

BLACK LAKE PIPELINE COMPANY

CONTAINING
RULES AND REGULATIONS
GOVERNING
TRANSPORTATION
OF
NATURAL GAS LIQUIDS
BY
PIPELINE

GENERAL APPLICATION

Rules and Regulations published herein apply only under tariffs which make specific reference by 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.

EFFECTIVE: January 1, 2015

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RULES AND REGULATIONS

RULE 1 - DEFINITIONS –

- (a) "API" means American Petroleum Institute.
- (b) "ASTM" means American Society for Testing Material.
- (c) "Carrier" means Black Lake Pipeline Company.
- (d) "Component" means each of the individual hydrocarbon constituents contained in the NGLs including ethane, propane, isobutane, normal butane, and natural gasoline (with natural gasoline including all pentane and heavier hydrocarbon components).
- (e) "Consignee" means the party to whom a Shipper has ordered the delivery of NGLs.
- (f) "GPA" means Gas Processors Association.
- (g) "Natural Gas Liquids (NGLs)" means a stream consisting of any or all of the following fractions meeting Carrier's specifications: ethane, propane, isobutane, normal butane, pentanes and isohexane.
- (h) "OPIS Index" means the monthly average of the daily average (AVG) prices per Gallon, for the Month of delivery, as quoted by Oil Price Information Service ("OPIS") in the OPIS-LP-Gas Report for "Any Current Month" under "Mont Belvieu Spot Gas Liquids Prices" using (i) the Non-TET prices for the propane, isobutane, normal butane, and natural gasoline Components; and (ii) the Purity Ethane price for the ethane Component. The OPIS Index is not to include any TET, Oth, or other categories of Component prices that might be published by OPIS during the Term. No value will be given to CO2 or other impurities or for methane in excess of the Carrier's Product Specifications.
- (i) "Shipper" means the party who contracts with Carrier for transportation of NGLs under the terms of this tariff.

RULE 2 - COMMODITY - Carrier is engaged in the transportation of NGLs as defined herein, and will not accept any other commodity under this tariff.

RULE 3 - RECEIPT, DELIVERY AND LEGALITY OF SHIPMENTS TENDERED - NGLs tendered for shipment will be received into the pipelines of Carrier only under the conditions that:

- (a) Shipper has provided adequate pumping equipment and facilities to Carrier for injecting NGLs into Carrier's pipeline at pressures, pumping rates and temperatures satisfactory to Carrier;
- (b) NGLs tendered for shipment meet Carrier's specifications;
- (c) Shipper or Consignee has provided adequate facilities for receiving the shipment as it arrives at destination; and
- (d) Shipper and Consignee have complied with all applicable laws, rules and regulations made by any governmental authorities regulating the shipment of NGLs.

RULE 4 - IDENTITY OF NATURAL GAS LIQUIDS (NGLs) - Carrier will accept for transportation NGLs which can be commingled or intermixed with other NGLs which Carrier regularly transports between the origination and destination points of the shipment. Carrier will accept NGLs for transportation only on condition that Carrier shall not be liable to Shipper or Consignee for changes in quality which may occur from commingling or intermixing such NGLs with other NGLs in transit, and Carrier shall not be obligated to deliver to Consignee the identical NGLs received from Shipper, but may make delivery out of its common stream.

RULES AND REGULATIONS

RULE 5 - SHIPPER'S RESPONSIBILITIES FOR MEETING SPECIFICATIONS - Shipper shall perform applicable tests to insure that the stream delivered to Carrier's pipeline conforms to Carrier's specifications. Should spot samples, analyses, or any other test (including tests performed by Carrier) indicate that the stream delivered does not meet the specifications required by Carrier, Shipper agrees, either voluntarily or upon notification by Carrier, to stop delivery of such off-specification stream to Carrier until such time as it is determined by additional testing that the stream meets the definition of NGLs issued by Carrier. Any such off-specification deliveries attributable to Shipper will be treated or disposed of by Carrier according to the disposal provisions of Rule 16. For NGLs that do not meet Carrier's specifications, Carrier will charge a penalty of 100.00 [U] cents per Barrel in addition to the transportation rate for treating to discourage Shippers from delivering product to the carrier that does not meet specifications. Shipper shall indemnify and save Carrier harmless from any loss sustained by other shippers or by Carrier by reason of contamination or damage to other NGLs in Carrier's custody, or by reason of damage to Carrier's pipeline or associated facilities caused by failure of the materials accepted for transportation to meet specifications issued by Carrier.

