



## **GIBSON ENERGY INFRASTRUCTURE PARTNERSHIP**

### **Rules and Regulations Governing the Use of the Gibson Facilities**

#### **GENERAL APPLICATION**

These Rules and Regulations apply to and govern the use of the Gibson Facilities and the Gibson Pipelines, for the transportation and terminalling of Crude Petroleum and Diluent, and any goods and services ancillary thereto provided by Gibson, from and after the effective date set out below. By Tendering Crude Petroleum to a Gibson Facility and/or by delivering a Notice of Shipment to Gibson, a party accepts these Rules and Regulations as legally binding on the terms contained herein, as such terms may be amended from time to time by Gibson. In the event of a conflict between the provisions of these Rules and Regulations and any individual Tariff Schedule or specific written agreement with a party, provisions of the individual Tariff Schedule or the specific written agreement will take precedence.

#### **TARIFF NO. 106**

Replaces all previously issued Rules and Regulations applying to the Gibson Facilities.

**ISSUED: September 25, 2020**

**EFFECTIVE: October 1, 2020**

#### **ISSUED BY:**

**GIBSON ENERGY INFRASTRUCTURE PARTNERSHIP  
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## RULES AND REGULATIONS

### 1. DEFINITIONS

The following definitions shall apply in these Rules and Regulations and to the schedules attached hereto:

**"API, ASTM and MPMS"** mean American Petroleum Institute, American Society for Testing Materials and API Manual of Petroleum Measurement Standards, as updated from time to time respectively.

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

**"Claim"** means any claim, demand, action, cause of action, complaint, dispute, litigation, arbitration or similar legal proceeding.

**"COLC"** means the Crude Oil Logistics Committee.

**"Crude Petroleum"** means the liquid hydrocarbon product of oil or gas wells, oil sands plants or the liquid hydrocarbon product derived from the processing of gas, or a mixture of such liquids, and includes natural gasoline, pentanes plus or mixtures thereof.

**"Crude Petroleum Specifications"** means the specifications of Crude Petroleum that is acceptable for delivery to a Gibson Facility, including Working Stock, in its indigenous state, unless otherwise agreed, as stated in Section 7 of these Rules and Regulations and as further detailed in Schedule 1 attached hereto, all as may be revised from time to time by Gibson.

**"Cubic Meter"** means a cubic meter of Crude Petroleum at a temperature of 15° Celsius and at a pressure of 101.325 kPa.

**"Damages"** means any loss, liability, court order, arbitrator's award, settlement, fine, penalty, assessment, damages, cost or expense (including accrued interest and reasonable costs, fees and expenses of investigation and of legal counsel on a full indemnity basis, without reduction for tariff rates or similar reductions) that are available at law or in equity.

**"Day"** means a period of 24 consecutive hours beginning and ending at 7:00 a.m. Mountain Standard Time.

**"Delivery Point"** means the locations on the Gibson Facilities at which Gibson on behalf of Shippers delivers Crude Petroleum to a downstream pipeline, terminal or other facility.

**"Diluent"** means any hydrocarbon or mixture of hydrocarbons that when blended with Crude Petroleum will result in a reduction of the density and/or viscosity of the resulting blend. Diluent shall also include drag reducing agents if such agents are utilized by Gibson to increase the capacity of the Gibson Facilities.

**"Financial Assurances"** shall have the meaning defined in Subsection 27(b).

**"Force Majeure"** shall have the meaning defined in Subsection 25(b).

**"Gibson"** means Gibson Energy Infrastructure Partnership, or an affiliate thereof.

**"Gibson Edmonton Terminal"** means the Crude Petroleum and Diluent receipt, blending, storage and delivering facilities, owned and operated by Gibson, located at the NE¼ of Section 06-053-23W4M, near Edmonton, Alberta.

**"Gibson Facilities"** means the Gibson storage terminals including the Edmonton Terminal and Gibson Hardisty Terminal, Gibson Pipelines, and all other current and future terminals, receipt points and infrastructure, whether for receipt by pipeline or truck, located in Canada, as the context requires.

**"Gibson Hardisty Terminal"** means the Crude Petroleum and Diluent receipt, blending, storage, treating, disposal and delivering facilities, owned and operated by Gibson, located at the NW¼ of Section 20-042-09W4M, the SW¼ of Section 29-042-09W4M and the SE¼ of Section 29-042-09W4M, near Hardisty, Alberta.

**"Gibson Pipelines"** means the Viking Pipeline System, Provost Pipeline System, Plato Pipeline System and Bellshill Lake Pipeline System, and any future pipeline system that may come into operation, each owned and operated by Gibson, which transport Crude Petroleum from various Receipt Points to the Gibson Hardisty Terminal.

**"LACT Equipment"** means lease automatic custody transfer equipment located at each Receipt Point to the Gibson Pipelines which is used to measure the quantity and Quality of Crude Petroleum for transfer of custody of the Tendered Crude Petroleum from the owner or operator of the production facility to Gibson.

**"Measurement Equipment"** has the meaning defined in Section 8(a) .

**"Month"** means the period beginning at the first Day of a calendar month and ending at the start of the first Day of the next succeeding calendar month.

**"Non-Performance Fee"** has the meaning defined in Section 5.

**"Non-Specification Crude Petroleum"** means Crude Petroleum which does not meet the Crude Petroleum Specifications.

**"Notice of Shipment"** has the meaning defined in Section 3(b).

**"Person"** means an individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company, limited liability company, unlimited liability company, corporation, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority or entity however designated or constituted.

**"Quality"**, and any derivative thereof, means the characteristics set out in the Crude Petroleum Specifications of the Crude Petroleum Tendered to the Gibson Facilities as determined by Gibson or a Gibson recognized third party laboratory.

**"Quality Certificate"** means a certificate of analysis from a Gibson' recognized third party laboratory showing at a minimum, unless otherwise specified by Gibson, the density, sulphur content, vapour pressure, sediment & water content and viscosity (viscosity at a minimum of two temperatures), of the Crude Petroleum Tendered or to be Tendered to the Gibson Facilities, which analysis shall be conducted in accordance with the standards set out in the Crude Petroleum Specifications or if no standard is specified, as specified by Gibson.

