

The Pecos Carbon Dioxide Pipeline Company

Rate Schedule No. 7
Applying to
Carbon Dioxide

Subject to Rules and Regulations Shown Herein

From	To	Rate in Cents per Thousand Standard Cubic Feet
McCamey, Texas (Upton County)	Iraan, Texas (Pecos County)	4.0

EFFECTIVE JANUARY 1, 2012

Issued by
The Pecos Carbon Dioxide Pipeline Company
500 Dallas
Suite 1000
Houston, TX 77002

RECEIVED
RRC OF TEXAS
DEC 28 2011
SAFETY DIVISION
AUSTIN, TEXAS

TABLE OF CONTENTS

SUBJECT	ITEM NO.	PAGE NO.
Additives.....	25	5
Apportionment.....	45	5
Carbon Dioxide, Quality of.....	20	4
Claims.....	95	8
Commodity.....	10	3
Contaminated Carbon Dioxide.....	20	4
Contingency Charge.....	80	7
Deductions.....	55	6
Definitions.....	5	3
Delivery, Acceptance of.....	60	6
Destination.....	65	6
Destination, Changes in.....	65	6
Destination Facilities.....	15	3
Intrasystem Change in Ownership.....	35	5
Inventory Requirements.....	50	6
Liability of Carrier.....	90	8
Measuring and Testing.....	55	6
Nominations, Time for Submitting.....	40	5
Payment of Charges.....	85	7
Rates Applicable.....	70	7
Rates Applicable from Intermediate Points.....	75	7
Receipt Facilities	15	3
Shortages, Adjustment for.....	55	6
Suits.....	95	8
Title.....	30	5

RULES AND REGULATIONS

This Carrier will undertake the transportation of carbon dioxide as defined herein, receiving and delivering the same through its own facilities and lines.

ITEM NO.	SUBJECT	RULES AND REGULATIONS
5	Definitions	<p>As used in these rules and regulations, the following meanings are applicable:</p> <p>“MMSCF” means million standard cubic feet.</p> <p>“Carrier” means and refers to The Pecos Carbon Dioxide Pipeline Company.</p> <p>“Carbon Dioxide” as herein used means a stream of Carbon Dioxide meeting specifications issued by the Carrier.</p> <p>“Nomination” means a written designation by a Shipper to the Carrier of an approximate quantity of carbon dioxide for transportation from a specified origin point(s) to a specified destination point(s) over a period of one operating month in accordance with these rules and regulations.</p> <p>“Operating Month” for a Shipper means any calendar month in which the Carrier transports carbon dioxide for the account of such party. For the purposes hereof, the calendar month shall be deemed to begin on the first day of such month at 12:00 midnight (Central Standard or Central Daylight Savings Time, whichever is in effect on the date specified).</p> <p>“Shipper” means the party who contracts with the Carrier for the transportation of carbon dioxide subject to and in accordance with these rules and regulations.</p> <p>“Tender” means an offer by a Shipper to the Carrier of an approximate quantity of carbon dioxide for transportation from a specified origin point(s) to a specified destination point(s).</p>
10	Commodity	Carrier is engaged primarily in the transportation of carbon dioxide and will not accept any other commodity for transportation.
15	Receipt and Destination Facilities	Shipper shall provide the facilities necessary to deliver carbon dioxide to the Carrier’s manifold at (1) a pumping rate equal to the Carrier’s full line pumping rate at the point of delivery into the System, (2) a minimum pressure to be designated by the Carrier, and (3) a temperature range to be designated by the Carrier.

RULES AND REGULATIONS - Continued

ITEM NO.	SUBJECT	RULES AND REGULATIONS
15	Receipt and Destination Facilities (continued)	Shipper shall provide the facilities necessary for promptly receiving the carbon dioxide at the destination point as it arrives at the full line delivery rates and pressure as designated by the Carrier.
20	Quality of Carbon Dioxide	<p>Carrier will accept for transportation carbon dioxide which can be commingled or intermixed with carbon dioxide which Carrier regularly transports between the origin and destination points without substantially reducing the value or altering the quality of any carbon dioxide regularly transported over the route of shipment.</p> <p>Carrier is not liable to Shipper for changes in quality of the Shipper's carbon dioxide which may occur from such commingling or intermixing of carbon dioxide with other carbon dioxide in transit. In as much as it is impractical for Carrier to maintain the identity of each entire carbon dioxide shipment, Carrier reserves the right to substitute like volumes of carbon dioxide as nearly like the grade of carbon dioxide received as Carrier is regularly transporting as a common stream to the same destination point in the operating month.</p> <p>Guideline specifications for all carbon dioxide entering Carrier's System are:</p> <ul style="list-style-type: none"> Carbon Dioxide <ul style="list-style-type: none"> 95 mole percent minimum Nitrogen <ul style="list-style-type: none"> 4 mole percent maximum Hydrogen Sulfide <ul style="list-style-type: none"> 200 ppm by weight maximum Total Sulfur <ul style="list-style-type: none"> 200 ppm by weight maximum Oxygen <ul style="list-style-type: none"> 10 ppm by weight maximum Water <ul style="list-style-type: none"> 30#/MMSCF maximum (no free water permitted) <p>Shipper shall be responsible for maintaining the quality of carbon dioxide as delivered by Shipper to Carrier and shall perform applicable tests to insure that all carbon dioxide delivered by Shipper to Carrier conforms to Carrier's specifications. Should the analyses indicate that carbon dioxide received by Carrier does not meet the specifications required by Carrier, Shipper agrees, either voluntarily or upon notification by Carrier, to stop any delivery to Carrier of such off-specification product until such time as it is determined by additional testing that the product meets specifications for carbon dioxide issued by Carrier.</p>

