
STATELINE CRUDE, LLC

Containing
LOCAL PROPORTIONAL TARIFF
CONTAINING
RULES AND REGULATIONS
GOVERNING
THE TRANSPORTATION OF
CRUDE PETROLEUM
BY
PIPELINE
WITHIN THE STATE OF TEXAS

RECEIVED
R.R.C. OF TEXAS

OCT 26 2017

GAS SERVICES DIVISION
AUSTIN, TEXAS

RECEIVED
R.R.C. OF TEXAS

OCT 26 2017

GAS SERVICES DIVISION
AUSTIN, TEXAS

Carrier will accept and transport Crude Petroleum offered for transportation through Carrier's facilities only as provided in this Rules and Regulations Tariff.

This Tariff shall apply only to those tariffs which specifically incorporate this Tariff by reference; such reference includes supplements to this Tariff and successive issues hereof. The matters published herein, if effective, will have no adverse effect on the quality of the human environment.

Rules and regulations published in Section II hereof will take precedence over the rules and regulations published in Section I hereof.

Operated Under T-4 Permit No. 09651

TX RRC P-5 No. 816087

EFFECTIVE: OCTOBER 26, 2017

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**SECTION 1
RULES AND REGULATIONS OF RAILROAD COMMISSION OF TEXAS
OIL AND GAS RULE §3.71, PIPELINE TARIFFS**

The following nineteen (1-19) rules are reprinted here pursuant to the requirements of the Railroad Commission of Texas Title 16 Part 1 Chapter 3 Rule §3.71. The Rules and Regulations set forth in this Section 1 are subject to the Rules and Regulations contained in Section 2.

Every person owning, operating, or managing any pipeline, or any part of any pipeline, for the gathering, receiving, loading, transporting, storing, or delivering of crude petroleum as a common carrier shall be subject to and governed by the following provisions, common carriers specified in this section shall be referred to as "pipelines," and the owners or shippers of crude petroleum by pipelines shall be referred to as "shippers."

Rule 1. All Marketable Oil to Be Received for Transportation.

By the term "marketable oil" is meant any crude petroleum adapted for refining or fuel purposes, properly settled and containing not more than 2.0% of basic sediment, water, or other impurities above a point six inches below the pipeline connection with the tank. Pipelines shall receive for transportation all such "marketable oil" tendered; but no pipeline shall be required to receive for shipment from any one person an amount exceeding 3,000 barrels of petroleum in any one day; and, if the oil tendered for transportation differs materially in character from that usually produced in the field and being transported therefrom by the pipeline, then it shall be transported under such terms as the shipper and the owner of the pipeline may agree or the commission may require. (Supplemented by Rule 23)

Rule 2. Basic Sediment, How Determined --Temperature.

In determining the amount of sediment, water, or other impurities, a pipeline is authorized to make a test of the oil offered for transportation from an average sample from each such tank, by the use of centrifugal machine, or by the use of any other appliance agreed upon by the pipeline and the shipper. The same method of ascertaining the amount of the sediment, water, or other impurities shall be used in the delivery as in the receipt of oil. A pipeline shall not be required to receive for transportation, nor shall consignee be required to accept as a delivery, any oil of a higher temperature than 90 degrees Fahrenheit (90° F), except that during the summer oil shall be received at any atmospheric temperature, and may be delivered at like temperature. Consignee shall have the same right to test the oil upon delivery at destination that the pipeline has to test before receiving from the shipper. (Supplemented by Rule 23)

Rule 3. "Barrel" Defined.

For the purpose of these sections, a "barrel" of crude petroleum is declared to be 42 gallons of 231 cubic inches per gallon at 60 degrees Fahrenheit (60° F).

Rule 4. Oil Involved in Litigation, Etc.-- Indemnity Against Loss.

When any oil offered for transportation is involved in litigation, or the ownership is in dispute, or when the oil appears to be encumbered by lien or charge of any kind, the pipeline may require of shippers an indemnity bond to protect it against all loss. (Supplemented by Rule 39)

Rule 5. Storage.

Each pipeline shall provide, without additional charge, sufficient storage, such as is incident and necessary to the transportation of oil, including storage at destination or so near thereto as to be available

for prompt delivery to destination point, for five days from the date of order of delivery at destination. (Supplemented by Rule 45)

Rule 6. Identity of Oil, Maintenance of Oil.