**"Receipt Point"** means a location on the Gibson Facilities where facilities have been provided to

permit a Shipper to Tender Crude Petroleum.

**"Shipper"** means a party who contracts with Gibson for the transportation of Crude Petroleum under these Rules and Regulations.

**"Shipper's Balance Report"** has the meaning defined in Section 9(b).

**"Tariff Schedule"** means the numbered Gibson Energy Tariffs issued as schedules of tariffs, fees, charges and deductions published by Gibson from time to time.

**"Tender"**, and any derivative thereof, means the delivery of Crude Petroleum to Gibson at a Receipt Point for transportation on the Gibson Facilities from the Receipt Point to one or more Delivery Points.

**"Weathered"** means Crude Petroleum which, when left in a container open to atmospheric conditions for a period of at least 24 hours, does not experience a change in volume greater than 0.2% or density greater than 2 kg/m<sup>3</sup>, other than those changes attributable to a change in the temperature of such Crude Petroleum.

**"Working Stock"** means the Crude Petroleum and Diluent volumes required, as determined from time to time by Gibson, to: i) fill the piping associated with the Gibson Facilities; and ii) provide the inventory for operating and scheduling purposes in the tanks associated with the Gibson Facilities.

## **2. COMMODITY**

These Rules and Regulations cover the receipt, transportation, terminalling and delivery of Crude Petroleum and Diluent in the Gibson Facilities and no other commodity will be accepted unless specifically approved in advance and in writing by Gibson.

## **3. TENDERS AND FORECASTS**

- (a) Unless otherwise specified, Gibson will operate the Gibson Facilities under the forecasting, nomination and reporting procedures as set out by the COLC, as revised from time to time.
- (b) Crude Petroleum Tendered to the Gibson Facilities shall be nominated by Shipper on a properly executed notice of shipment (the "Notice of Shipment"), submitted by Shipper, indicating the applicable Receipt Points, transfers, Delivery Points and the amount of Crude Petroleum forecast to be Tendered to the Gibson Facilities and any other information as may be required by Gibson from time to time. A separate Notice of Shipment shall be submitted for each Month in accordance with procedures set forth by the COLC, from time to time, or as otherwise determined by Gibson in its discretion. Shipper agrees that Gibson may rely upon the Notice of Shipment in operation of the Gibson Facilities and may supply such Notice of Shipment to any party: (i) nominating transportation for the quantities to which the Notice of Shipment pertains on the immediately downstream pipeline, terminal or other facility; or (ii) purchasing the quantities to which the Notice of Shipment pertains.
- (c) Gibson may refuse to accept Crude Petroleum unless satisfactory evidence is furnished that Shipper has made provisions for prompt delivery thereof to a Delivery Point or for storage pursuant to Section 15.
- (d) Gibson reserves the right to restrict Tenders or deliveries, based on weekly projections issued

by Gibson, to balance a Shipper's inventory position to its proportionate share of Working Stock plus any storage volumes pursuant to Section 15 and to coordinate deliveries with the schedules of the immediately downstream pipeline, terminal or other facility.

- (e) In the event that Gibson relies on the Notice of Shipment or provides such Notice of Shipment to any person as provided for in Subsection 3(b), and Shipper fails to meet the Notice of Shipment (other than as a result of a valid event of Force Majeure hereunder), or fails to give notice to Gibson of an event of Force Majeure as required, hereunder, in addition to and without limiting any other remedies of rights Gibson may have hereunder, at law or in equity for such failure to Tender, Shipper shall indemnify and hold Gibson harmless from and against all Claims which may be made or brought against Gibson and Damages which Gibson may suffer or incur, whether directly or by contractual assumption or indemnification as a result of, in respect of, arising out of or otherwise in connection with Shipper's failure to Tender the Crude Petroleum in accordance with the Notice of Shipment or the failure to give notice to Gibson of an event of Force Majeure as required hereunder.
- (f) Shipper shall use commercially reasonable efforts to Tender Crude Petroleum to Receipt Points on a rateable basis in equal daily quantities. At Receipt Points on the Gibson Pipelines, Gibson will normally accept Tenders on a rateable daily basis at an hourly flow rate as may be set or specified from time to time by Gibson. Shipper shall Tender Crude Petroleum at a consistent Quality.
- (g) If the Quality of Tendered Crude Petroleum is inconsistent or otherwise varies from the historical average Quality, all costs and expenses arising from such inconsistency or variance shall be borne by Shipper, including any costs related to rejection of, or damages caused by, Crude Petroleum that does not meet the Crude Quality Specifications.
- (h) Gibson shall not be required to accept Crude Petroleum Tendered to the Gibson Pipelines in quantities of less than the quantities specified in a Tariff Schedule, as may be revised from time to time by Gibson, unless the Shipper has entered into an agreement with Gibson allowing Tenders less than the specified quantities.

#### **4. APPLICATION OF TARIFFS**

Tendered Crude Petroleum shall be subject to the tariffs and any other fees in effect on the date of Tender to the Gibson Facilities irrespective of the date of nomination or delivery. The tariffs and any other fees charged to a Shipper shall be allocated as to the quantity and types of Crude Petroleum Tendered in accordance with the Tariff Schedule applicable at the date of delivery.

#### **5. APPORTIONMENT OF CAPACITY**

If Crude Petroleum is Tendered to the Gibson Facilities in amounts beyond the available capacity of the Gibson Facilities or the immediately downstream pipeline, terminal or other facility or in amounts which would lead to an accumulation of excess Working Stock, Gibson may suspend or apportion acceptance of Crude Petroleum while such conditions exist without any Claim for Damages against Gibson. Gibson may also suspend or apportion acceptance of Crude Petroleum without any Claim for Damages against Gibson if Gibson is restricted in any way from receiving Crude Petroleum into the Gibson Facilities or if Gibson is restricted in any way in delivering Crude Petroleum to the Delivery Point. Gibson's determination of apportionment of the available capacity among Shippers shall be final. Gibson, at any time, does not guarantee

shipment of any Crude Petroleum from a Shipper's facilities and is not responsible in any way for alternate transportation of Crude Petroleum during periods of suspension or apportionment. Gibson shall not be liable for any direct or indirect Claims or Damages as a result of, in respect of, arising out of or otherwise in connection with such suspension or apportionment.

