

INTERPROVINCIAL PIPE LINE (NW) LTD.

TARIFF APPLYING ON PETROLEUM

RULES AND REGULATIONS

Governing the

TRANSPORTATION

of

PETROLEUM

by

PIPELINE

GENERAL APPLICATION

The Rules and Regulations published herein apply only under tariffs making specific reference by NEB number to this tariff; such reference will include supplements hereto and successive issues hereof. Specific rules and regulations published in individual tariffs will take precedence over Rules and Regulations published herein.

▲Denotes changes in wording which result in neither increases nor reductions in charges.

EFFECTIVE MAY 1, 1991

ISSUED BY

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RULES AND REGULATIONS

1. DEFINITIONS

As used in this tariff, the following terms have the following meaning:

"Petroleum" means Crude Petroleum and Natural Gas Liquids.

"Crude Petroleum" means the direct liquid product of oil wells, oil processing plants, the indirect liquid petroleum products of oil or gas wells, oil sands, or a mixture of such products but does not include Natural Gas Liquids.

"Natural Gas Liquids" means the indirect liquid petroleum products of oil or gas wells having an absolute vapour pressure in excess of one hundred and three kilopascals (103 kPa) at thirty-seven and eight-tenths degrees Celsius (37.8°C).

"Cubic Metre" (m³) is equivalent to 219.969 2 Canadian gallons and 6.289 811 barrels at fifteen degrees Celsius (15°C) and equilibrium vapour pressure for Natural Gas Liquids or zero kilopascals (0 kPa) gauge for Crude Petroleum.

"Carrier" means Interprovincial Pipe Line (NW) Ltd.

"Shipper" means the party who contracts with the Carrier for the transportation of Petroleum under the terms of this tariff.

"Consignee" means the party receiving the Petroleum at destination under terms of this tariff.

"NEB" means National Energy Board.

"API" means American Petroleum Institute.

"ASTM" means American Society for Testing and Materials.

"IP" means Institute of Petroleum.

"Tender" means an offer by a Shipper to the Carrier of a stated quantity of Petroleum for transportation from an established receiving point to an established delivery point in accordance with these Rules and Regulations.

"Line Fill" is Petroleum in transit in the pipeline system between origin and destination.

"Working Stock" is Petroleum in the Carrier's tankage.

"Kilopascal" (kPa) is equivalent to 0.145 037 7 pounds per square inch (psi).

"Density" means mass per unit volume at 15°C expressed in kilograms per cubic metre (kg/m³).

▲"IPL" means Interprovincial Pipe Line Inc.

2. COMMODITY

This tariff covers the transportation of Petroleum by pipeline and no commodity other than Petroleum will be transported under this tariff.

3. ORIGIN AND DESTINATION

(a) Petroleum will be accepted for transportation only at an established receiving point and when consigned to the Shipper or Consignee at an established delivery point.

(b) Petroleum will be accepted for transportation only when the Shipper or Consignee has provided the necessary storage and other facilities at established receiving and delivery points satisfactory to the Carrier.

4. SPECIFICATIONS AS TO QUALITY

(a) No Petroleum will be accepted for transportation that has a temperature higher than the temperature designated by the Carrier. No Petroleum will be accepted unless its density, viscosity and other characteristics are such that it will be readily susceptible to transportation through the Carrier's existing facilities

and which will not materially affect the quality of other shipments or cause disadvantage to other Shippers and/or the Carrier.

(b) No Crude Petroleum will be accepted for transportation that has a Reid vapour pressure in excess of one hundred and three kilopascals (103 kPa); nor will Crude Petroleum be accepted if it contains basic sediment, water and other impurities in excess of one-half of one percent (1/2%) as determined by the centrifuge test or by other tests as may be agreed upon by the Shipper and the Carrier.

(c) No Natural Gas Liquids will be accepted for transportation that have an absolute vapour pressure in excess of one thousand four hundred kilopascals (1 400 kPa) at thirty-seven and eight-tenths degrees Celsius (37.8°C); nor will Natural Gas Liquids be accepted which contain impurities or have characteristics that prevent them from being transported without materially affecting the Carrier's facilities or the quality of other shipments.

