

DCP SOUTHERN HILLS PIPELINE, LLC

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

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GAS SERVICE DIVISION
AUSTIN, TEXAS

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.

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GENERAL RULES AND REGULATIONS

ITEM NO. 5 – DEFINITIONS

“Barrel” means forty-two (42) United States gallons of 231 cubic inches of sixty degrees Fahrenheit (60°F) and equilibrium vapor pressure.

“Carrier” means DCP Southern Hills Pipeline, LLC.

“Component” means each of the individual hydrocarbon constituents contained in the Natural Gas Liquids including ethane, propane, isobutane, normal butane, and natural gasoline (with natural gasoline including all pentane and heavier hydrocarbon components).

“Day” means each twenty-four (24) hour consecutive period commencing at 7:00 am Central Time.

“Delivery Point(s)” means those points of destination (to) as contained in the Rates Tariff.

“Force Majeure” means an event or occurrence beyond the reasonable control of Carrier that interferes with or prevents Carrier’s performance of any obligation or condition under this tariff, under a TSA, interconnect agreement, or other agreement affecting Carrier or Carrier’s facilities, including but not limited to (i) actions, orders, regulations, or requests of any Governmental Authority having jurisdiction over the pipeline system, Carrier, or this tariff; (ii) insurrections, wars, rebellion, riots, disturbances, sabotage, acts of public enemies, blockades, embargoes, expropriation, condemnation, epidemics, strikes, lockouts or labor disturbances or difficulties (the settlement of strikes, lockouts or labor difficulties being entirely within Carrier’s discretion); (iii) weather conditions or anticipated weather conditions and actions of the elements, including, without limitation, fires, explosions, earthquakes, storms, floods, freezing conditions, washouts, lightning, hurricanes, tornadoes, or landslides; (iv) disruptions to, breakages of, or destruction of all or any portion of Carrier-owned or third party-owned machinery, lines of pipe, or facilities relied upon or contributing to provision of transportation service under this tariff, including the inability to obtain electric power, water, fuel, equipment, parts, repairs or other items or services; (v) scheduled maintenance or (vi) fires; explosions; freezing conditions, breakdowns or failure of pipe, plant, machinery or equipment. An event similar to the foregoing that interferes with or prevents Carrier’s performance of its obligations shall be deemed an event of Force Majeure.

“Incentive Shipper” means a Shipper that is a party to a TSA.

“Linefill” means the quantity of Natural Gas Liquids needed to occupy the physical space in Carrier’s facilities.

“Month” means a period of time commencing on the first Day of a calendar Month and ending on the first Day of the next calendar Month.

“Natural Gas Liquids” means unfractionated demethanized mix containing primarily natural gasoline, normal butane, isobutane, propane, ethane, and all mixtures thereof conforming to Carrier’s specifications.

“Nomination” means an offer by a Shipper to Carrier of a stated quantity of Natural Gas Liquids to receive transportation service from a specified origin(s) to a specified destination or destinations pursuant to the terms and conditions of this tariff.

“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.

“Ratable” means the delivery of Natural Gas Liquids throughout each Month in daily quantities that are approximately equal to the volume of Natural Gas Liquids delivered during the Month divided by the number of Days in that Month.

“Rates Tariff” means Carrier’s RRC Tariff No. 4.0 or its successor.

“Receipt Point” means the points of origin (from) for receipt of Natural Gas Liquids from a Shipper into Carrier’s facilities.

“Shipper” means any party who gives notice for and receives transportation service as to its Natural Gas Liquids under the terms and conditions of this tariff.

“Transportation Services Agreement” or “TSA” is an intrastate transportation services agreement made by and between Carrier and a Shipper for the provision of service under this tariff.

ITEM NO. 10 - NATURAL GAS LIQUIDS SPECIFICATIONS

Carrier is engaged in the transportation of Natural Gas Liquids as herein defined and will not accept any other commodity for transportation under this tariff.

Carrier reserves the right to refuse to accept any Natural Gas Liquids for transportation service which do not conform to Carrier’s Natural Gas Liquids Specifications (available upon request) or which are not good and merchantable Natural Gas Liquids readily acceptable for transportation service through Carrier’s existing facilities and/or which would otherwise adversely affect Carrier’s facilities or other Natural Gas Liquids. As a prerequisite to transportation service, Shipper’s Natural Gas Liquids must also conform to its nominated Delivery Point specifications.