During periods of apportionment, if the volume of Crude Petroleum received from Shipper on any day is less than the Shipper's apportioned volume by more than 5% of the apportioned volume, Shipper shall pay to Gibson a fee equivalent to the tariff that would be incurred had the physical volume been received (the "**Non-Performance Fee**"). The Non-Performance Fee shall not be levied on any shortfalls resulting from an event of Force Majeure.

## 6. FACILITIES and ACCESS

- (a) Gibson will receive Crude Petroleum and Diluent only at the Gibson Facilities at established Receipt Points and only when Shipper arranges for or provides facilities at those Receipt Points satisfactory to Gibson. Upon request Gibson will identify the established Receipt Points.
- (b) At Receipt Points on the Gibson Pipelines, Shipper shall arrange for or provide and maintain sufficient tankage for a minimum of 24 hours of average Crude Petroleum production or otherwise, as determined by Gibson. Lines shall be provided and maintained from the tanks to the tank firewall and shall be a minimum of 219.0 millimeters in diameter or larger if stipulated by Gibson. The tank nozzle and all valves on the line shall be full opening and of a size at least equal to the line size; the nozzles must be installed a minimum of 1000 millimeters above the tank floor; all valves on the tanks must be provided with equipment to allow sealing and there shall be no branch connections on the line between the tankage and Gibson' connection to the line outside the berm wall. The tanks shall also contain a 76.2 millimeter nozzle located 1000 millimeters above the tank floor and suitable for the installation of a hydrostatic tank level transmitter. The tanks must be provided with a proper stairway and walkway and these must be maintained in accordance with applicable laws and all current safety standards. All tanks from which shipments are Tendered must be equipped with an appropriately sized thief hatch. The minimum size of tank from which shipments will be accepted is 80 cubic meters.
- (c) Shipper hereby grants to Gibson the right to install and maintain pipelines, piping manifolds, LACT Equipment, pumping equipment, control equipment and power service facilities upon and across surface lands held by Shipper in connection with the Crude Petroleum Tendered for transportation hereunder.
- (d) Shipper shall provide and maintain all weather access roads to the LACT Equipment and Gibson shall be allowed full and free use of roads built and/or owned by Shipper when in Gibson' opinion their use is required for access to and the operation or maintenance of the Gibson Facilities.
- (e) Gibson shall have the right to enter upon the premises and facilities of the Shipper at the Receipt Point and shall have unrestricted access to any and all tanks, storage receptacles, meters or other production or storage equipment or facilities for the purpose of inspection, measurement, testing, installing, operating or maintaining any equipment or facilities in connection with the Gibson Facilities or LACT Equipment.
- (f) Unless otherwise agreed, the Shipper shall have no right of access to any Gibson Facility.

When granted, Shipper access to any Gibson Facility shall be subject to local facility rules, local sampling procedures and site orientation.

- (g) Shipper shall require the owner or operator of a facility from which Crude Petroleum is Tendered to give Gibson sufficient notice in advance of any changes to such facilities or the operation thereof which could cause or have a reasonable probability of causing a material change in the quantity Quality of the Crude Petroleum Tendered from such facility. For the purposes of this subsection, "material change" shall mean a change that may or will affect the accuracy of quantity or Quality measurement, the density or sulphur parameters used in calculating the equalization adjustment, the quantity of Diluent used for blending the Tendered Crude Petroleum, the capacity or continued suitability of the current Receipt Point facilities and the integrity of the Gibson Facilities or the continued safe and reliable operation thereof. In the event that no notice or insufficient notice is given, Gibson may limit or refuse Tenders of Crude Petroleum until Gibson has determined that the material change will have no adverse impact or until mitigating measures have been agreed to between Gibson and Shipper.

## **7. CRUDE PETROLEUM SPECIFICATIONS**

Gibson reserves the right to refuse to accept any non-indigenous Crude Petroleum which does not meet the Crude Petroleum Specifications. The Crude Petroleum Specifications shall be as set out in these Rules and Regulations and the schedules attached hereto, which Crude Petroleum Specifications Gibson reserves the right to change from time to time upon notice to Shippers. Crude Petroleum Tendered to the Gibson Facilities shall be marketable, clean, Weathered, settled and free of foreign material. It shall not contain hydrogen sulphides, organic chlorides, organisms, gases, waxes, oxygenates, impurities or any other contaminants with physical, chemical or biological characteristics, or in such quantities that may cause disadvantage to Gibson or be of a nature which adversely affects the quantity measurement, Quality, or marketability of the Crude Petroleum or the ability of the Crude Petroleum to be transported in the Gibson Facilities or be objectionable to governmental authorities having jurisdiction over the Gibson Facilities or the immediately downstream pipeline, terminal or other facility. Furthermore:

Shipper represents and warrants to and in favour of Gibson and each of Gibson' other Shippers that all Crude Petroleum Tendered to the Gibson Facilities by or on behalf of Shipper will meet or be of better quality than the Crude Petroleum Specifications. When Shipper becomes aware that Non-Specification Crude Petroleum has been Tendered it shall promptly cease such further Tenders and advise Gibson that such Tenders have occurred. Shipper shall indemnify and hold Gibson and each of Gibson's other Shippers harmless from and against all Claims which may be made or brought against any of the foregoing and Damages which any of the foregoing may suffer or incur including, without limitation, contractually assumed liability, damage to or loss of Quality of Crude Petroleum owned or controlled by Gibson, Gibson' other Shippers, or any downstream pipeline, terminal or other facility, crude removal costs, equipment damage, and operator call out costs or biocide injection costs which occur or arise out of or are otherwise in connection with any Crude Petroleum Tendered to the Gibson Facilities by or on behalf of Shipper failing to meet the Crude Petroleum Specifications.