Product characteristics with acceptable test methods are herein specified for raw mixtures of NGL's received into the Black Lake Pipeline System.

<u>PRODUCT CHARACTERISTICS</u>	<u>MAXIMUM</u>	<u>TEST METHOD</u>
1. <u>Composition:</u> Predominantly Ethane, Propane, Butanes & Natural Gasoline (C5 Plus)		ASTM D-2163
Methane	1.5% of Ethane	GPA 2177
Total Olefins	None	ASTM D-2163
Total Fluorides	None	UOP 619
2. <u>Vapor Pressure:</u> At 100°F. PSIG	600	Equation of State
3. <u>Corrosiveness:</u> Copper Strip at 100°F	1-b	ASTM D-1838
4. <u>Total Sulfur:</u> PPM by Weight in Liquid	150	ASTM D-5623 and ASTM D-6667
5. <u>Carbon Dioxide:</u> PPM by Weight	1000	GPA 2177
6. <u>Distillation:</u> End Point, °F	375	ASTM D-86
7. <u>Dryness:</u> Free Water	None	Visual
8. <u>Color:</u> Saybolt Number	Plus 25 (Minimum)	ASTM D-156

RULES AND REGULATIONS

RULE 6 - SCHEDULING OF SHIPMENTS - All Shippers desiring to ship NGLs through Carrier's pipeline shall promptly provide Carrier with all information needed by Carrier to schedule and dispatch such shipments; to satisfy Carrier that offers to ship are in good faith; and to satisfy Carrier that shipments can be transported in conformance with this Tariff. Carrier may refuse to receive NGLs for transportation until Shipper has provided Carrier with such information.

Carrier shall not be obligated to accept NGLs for transportation during any calendar month, unless Shipper shall, on or before the 20th day of the preceding calendar month, notify Carrier in writing of the kind and quantity of NGLs that it desires to ship. In the event shippers offer to ship more NGLs via a particular pipeline or segment of line during any period of time than can be pumped through such line or segment of line during such period, then Carrier shall accept and transport, during such period, only that portion of each good-faith offer to ship which Carrier shall determine to be equitable to all shippers.

Carrier reserves the right to control in its discretion the component distribution in the NGLs tendered by Shipper, in order to achieve maximum operating efficiency of Carrier's facilities and optimum utilization of total transportation capacity.

The rate at which NGLs are delivered to Carrier and redelivered from Carrier will be determined by Carrier's transportation and redelivery obligations to its shippers and by the necessity of economical use and efficient operation of Carrier's facilities. Carrier will assume no liability for its inability to maintain schedules or comply with Shipper's redelivery requests when caused by operational or scheduling problems, excess demand, delays and other problems encountered in pipeline operations.

RULE 7 - TITLE - The act of delivering NGLs to Carrier for transportation shall constitute a warranty by Shipper that Shipper or Consignee has unencumbered title thereto, or otherwise has the legal right to ship the NGL's, that unencumbered title or the legal right to ship NGL's shall remain with Shipper until such NGLs are delivered out of Carrier's pipeline, and that the same were produced in accordance with all applicable laws.