(d) The vapour pressure of Natural Gas Liquids will be determined as specified in ASTM D1267 (latest revision) corrected to kilopascals absolute.

(e) The Shipper shall, if requested by the Carrier, provide and inject corrosion inhibitor into Natural Gas Liquids to be transported. If corrosion inhibitor is injected by the Shipper before the Natural Gas Liquids are accepted for transportation the inhibitor shall be of a type and amount that is satisfactory to the Carrier.

5. BUFFER AND INTERFACE

The Shipper may be required by the Carrier to supply Petroleum buffer material to interface between the Crude Petroleum and the Natural Gas Liquids, the quantity and quality of which shall be determined by Carrier as required by its operation. The entire volume of buffer will be delivered to Shipper or Consignee.

6. SEGREGATION AND CHANGES IN QUALITY

(a) Petroleum tendered for transportation will be received by the Carrier only on the condition that it shall be subject to such changes in density, vapour pressure or quality while in transit as may result from the transportation thereof, or the mixture of said Petroleum with other Petroleum in the pipeline or tanks of the

Shipper, Consignee or Carrier. Carrier will not be liable for any consequential loss or damage resulting from an alteration in density or other quality of the Petroleum.

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- (b) The Carrier shall be under no obligation to make delivery of the identical Petroleum received, and
- (i) in the case of any stream, other than a mixed stream, shall make delivery out of its common stock of that stream, and
 - (ii) in the case of a mixed stream, shall make delivery out of its common stock of that stream. Any revaluations deemed appropriate by reason of difference in grade and/or quality that occur, by reason of the mixing, between receipt of the component parts and delivery of the stream shall be between and for the account of the Shipper and Consignee. The Carrier shall have no responsibility in or for such revaluations or settlements other than to furnish data on the quality and density of the Petroleum received into and delivered out of the mixed stream.
- (c) Notwithstanding the provisions of subsection (a) and (b) of this section, if the Petroleum tendered is of a kind or quality not being currently transported through the Carrier's facilities, the Carrier will at the request of the Shipper and to the extent permitted by its existing facilities, endeavour to segregate such Petroleum during transportation and to make delivery of substantially the same Petroleum at destination; provided that in such instances the Carrier may require the Shipper to make such Petroleum available in such quantities and at such times as may be necessary to permit such segregated movement; and provided further that the Carrier shall not be liable for failure to deliver the identical Petroleum or for any variations in quality while in custody.

7. TENDERS AND QUANTITIES

(a) Shippers desiring to tender Petroleum for transportation shall make such tender to the Carrier by submitting, on the Carrier's prescribed Notice of Shipment form, a separate tender for each calendar month on or before the 25th day of the preceding month. Such tender shall include the amount of Natural

Gas Liquids and Crude Petroleum to be shipped and specify the vapour pressure of the Natural Gas Liquids.

(b) A Tender will be accepted only when the total quantity covered thereby will be made available for transportation within said calendar month at a delivery rate and in quantities and at times specified by the Carrier. Except as hereunder provided, the Carrier will specify a delivery rate and quantity that will permit individual shipments or batch sizes of not less than three thousand cubic metres (3 000 m³).

(c) The Shipper shall supply its proportionate quantity of Line Fill and Working Stock by type and volumes as determined from time to time by the Carrier.

8. APPLICATION OF RATES

(a) Petroleum accepted for transportation shall be subject to the rates in effect on the date of delivery of such Petroleum by the Carrier, irrespective of the date of the tender.

(b) Petroleum used as a buffer shall be shipped at the rate in effect for transporting Crude Petroleum when the Reid vapour pressure does not exceed one hundred and three kilopascals (103 kPa).