Shipper may be required to furnish Carrier with a certificate setting forth the specifications of each shipment of Natural Gas Liquids to be transported in Carrier’s facilities and Shipper shall be liable for any contamination or damage to other Natural Gas Liquids in Carrier’s custody or to Carrier’s pipeline or other facilities caused by failure of the Natural Gas Liquids tendered to meet the specifications stated in Shipper’s certificate. Carrier reserves the right to sample and/or test any such shipment prior to acceptance or during receipt, and if there is a variance between Shipper’s certificate and Carrier’s test, the latter shall prevail.

If Carrier determines that Shipper has delivered Natural Gas Liquids that contaminate the common fungible stream, Carrier may treat or otherwise dispose of all contaminated Natural Gas Liquids in any reasonable commercial manner at Shipper's sole expense.

If Natural Gas Liquids received by Carrier do not conform to the Natural Gas Liquids specifications, Carrier reserves the right to bill and Shipper shall pay (i) the costs and expenses incurred to treat or otherwise dispose of all contaminated Natural Gas Liquids including without limitation any penalties or charges incurred by Carrier as a result of such contamination, and (ii) a \$1.00 per Barrel additional payment assessable on all Natural Gas Liquids delivered by Shipper for transportation service under this tariff.

Shipper shall be liable for and shall defend, indemnify and hold Carrier harmless from and against any and all claims, actions, suits, losses, demands, costs and expenses (including attorney's fees and costs of repairing, inspecting, cleaning, and decontaminating the facilities of Carrier or third parties) of every kind, nature or description resulting from any Natural Gas Liquids that Shipper has delivered into Carrier's facilities.

ITEM NO. 15 - MINIMUM NOMINATION AND PLACE OF DELIVERY

Natural Gas Liquids shall be tendered for transportation service in quantities of not less than 15,000 Barrels per Month at each Receipt Point.

Natural Gas Liquids shall be delivered by Shipper to each Receipt Point for transportation service under this tariff on a Ratable basis.

ITEM NO. 20 - STORAGE, ORIGIN AND DESTINATION FACILITIES

Carrier does not furnish any terminaling, tankage, or any other form of storage at origins, destinations or at any other location within Carrier's facilities.

Carrier shall accept Natural Gas Liquids only when Shipper has provided necessary equipment and facilities, including storage facilities for receipt of Natural Gas Liquids into Carrier's facilities and delivery of Natural Gas Liquids from Carrier's facilities at pressures and pumping rates required by Carrier. Carrier may require evidence showing that necessary facilities are available for delivering shipments at origin and receiving shipments at destination before any obligation to furnish transportation service shall arise.

ITEM NO. 25 - TITLE

Shipper warrants and guarantees that Shipper has good title thereto and agrees to hold Carrier harmless for any and all loss, cost, liability, damage and/or expense resulting from failure of title thereto. Carrier's acceptance of Shipper's Natural Gas Liquids for transportation service is not an admission by Carrier that Shipper holds good title thereto and is not a waiver of Shipper's obligation to have good title thereto.

Shipper must obtain Carrier's approval before nominating shipments that are encumbered by any lien, security interest or other form of burden, and Carrier may refuse any such shipment. Shipper shall not

cause or permit any lien, security interest or other form of burden be filed or created with respect to Linefill or Natural Gas Liquids in Carrier's possession.

ITEM NO. 30 - MEASUREMENT

Natural Gas Liquids transported by Carrier will be measured in accordance with the provisions of the agreement governing the interconnection of Carrier's facilities with those of the operator located upstream of a given Receipt Point and downstream of a given Delivery Point. Shipper and its representatives may be present to witness any provings or tests of meters and measurement facilities.

ITEM NO. 35 - MIXTURES

Carrier may commingle Natural Gas Liquids received from the various Receipt Point(s). Carrier reserves the right at any time to substitute and deliver Natural Gas Liquids of the same specification as the Natural Gas Liquids tendered by Shipper at a Receipt Point.

Natural Gas Liquids will be accepted for transportation service only on the condition that it shall be subject to such changes in characteristics (including component changes), while in transit, as may result from the mixture with other Natural Gas Liquids. Carrier shall be under no obligation to make delivery of the identical Natural Gas Liquids, but may make delivery out of the common stream and Shippers will be required to accept such delivery.

