

HILAND CRUDE, LLC, d.b.a. HILAND EXPRESS PIPELINE

RULES AND REGULATIONS

GOVERNING THE INTERSTATE TRANSPORTATION OF

NATURAL GAS LIQUIDS

BY

PIPELINE

The Rules and Regulations published herein apply only under tariffs making specific reference by FERC number to these Rules and Regulations; such reference will include subsequent reissues hereof. Specific rules and regulations published in individual tariffs will take precedence over the Rules and Regulations published herein.

The Rules and Regulations published herein, if effective, will not result in an effect on the quality of the human environment.

Filed in compliance with 18 C.F.R. § 341.3 (Form of Tariff).

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GENERAL RULES AND REGULATIONS

ITEM NO. 5 - DEFINITIONS

“Available Capacity” means the volume of capacity on the Hiland Express Pipeline or any segment thereof that Carrier deems to be available for transportation services hereunder.

“Barrel” means forty-two (42) United States gallons at a temperature of sixty degrees Fahrenheit (60° F).

“Base Period” shall mean a period of twelve (12) consecutive Months, excluding the Month prior to the Month of prorationing.

“Business Day” means any Day other than a Saturday, Sunday, or a statutory holiday in the State of Texas.

“Carrier” means Hiland Express Pipeline

“Carrier Indemnified Parties” has the meaning given to it in Item No. 10.

“Collateral” has the meaning given to it in Item No. 55.

“Committed Shipper” means any Shipper that has executed a TSA (as defined herein) with Carrier during an Open Season making a dedication of NGLs for transportation service on the Hiland Express Pipeline.

“Component” means one of ethane, propane, normal butane, isobutane or natural gasoline, as applicable, as such constituents are commonly understood and accepted in the NGLs industry.

“Day” (including, with its correlative meaning, “Daily”) means a period of twenty-four (24) consecutive hours, beginning and ending at 07:00:00, mountain standard time (MST).

“Destination Point(s)” means those points of destination to which Carrier provides service, as the same shall be reflected in the Rates Tariff(s) subject hereto.

“FERC” means the Federal Energy Regulatory Commission or any successor governmental agency.

“Force Majeure” means any cause beyond the reasonable control of Carrier thereby preventing or hindering Carrier from carrying out its obligations under these Rules and Regulations and which by the exercise of reasonable diligence Carrier is unable to prevent or overcome, including by way of example: (i) any strike, lockout, or other labor or industrial disturbance; (ii) civil disturbance; (iii) valid order of any Governmental Authority having proper jurisdiction; (iv) act of the public enemy or terrorists, war, rebellion, insurrection, riot, sabotage, blockade, or embargo; (v) failure or inability to secure material or labor by reason of priorities or similar regulations or orders of any Governmental Authority having proper jurisdiction; (vi) fire, storm, flood, washout, explosion,

landslide, earthquake, lightning, or act of God; (vii) breakdown or failures of pipe, plant, facilities, machinery, or equipment; (viii) interruption, allocation, and/or curtailment of transportation services due to an event that would qualify as Force Majeure hereunder and that renders Carrier unable to deliver NGLs to a Destination Point; (ix) inability to obtain or the curtailment of electric power, water, or fuel; or (x) inability or delays in securing any rights-of-way and permits.

“Governmental Authority” means any court, tribunal, arbitrator, authority, agency, commission, official, or other instrumentality of the United States, or any state, province or political subdivision thereof, and including any governmental, quasi-governmental, or non-governmental body administering, regulating, or having jurisdiction over the transportation of NGLs and other petrochemical products.

“Hiland Express Pipeline” means Carrier’s NGLs pipeline system providing service from any Origin Point to any Destination Point.

“Month” (including, with its correlative meaning, “Monthly”) 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” or “NGLs” or “Y-Grade” means unfractionated, demethanized mix containing primarily ethane, propane, normal butane, isobutene, natural gasoline and all mixtures thereof conforming to Carrier’s specifications.

“New Shipper” means a Shipper that is not a Regular Shipper.

“Nomination” or “Nominate” or “Nominated” means a written communication (in form and context specified by Carrier) made by Shipper to Carrier, as applicable, of an approximate quantity of NGLs for transportation on the Hiland Express Pipeline from a specified Origin Point to a specified Destination Point.