RULES AND REGULATIONS – Continued

ITEM NO.	SUBJECT	RULES AND REGULATIONS
20	Quality of Carbon Dioxide (continued)	Shipper shall indemnify and hold Carrier harmless from any and all losses sustained by other Shippers or by Carrier by reason of contamination or damage to carbon dioxide in Carrier's custody, or by reason of damage to Carrier's pipeline or associated facilities, caused by failure of the materials accepted from Shipper for deliver to be carbon dioxide which satisfies specifications issued by Carrier.
25	Additives	Carrier reserves the right to require, approve, reject or cause the injection of corrosion inhibitors, or other such additives in the carbon dioxide to be transported.
30	Title	A tender of carbon dioxide for transportation shall be deemed a warranty of unencumbered title and merchantability at the time of tender. The Carrier may, in the absence of clear title, decline to receive any carbon dioxide for transportation.
35	Intrasystem Change in Ownership	No changes in ownership will be permitted within the System.
40	Time for Submitting Nominations	The Carrier is under no obligation to accept a tender of carbon dioxide for shipment for any operating month unless the Shipper submits its nomination to the Carrier on or before the twenty-fifth (25 th) day of the preceding calendar month.
45	Apportionment when Nominations are in Excess of Facilities	<p>When there shall be nominated to Carrier for transportation more carbon dioxide than can be immediately transported, the transportation furnished by Carrier shall be apportioned among all Shippers in proportion to the amounts nominated by each, based on the capacity of the System or any line segment thereof. No nominations shall be considered beyond the amount which the party requesting shipment has readily accessible for shipment. If a Shipper is unable to tender carbon dioxide equal to the space allocated to it, its volumes for the succeeding month may be reduced by the amount of allocated throughput not utilized during the preceding month if apportionment is necessary.</p> <p>When nominations submitted by Shippers to Carrier on or before the twenty-fifth (25th) day of the month preceding the operating month do not exceed the capacity of the System or any line segment thereof, additional nominations may be accepted by the Carrier to fill capacity. These additional nominations will be accepted only if they do not impair the movement of carbon dioxide nominated before the twenty-fifth (25th) day of the preceding month.</p>

RULES AND REGULATIONS – Continued

ITEM NO.	SUBJECT	RULES AND REGULATIONS
50	Inventory Requirements	Carrier will require each Shipper to supply a pro rata share of carbon dioxide necessary for pipeline fill and efficient operation of the Carrier's pipeline System prior to delivery. Carbon dioxide provided by Shipper for this purpose may be withdrawn from Carrier's System in an operating month only after shipments for such Shipper have ceased and provided written notice to discontinue shipments in Carrier's System is received from such Shipper on or before the twenty-fifth (25 th) day of the preceding calendar month.
55	Measuring, Testing and Deductions	<p>(a) Carbon dioxide tendered to Carrier for delivery may be tested by Carrier prior to its receipt from Shipper. Quantities shall be measured by meter in Thousand Standard Cubic Feet (MSCF) at 14.65 psia and 60° Fahrenheit.</p> <p>(b) Carrier shall account to each Shipper for all carbon dioxide received. Normal operating gains or losses of carbon dioxide incidental to pipeline transportation occurring during any calendar month shall be shared ratably among the Shippers in the proportion that their total deliveries out of the pipeline during such calendar month bear to the total of all deliveries out of the pipeline by all Shippers in the pipeline during such month.</p> <p>(c) Transportation charges will be assessed only on the quantity delivered.</p>
60	Acceptance of Delivery	If Shipper is not able to receive carbon dioxide from Carrier at the time when Carrier has scheduled a delivery, and if Carrier has no means of withholding delivery of such carbon dioxide, then Carrier shall have the right to clear its line and sell such carbon dioxide and apply the proceeds thereof to accrued transportation charges and all other lawful charges and fees which shall be due as if delivery of such carbon dioxide had been made at the rate specified in the applicable rate schedule, and to hold the balance of such proceeds for whomsoever may be entitled thereto.
65	Destination	All carbon dioxide in Carrier's System shall at all times have a destination. Change in destination may be made if requested in writing by the Shipper prior to delivery at original destination point, subject to the rate and rules and regulations applicable from point of origin to point of final destination, provided that no out-of-line or backhaul movement will be made.
70	Rates Applicable	Carbon dioxide transported shall be subject to the rates, and governed by the rules and regulations in effect on date such carbon dioxide is received by the Carrier.