RULE 8 - LIABILITY OF CARRIER - Carrier shall not be liable for any loss of NGLs or damage thereto while in the possession of Carrier, or delay in receiving or delivering NGLs, if caused by an act of God, the public enemy, quarantine, the authority of law, strikes, riots, the acts of default of Shipper or Consignee, or any third person, or from any other cause not due to the negligence of Carrier. In case of losses or damages from such causes, other than the negligence of Carrier, such losses or damages shall be charged proportionately to each shipment in the ratio that such Shipper's shipment or portion thereof, received and undelivered at the time the loss or damage occurs, bears to the total of all shipments, or portions thereof, then in the custody of Carrier for shipment via the line or other facilities in which the loss or damage occurs. The Shipper or Consignee shall be entitled to receive only that portion of his shipment remaining after deducting his proportion of such loss or damage, determined as aforesaid and shall be required to pay transportation charges only on the quantity delivered. Shipper shall promptly pay Carrier for any costs or losses incurred by Carrier as a result of such losses or damages.

RULE 9 - MEASUREMENT - NGLs delivered hereunder shall be measured by meter serviced and maintained by Carrier in accordance with applicable API/ASTM standards. Carrier shall have the right to determine measurements, and Carrier reserves the right to install additional custody measurement equipment at any connection or delivery point.

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RULES AND REGULATIONS

Shipper or its representatives may be present to witness calibrations, sampling, and measurement activities. Observed volumes of mixed products shall be corrected to net component volumes at 60°F and equilibrium vapor pressure by the use of flowing mass, a component analysis of a composite sample accumulated from the flowing stream, and component densities from the latest GPA 2145 Standard.

[W] RULE 10 - PAYMENT OF CARRIER RATES, FEES AND CHARGES LIABILITIES FOR CHARGES – ~~[C]The Shipper shall be liable for the payment of charges and fees accruing to or due Carrier by Shipper, including but not limited to, penalties, interest and late payment charges on NGLs delivered by Carrier to Consignee. All accrued charges are due on delivery of NGLs by Carrier to Consignee.~~

[N] Carrier shall assess transportation service and all other rates, fees and charges accruing on NGLs accepted for transportation service at the rate in effect at the date NGLs are received at the Receipt Point(s). Carrier will invoice Shipper for transportation rates, fees, and charges and all other amounts accruing on NGLs accepted in accordance with Carrier's then current payment policies and procedures at the rates published herein.

[W] Carrier will bill Shipper each month for all transportation rates, fees, and charges and other amounts due based upon volumes received by Carrier from Shipper at a Receipt Point during each Month. Shipper shall pay the amount of such invoice within ten days from receipt of the invoice.

[W] Shipper hereby assigns and grants to Carrier a continuous and continuing security interest in, and assignment of, all of the following, whether now or hereafter existing or acquired, as collateral security for the prompt and complete payment and performance of the Obligations of the following (herein collectively, "Collateral"): (a) all NGLs accepted by Carrier for transportation service or otherwise, including but not limited to Shipper's minimum linefill; (b) all other property of Shipper now in the possession of and at any time and from time to time hereafter delivered to Carrier or its agents, (c) all of Shipper's pre-payments, deposits, balances, and credits with, and any of its claims against, Carrier, at any time existing; and (d) all NGLs and proceeds of any of the foregoing property in any form. The foregoing grant and assignment of Collateral secures the following obligations of Shipper (collectively the "Obligations"): (a) all antecedent, current and future transportation service, special, ancillary and other rates, fees or other charges arising during the previous month. Such invoices shall be deposited in the United States Post Office, postage prepaid, and sent to the last address provided to Carrier by Shipper in writing, under or related to this tariff; (b) the repayment of any amounts that Carrier may advance or spend for the storage or maintenance and preservation of the Collateral; and (c) all amounts owed under any modifications, renewals or extensions of any of the foregoing Obligations. If payment of such invoices is not received within any amounts accruing and owed to Carrier under this tariff remain unpaid ten calendar days after the date of such invoices, then Shipper shall be liable for the final notice and demand therefore, Carrier shall have the right, in addition to and not in limitation of its other rights and remedies, to liquidate and apply the proceeds to the payment to Carrier of a late all such charges at an annual interest and to reimburse Carrier for expenses associated with liquidating the Collateral.