A pipeline may deliver to consignee either the identical oil received for transportation, subject to such consequences of mixing with other oil as are incident to the usual pipeline transportation, or it may make delivery from its common stock at destination; provided, if this last be done, the delivery shall be of substantially like kind and market value. (Supplemented by Rule 25)

Rule 7. Minimum Quantity to Be Received.

A pipeline shall not be required to receive less than one tank car-load of oil when oil is offered for loading into tank cars at destination of the pipeline: When oil is offered for transportation for other than tank car delivery, a pipeline shall not be required to receive less than 500 barrels.

Rule 8. Gathering Charges.

Tariffs to be filed by a pipeline shall specify separately the charges for gathering of the oil, for transportation, and for delivery.

Rule 9. Measuring, Testing, and Deductions (Reference Special Order Number 20-63,098 Effective June 18, 1973). (Supplemented by Rule 30)

- A. Except as provided in subparagraph (B) of this paragraph, all crude oil tendered to a pipeline shall be gauged and tested by a representative of the pipeline prior to its receipt by the pipeline. The shipper may be present or represented at the gauging or testing. Quantities shall be computed from correctly compiled tank tables showing 100% of the full capacity of the tanks.
- B. As an alternative to the method of measurement provided in subparagraph (A) of this paragraph, crude oil and condensate may be measured and tested, before transfer of custody to the initial transporter, by:
 - (i) lease automatic custody transfer (LACT) equipment, provided such equipment is installed and operated in accordance with the latest revision of American Petroleum Institute (API) Manual of Petroleum Measurement Standards, Chapter 6.1. or;
 - (ii) any device or method, approved by the commission or its delegate, which yields accurate measurements of crude oil or condensate.
- C. Adjustments to the quantities determined by the methods described in subparagraphs (A) or (B) of this paragraph shall be made for temperature from the nearest whole number degree to the basis of 60 degrees Fahrenheit (60° F) and to the nearest 5/10 API degree gravity in accordance with the volume correction Tables 5A and 6A contained in API Standard 2540. American Society for Testing Materials 01250, Institute of Petroleum 200, first edition, August, 1980. A pipeline may deduct the basic sediment, water, and other impurities as shown by the centrifugal or other test agreed upon by the shipper and pipeline; and 1.0% for evaporation and loss during transportation. The net balance shall be the quantity deliverable by the pipeline. In all owing the deductions, it is not the intention of the commission to affect any tax or royalty obligations imposed by the laws of Texas on any producer or shipper of crude oil.
- D. A transfer of custody of crude between transporters is subject to measurement as agreed upon by the transporters.

Rule 10. Delivery and Demurrage.

Each pipeline shall transport oil with reasonable diligence, considering the quality of the oil, the distance of transportation, and other material elements, but at any time after receipt of a consignment of oil, upon 24 hours' notice to the consignee, may offer oil for delivery from its common stock at the point of destination, conformable to Rule 6 of this section, at a rate not exceeding 10,000 barrels per day of 24 hours. Computation of time of storage (as provided for in Rule 5 of this section) shall begin at the expiration of such notice. At the expiration of the time allowed in Rule 5 of this section for storage at destination, a pipeline may assess a demurrage charge on oil offered for delivery and remaining undelivered, at a rate for the first 10 days of \$.001 per barrel; and thereafter at a rate of \$.0075 per barrel, for each day of 24 hours or fractional part thereof. (Supplemented by Rule 34)

Rule 11. Unpaid Charges, Lien for and Sale to Cover.

A pipeline shall have a lien on all oil to cover charges for transportation, including demurrage, and it may withhold delivery of oil until the charges are paid. If the charges shall remain unpaid for more than five days after notice of readiness to deliver, the pipeline may sell the oil at public auction at the general office of the pipeline on any day not a legal holiday. The date for the sale shall be not less than 48 hours after publication of notice in a daily newspaper of general circulation published in the city where the general office of the pipeline is located. The notice shall give the time and place of the sale, and the quantity of the oil to be sold.

From the proceeds of the sale, the pipeline may deduct all charges lawfully accruing, including demurrage, and all expenses of the sale. The net balance shall be paid to the person lawfully entitled thereto. (Supplemented by Rule 31)

Rule 12. Notice of Claim.

Notice of claims for loss, damage, or delay in connection with the shipment of oil must be made in writing to the pipeline within 91 days after the damage, loss, or delay occurred. If the claim is for failure to make delivery, the claim must be made within 91 days after a reasonable time for delivery has elapsed. (Supplemented by Rule 40)

Rule 13. Telephone-Telegraph Line--Shipper to Use.

