroleum for transportation by the Pipeline System.

- 12.3. In addition to any lien or security interest otherwise provided by law, equity or contract, the Carrier shall have a lien on all Crude Petroleum in its possession belonging to the Shipper or the Consignee to secure the payment of any and all unpaid transportation or other lawful charges (including interest) that are due to the Carrier and may withhold the Crude Petroleum from delivery until all unpaid charges have been paid. If these charges remain unpaid ten (10) Business Days after notice to the Shipper or the Consignee and demand therefor, the Carrier shall have the right to sell this Crude Petroleum at public auction, on any Business Day and on not less than forty-eight (48) hours after publication of notice of the sale in a daily newspaper of general circulation published in Calgary, Alberta. The notice will state the time and place of sale, and the quantity and location of Crude Petroleum to be sold. The Carrier may participate as a bidder in such auction. From the proceeds of the sale, the Carrier will pay itself the transportation and all other lawful charges including reasonable storage charges pending sale and expenses incidental to the sale, and the net balance, if any, shall be held for whomsoever may be lawfully entitled thereto, without any obligation to pay interest thereon.

### **13. APPORTIONMENT OF PIPELINE SYSTEM RECEIPTS**

If Crude Petroleum is Tendered 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 Tenders, the current operating condition of the Pipeline System or any priority accorded to a Shipper pursuant to a Contract between the Carrier and such Shipper, acceptance of Crude Petroleum while these conditions exist. The Carrier may also suspend or apportion acceptance of Crude Petroleum if requested or required to suspend or to suffer restricted delivery to any connecting carrier. Carrier will not be liable to a Shipper for costs, losses, or damages due to any such suspension or apportionment.

### **14. TITLE TO CRUDE PETROLEUM**

Shipper shall not Tender and Carrier will not be obligated to accept any Crude 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 or the Consignee 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.

### **15. LIABILITY OF CARRIER**

- 15.1. The Carrier shall not, while in possession of any Crude Petroleum, be liable for any loss thereof, damage thereto or delay due to Force Majeure or caused by default of the Shipper or the Consignee, or from any cause whatsoever, whether similar or dissimilar, except to the extent that such loss or damage is caused by the Carrier's gross negligence.
- 15.2. The Carrier shall not be liable for the delivery or the result of any delivery which contains impurities or other products which adversely affect the facilities of connected carriers, the Shipper, the Consignee or other Delivery Points.
- 15.3. The Carrier shall not be liable for any damage, direct or indirect, or any consequential or incidental loss, suffered by the Shipper, Producer or Consignee and directly or indirectly caused by or consisting of or arising from the failure of any computer, data processing equipment or media, microchip, integrated circuit or similar device or any computer software, whether the property of the Carrier or not.
- 15.4. Where the Carrier makes delivery to connected downstream pipelines in the United States, the Carrier shall not be liable for losses or damages as a result of public enemies of the United States or requisitions of the Government of the United States.

### **16. LIABILITY OF SHIPPER**

- 16.1. If Crude 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 Crude Petroleum is solely due to the gross negligence of the Carrier.
- 16.2. In case of loss of Crude Petroleum while in the custody of the Carrier from any cause other than the gross negligence of the Carrier, after the Crude Petroleum has been received for transportation and before its delivery to the Shipper or the Consignee, the Shipper shall bear that proportion of the loss as the volume of its shipment represents in relation to all of the Crude Petroleum held for transportation by the Carrier past the point at which the loss occurs and at the time of such loss. The Shipper shall be entitled to have delivered only the portion of this shipment as may remain after deduction of its due proportion of the loss.
- 16.3. 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:
  - 16.3.1. the Carrier accepting for delivery pursuant to Section 5.3 a volume of Crude Petroleum different from the volume Tendered by the Shipper, except to the extent that any of these actions, proceedings, claims, demands, losses, costs, damages and expenses are directly attributable to the gross negligence of the Carrier;
  - 16.3.2. the Shipper's failure to comply with any provisions of these Rules;
  - 16.3.3. 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;
  - 16.3.4. any action of, or failure to take action by, the Shipper, or the negligence or gross negligence of the Shipper; or
  - 16.3.5. any adverse claims by third parties claiming ownership or an interest in the Crude Petroleum Tendered to the Carrier.

## **17. PRODUCER COMPLIANCE**

The Shipper shall cause each Producer whose Crude Petroleum is Tendered for transportation under these Rules to be bound by these Rules. 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 the Producer to comply with these Rules.