9. PAYMENT OF TARIFF CHARGES AND LIEN FOR UNPAID CHARGES

The Shipper or Consignee shall pay all applicable transportation and other lawful charges accruing on Petroleum delivered to and accepted by the Carrier for shipment and, if required, shall pay the same before delivery at destination. The Carrier shall have a lien on all Petroleum in its possession belonging to

Shipper or Consignee to secure the payment of any and all unpaid transportation or other lawful charges that are due the Carrier, that are unpaid by Shipper or Consignee, and may withhold such Petroleum from delivery until all unpaid charges shall have been paid. If said charges remain unpaid ten (10) days after notice and demand therefor, the Carrier shall have the right, through an agent, to sell such Petroleum at public auction at the office of Interprovincial Pipe Line (NW) Ltd. in Edmonton, Alberta, on any day not a legal holiday, on and not less than forty-eight (48) hours after publication of notice of such sale in a daily newspaper of general circulation published in said city, stating the time, place of sale and the quantity and location of Petroleum to be sold. At said sale the Carrier shall have the right to bid and, if the highest bidder, to become the purchaser. From the proceeds of said sale the Carrier will pay itself the transportation and all other lawful charges, including reasonable storage charges pending sale and expenses incident to said sale, and the balance remaining, if any, shall be held for whomsoever may be lawfully entitled thereto.

10. MEASURING, TESTING AND DEDUCTIONS

(a) Prior to acceptance of Petroleum tendered by a Shipper, or release thereof for delivery to the Shipper or Consignee, it shall be measured by either metering or gauging and tested by a representative of the Carrier. The results of such metering or gauging and testing shall be final. If tank gauges are used, quantities

shall be computed from correctly compiled tank tables on a one hundred percent (100%) volume basis. The Shipper or Consignee may be present or represented at such metering or gauging and testing. A representative of the Carrier shall have the right to enter upon the premises where such Petroleum is received or delivered and have access to any and all tanks, storage receptacles or meters for the purpose of such gauging or metering and testing and to make any examination, inspection, measurement or test as required to verify the accuracy of such facilities.

(b) Petroleum of required specifications will be received and delivered with volume corrected as to temperature from observed temperature to fifteen degrees Celsius (15°C), by use of API 2540 Petroleum Measurement Tables (or ASTM 1250 - IP 200) Metric. Volume corrections for compressibility, where applicable, shall be determined from API Manual of Petroleum Measurement Standards Chapter 11.2.1 M (or latest revision) for Crude Petroleum and IPL Table 4 - Compressibility Table for Light Petroleum Products for Natural Gas Liquids. Equilibrium Vapour Pressure shall be determined by the Carrier on Natural Gas Liquids as required for volume corrections.

(c) A centrifuge or other methods agreed upon shall be used for ascertaining the percentage of basic sediment, water or other impurities in the Crude Petroleum and the full amount of basic sediment, water and other impurities shall be deducted from the corrected volume.

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11. EVIDENCE OF RECEIPTS AND DELIVERIES

signed by representatives of the Carrier and the Shipper or Consignee, as appropriate, and shall constitute full receipt for the Petroleum received or delivered.

Petroleum received from the Shipper and delivered to the Consignee shall, in each instance, be evidenced by tickets showing quantity received or delivered as the case may be, temperature, pressure, density, basic sediment, water and any other data essential to the determination of quantity. Such tickets shall be jointly

Petroleum received or delivered.

12. DELIVERY AND ACCEPTANCE

The Carrier will transport Petroleum with reasonable diligence and dispatch and Shipper or Consignee shall, upon twenty-four (24) hours' notice, accept and remove its shipment from facilities of the Carrier.

13. LIABILITY OF SHIPPER

If shipment of the Petroleum is not removed from Carrier's facilities and a disruption of Carrier's operation results, Shipper shall be completely and absolutely responsible for all costs associated with such disruption, including loss of revenue resulting therefrom.

14. LIABILITY OF CARRIER

The Carrier while in possession of any of the Petroleum herein described shall not be liable for any loss thereof, damage thereto, consequential loss or damage, or delay caused by fire, storm, flood, epidemics, Acts of God, riots, insurrection, rebellion, sabotage, strikes, labour disturbances, shortage of labour or breakdown of transportation or storage facilities, war, or the acts of the Queen's enemies, or from quarantine, or authority of law or from any order, requisition, interest or necessity of the Government of Canada, default of the owner, Shipper or Consignee, or from any cause whatsoever enumerated herein or not, except its own direct negligence. In the case of loss of Petroleum while in the custody of the Carrier from any such causes, other than the direct negligence of the Carrier, each Shipper shall participate in such loss in such proportion as the amount of his Petroleum already delivered to the Carrier for shipment past the point at which the loss occurs, bears to all the Petroleum then in the custody of the Carrier received for shipment past the said point; provided however, that if such loss occurs at a tank or tanks, and it is possible to ascertain the ownership of the Petroleum in such tank or tanks, the full loss shall be charged against the Shipper or proportionately among the Shippers using such tank or tanks at the time of such loss. In either such event each Shipper shall be entitled to have delivered only that portion of his shipment as may remain after deduction of his proportion of such loss and he will be required to pay charges only upon the quantity of Petroleum delivered.