If a pipeline maintains a private telegraph or telephone line, a shipper may use it without extra charge, for messages incident to shipments. However, a pipeline shall not be held liable for failure to deliver any messages away from its office or for delay in transmission or for interruption of service.

Rule 14. Contracts of Transportation.

When a consignment of oil is accepted, the pipeline shall give the shipper a run ticket, and shall give the shipper a statement that shows the amount of oil received for transportation, the points of origin and destination, corrections made for temperature, deductions made for impurities, and the rate for such transportation. (Supplemented by Rule 33)

Rule 15. Shipper's Tanks, Etc. -- Inspection.

When a shipment of oil has been offered for transportation the pipeline shall have the right to go upon the premises where the oil is produced or stored, and have access to any and all tanks or storage receptacles for the purpose of making any examination, inspection, or test authorized by this section. (Supplemented by Rule 32)

Rule 16. Offers in Excess of Facilities

If oil is offered to any pipeline for transportation in excess of the amount that can be immediately transported, the transportation furnished by the pipeline shall be apportioned among all shippers in proportion to the amounts offered by each; but no offer for transportation shall be considered beyond the amount which the person requesting the shipment then has ready for shipment by the pipeline. The pipeline shall be considered as a shipper of oil produced or purchased by itself and held for shipment through its line, and its oil shall be entitled to participate in such apportionate. (Supplemented by Rule 36)

Rule 17. Interchange of Tonnage.

Pipelines shall provide the necessary connections and facilities for the exchange of tonnage at every locality reached by two or more pipelines, when the commission finds that a necessity exists for connection, and under such regulations as said commission may determine in each case.

Rule 18. Receipt and Delivery -- Necessary Facilities for.

Each pipeline shall install and maintain facilities for the receipt and delivery of marketable crude petroleum of shippers at any point on its line if the commission finds that a necessity exists therefor, and under regulations by the commission.

Rule 19. Reports of Loss from Fires, Lightning, and Leakage.

- A. Each pipeline shall immediately notify the commission district office, electronically or by telephone, of each fire that occurs at any oil tank owned or controlled by the pipeline, or of any tank struck by lightning. Each pipeline shall in like manner report each break or leak in any of its tanks or pipelines from which more than five barrels escape. Each pipeline shall file the required information with the commission in accordance with the appropriate commission form within 30 days from the date of the spill or leak.
- B. No risk of fire, storm, flood, or act of God, and no risk resulting from riots, insurrection, rebellion, war, or act of the public enemy, or from quarantine or authority of law or any order, requisition or necessity of the government of the United States in time of war, shall be borne by a pipeline, nor shall any liability accrue to it from any damage thereby occasioned. If loss of any crude oil from any such causes occurs after the oil has been received for transportation, and before it has been delivered to the consignee, the shipper shall bear a loss in such proportion as the amount of his shipment is to all of the oil held in transportation by the pipeline at the time of such loss, and the shipper shall be entitled to have delivered only such portion of his shipment as may remain after a deduction of his due proportion of such loss, but in such even the shipper shall be required to pay charges only on the quantity of oil delivered. This section shall not apply if the loss occurs because of negligence of the pipeline.
- C. Common carrier pipelines shall mail (return receipt requested) or hand deliver to landowners (persons who have legal title to the property in question) and residents (persons whose mailing address is the property in question) of land upon which a spill or leak has occurred, all spill or leak reports required by the commission for that particular spill or leak within 30 days of filing the required reports with the commission. Registration with the commission by landowners and residents for the purpose of receiving spill or leak reports shall be required every five years, with renewal registration starting January 1, 1999. If a landowner or resident is not registered with the commission, the common carrier is not required to furnish such reports to the resident or landowner.

SECTION 2**Rules and Regulations**

The Rules and Regulations set forth in this Section 2 shall control over any contrary provisions in the Rules and Regulations stated in Section 1.

Rule 20. Definitions.

As used in this Tariff, the following terms have the following meanings:

"Affiliate" means any Person that, directly or indirectly: (i) controls a Party; (ii) is controlled by a Party; or (iii) is under common control with a Party; it being understood and agreed that for purposes of this definition the terms "control," "controls" and "controlled by" shall mean the power to direct or cause the direction of the management and policies of another Person whether through the ownership of shares, a contract, trust arrangement or any other means, either directly or indirectly, that results in control in fact, but notwithstanding the foregoing includes the ownership of shares or equity interests carrying not less than 50% of the voting rights regardless of whether such ownership occurs directly or indirectly, as contemplated above.