## **18. CLAIMS, SUITS AND TIME FOR FILING**

In Alberta, all claims, disputes or demands by a Shipper or Producer against Carrier under or relating to these Rules that are not notified in writing to the Carrier within one (1) Month after Delivery of the Crude Petroleum, or in the case of failure to make Delivery, then within one (1) Month after a reasonable time for Delivery has elapsed, shall be subject to a cap on the liability of the Carrier of \$100.00 for any matter arising out of or relating to such claim, dispute or demand. Lawsuits arising out of these claims, disputes or demands and not served on the Carrier within six (6) Months from the day when notice in writing is given by the Carrier to the claimant that the Carrier has disallowed the claim, dispute or demand, or any parts thereof specified in the notice, shall be subject to a cap on the liability of the Carrier of \$100.00 for any matter arising out of or relating to such claim. In any province where not prohibited by law, any such claims, disputes or demands advanced beyond such six (6) Month period shall be null and void as between

the Shipper and the Carrier, and in causing Crude Petroleum to be transported under these Rules, the Shipper and the Consignee agree to be bound by the provisions of this Section and waive any right which they or either of them might otherwise have, at common law, in equity or otherwise to make a claim, dispute or demand or to bring an action after the applicable time periods set out in this Section.

## 19. LINE FILL AND WORKING STOCK

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

- 19.1. each Shipper shall purchase or provide a pro rata share of the line fill in any segment of the Pipeline System used or to be used to transport such Shipper's Crude Petroleum; and
- 19.2. each Shipper shall purchase or provide a pro rata share of the working stock in any segment of the Pipeline System.

If the Pipeline System operates as a single shipper system, or where the Carrier has been advised that only one Shipper will be transporting Crude Petroleum in any segment in a month, the Carrier will provide necessary line fill and working stock and may impose a working stock charge and/or line fill charge.

The Shipper shall remove and dispose of all line fill 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 12.3, to dispose of any working stock and/or line fill which are unclaimed by a Shipper within fifteen (15) Business Days after notification by the Carrier to do so. The Carrier shall not be liable to the Shipper or the Consignee for any loss or damage suffered by the Shipper or the Consignee arising out of such disposition and the Shipper or the Consignee shall pay for all costs incurred in disposing of such Crude Petroleum, as if the Shipper or the Consignee had requested and authorized such disposition.

## 20. EQUALIZATION FOR QUALITY DIFFERENTIALS

- 20.1. Where for any period Shipper(s) delivers Crude Petroleum for transportation in the Pipeline System, or any portion thereof, then during each of these periods, equalization for differences in the Density or composition of the Crude Petroleum may be made at the sole option of the Carrier and if made, shall be made under this Section and in accordance with Exhibit I attached to these Rules and incorporated herein. The Carrier may, by written notice, to be effective on the first (1st) day of the Month next following the date of the giving of the notice, amend or replace Exhibit I to these Rules.
- 20.2. A monthly equalization fee, plus applicable taxes may be applied on the monthly pipeline equalization invoice.

## 21. OVERAGE AND SHORTAGE FEES

Shippers owning Crude Petroleum within the Pipeline System are expected to balance their inventory positions at the end of each Month.

In the event that a Shipper's monthly closing inventory is greater than the Shipper's required pro rata share of line fill and working stock, the Shipper may be levied a fee ("**Overage Fee**"), equivalent to six percent (6%) of the weighted average stream value as determined by the Carrier, on the volume of Crude Petroleum in excess of the Shipper's required pro rata share of line fill and working stock.

In the event that a Shipper's monthly closing inventory is less than the Shipper's required pro rata share of line fill and working stock, the Shipper may be levied a fee ("**Shortage Fee**"), equivalent to six percent (6%) of the weighted average stream value as determined by the Carrier, on the volume of Crude Petroleum deficient of the Shipper's required pro rata share of line fill and working stock.

## 22. 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 Crude Petroleum, Overage Fees, Shortage Fees, equalization obligations, the value of any allowance oil and negative Shipper's balance positions.

The Carrier shall not be obligated to accept Crude Petroleum Tendered by the Shipper if the Shipper or its Credit Support Provider fails to provide the requested information within ten (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 ten (10) Business Days of Carrier's request the Carrier may decline to accept receipt of any Crude Petroleum Tendered by the Shipper. 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 sixty (60) days of services to be provided by the Carrier.

## 23. 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.

## 24. 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.

## 25. DIVERSION AND RECONSIGNMENT

Diversion or reconsignment may be made without charge if requested in writing by the Shipper prior to delivery at the original destination, subject to the Pipeline Tariff and Rules and Regulations applicable from the original Receipt Point to the final Delivery Point, provided however that no out-of-line or backhaul movement will be made.