The Carrier while in possession of any of the Petroleum herein described shall not be liable for any loss thereof, damage thereto, consequential loss or damage, or delay caused by fire, storm, flood, epidemics, Acts of God, riots, insurrection, rebellion, sabotage, strikes, labour disturbances, shortage of labour or

breakdown of transportation or storage facilities, war, or the acts of the Queen's enemies, or from quarantine, or authority of law or from any order, requisition, interest or necessity of the Government of Canada, default of the owner, Shipper or Consignee, or from any cause whatsoever enumerated herein or not, except its own direct negligence. In the case of loss of Petroleum while in the custody of the Carrier from any such causes, other than the direct negligence of the Carrier, each Shipper shall participate in such loss in such proportion as the amount of his Petroleum already delivered to the Carrier for shipment past the point at which the loss occurs, bears to all the Petroleum then in the custody of the Carrier received for shipment past the said point; provided however, that if such loss occurs at a tank or tanks, and it is possible to ascertain the ownership of the Petroleum in such tank or tanks, the full loss shall be charged against the Shipper or proportionately among the Shippers using such tank or tanks at the time of such loss. In either such event each Shipper shall be entitled to have delivered only that portion of his shipment as may remain after deduction of his proportion of such loss and he will be required to pay charges only upon the quantity of Petroleum delivered.

15. APPORTIONMENT WHEN CURRENT OFFERINGS ARE IN EXCESS OF FACILITIES

made of the Carrier's facilities and to the current operating conditions of the Carrier's pipeline.

When, pursuant to Notices of Shipment hereunder, there shall be offered to the Carrier more Petroleum than can be immediately transported, the transportation shall be apportioned by the Carrier among all Shippers on an equitable basis, with due consideration being given to the historical use which each has

16. RECONSIGNMENT

Reconsignment may be made at Carrier's discretion without charge if requested in writing by the Shipper prior to delivery at original destination subject to the rates, rules and regulations applicable from original receiving point to final delivery point, upon condition that no out-of-line or backhaul movement will be made.

17. PETROLEUM INVOLVED IN LITIGATION AND LEGALITY OF SHIPMENT

it against any liability or loss arising as a result of such litigation, dispute, lien or charge.

Petroleum which is in any way involved in litigation or the ownership of which may be in dispute, or which is encumbered by a lien or charge of any kind, will not be accepted for shipment unless and until the Shipper or Consignee shall furnish a bond or other form of indemnity satisfactory to the Carrier protecting

18. CLAIMS, SUITS AND TIME FOR FILING

within one (1) month after a reasonable time for delivery has elapsed; the suits out of such claims must be instituted against 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 or any part or parts thereof specified in the notice. In causing Petroleum to be transported under this tariff, the Shipper and Consignee agree to be bound by provisions of this clause and waive any rights which they or either of them might otherwise have, at common law or otherwise, to make a claim after the expiration of said period of thirty (30) days or to bring an action after the expiration of the said period of six (6) months.

As a condition precedent to recovery, claims for loss, damage or delay in connection with the shipment of Petroleum tendered for shipment under the terms of this tariff must be filed in writing to the Carrier within one (1) month after delivery of the Petroleum, or, in the case of failure to make delivery, then

within one (1) month after a reasonable time for delivery has elapsed; the suits out of such claims must be instituted against 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 or any part or parts thereof specified in the notice. In causing Petroleum to be transported under this tariff, the Shipper and Consignee agree to be bound by provisions of this clause and waive any rights which they or either of them might otherwise have, at common law or otherwise, to make a claim after the expiration of said period of thirty (30) days or to bring an action after the expiration of the said period of six (6) months.