ITEM NO. 40 - NOTICE OF NOMINATIONS

Natural Gas Liquids for shipment through the line of Carrier will be received only on properly executed Nominations from the Shipper showing the Receipt Point at which the Natural Gas Liquids is to be received, Delivery Point, and amount of Natural Gas Liquids to be transported. If Shipper does not furnish such Nomination, Carrier will be under no obligation to accept such Natural Gas Liquids for transportation service.

Any Shipper desiring to nominate Natural Gas Liquids for transportation service shall make such Nomination to Carrier in writing on or before the fifteenth (15th) Day of the Month preceding the Month during which the transportation service is to begin (the "Nomination Period"), on forms which will be supplied by the Carrier upon request. A Shipper may nominate Natural Gas Liquids for transportation service after the Nomination Period has expired at Carrier's sole discretion.

Carrier may refuse to accept Natural Gas Liquids for transportation where Shipper is not in compliance with other provisions of this Tariff or where Shipper has failed to comply with all applicable laws, rules and regulations made by any governmental authorities regulating shipments of Natural Gas Liquids.

ITEM NO. 45 - SCHEDULING SHIPMENTS

Carrier will transport and deliver Natural Gas Liquids with reasonable diligence taking into account the quantity and quality of the Natural Gas Liquids, distance of the transportation service, safety of operations, and other relevant factors; provided, that unless Carrier is grossly negligent or engages in willful misconduct, Carrier's failure or delay in transporting or delivering Natural Gas Liquids shall not give rise to or impose any liability on Carrier.

ITEM NO. 50 - FAILURE TO TAKE DELIVERY AT DESTINATION

Shipper shall remove Natural Gas Liquids, or cause Natural Gas Liquids to be removed, from Carrier's facilities following transportation thereof to a nominated Delivery Point(s). If Shipper fails to remove Natural Gas Liquids as required by this tariff, Carrier shall have the right, without liability to Shipper, to make such disposition of unremoved Natural Gas Liquids as is necessary for the efficient operation of the Carrier's facilities, and Shipper shall pay Carrier all costs and expenses associated with such disposition the same as if Shipper had authorized such, together with any additional costs and damages incurred by Carrier.

In addition to any remedy available to Carrier, including remedies under this Item No. 50, Shipper will pay a daily demurrage charge if Shipper fails to remove Natural Gas Liquids from Carrier's facilities and that failure prevents or threatens the movement of succeeding shipments. The daily demurrage charge will be calculated by multiplying the tariff rate in Carrier's Rates Tariff, Commodity Rates applicable to transportation of Natural Gas Liquids times the daily average of the previous Month's deliveries of the impacted shipments.

ITEM NO. 55 - PAYMENT OF CARRIER RATES, FEES AND CHARGES

When gathering services are performed by the Carrier, a gathering charge as specified herein will be paid and will be in addition to the transportation rate named herein.

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

Carrier shall bill Shipper 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.

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 the following (herein collectively, "Collateral"): (a) all Natural Gas Liquids accepted by Carrier for transportation service or otherwise, including but not limited to Shipper's minimum Linefill (as defined in Item No. 85 of this tariff); (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 Natural Gas Liquids 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 charges arising under or related to this tariff or any TSA; (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 any amounts accruing and owed to Carrier under this tariff or a TSA remain unpaid ten (10) Days after 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 of all such charge and to reimburse Carrier for expenses associated with liquidating the Collateral.

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 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 published under "Money Rates" by The Wall Street Journal or (ii) the maximum interest rate allowed by law.

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 the following paragraph. 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, a TSA, or under any other agreement, or against any Natural Gas Liquids 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.

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.

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.

ITEM NO. 60 - CLAIMS, SUITS AND TIME FOR FILING

Notice of claims for loss or damage must be made in writing to Carrier within nine (9) Months after delivery of the Natural Gas Liquids, or in the case of a failure to make delivery, then within nine (9) Months after delivery of the Natural Gas Liquids to Carrier for shipment.

Suit against Carrier shall be instituted only within two (2) years and one (1) Day from the Day when notice in writing is given by Carrier to the claimant that Carrier has disallowed the claim or any part or parts thereof specified in the notice.