"API" means American Petroleum Institute.

"API MPMS" means the API Manual of Petroleum Measurement Standards.

"ASTM" means American Society for Testing and Materials.

"Barrel" means 42 United States gallons at sixty degrees Fahrenheit (60° F).

"Business Day" means any day other than Saturday, Sunday, and any other day when banks are closed for business in Texas.

"Carrier" means Stateline Crude, LLC.

"Change in Law" shall mean any Law or amendment or modification to any existing Law that is promulgated or adopted and implemented subsequent to the effective date of this Tariff that requires Carrier to incur additional expenses (a) to make additions or modifications to the Pipeline in order to comply with such Law, (b) to change methods of operation in order to comply with such Law, (c) to implement increased training, testing or verification programs with respect to the operation of the Pipeline in order to comply with such Law or (d) to comply with the conditions of any permit necessary to operate the Pipeline.

"Change in Law Event" shall mean the occurrence of a Change in Law that requires the expenditure of Compliance Costs by Carrier, irrespective of whether such Compliance Costs are to be incurred as a one-time expenditure or periodically for an extended period.

"Commitment Payments" means those payments which a Committed Shipper is obligated to pay pursuant to the applicable Throughput and Deficiency Agreement.

"Committed Shipper" means (i) a Shipper that has contracted for transportation of a Committed Volume under a Throughput and Deficiency Agreement, or (ii) a Shipper that is subject to, or that is purchasing from a producer that is subject to, a Dedication and Transportation Agreement, with respect to production covered by such Dedication and Transportation Agreement.

“Committed Volume” means, with respect to a Committed Shipper that is party to a Throughput and Deficiency Agreement, the minimum daily volume of Crude Petroleum set out in the Committed Shipper’s Throughput and Deficiency Agreement. Committed Volumes and Deemed Committed Volumes shall not, in the aggregate, exceed 90 percent (90%) of the Design Capacity of the Pipeline.

“Compliance Costs” as herein used means all actual documented incremental expenses and costs, including capital expenditures, incurred and paid by Carrier as a result of any Change in Law, but excluding any and all costs or expenses (including fines or penalties) that are levied against or incurred by Carrier specifically as a result of Carrier’s violation or non-compliance with applicable Law.

“Consignor” as herein used means the party from whom a Shipper has ordered the Receipt of Crude Petroleum.

“Consignee” as herein used means the party to whom a Shipper has ordered the Delivery of Crude Petroleum.

“Crude Petroleum” means the direct liquid product of oil wells, oil processing plants, the indirect liquid petroleum products of oil or gas wells, oil sands, or a mixture of such products.

“Day” as herein used means a period of twenty-four (24) hours, commencing at 9:00 a.m., Central Standard Time, on a calendar day and ending at 9:00 a.m., Central Standard Time, on the next succeeding calendar day.

“Design Capacity” means the anticipated pipeline capacity under normal operating conditions.

“Deemed Committed Volume” means the amount of Priority capacity a Committed Shipper which has dedicated production under a Dedication and Transportation Agreement shall be entitled to receive, on a Barrel-per-day basis, during the term of such Dedication and Transportation Agreement. Deemed Committed Volumes and Committed Volumes shall not, in the aggregate, exceed 90 percent (90%) of the Design Capacity of the Pipeline.

“Dedicated Crude Petroleum” means Crude Petroleum that is subject to a Dedication and Transportation Agreement.

“Dedication and Transportation Agreement” means a written agreement by which a Shipper or Shipper’s supplier has committed to Carrier that production from certain specified interests will be tendered to Carrier for shipment on Carrier’s Pipeline.

“Delivery” and any derivative thereof, as herein used means delivered by Carrier to Shipper or Consignee at the Delivery Point.

“Delivery Point” means the location of the Delivery of Crude Petroleum to Shipper or Consignee, which shall be identified in writing under the applicable Dedication and Transportation Agreement, Throughput and Deficiency Agreement, TSA, or TA.

“Financial Assurances” has the meaning set forth in Rule 41 below.