“Obligations” has the meaning given to it in Item No. 55.

“Open Season” means an open season held by Carrier to obtain dedications of NGLs, or other commitments, for transportation service from Shippers on the Hiland Express Pipeline.

“Origin Point(s)” means those points of origin to which Carrier provides service as the same shall be reflected in the Rates Tariff(s) subject hereto.

“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 any tariff containing rates for service on the Hiland Express Pipeline filed by Carrier that is subject to these Rules and Regulations.

“Regular Shipper” means (a) a Committed Shipper or (b) a Shipper other than a Committed Shipper that has shipments in every Month of the Base Period.

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

“Shipper Cash Out Position” has the meaning given to it in Item No. 80.

“Tender” means an offer by a Shipper to Carrier of a stated quantity of Natural Gas Liquids for transportation from a specified Origin Point to a specified Destination Point in accordance with these Rules and Regulations.

“Transportation Services Agreement” or “TSA” means a transportation services agreement that a Shipper or prospective Shipper enters into with Carrier during an Open Season, making such Shipper or prospective Shipper a Committed Shipper.

“Uncommitted Shipper” means any Shipper that is not a Committed Shipper.

ITEM NO. 10 - NATURAL GAS LIQUIDS SPECIFICATIONS

Carrier is engaged in the transportation of NGLs and will not accept any other commodity for transportation under these Rules and Regulations.

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 set forth in this Item No. 10 or which are not good and merchantable Natural Gas Liquids readily acceptable for transportation service through the Hiland Express Pipeline and/or which would otherwise adversely affect Carrier’s facilities (including the Hiland Express Pipeline) or other Natural Gas Liquids. As a prerequisite to transportation service, a Shipper’s Natural Gas Liquids must also conform to its Nominated Destination Point specifications.

Hiland Express Pipeline Product Specifications

Acceptable Y-Grade shall be a mixture of constituents or component products of natural gas liquids (NGLs) composed principally of ethane, propane, butane, and natural gasolines, meeting the following product specifications.

TEST PROPERTY	TEST METHOD	PRODUCT SPECIFICATION
Composition: Methane Ethane Aromatics, maximum Olefins, maximum	GPA 2177, GPA 2186	See Note 1 See Note 2 10.0 % vol. in C ₅ + 1.0 % vol, See Note 3.
Carbon Dioxide, maximum	GPA 2177, GPA 2186, ASTM D2504	1,000 ppm wt.
Vapor Pressure	ASTM D2598	Max 600 psig at 100°F
Copper Strip Corrosion	ASTM D1838	No. 1 at 100°F
Sulfur Speciation: Total Sulfur, maximum Hydrogen Sulfur, liquid Carbonyl Sulfide, maximum	ASTM D5623	150 ppm wt. Not allowed 15 ppm wt. in C ₃
Distillation End Point, maximum	ASTM D86, ASTM D7344	375 °F at 14.7 psia See Note 4
Saybolt Color, minimum	ASTM D156, ASTM D6045	+27.0, See Note 4
Free Water	See Note 5	None at 34 °F
Halides, maximum	ASTM D7994	1 mg/kg Fluoride
Oxygenates: Methanol, maximum	ASTM D7423	200 mg/kg, See Note 6
Temperature, maximum	See Note 7	110°F

Note 1: Methane to not exceed 0.5 % liquid volume of total product stream (excluding dissolved gases). Methane to not exceed 1.5 % liquid volume of the ethane component.

Note 2: Ethane shall account for a minimum of 20 % liquid volume and not exceed 55 % liquid volume of the product stream.

Note 3: Propylene to not exceed 5.0 % liquid volume of the propane component. Butylene to not exceed 0.35 % liquid volume of the butane component. Butadiene to not exceed 0.01 % liquid volume of the butane component.

Note 4: Distillation and **Saybolt** Color shall be measured on the product mixture with a boiling point greater than or equal to 70°F at atmospheric pressure.

Note 5: Free water measurement to occur at a meter receipt point by visual inspection.

Note 6: Methanol specification to be enforced at custody transfer receipt into the Hiland Express Pipeline system.