RULES AND REGULATIONS – Continued

ITEM NO.	SUBJECT	RULES AND REGULATIONS
75	Applicable Rates From Intermediate Points	Carbon dioxide accepted for transportation from any point on the Carrier's lines not named in the rate schedule will be deemed as having been received at the next more distant point named in the rate schedule for the purpose of determining the rate to be charged.
80	Contingency Charge	In addition to the transportation charges and all other charges accruing on carbon dioxide accepted for transportation, a charge for 1000 cubic feet will be assessed and collected in the amount of any tax, fee or other charge levied against the Carrier in connection with such commodity, pursuant to any Federal, State or local act or regulation which levies a tax, fee or other charge on the receipt, delivery, transfer or transportation of such commodities within their jurisdiction for the purpose of creating a fund for the prevention, containment and clean up associated with the release of carbon dioxide and/or the reimbursement of persons sustaining loss therefrom.
85	Payment of Charges	<p>The Shipper shall be obligated to pay Carrier all charges and fees upon Carrier's performance of the designated service(s). Payment of such charges and fees shall be made in accordance with invoice terms and these rules and regulations. The Carrier may, at its option, require the Shipper to pay all such charges and fees in advance or to provide an irrevocable letter of credit satisfactory to the Carrier.</p> <p>Carrier is entitled to a lien for all unpaid accrued charges and fees. Such lien attaches to any carbon dioxide retained by Carrier for the Shipper's account. Carrier may, at its option, refuse to deliver to the Shipper carbon dioxide for the account of such Shipper until all charges or fees owed to Carrier have been paid in full.</p> <p>If any charge remains unpaid after the payment due date, then such amount due shall bear interest calculated at an annual rate equivalent to 125% of the base lending rate of interest charged by the J. P. Morgan Chase Bank N.A. of New York, New York, for loans made to substantial and responsible commercial borrowers from the payment due date of the invoice to the date payment is received by the Carrier.</p> <p>If any such charges or fees remain unpaid for thirty (30) calendar days after the payment due date, the Carrier shall have the right, either directly or through an agent, to sell any of the Shipper's carbon dioxide within the custody of the Carrier. From the proceeds of this sale, Carrier will deduct all transportation charges, other lawful charges and fees and interest due to Carrier, including expenses incidental to said sale, and the balance of the remaining proceeds, if any, shall be held by Carrier for whomsoever may be lawfully entitled thereto. If proceeds from such sale are not sufficient, Shipper will remain liable for any deficiency including the above interest charges.</p>

RULES AND REGULATIONS – Continued

ITEM NO.	SUBJECT	RULES AND REGULATIONS
90	Liability of Carrier	Carrier, while in possession of any carbon dioxide will not be liable for any loss thereof or damage thereto caused by the act of God, the public enemy, quarantine, the authority of law, strikes, riots or the act or default of the Shipper, or from any other cause not due to the gross negligence of Carrier. In the event there is any loss of carbon dioxide other than through the gross negligence of Carrier, the Shipper(s) whose carbon dioxide has been tendered to the Carrier and scheduled for transportation over that segment of the System in which the loss occurs shall bear such loss in the same proportion that the amount of its tendered carbon dioxide schedule for transportation over such segment at the time of the loss bears to the total amount of carbon dioxide then tendered and scheduled for transportation over such segment. Such Shipper(s) shall be entitled to receive only such remaining portion of its tender as is left after deducting its due portion of the loss.
95	Claims, Suits, Time for Filing	As a condition precedent to recovery for loss or damage, claims must be filed in writing with the Carrier within nine (9) months after delivery of the property, or, in case of failure to make delivery, then within nine(9) months after a reasonable time for delivery has elapsed; and suits must be instituted against the Carrier within two (2) years and one (1) day from the day that notice in writing is given by the Carrier to the claimant that the Carrier has disallowed the claim or any part or parts thereof. Where claims are not filed or suits are not instituted in accordance with the foregoing provisions, Carrier is not liable and such claims will not be paid.