- (a) Prior to the first Tendering of Crude Petroleum to the Gibson Facilities, Shipper shall supply a current and representative Quality Certificate of the Crude Petroleum. Thereafter Gibson may, but shall have no obligation to, require Shipper to provide a current and representative Quality Certificate for the Crude Petroleum Tendered or to be Tendered to the Gibson Facilities by or on behalf of Shipper.

- (b) Gibson shall be entitled to rely upon Shipper's and each of Gibson other Shippers' representations, warranties and indemnities in Subsection 7(a) as to the Quality of the Crude Petroleum Tendered to the Gibson Facilities by or on behalf of Shipper or Gibson's other Shippers without any investigation, inquiry, sampling or testing of the Crude Petroleum by Gibson. Shipper hereby waives all Claims, rights, actions and Damages which Shipper now has, or may hereafter have against Gibson for any Damages, destruction, loss of Quality or harm suffered by Shipper which occurs or arises out of or otherwise in connection with any Non-Specification Crude Petroleum delivered to the Gibson Facilities including, without limitation, contractually assumed Damages to or loss of Quality of Crude Petroleum owned or controlled by Shipper, and Shipper agrees not to pursue Gibson for any such harm it may suffer.
- (c) Shipper recognizes and agrees that it is not always practical for Gibson to test Crude Petroleum prior to Gibson's receipt of Crude Petroleum into the Gibson Facilities and that samples of the Crude Petroleum may be taken by Gibson and may be tested at any time that Gibson is in possession of the Crude Petroleum. Except as provided in Section 8, the Shipper is responsible for such sampling costs and such samples shall be provided to the Shipper at Gibson's sole discretion. Gibson assumes no responsibility to conduct any sampling or otherwise monitor the Quality of Crude Petroleum accepted into the Gibson Facilities. Shipper agrees that Gibson shall be entitled to use the results of any Quality testing conducted by Gibson, conducted on its behalf or provided to it by a third party in determining any action allowed or provided for under these Rules and Regulations that are dependent on the Quality of the Tendered Crude Petroleum. Shipper further agrees that Gibson shall be entitled to collect and analyze samples from any customer owned facility that delivers to a Gibson Facility upon 5 day's notice.
- (d) Upon Gibson becoming aware of any Non-Specification Crude Petroleum in the Gibson Facilities that when commingled in the Gibson Facilities with Crude Petroleum meeting the Crude Petroleum Specifications would be objectionable to any immediately downstream pipeline, terminal or other facility, Gibson shall consult with the Shipper who Tendered the Non-Specification Crude Petroleum and each of Gibson' other Shippers whose Crude Petroleum has been commingled with the Non-Specification Crude Petroleum concerning the timing of dealing with and the disposition of such Non-Specification Crude Petroleum as well as any Crude Petroleum which has been commingled with Non-Specification Crude Petroleum. Gibson shall have the final decision as to the ultimate disposition of any Non-Specification Crude Petroleum as well as any Crude Petroleum which has been commingled with Non-Specification Crude Petroleum in the Gibson Facilities. Shipper shall pay all additional fees for the receipt, terminalling, delivery, storage, blending, handling, removal and disposal of Non-Specification Crude Petroleum including, without limitation, fees in connection with Crude Petroleum which has been commingled with Non-Specification Crude Petroleum and investigation costs incurred by Gibson. Shippers owning or controlling such Non-Specification Crude Petroleum shall be responsible for payment to Gibson of such additional charges that may be payable for the Non-Specification Crude Petroleum as well as the Crude Petroleum with which it has been commingled.

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

All measurement, testing, calculation and reporting of Crude Petroleum quantities and Qualities will at a minimum be performed in accordance with the requirements of governmental authorities having jurisdiction over the Gibson Facilities and in accordance with these Rules and Regulations, including Schedule 1. Furthermore:

- (a) The quantity of Crude Petroleum Tendered to a Receipt point may be determined by



metering, tank gauging or weigh scales ("Measurement Equipment", which shall also include LACT Equipment and any additional equipment associated with quantity or Quality determination). If Gibson operates the Measurement Equipment, Gibson will carry out calibration of the Measurement Equipment. If Gibson does not operate the Measurement Equipment: i) Gibson shall be given sufficient notice by the operator prior to any calibration or change to the Measurement Equipment, ii) Gibson may require that the operation or calibration of the Measurement Equipment be verified, and iii) Gibson shall be entitled to have its representative present during such calibration, change or verification. If tank gauges are used, quantities shall be computed from correctly compiled tank tables on a 100% volume basis. Regardless of the method of quantity measurement, the quantity or Quality of the Crude Petroleum Tendered may be determined by Gibson and at Gibson's sole discretion it may apply the results of its determination. Shipper may be present or represented during calibration or measurement performed by Gibson. The results of such calibration or measuring by Gibson shall be final.