Note 7: Temperature specification to be enforced at custody transfer receipt into Hiland Express Pipeline system.

Contaminants Note: The product shall be commercially free of contaminants at levels that would compromise its suitability for standard industrial applications. Contaminants of concern include, but are not limited to: particulate matter (e.g., sand, rust, scale), amine residues, caustic carryover, chlorides, heavy metals, oxygenated compounds (with methanol limited to the maximum previously specified), and any additive or foreign substance intentionally introduced to alter or enhance the product's ability to meet specification requirements

Abbreviations: ASTM = American Standard for Testing and Materials; °F = Degrees Fahrenheit; GPA = Gas Processors Association; % vol = Liquid Volume Percent; ppm wt. = Parts Per Million by weight; psia = Pounds Per Square Inch Absolute; **psig** = Pounds Per Square Inch Gauge; **Y-Grade** = raw mixture of natural gas liquids

Shipper may be required to furnish Carrier with a certificate setting forth the specifications of each shipment of Natural Gas Liquids to be transported on the Hiland Express Pipeline, and Shipper shall be liable for any contamination or damage to other Natural Gas Liquids in Carrier's custody or to the Hiland Express Pipeline or other facilities caused by failure of the Natural Gas Liquids Tendered to meet the specifications stated in Shipper's certificate. Shipper shall defend, indemnify and hold Carrier, its affiliates and its and their respective directors, managers, officers, agents, employees, members, partners, shareholders and representatives (the "Carrier Indemnified Parties") 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 the Hiland Express Pipeline.

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 (a) 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 (b) a Two Dollar (\$2.00) per Barrel additional payment assessable on all Natural Gas Liquids delivered by Shipper for transportation service under these Rules and Regulations.

ITEM NO. 15 – MINIMUM NOMINATION AND PLACE OF DELIVERY

Natural Gas Liquids shall be Tendered for transportation service in quantities of not less than One Hundred and Fifty Thousand (150,000) Barrels per Month, which is the equivalent of Five Thousand (5,000) Barrels per Day, at each Origin Point. Carrier may, at its discretion and if operating conditions permit, accept for transportation Natural Gas Liquids in quantities of less than the specified quantity of One Hundred and Fifty Thousand (150,000) Barrels per Month, which is the equivalent of Five Thousand (5,000) Barrels per Day, at each Origin Point. If a lesser quantity is accepted, it may be delayed at Carrier's election until the minimum delivery quantity is available.

Natural Gas Liquids shall be delivered by Shipper to each Origin Point for transportation service under these Rules and Regulations on a Ratable basis.

ITEM NO. 20 – STORAGE, ORIGIN AND DESTINATION FACILITIES

Carrier will provide such facilities at the Origin Point(s) and Destination Point(s) as it deems necessary for the operation of the Hiland Express Pipeline. However, 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 if deemed necessary by Carrier, for receipt of Natural Gas Liquids into the Hiland Express Pipeline and delivery of Natural Gas Liquids from the Hiland Express Pipeline at pressures and pumping rates required by Carrier, or reasonable evidence of Shipper's access and rights thereto. Carrier may require such evidence showing that necessary facilities are available for delivering shipments at the Origin Point and receiving shipments at the Destination Point before any obligation to furnish transportation service shall arise.

Carrier shall not be responsible for Natural Gas Liquids that cannot be delivered as specified by the Shipper due to any regulatory intervention.

ITEM NO. 25 – TITLE

Shipper warrants and guarantees that Shipper has good title to the Natural Gas Liquids Tendered to Carrier for transportation and agrees to indemnify, defend and hold the Carrier Indemnified Parties harmless for any and all loss, cost, liability, damage and/or expense resulting from failure of title of such Natural Gas Liquids. 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 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 Origin Point and downstream of a given Destination Point. Shipper and its representatives may be present to witness any provings or tests of meters and measurement facilities.

Natural Gas Liquids will be measured by Carrier utilizing mass measurement and sampling and analytical techniques in accordance with the latest edition of Gas Processors Association Standard 8182/ API MPMS 14.7.