Where claims for loss or damage are not filed or suits are not instituted thereon in accordance with the foregoing provisions, such claims will not be paid and the Carrier shall not be liable therefore.

ITEM NO. 65 –LIABILITY OF CARRIER

While in possession of Natural Gas Liquids nominated to it for shipment, Carrier shall not be liable to Shipper for any delay in delivery, damage thereto, or for any loss of Natural Gas Liquids caused by Force Majeure or by act of default of Shipper, or resulting from any other cause that is not the result of Carrier's gross negligence or willful misconduct, whether similar or dissimilar to the causes herein enumerated. Any such loss or damage shall be apportioned by Carrier to each shipment of Natural Gas Liquids or portion thereof involved in such loss in the proportion that such shipment or portion thereof bears to the total of all Natural Gas Liquids in the loss, and each Shipper shall be entitled to receive only that portion of its shipment remaining after deducting its proportion of such loss. Carrier shall prepare and submit a statement to Shipper showing the apportionment of any such loss.

Carrier will not be liable for discoloration, contamination, or deterioration of Natural Gas Liquids transported unless such discoloration, contamination, or deterioration of Natural Gas Liquids transported results from the gross negligence or willful misconduct of Carrier. Carrier operates under this tariff solely as a common carrier and not as an owner, manufacturer, or seller of the Natural Gas Liquids transported hereunder, and Carrier expressly disclaims any liability for any express or implied warranty for Natural Gas Liquids transported or stored hereunder including any warranties of merchantability or fitness for intended use.

ITEM NO. 70 - PRORATION OF CAPACITY

Carrier will prorate the capacity of its facilities or a portion of its facilities during any Month when it determines, based upon the Nominations properly submitted by Shippers, that the total volume nominated by all Shippers for shipment on Carrier's facilities or portion thereof during that Month exceeds the capacity of Carrier's facilities or portion thereof. Carrier's Proration Policy is available upon request.

Prorated volumes allocated to a Shipper may not be assigned, conveyed, loaned, transferred to, or used in any manner by another Shipper. However, a Shipper's allocation may be transferred as an incident of the bona fide sale of the Shipper's business or to a successor to the Shipper's business by the operation of law, such as an executor or trustee in bankruptcy. A Shipper may not use an affiliated or cooperating entity to obtain an increased allocation of prorated capacity or, in the case of a Regular Shipper, seek New Shipper status in order to pool two or more allocations to the benefit of the Shipper.

ITEM NO. 75 – SYSTEM LOSSES

Shipper is solely responsible for and shall bear the physical and economic impact of all losses attributable to its Natural Gas Liquids.

Losses will be apportioned according to each Shipper's proportionate share of measured receipts.

ITEM NO. 80 - 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 paid by Carrier within ten days from issuance of the Component Balance Statement.

ITEM NO. 85 - LINEFILL REQUIREMENTS

Shipper will supply its pro-rata share of Natural Gas Liquids for Linefill as Carrier determines is necessary to maintain efficient operations of Carrier's facilities in accordance with the Linefill Policy, available upon request. 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, a TSA, and any other agreements between Carrier and Shipper or their affiliates affecting the movement of Natural Gas Liquids on Carrier's facilities, Natural Gas Liquids used as Linefill shall be returned to Shipper and charged applicable transportation rates in the Rates Tariff, after such Shipper has provided written notice to Carrier of Shipper's intent to cease delivering Natural Gas Liquids to the Receipt Points and after a reasonable period of time to allow for administrative and operational requirements associated with the withdrawal of such Natural Gas Liquids.

ITEM NO. 90 - TRANSPORTATION SERVICES AGREEMENTS

Separate TSAs must be executed and delivered by persons that desire to be Incentive Shippers before Carrier is obligated to provide transportation service under this tariff for such persons. Those Shippers that enter into a TSA with Carrier are entitled to pay the Incentive Rate set forth in Carrier's Rates Tariff.

ITEM NO. 95 - CONNECTION POLICY

Connections to Carrier's system will only be considered if made by formal written application to Carrier in the form required by Carrier. Acceptance of any request for connection will be subject to compliance with governmental regulations and approval of Carrier.

EXPLANATION OF REFERENCE MARKS