- (b) In the event that the Tendered Crude Petroleum is found to be Non-Specification Crude Petroleum, in addition to other remedies contained in these Rules and Regulations, Gibson shall be entitled to deduct the penalty adjustments specified in Schedule 1.
- (c) The measured Crude Petroleum quantity will be corrected from the temperature and pressure at which it was measured to 15° Celsius and 101.325 kPag or equilibrium pressure, as applicable, using the applicable MPMS procedures. The corrected quantity of Crude Petroleum shall be further adjusted by the meter calibration factor, if applicable, and then the quantity of sediment & water shall be deducted and any additional applicable penalties, adjustments and deductions shall be determined using the adjusted corrected quantity.
- (d) The density of the Crude Petroleum Tendered into the Gibson Facilities shall be determined in accordance with one or more of the procedures listed in Schedule 1 and the observed density shall be corrected to 15° Celsius using the applicable MPMS procedures.
- (e) Gibson shall have the right to make adjustments to the measured quantity of Crude Petroleum for losses that may result from accepting Tenders that: i) have not been fully Weathered; or ii) consist of mixtures of different Crude Petroleum components which may not have been fully blended prior to Tendering. Such deductions shall be determined and applied at Gibson's sole discretion.
- (f) Gibson may, at its sole discretion, determine and apply an adjustment to the measured quantity of Crude Petroleum Tendered or delivered if the temperature, density, viscosity or any other characteristic of the Crude Petroleum Tendered or delivered has changed or fluctuated, during the period of time covered by a custody transfer ticket, to such an extent as to materially affect the accuracy of quantity measurement.
- (g) From time to time, Gibson may, upon request and acting reasonably, obtain quality information reasonably required to ensure Crude Petroleum shipped from Gibson Facilities meets Delivery Point Quality Specifications. This information shall, prima facie, be indicative in nature of the shippers Crude Petroleum, provided that Gibson shall not incur any liability for any discrepancies, errors or omissions for such testing. The Shipper shall be liable for all costs associated with any Crude Petroleum that is not shipped downstream due to samples that demonstrate non-compliance with the Crude Petroleum Specifications.
- (h) Any samples of Crude Petroleum while at a Gibson Facility requested by Shipper may only be conducted by Gibson's agent, in Gibson's sole discretion, and at Shipper's sole cost and expense, provided that Gibson assumes no liability related to such samples, or Gibson's refusal to take such samples.

- (i) In addition to the foregoing adjustments, Gibson shall have the right to implement a loss allowance deduction or charge at a rate to be specified from time to time in the Tariff Schedule.

## **9. EVIDENCE OF RECEIPTS AND DELIVERIES**

- (a) Tenders of Crude Petroleum accepted by Gibson into the Gibson Facilities and deliveries of Crude Petroleum to Delivery Points shall be sufficiently evidenced by tickets, computer printouts or computer data, which shall be verified by a representative of Gibson showing the date, source facility, quantity, density, sediment & water content, temperatures, corrections, adjustments and deductions.
- (b) Gibson shall account to each Shipper for each Month for the volume of Crude Petroleum Tendered for its account by generating a report of Shipper's opening inventory, Tenders, transfers, deliveries, corrections, adjustments, deductions, Diluent allocation, required Working Stock and closing inventory ("Shipper's Balance Report").
- (c) If any error or omission shall occur in a Shipper's Balance Report or other report issued by Gibson, Gibson shall use all commercially reasonable efforts to correct and reissue the Shipper's Balance Report within three (3) Business Days following notification by Shipper, or realization by Gibson, that an error or omission has occurred. Gibson shall use all commercially reasonable efforts to advise all affected parties of the required revisions as soon as practicable. Revisions that are not shown for the current Month will be shown in the Shipper's Balance Report for the next following Month.

## **10. COMMON STREAMS**

- (a) Gibson may handle, blend, and treat common streams of Crude Petroleum in the Gibson Facilities which common streams shall be designated by Gibson from time to time. Gibson shall designate the Quality range of each common stream from time to time.
- (b) The acceptance of any Crude Petroleum in the Gibson Facilities shall be on the condition that such Crude Petroleum shall be subject to such changes in Quality, quantity and value as may result from its mixture while in the common stream designated by Gibson.
- (c) Gibson shall be under no obligation to make delivery of the identical Crude Petroleum received from Shipper and shall make delivery only out of the common stream designated by Gibson.

## **11. DILUENT**

- (a) (a) To the extent Gibsons deems that it is necessary to do so, at Gibsons' sole discretion, Gibsons will blend the Tendered Crude Petroleum with Diluent for transportation on and terminalling at the Gibson Facilities and to meet the density or viscosity requirements at the Delivery Point, an immediately downstream pipeline, terminal or other facility or to meet such other specifications as may be requested by Shipper and agreed to by Gibson. The amount and type of Diluent used by Gibson for blending with Shipper's Crude Petroleum shall

at all times be in Gibson' sole discretion. Gibson may blend and commingle Shipper's Crude Petroleum and Diluent at one or more locations of Gibson' choosing in its sole discretion.

- (b) Gibson will use commercially reasonable efforts to obtain sufficient quantities of Diluent for blending but if an insufficient quantity of Diluent is available to blend all Shippers' Tendered Crude Petroleum, Gibson may suspend or restrict Tenders in accordance with the applicable provisions of Section 5. Gibson will charge Shipper and Shipper shall pay Gibson for the quantity of Diluent used to blend Shipper's Crude Petroleum, based on the volume and density, determined pursuant to Section 8, of the Crude Petroleum Tendered by the Shipper each Month at the prices determined by Gibson for Diluent in the Month. Gibson may charge a fee for blending Crude Petroleum at rates specified by Gibson from time to time in a Tariff Schedule.
- (c) Gibson shall also be entitled to charge the applicable Shipper(s) and such Shipper(s) shall pay Gibson for additional Damages arising from shortfalls or surpluses in Diluent volumes arising from revisions of Notices of Shipment quantities after the first deadline for submission thereof and from material shifts in the Quality of Tendered Crude Petroleum compared to recent historical average Qualities or forecast Qualities, as applicable.
- (d) Gibson will charge Shipper and Shipper shall pay Gibson, at rates determined and specified by Gibson from time to time, for the volumetric shrinkage that occurs when Crude Petroleum and Diluent are blended. The method to be used for calculating the quantity of blending shrinkage shall be the applicable method specified in Schedule 1.