## 26. FORCE MAJEURE

26.1. If either Carrier, Producer 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.

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

26.2.1. 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, civil disturbances, or the act, regulation, order, direction or requisition of any Governmental Authority;

26.2.2. any fires, explosions, ruptures, breakages of or accidents to the Pipeline System or any other equipment or facilities necessary to operate the Pipeline System whatsoever; or

26.2.3. any other cause whether of the kind enumerated in Sections 26.2.1 or 26.2.2, whether or

not foreseeable, that is not reasonably within the control of the Party claiming the protection of this Force Majeure provision.

- 26.3. Notwithstanding Section 26.2, the following shall not be events of Force Majeure:
- 26.3.1. insufficiency of Shipper's Crude Petroleum supplies;
  - 26.3.2. lack of funds;
  - 26.3.3. Shipper's or Consignee's lack of takeaway capacity at the Delivery Point;
  - 26.3.4. Shipper's failure to meet quality specifications;
  - 26.3.5. the existence of, and Shipper's diversion to more attractive markets; or
  - 26.3.6. failure to obtain provincial export or other regulatory documentation.
- 26.4. 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 reasonable 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.
- 26.5. Notwithstanding Section 26.1 through Section 26.4, no event of Force Majeure shall:
- 26.5.1. 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
  - 26.5.2. relieve any Shipper from its obligations pursuant to these Rules, a Contract or a Pipeline Tariff to make payments to Carrier.
- 26.6. As soon after the cessation of an event of Force Majeure as possible, the party claiming Force Majeure shall give notice of its ability to resume performance of its obligations hereunder.

## **27. REPRESENTATIONS, COVENANTS AND WARRANTIES**

- 27.1. Carrier represents and warrants that it shall operate its Pipeline System in accordance with all applicable Laws.
- 27.2. Shipper represents and warrants that:
- 27.2.1. it has in place for all Tendered Crude Petroleum all required approvals, permits and authorizations for the removal and transportation of Crude Petroleum under these Rules;
  - 27.2.2. it owns or controls, has the right to Tender or have Tendered for its account, the Crude Petroleum that is Tendered to Carrier; and
  - 27.2.3. it has sufficient funds to pay Carrier all amounts due under these Rules according to Section 12.2.

## **28. 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 Pipeline Tariff 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.

### **29. CONDENSATE AND BLENDING**

Carrier may add such condensate 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 Crude Petroleum, Carrier may require of those Shippers Tendering Crude 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 condensate prescribed to be provided for such Month by Carrier, of a quality and ~~quantity~~ quality acceptable to Carrier, commensurate with the volume and Density or quality of Crude Petroleum Tendered by Shipper. Shipper shall be responsible for the blending shrinkage resulting from adding such condensate.

### **30. 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 Crude Petroleum or other operating conditions that may affect the Pipeline System and the 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 Tenders by Shipper until Carrier determines, in its sole discretion, there will be no adverse impact to the Pipeline System due to any such change.

### **31. OUTAGES**

Without limiting Section 26, Carrier shall have the right to suspend, reduce and/or interrupt the transportation of Crude Petroleum on all or any portion of the Pipeline System in the event of any planned or unplanned Outage. In this regard, Carrier shall:

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

### **32. CUSTODY OF CRUDE PETROLEUM**

Crude 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 at a Receipt Point until it is delivered by Carrier at a Delivery Point. In the event that Shipper does not take delivery of its Crude 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 Crude Petroleum is in the custody of Carrier.

### **33. BANKRUPTCY/INSOLVENCY OF SHIPPER**

Receipt and delivery by Carrier of Shipper's Crude Petroleum shall be automatically suspended as of the time immediately preceding the occurrence of one or more of the following events with respect to such Shipper or its Credit Support Provider. If a Shipper or its Credit Support Provider:

- 33.1. 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;
- 33.2. makes a general assignment, arrangement or composition with or for the benefit of its creditors;



- 33.3. 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;
- 33.4. has a resolution passed for its winding up, receivership or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- 33.5. 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;
- 33.6. 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
- 33.7. takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts.

In the event that Shipper's Crude Petroleum has been received by the Carrier as of the time of any such suspension in accordance with this Section, but such Shipper's Crude Petroleum has not been delivered to a Delivery Point, Carrier may proceed pursuant to Section 12.3 and shall be entitled to apply any proceeds resulting from such process to any amounts owing by Shipper hereunder.