Carrier may require Shipper to furnish a certificate setting forth in detail the specification of each shipment of Natural Gas Liquids offered for transportation hereunder, and Shipper shall be liable for any contamination or damage to other Natural Gas Liquids in Carrier's custody or to the Hiland Express Pipeline or other facilities caused by failure of the Natural Gas Liquids Tendered to meet the specifications stated in Shipper's certification. Carrier may, but shall not be required to, sample and/or test any shipment prior to acceptance or during receipt of shipment, and, in the event of variance between the specifications contained in said certificate and the specifications indicated

by Carrier's test, Carrier's test result shall prevail and be used to determine whether the shipment meets Carrier's specifications.

A representative of the Carrier shall have the right to enter upon the premises where Shipper's Natural Gas Liquids are received or delivered and have access to any and all storage receptacles or meters for the purposes of measuring and testing and to make any examination, inspection, measurement or test required.

ITEM NO. 35 – MIXTURES

Carrier may commingle Natural Gas Liquids received from the various Origin Point(s). Subject to Item No. 80, Natural Gas Liquids will be accepted for transportation only on the condition that such Natural Gas Liquids shall be subject to such changes in characteristics (including Component changes) while in transit that may result from the mixture with other Natural Gas Liquids, and Carrier shall be under no obligation to make delivery of the identical Natural Gas Liquids but may make delivery out of common stock. Carrier reserves the right at any time to substitute and deliver to Shippers any common stream Natural Gas Liquids meeting the specifications. Shippers will be required to accept delivery of such common stream Natural Gas Liquids, the characteristics of which may have changed due to mixing with other Natural Gas Liquids.

ITEM NO. 40 – NOTICE OF NOMINATIONS

Natural Gas Liquids for shipment on the Hiland Express Pipeline will be received only on properly executed Nominations from the Shipper. Any Shipper desiring to Tender Natural Gas Liquids for transportation shall submit to Carrier in writing a Nomination for each Month on or before the fifteenth (15th) Day of the preceding Month. The Nomination shall specify the Origin Point(s), the Destination Point(s), and the volume of Natural Gas Liquids to be transported. Subject to the availability of capacity and operating conditions, Carrier shall use reasonable efforts in an attempt to accommodate revised Tenders from Shippers received after the Nomination date. If Shipper does not furnish such Nomination, Carrier is under no obligation to accept NGLs for transportation service.

Carrier may refuse to accept Natural Gas Liquids for transportation where Shipper is not in compliance with other provisions of these Rules and Regulations or where Shipper has failed to comply with all applicable laws, rules and regulations made by any Governmental Authority 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 (including the Hiland Express Pipeline) following transportation thereof to a Nominated Destination Point(s). If Shipper fails to remove Natural Gas Liquids as required by these Rules and Regulations, 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 (including the Hiland Express Pipeline) and that failure prevents or threatens the movement of succeeding shipments. The daily demurrage charge will be calculated by multiplying the applicable uncommitted tariff rate by the number of Barrels of NGLs not removed by Shipper.

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

Carrier shall assess the applicable transportation rate and all other rates, fees and charges accruing on Natural Gas Liquids accepted for transportation service at the rate in effect on the date Natural Gas Liquids are received at the Origin 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 in Carrier's Rates Tariff.

All Shippers will receive a Monthly invoice from Carrier on or before the fifteenth (15th) Day of the Month for the Natural Gas Liquids received by Carrier and transported during the Month immediately preceding the date of the invoice. On or before the twenty-fifth (25th) Day, all Shippers shall pay to Carrier by way of electronic funds transfer the full, undisputed amount of the invoice. If the twenty-fifth (25th) Day of the Month falls on a Saturday, or any statutory holiday which is not a Sunday or Monday, payment shall be due on the immediately preceding Business Day. If the twenty-fifth (25th) Day of the Month falls on a Sunday or a Monday which is a statutory holiday, payment shall be due on the next following Business Day.