## **12. TRANSFERS WITHIN GIBSON TERMINALS**

Transfers of Crude Petroleum within the Gibson Hardisty Terminal or the Gibson Edmonton Terminal may be allowed at Gibson' discretion; provided that, the Shipper on whose behalf the Crude Petroleum was Tendered shall be responsible for the payment of all charges including, without limitation, equalization adjustments, shrinkage of volumes, Diluent allocation, corrections, adjustments and deductions, provision of Working Stock, indemnities and other obligations in respect of the Crude Petroleum prior to the transfer. The successor Shipper shall be responsible for the payment of all charges including, without limitation, equalization adjustments, shrinkage of volumes, Diluent allocation, corrections, adjustments and deductions, provision of Working Stock, indemnities and other obligations in respect of the Crude Petroleum subsequent to the transfer. Gibson shall not be obligated to recognize any intra-terminal transfer unless it receives a transfer request, in writing, from both the Shipper on whose behalf the Crude Petroleum was Tendered and the successor Shipper within one (1) Business Day of the initial transfer request. The transfer requests shall indicate the party to which the transfer is to be made, the quantity of Crude Petroleum to be transferred, its location and any other information as may be specified by Gibson, from time to time. Notwithstanding the foregoing, Gibson may refuse to accept a transfer request unless: i) Gibson is satisfied the successor Shipper has the capacity to perform any financial obligations which arise from the transportation and handling of the Crude Petroleum or the successor Shipper provides Gibson satisfactory Financial Assurances; ii) Gibson is provided satisfactory evidence of the transfer of the Crude Petroleum to another Shipper and that such transfer has been accepted by the successor Shipper; and iii) satisfactory evidence is furnished by the successor Shipper that it has made provision for prompt delivery of the Crude Petroleum at a Delivery Point or arrangements satisfactory to Gibson have been made for the storage of the Crude Petroleum pursuant to Section 15. Gibson may charge fees for intra-terminal transfers as specified from time to time on the applicable Tariff Schedule.

### **13. EXTERNAL TERMINAL TRANSFERS**

Terminal transfers of Crude Petroleum involving the Gibson Hardisty Terminal and third-party terminals may be allowed at Gibson' discretion; provided that, Shipper shall be responsible for the payment of all charges including, without limitation, equalization adjustments, shrinkage of volumes, Diluent allocation, corrections, adjustments and deductions, provision of Working Stock, indemnities and other obligations in respect of the Crude Petroleum while in the Gibson Hardisty Terminal. Gibson shall not be obligated to accept any inter-terminal transfer unless it receives a transfer request, in writing, from Shipper before the transfer as well as written approval of the transfer from the other terminal involved in the transfer. The transfer request shall indicate the initiating and receipt terminal between which the transfer is to be made, the stream and Quantity of Crude Petroleum to be transferred, location and any other information as may be specified by Gibson from time to time. Notwithstanding the foregoing, Gibson may refuse to accept a transfer request unless satisfactory evidence is furnished that Shipper has made provision for prompt delivery thereof at the applicable Delivery Point. Gibson may charge fees for inter-terminal transfers.

### **14. WORKING STOCK**

As a condition precedent to accepting Tenders for any Crude Petroleum hereunder, any Shipper Tendering Crude Petroleum to the Gibson Facilities shall provide, at no cost to Gibson, it's pro rata share of the Working Stock. The pro rata calculation of quantity will be based on a Shipper's relative share of volume Tendered into the applicable segment or facility of the Gibson Facilities as scheduled by Gibson on a Month-to-Month basis.

In the event that a Shipper is entering into a new service, the Shipper must acquire or provide any required Working Stock on or before the day immediately prior to the commencement of the new service. In the event that a Shipper is discontinuing an existing service, the Working Stock is to be transacted with Gibson or the next Shipper on or before the final day of the existing service.

### **15. STORAGE**

At the request of Shipper, Gibson may, in its sole discretion, provide storage for Crude Petroleum Tendered to the Gibson Hardisty Terminal or Gibson Edmonton Terminal, as the case may be, upon such fees, terms and conditions as specified by Gibson, from time to time.

### **16. MONTHLY TOLERANCE, DEMURRAGE and SHORTAGE FEES**

- (a) All Shippers having title to Crude Petroleum at the Gibson Facilities shall maintain a zero balanced position throughout each Month and the forecasting period of each such production Month. For each stream, Shippers may be allowed a tolerance volume of up to 100 m<sup>3</sup> per Month.
- (b) For each stream, in the event that a Shipper's Monthly closing inventory is greater than its required pro rata share of Working Stock plus its tolerance volume, Shipper may be levied a fee ("Demurrage Fee") established by Gibson from time to time and posted on the applicable

Tariff Schedule, on the volume of Crude Petroleum in excess of Shipper's required pro rata share of Working Stock plus its tolerance margin.

- (c) For each stream, if a Shipper's Monthly closing inventory is less than its tolerance volume, Shipper may be levied a fee ("Shortage Fee") established by Gibson from time to time and posted on the applicable Tariff Schedule.

## **17. EQUALIZATION ADJUSTMENT**

Gibson may, on a Monthly basis, calculate an equalization adjustment for Crude Petroleum Tendered to the Gibson Facilities by or on behalf of each Shipper. The equalization adjustment shall be determined by Gibson. The density and sulphur content of the Crude Petroleum Tendered by Shipper shall be determined pursuant to Section 8 and Schedule 1. Gibson may charge a fee for calculating the equalization adjustments at rates specified by Gibson on the applicable Tariff Schedule, from time to time.