[W] If any amounts owed by Shipper are not paid by the due date stated on the invoice, Carrier shall have the right to assess a finance charge on the entire past due balance until paid in full at the rate equivalent to 125% of the equal to the lesser of (i) the prime rate per annum plus three percent (3%), with the prime rate being the then-effective prime rate of interest charged by Citibank N.A. of New York, New York, on 90-day loans to substantial and responsible commercial borrowers as of the due date, or 12% per annum, whichever is greater. In the event the late charge, as described in the preceding sentence, is greater than published under "Money Rates" by The Wall Street Journal or (ii) the maximum

RULES AND REGULATIONS

rate allowed by law, ~~the maximum rate allowed by law will be used. Such late charge shall accrue commencing on the 11th calendar day after the date of the invoice until payment is made.~~

[N] If Shipper fails to pay any charges when due, Carrier shall not be obligated to provide Shipper access to Carrier's facilities or provide services pursuant to Carrier's tariff until such time as payment is received by Carrier and Shipper meets the requirements of Rule 12. In addition, Carrier reserves the right to set-off any amounts owing to Carrier against any monies owed by Carrier to Shipper or any of its affiliates under this tariff, or against any NGLs of Shipper in Carrier's custody. In addition, Shipper shall pay all documented costs incurred by Carrier to collect any unpaid amounts, including reasonable attorney fees and costs incurred by Carrier.

RULE 11 - LIENS - Carrier shall have a lien on all NGLs received into Carrier's pipeline. Such lien shall take effect at the point of origin as NGLs are received into Carrier's pipeline. Such lien shall secure the payment of any and all charges and fees owed to Carrier by Shipper, including but not limited to penalties, interest and late payment charges, whether or not incurred on the NGLs in Carrier's pipeline and whether or not invoiced. Such lien shall be in addition to any and all other rights and remedies Carrier has at law or in equity.

RULE 12 - PAYMENT PRIOR TO DELIVERY - ~~[C]If Carrier does not have financial assurances that a Shipper can meet its obligations hereunder, Carrier may require a Shipper to prepay all charges and fees accruing to or due Carrier by Shipper, including but not limited to overdue charges, penalties, interest and late payment charges, before making delivery of NGLs if it appears that the value of the NGLs remaining in the custody of Carrier for Shipper's account after making such delivery will not exceed the total of all such charges which will be due from Shipper upon making such delivery.~~

[N] If Carrier determines that the financial condition of Shipper or Shipper's guarantor (if any) is or has become impaired or unsatisfactory or Carrier determines that assurance of Shipper's performance is not adequately assured or that it is otherwise necessary to obtain security from Shipper, Carrier, upon notice to Shipper, may require any of the following prior to Carrier's delivery of Shipper's Natural Gas Liquids in Carrier's possession or prior to Carrier's acceptance of Shipper's Natural Gas Liquids: (1) prepayment of all charges, (2) a letter of credit at Shipper's expense in favor of Carrier in an amount sufficient to ensure payment of all such charges and, in a form, and from an institution acceptable to Carrier, or (3) a guaranty in an amount sufficient to ensure payment of all such charges and in a form and from a third party acceptable to Carrier. If Shipper fails to comply with any such requirement on or before the date supplied in Carrier's notice to Shipper, Carrier shall not be obligated to provide Shipper access to Carrier's facilities or provide transportation service pursuant to this tariff until such requirement is fully met.

RULE 13 - TIME LIMITATION OF CLAIMS - As a condition precedent to recovery for loss or delay, claims must be filed in writing with the originating or delivering Carrier within nine months and one day after delivery of the property, or in case of failure to make delivery, then within nine months and one day after a reasonable time for delivery has elapsed. Suits shall be instituted against the Carrier only within two years and one day from the day when notice in writing is given by the Carrier to the claimant that Carrier has disallowed the claim or any part or parts thereof, specified in the notice. Where claims are not filed or suits are not instituted thereon, in accordance with the foregoing provisions, Carrier will not be liable and such claims will not be paid.

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RULE 14 - QUANTITIES DELIVERABLE - The quantity of NGLs deliverable at destination shall be the quantity received at origin, less shrinkage, evaporation or other loss in transit, resulting from any cause other than negligence on the part of Carrier.