#### **34. REGULATORY DISCLOSURE**

The tolls of the Carrier for the Bodo, Milk River, Wapella and Wascana Pipeline Systems 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**  
**Pipeline Quality Equalization Procedures**

1. If the Carrier elects to perform quality equalization in accordance with Section 20 of these Rules, the Carrier shall perform quality equalization in accordance with procedures as determined by the Carrier.
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 but in no event less often than once in each calendar year, shall:
  - 2.1. obtain representative samples of Crude Petroleum from each Receipt Point and each truck terminal delivering to a Receipt Point which is connected to the Pipeline System;
  - 2.2. conduct, or cause to be conducted, independent laboratory tests and analyses of these samples of Crude Petroleum; and
  - 2.3. obtain proper certificates therefrom showing:
    - 2.3.1. the Density (in kg/m<sup>3</sup>);
    - 2.3.2. the sulphur content (in percent mass), and
    - 2.3.3. such other information reasonably required by the Carrier to conduct equalization of each of the samples.

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 Crude Petroleum, and authorizes the sampling by the Carrier of same. All certificates obtained by the Carrier under this Exhibit I 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 Crude Petroleum delivered to any tank battery connected to the Pipeline System shall be deemed to have a composition and quality of the stream delivered out of such battery.

The Carrier may refuse to accept any Crude Petroleum so delivered 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 Crude 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 Crude Petroleum delivered for shipment in the Pipeline System.

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

3. Where:
  - 3.1. A 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
  - 3.2. The Carrier is required to make payment to a 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 Exhibit 1 Section 3.1 above, 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.

## Exhibit II

### Stream Quality Specifications

	Density Kg/m <sup>3</sup> @ 15°C	Total Sulphur percent mass	Kinematic Viscosity <sup>2</sup> mm <sup>2</sup> /s	Receipt Temperature Minimum °C	Receipt Temperature Maximum °C	Reid Vapour Pressure kPa @ 37.8°C	Salt g/m <sup>3</sup>
<b>Test Procedure<sup>1</sup></b>	ASTM D5002 API 9.3 ASTM 1298	ASTM D4294	ASTM D445	API 7.1 ASTM D1086	API 7.1 ASTM D1086	ASTM D323	ASTM D3230
Butane	≤590	<0.5%	<0.4	n/a	n/a	<483	n/a
Condensate	600 – 775	≤0.5%	<2	0	40	<90	<285
Light Sweet	800 – 876	≤0.5%	<20	0	40	<90	<285
Light Sour	800 – 871	≤1.2%	<20	0	40	<90	<285
Medium Sour <sup>3</sup>	871.1 – 904	<1.2%	<210	0	40	<90	<285
Medium Crude <sup>4</sup>	<925	n/a	<100	5	60	<70	<285
Heavy Blend	<940	n/a	<350	5	60	<90	<285
Heavy Crude	>940	<3.5	n/a	10	60	<35	<285

	Organic Halides/ Organic Chlorides (ppm)	Phosphorous	Olefins (% of volume)	Contaminant Content <sup>5</sup> (% of volume)	Moisture Content (% of volume)	pH of contained Water	Pour Point	Propane (% by liquid volume)
<b>Test Procedure<sup>1</sup></b>	ASTM D4929	Maxxam CCQTA ICP OES ppm	HNMR ASTM D1319	Centrifuge Method API 10.4 Revision 3	API 10.4 Revision 3	Litmus Test	ASTM D5853	ASTM D2887
Butane	<1	n/a	0	n/a	n/a	n/a	>-7°C	<3.0
Condensate	<1	n/a	0	<0.5	<0.3	>5.0	>-7°C	n/a
Light Sweet	<1	<1.5	0	<0.5	<0.3	>5.0	>-7°C	n/a
Light Sour	<1	<1.5	0	<0.5	<0.3	>5.0	>-7°C	n/a
Medium Sour	<1	<1.5	0	<0.5	<0.3	>5.0	>-7°C	n/a
Medium Crude	<1	<1.5	0	<0.5	<0.3	>5.0	>-7°C	n/a
Heavy Blend	<1	<1.5	0	<0.5	<0.3	>5.0	>-7°C	n/a
Heavy Crude	<1	n/a	0	<0.5	<0.3	>5.0	>-7°C	n/a

### 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. Viscosity to be measured at the applicable corresponding line reference temperature.
3. Wapella Pipeline
4. Milk River Pipeline
5. Contaminant content means all non-hydrocarbon materials, such as Basic Sediment and Water (BS&W) and other impurities. Also see Section 6.2 of these Rules and Regulations.