## **18. PAYMENTS, LIEN AND SALE**

- (a) All accounts and the provision by Gibson of any and all transportation and terminalling services and any goods and services ancillary thereto, shall be subject to prior credit approval by Gibson.
- (b) Shipper shall pay Gibson the applicable charges for the goods and services supplied on the Gibson Facilities determined using the fees specified in the applicable Tariff Schedule issued from time to time by Gibson. Shipper shall also pay all other charges including, without limitation, the Diluent allocation charges and equalization adjustments payable hereunder and other lawful charges, fees and taxes accruing on such Crude Petroleum or the services provided hereunder. Gibson may also assess against Shipper any charge or fee imposed on Gibson by the immediately downstream pipeline, terminal or other facility for movement of the Crude Petroleum. Crude Petroleum shall be subject to the applicable fees in effect on the date of receipt of such Crude Petroleum by Gibson irrespective of the date of the Tender. Gibson shall bill Shipper for such fees and charges. If required by Gibson, payment shall be made before Tendering Shipper's Crude Petroleum to Gibson and, as a precondition to accepting any Crude Petroleum hereunder, Gibson may require Shipper to provide Financial Assurances in accordance with Section 27.
- (c) Any charges owing by Shipper to Gibson shall, unless otherwise specified, be paid by Shipper on or before the 25th Day of the Month in which the invoice is received (the "Due Date"); provided, however, that if the Due Date is not a Business Day, payment shall be made on the preceding Business Day. Invoices from Gibson will be sent to Shipper at least 2 Days prior to the Due Date. After the Due Date, such amounts shall bear interest until paid at an annual rate of interest calculated and compounded Monthly, equal to the prime rate of interest charged from time to time by Gibson' bank plus 2%. Subject to subsection 18(b), all invoices shall be deemed to be correct sixty (60) Days after receipt and Shipper hereby waives any rights which Shipper may have, at law or otherwise, to dispute the correctness of any invoice after such sixty (60) Day period.
- (d) Gibson shall have a lien on all Crude Petroleum in its possession Tendered by Shipper to

secure payment of charges and fees hereunder and other lawful charges and may withhold delivery of Crude Petroleum until all such charges and fees are paid. If such charges or fees remain unpaid for more than ten (10) Days after the Due Date, Gibson shall have the right, without further notice to Shipper, to sell any Crude Petroleum Tendered by Shipper in its possession. From the proceeds of the sale of such Crude Petroleum, Gibson may pay itself all such charges and fees including, without limitation, Demurrage Fees, Diluent charges, blending fees, marketing fees and all expenses of said sale, and the net balance, if any, shall be held for whomsoever may be lawfully entitled thereto.

## **19. THIRD PARTY CLAIMS**

- (a) Shipper shall not Tender to Gibson Crude Petroleum which is involved in litigation, the ownership of which may be in dispute or which is encumbered by a lien or charge of any kind, unless Shipper provides written notification to Gibson of such litigation, dispute, lien or charge not less than twenty (20) Days before such Crude Petroleum is Tendered to Gibson.
- (b) Gibson shall not be obligated to accept Crude Petroleum that is involved in litigation, the ownership of which may be in dispute or which is encumbered by a lien or charge of any kind.
- (c) Shipper shall immediately advise Gibson in writing if, at any time while Shipper's Crude Petroleum is in the possession of Gibson, such Crude Petroleum becomes involved in litigation, the ownership of such Crude Petroleum becomes in dispute or such Crude Petroleum becomes encumbered by a lien or charge of any kind.

Shipper shall, upon demand from Gibson, provide a bond or other form of indemnity satisfactory to Gibson protecting Gibson against any Claims or Damages that may arise as a result of, in respect of, arising out of or otherwise in connection with such Shipper's Crude Petroleum that is involved in litigation, the ownership of which may be in dispute or which is encumbered by a lien or charge of any kind.

## **20. LIABILITY OF GIBSON**

- (a) Notwithstanding any provision contained in these Rules and Regulations to the contrary, Gibson shall not be liable for any Claims or Damages related to any Crude Petroleum Tendered or failed to be Tendered by Shipper, including inter-terminal transfers, or any delay in acceptance or delivery of such Crude Petroleum resulting from, in respect or, arising out of or otherwise in connection with any cause whatsoever, except Gibson's own gross negligence; provided, however, that in no event shall Gibson be liable for any indirect, consequential, incidental, special, punitive or exemplary losses or Damages which may be suffered or incurred by a Person including, without limitation, loss of profits or business interruption losses.
- (b) Notwithstanding any provision contained in these Rules and Regulations to the contrary, in case of loss of Crude Petroleum while in the possession of Gibson from any cause, Gibson shall not bear any proportion of the Claim or Damages, except as directly caused by Gibson' own gross negligence. Shipper shall be entitled to have delivered only such portion of its Crude Petroleum as may remain after the deduction of its proportionate share of such loss.

- (c) Notwithstanding any provision contained in these Rules and Regulations to the contrary, Gibson shall not be liable for the results of the Tendering of any Non-Specification Crude Petroleum and in the event of Tendering of such Non-Specification Crude Petroleum to the Gibson Facilities, the provisions of Section 7 shall apply. This Section 20 is in addition to Section 7 and shall not limit, restrict or lessen the effect of Section 7 in any way.

## **21. CLAIMS AGAINST GIBSON**

Shipper may not institute any Claim against Gibson as a result of, in respect of, arising out of or otherwise in connection with any Damages to or delay of any Crude Petroleum Tendered to the Gibson Facilities, or any errors in billing or charges by Gibson to the Shipper for goods supplied or services rendered by Gibson unless the Claim is delivered to Gibson in writing within sixty (60) Days after delivery of the Crude Petroleum to which the Claim relates, or in case of failure to deliver, within sixty (60) Days after reasonable time for delivery shall have elapsed. If Gibson rejects such Claim, any suits or further action by Shipper arising out of such Claims must be instituted within six (6) Months of receipt of written notice from Gibson of such rejection. Shipper agrees to be bound by the provisions of this Section and expressly waives any rights which Shipper might otherwise have, at law or otherwise, to make a Claim after the expiration of the said period of sixty (60) Days or to bring an action after the expiration of the said period of six (6) Months.

## **22. LIABILITY AND INDEMNITY OF SHIPPER**

Shipper shall be liable for and shall indemnify and save Gibson harmless from and against all Claims which may be made or brought against Gibson or any other Shipper and Damages which Gibson or any other Shipper may suffer or incur as a result of, in respect of, arising out of or otherwise in connection with Shipper's default or breach or these Rules and Regulations, or Shipper's negligent acts, failure to act, non-performance or non-fulfilment of any covenant or agreement hereunder or misconduct. Gibson assumes no liability for blending activities done on behalf of, and at the direction, of the Shipper.