RULE 15 - PIPEAGE CONTRACTS - Separate pipeage contracts covering further details, including but not limited to agreements for the construction of pipeline connections, may be required by the Carrier before any duty of transportation shall arise. As a condition to entering any such pipeage contract, Carrier may require from Shipper a minimum financial or volume commitment.

RULE 16 - REMEDIES OF CARRIER FOR FAILURE OF SHIPPER TO DELIVER NGLs OR TAKE REDELIVERY - Carrier shall have the right to divert, reassign, flare or make whatever arrangements for disposition of the contents of the pipeline as Carrier deems appropriate, in the event that any Shipper ("Responsible Shipper"): (1) fails to take redelivery as required; or (2) fails to take redelivery, and such failure alone or coupled with any similar failure of other shippers, exhausts Carrier's capacity; or (3) makes deliveries that fail to be NGLs.

Carrier has the right to sell such contents of the pipeline at private sale for the best price obtainable. Carrier may be a purchaser at any such sale. Out of the proceeds of any such sale, Carrier may pay itself all charges, fees, and expenses of sale. The balance shall be held for whoever may be lawfully entitled thereto. If the proceeds of any such sale are not sufficient to pay such charges and expenses, the Responsible Shipper shall pay the deficiency. Carrier shall have the right to prorate any loss or damage to NGLs in Carrier's custody among all shippers affected in an equitable manner.

RULE 17 - RATES APPLICABLE - The rate which shall apply to the transportation of NGLs shall be the rate in effect on the date NGLs are received by Carrier for transportation. Likewise, the rules and regulations which shall govern the transportation of NGLs shall be the rules and regulations in effect on the date NGLs are received by Carrier for transportation.

RULE 18 - RATES APPLICABLE FROM INTERMEDIATE POINTS - NGLs received from a point on Carrier's line which is not named in tariffs making reference to this tariff but which point is intermediate to a point from which rates are published in tariffs making reference to this tariff, will be assessed the rate in effect from the next more distant point published in the tariff making reference to this tariff. NGLs delivered to a point on Carrier's line which is not named in tariffs making reference to this tariff but which point is intermediate to a point from which rates are published in tariffs making reference to this tariff, will be assessed the rate in effect from the next more distant point published in the tariff making reference to this tariff.

RULE 19 - COMPONENT BALANCING - It is the individual Shipper's responsibility to handle Component balancing; participation in the Component balancing process is a pre-requisite to shipping on Carrier. Carrier will work with its Shippers, connected pipelines, and connected origins in this regard to function as a source of information to insure confidentiality.

On a monthly basis, Shippers are required to cash out any Component imbalance to zero. The Shipper Cash Out Position equals the sum of (i) each Component imbalance multiplied by (ii) the corresponding OPIS Index. The Shipper will be notified of its Shipper Cash Out Position on the Component Balance Statement. A Positive Shipper Cash Out Position shall be paid by Shippers within ten days from receipt of the Component Balance Statement. A Negative Shipper Cash Out Position shall be received by Carrier within ten days from issuance of the Component Balance Statement.

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RULES AND REGULATIONS

[N] RULE 20 - LINEFILL REQUIREMENTS - Shipper will supply its pro-rata share of NGLs for Linefill as Carrier determines is necessary to maintain efficient operations of Carrier's facilities. Each Month Carrier shall adjust the Linefill so that it provides its pro-rata amount of Linefill equivalent to Shipper's total deliveries to the Receipt Points during the preceding month divided by total deliveries by all Shippers at all Receipt Points during the preceding Month. Upon Shipper's payment of all amounts payable under this tariff, NGLs used as Linefill shall be returned to Shipper and charged applicable transportation rates, after such Shipper has provided written notice to Carrier of Shipper's intent to cease delivering NGLs to the Receipt Points and after a reasonable period of time to allow for administrative and operational requirements associated with the withdrawal of such NGLs.

EXPLANATION OF REFERENCE MARKS.

[C] Cancel

[N] New

[U] Unchanged rate.

[W] Change in wording only.

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