Any Shipper, in good faith, may dispute an invoice provided by Carrier and shall provide Carrier a written explanation of the basis for the dispute within twenty-five (25) Days after Shipper's receipt of the disputed statement. A dispute as to any amount shall not excuse nonpayment by Shipper of any undisputed amounts. If any disputed amount is later determined to have been properly due and payable, it shall be paid within five (5) Business Days of such determination, together with interest accrued at one hundred twenty-five percent (125%) of the Prime Rate, which shall be the rate of interest last quoted by *The Wall Street Journal* as the "Prime Rate" in the United States, from the date such disputed amount was due to the date such disputed amount was paid or the maximum finance rate allowed by applicable law, whichever is less.

If Shipper fails to pay any charges when due, Carrier shall not be obligated to provide Shipper access to the Hiland Express Pipeline or provide services pursuant to these Rules and Regulations or the Rates 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 these Rules and Regulations, 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 Natural Gas Liquids received into the Hiland Express Pipeline. Such lien shall take effect at the Origin Point(s) as Natural Gas Liquids are received into the Hiland Express 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 Natural Gas Liquids in the Hiland Express 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.

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 (herein collectively, "Collateral"):

- (a) all Natural Gas Liquids accepted by Carrier for transportation service or otherwise;
- (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"): (i) all antecedent, current and future transportation service, special, ancillary and other rates, fees or charges arising under or related to these Rules and Regulations or any TSA; (ii) the repayment of any amounts that Carrier may advance or spend for the storage or maintenance and preservation of the Collateral; and (iii) all amounts owed under any modifications, renewals or extensions of any of the foregoing Obligations.

If any amounts accruing and owed to Carrier under these Rules and Regulations 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.

Prior to becoming a Shipper, a prospective Shipper must submit to Carrier sufficient financial information, including but not limited to audited financial statements which include a balance sheet, income statement, cash flow statement and auditors notes, to establish creditworthiness, and must continue to provide such financial statements upon Carrier's request, provided however that if Shipper's or Shipper's guarantor's financial information is publicly available, Carrier will use other means to obtain such financial information. A Committed Shipper shall comply with the credit requirements set forth in its TSA, but without limiting the applicability of any other provision in these rules to any Committed Shipper, in any event the provisions of this Item No. 55 granting Carrier a lien on all Natural Gas Liquids received into the Hiland Express Pipeline shall apply to all Shippers including Committed Shippers. If Carrier determines that the financial condition of an Uncommitted Shipper or such Uncommitted Shipper's guarantor (if any) is or has become impaired or unsatisfactory or Carrier determines that assurance of such Uncommitted Shipper's performance is not adequately assured or that it is otherwise necessary to obtain security from such Uncommitted Shipper, Carrier, upon notice to such Uncommitted Shipper, may require any of the following prior to Carrier's delivery of such Uncommitted Shipper's Natural Gas Liquids in Carrier's possession or prior to Carrier's acceptance of such Uncommitted Shipper's Natural Gas Liquids:

1. prepayment of all charges;
2. a letter of credit at Uncommitted 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 such Uncommitted Shipper fails to comply with any such requirement on or before the date supplied in Carrier's notice to such Uncommitted Shipper, Carrier shall not be obligated to provide such Uncommitted Shipper access to Carrier's facilities or provide transportation service pursuant to these Rules and Regulations 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 the date upon which delivery of such Natural Gas Liquids would have been reasonably completed by Carrier. Such written claim, made as aforesaid, shall be condition precedent to any suit on the subject matter of such claim.

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, Carrier shall not be liable and such claims will not be paid.

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 these Rules and Regulations 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.

IN NO EVENT SHALL CARRIER BE LIABLE TO ANY SHIPPER FOR ANY LOSSES, LIABILITIES OR DAMAGES, INCLUDING SPECIAL, PUNITIVE, EXEMPLARY, CONSEQUENTIAL, INCIDENTAL OR INDIRECT LOSSES OR DAMAGES HOWSOEVER CAUSED, (INCLUDING BUT NOT LIMITED TO LOSS OF REVENUE, LOSS OF PROFITS OR PRESENT OR FUTURE OPPORTUNITIES) WHETHER OR NOT FORESEEABLE, AND IRRESPECTIVE OF THE THEORY OR CAUSE OF ACTION UPON WHICH SUCH DAMAGES MIGHT BE BASED, EXCEPT FOR SUCH DIRECT LOSSES OR DAMAGES SUSTAINED AS A RESULT OF, AND TO THE EXTENT OF, CARRIER'S NEGLIGENCE.