## **23. SHIPPER RESPONSIBILITY FOR PRODUCER ACTIONS**

Shipper or the owner or operator of the facility from which Crude Petroleum is Tendered by or on behalf of Shipper to the Gibson Facilities shall comply with and be bound by these Rules and Regulations. Shipper shall indemnify and save Gibson harmless from and against all Claims which may be made or brought against Gibson or any other Shipper and Damages which Gibson or any other Shipper may suffer or incur as a result of, in respect of, arising out of or otherwise in connection with such owner or operator failing to comply with these Rules and Regulations.

## **24. NOTICES**

Publication of these Rules and Regulations, any Schedule attachments or any individual Tariff Schedules on the Gibson website, [www.gibsonenergy.com](http://www.gibsonenergy.com), shall constitute notice of such Rules and Regulations, Schedules or individual Tariff Schedules, as the case may be, to all Shippers and others using or intending to use the Gibson Facilities. The Rules and Regulations,

Schedules or individual Tariff Schedules, as the case may be, which are on the Gibson website and in effect at the time of Tendering Crude Petroleum by or on behalf of any Shipper shall govern the transportation and terminalling of such Crude Petroleum and any goods and services ancillary thereto.

Subject to the foregoing, any notice, designation, statement, invoice or other communication hereunder from Gibson to Shipper or from Shipper to Gibson shall be made in writing and sent by: ordinary mail, by personal delivery, by electronic transmission or by facsimile device by such party to the last recorded address or facsimile number of the other party. Communications sent by mail shall be deemed to have been received three (3) Business Days following the date of mailing. Provided such delivery or transmission occurs during normal business hours, communications sent by personal delivery, electronic transmission or facsimile device shall be deemed to have been received on the Business Day it was delivered or transmitted, otherwise on the next occurring Business Day. A party may, by notice in writing to the other party, change its address and/or facsimile number, from time to time in the manner herein provided for.

## **25. FORCE MAJEURE**

- (a) If either Gibson or Shipper fails to perform any obligation under these Rules and Regulations due to an event of Force Majeure, then such failure shall be deemed not to be a breach of such obligations, and such obligations shall be deemed to be suspended for so long as the event of Force Majeure continues.
- (b) The term "Force Majeure" means:
- i. any act of God, acts of war, terrorism, civil insurrection or disobedience, acts of public enemy, strikes, lockouts or other industrial disturbances, accidents, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, explosions, fires, floods, civil disturbances, the act, regulation, order, direction or requisition of any governmental, regulatory or other authority having or claiming jurisdiction, delays or inability to receive or obtain the necessary materials or supplies in a commercially reasonable manner, disruption in or curtailment of the operations of downstream pipelines, terminals or other facilities;
  - ii. any mechanical or equipment failure; or
  - iii. any other cause whether of the kind enumerated in subsections 25(b)(i) or (ii), or otherwise, which is beyond the reasonable control of the applicable party and which could not have been prevented or overcome by the exercise of due diligence.
- (c) Notwithstanding subsections 25(a) and (b), the following shall not be events of Force Majeure:
- i. insufficiency of Shipper's Crude Petroleum supplies or failure of Shipper's Crude Petroleum to meet the Crude Petroleum Specifications;
  - ii. diversion of Shipper's existing Crude Petroleum supplies to more attractive markets;
  - iii. lack of funds; or
  - iv. Shipper's lack of takeaway capacity at the Delivery Point.



- (d) A party that fails to perform any obligation under these Rules and Regulations where such failure is caused by an event of Force Majeure shall promptly remedy the cause of the Force Majeure insofar as it is reasonably able to do so, provided that the terms of the settlement of any strike, lockout or other industrial disturbance shall be wholly at the discretion of the party claiming suspension of its obligations hereunder by reason thereof.
- (e) No event of Force Majeure shall relieve any Shipper from its obligations pursuant to these Rules and Regulations to make payments to Gibson.

## **26. GOVERNING LAW**

These Rules and Regulations shall be construed and applied in accordance with and be subject to the laws of the Province of Alberta and the laws of Canada applicable therein.

## **27. NEW SHIPPERS**

Prior to a Person becoming a Shipper on any Gibson Facilities, such Person must (i) satisfy the Financial Assurances requirements set forth in Section 28; (ii) provide to Gibson a new shipper fee of \$50,000.00 CAD. Shippers that are inactive for a period of 12 consecutive months or longer are deemed to have ceased to be a Shipper and must comply with the requirements of this Section 27 in order to attain Shipper status.

## **28. FINANCIAL ASSURANCES**

- (a) Gibson may at any time, or from time to time, request and any prospective or existing Shipper shall provide information to Gibson that will allow Gibson to determine the prospective or existing Shipper's capacity to perform any financial obligations that could arise from the transportation of that Shipper's Crude Petroleum and the provision of goods or services by Gibson to that Shipper. Gibson may, at its sole discretion, refuse to accept Crude Petroleum for transportation from an existing or prospective Shipper if Shipper or prospective Shipper fails to provide the requested information to Gibson within ten (10) Days of Gibson's written request, or if Gibson determines in its sole discretion that the existing or prospective Shipper does not have, or no longer has, the capacity to perform any financial obligation that could arise from the transportation of that Shipper's Crude Petroleum.
- (b) In the event that Gibson determines, in its sole discretion, that it requires Financial Assurances or additional Financial Assurances from Shipper, then Shipper shall provide Financial Assurances required by Gibson for the payment of the charges and costs lawfully due to Gibson relating to the transportation of Shipper's Crude Petroleum and the provision of goods or services to that Shipper by Gibson, which Financial Assurances may include one or more of the following: (i) prepayment; (ii) a letter of credit in favour of Gibson in an amount sufficient to ensure payment to Gibson; (iii) a guarantee, from a party satisfactory to Gibson in its sole discretion, in an amount sufficient to ensure payment due to Gibson; or (iv) such other enforceable collateral security satisfactory to Gibson in its sole discretion (collectively, the "Financial Assurances"). Gibson shall not be obliged to accept Crude Petroleum from such Shipper if such Shipper fails to deliver adequate Financial Assurances to Gibson within five (5) Days of written notice from Gibson requiring such or additional Financial Assurances.