ITEM NO. 70 – PRORATION OF CAPACITY

All Nominations and shipments are subject to the prorating policy of the Hiland Express Pipeline. 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 Available Capacity. If the total volume of Natural Gas Liquids Nominated is in excess of the Available Capacity, Natural Gas Liquids will be apportioned for acceptance and transportation per the following manner:

1. Up to ten percent (10%) of the Available Capacity will be allocated among all New Shippers on a pro rata basis based on each such New Shipper's Nomination for the relevant Month; provided however, that no New Shipper shall be allocated more than five percent (5%) of the Available Capacity in this step 1.

2. The remaining Available Capacity will be allocated among Regular Shippers proportionately based on the lesser of each such Regular Shipper's Monthly Historic Shipment Volume or its Nomination in the Month.
3. Remaining Available Capacity will be allocated on a pro rata basis among remaining Regular Shippers that have unallocated Nominations.
4. Remaining Available Capacity after the allocation set forth in Step 3 above will be allocated on a pro rata basis among remaining New Shippers that have unallocated Nominations.
5. No Nominations shall be accepted beyond the amount that the nominating Shipper has readily accessible for shipment. To penalize inflation of Shippers' Nominations, in the event a Shipper tenders volumes that are less than ninety percent (90%) of a Shipper's space allocation for the prorating Month, then in the next Month in which prorating under this Item is applied by Carrier, Shipper's allocation will be reduced by the amount of allocated throughput not shipped in the prior Month that was under proration. Reduction of a Shipper's allocation for failure to use its allocated capacity during a Month under proration may be waived, in whole or in part if Carrier determines, in its sole discretion, on a not unduly discriminatory basis, that the Shipper's failure to use all or some its allocated capacity was due to factors beyond the Shipper's reasonable control.
6. Capacity on the Hiland Express Pipeline allocated to a Shipper in any Month may not be assigned, conveyed, loaned, transferred to, or used in any manner by another Shipper. However, a Shipper's shipment history or 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 – PIPELINE GAINS AND LOSSES

Shipper is responsible for and shall bear physical and economic impact of its proportionate share of all gains and losses (including Component imbalances). Any gains and losses will be apportioned to each Shipper in the proportion that the relevant shipment or portion thereof bears to the total of all NGLs involved, and each Shipper shall be entitled to receive only that portion of its shipment remaining after deducting its proportion as above determined of such loss or adding its proportion of the above determined gain. Carrier shall prepare and submit a statement to Shipper showing the apportionment of any such loss or gain.

ITEM NO. 80 – COMPONENT BALANCING

Each Shipper shall be responsible for bringing into balance on a Monthly basis any accumulated Component volume differences resulting from the receipt, transportation, and delivery of

comingled Natural Gas Liquids using a cash out procedure. Participation in the Component balancing process is a pre-requisite to shipping on the Hiland Express Pipeline.

On a Monthly basis, Shippers are required to cash out any Component imbalance to zero (0). A Shipper's cash out position shall equal the sum of (a) each Component imbalance *multiplied* by (b) the corresponding monthly average of the daily average of the high and low prices per gallon for such Component, for such Month, as quoted by the 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 propane, iso-butane, normal butane and natural gasoline; and (ii) the purity ethane price for ethane ("Shipper Cash Out Position"). The Shipper will be notified by Carrier of its Shipper Cash Out Position on the Component balance statement and invoice. Payment of any Shipper Cash Out Position shall be due at the same time the payment for Monthly transportation charges is due. If the Shipper owes Carrier, such amounts will be added to the invoice due and if Carrier owes the Shipper, such amounts will be deducted from the invoice due.

ITEM NO. 90 – CONNECTION POLICY

Connection requests will be considered on a non-discriminatory basis. Carrier has no obligation to make connections available through these Rules and Regulations or the Rates Tariff.

ITEM NO. 95 – TRANSPORTATION SERVICES AGREEMENTS

Separate TSAs covering further details may be required by Carrier before any duty of transportation shall arise. Such contract may also include additional charges for reimbursement for necessary facilities to receive or deliver Shipper's shipments if additional capital investment by Carrier is required.