“Force Majeure” means any event or act not reasonably within the control of a Party which precludes the Party from performing its obligations (other than the obligation to make payments), including, but not by way of limitation, any of the following events: acts of God; acts or delays of any Governmental Authority; compliance with rules, regulations or orders of any Governmental Authority; strikes, lockouts or other industrial disturbances; acts of the public enemy, acts of terrorism, wars, blockades, insurrections, riots, and civil disturbances; epidemics; landslides, lightning, earthquakes, fires, extreme temperatures, storms, hurricanes, floods, or other adverse weather conditions; freezing of wells or lines of pipes; washouts;

arrests and restraint of rulers and people; explosions, breakage or accident to machinery or lines of pipes; requisitions, directives, diversions, embargoes, priorities or expropriations of Governmental Authorities, legal or de facto, whether purporting to act under some applicable Law; failure of pipelines or other carriers to transport or furnish facilities for transportation; failures, disruptions, or breakdowns of machinery or of facilities for production, manufacture, transportation, distribution, processing or consumption (including, but not by way of limitation, the Pipeline); the necessity for making repairs, alterations, enlargements or connections to, or performing maintenance on, machinery or facilities of production, manufacture, transportation, distribution, processing or consumption (including, but not by way of limitation, the Pipeline); inability to secure or delays in securing rights of way and permits; transportation embargoes or failures or delays in transportation or poor road conditions; any partial or entire failure of Crude Petroleum supply, and, without limitation by enumeration, any cause or causes, whether of the kind herein enumerated or otherwise, not reasonably within the control of an entity.

“Governmental Authority” means any government, any governmental, administrative or regulatory entity, authority, commission, board, agency, instrumentality, bureau or political subdivision and any court, tribunal or judicial or arbitral body (in each case, federal, state, local, tribal, or foreign, or, in the case of an arbitral body, whether governmental, public or private).

“In-Kind Settlement” means the physical delivery of Crude Petroleum to settle any Transportation Imbalance.

“Law” shall mean any federal, state, local, municipal, foreign, tribal, or other law, statute, legislation, constitution, principle of common law, resolution, ordinance, code, proclamation, treaty, convention, rule, regulation, or decree, whether legislative, municipal, administrative, or judicial in nature, enacted, adopted, passed, promulgated, made, or put into effect by or under the authority of any Governmental Authority.

“Monthly Committed Volume” means the Committed Volume multiplied by the number of days in the relevant month (or partial month).

“Monthly Deemed Committed Volume” means the Deemed Committed Volume multiplied by the number of days in relevant month (or partial month).

“New Taxes” shall mean all new or incremental taxes, assessments, fees, levies, charges or costs imposed by any Change in Law that are incurred and paid by Carrier with respect to Carrier’s operation of the Pipeline or its performance under this Agreement, including any such taxes, assessments, fees, levies, charges or costs arising from any carbon tax or cap and trade Laws adopted after the effective date of this Tariff but excluding (a) any income taxes, margin tax, franchise tax or any other similar tax that is measured or assessed based on any income received by Carrier (b) any real or personal property, transfer or other ad valorem taxes imposed on Carrier or the Pipeline or (c) any fines, penalties, interests or late charges imposed or attributable to any failure of Carrier to timely or validly pay any incremental taxes, assessments, fees, levies, charges or costs imposed on Carrier or the Pipeline.

“Nomination” or “Nominate(d)” means a nomination by a Shipper to the Carrier in accordance with this Tariff for the transportation of a stated quantity of Crude Petroleum on the Pipeline from a Receipt Point to a Delivery Point.

“Party” and “Parties” means each Shipper and common carrier individually referred to herein as the “Party” or collectively as the “Parties.”

“Person” means an individual, firm, corporation, trust, partnership, limited liability company, association, joint venture, other business enterprise or Governmental Authority.

“Pipeline” means the Crude Petroleum transportation pipeline system of Stateline Crude, LLC, located in

Texas.

"Priority" means that a Committed Shipper is for all purposes a priority shipper such that if such Committed Shipper (i) nominates and delivers for transportation on Carrier's Pipeline a quantity of Crude Petroleum that does not exceed such Committed Shipper's Monthly Volume Commitment or Monthly Deemed Volume Commitment, as applicable, and (ii) pays the then-applicable Committed Shipper rate for transportation of such Committed Shipper's Monthly Volume Commitment (or has otherwise made a deficiency payment if Committed Shipper is one that has contracted for transporting a Committed Volume under a Throughput and Deficiency Agreement) or for transportation of Dedicated Crude volumes delivered by Shipper to the Pipeline pursuant to Section 2.1, as applicable, such Committed Shipper shall not be subject to prorationing except during event of Force Majeure or other operational disruption that reduces the Pipeline capacity to transport Crude Petroleum.

"Receipt" or any derivative thereof as used herein means received by Carrier from Shipper or Consignor at the Receipt Point.

"Receipt Point" means the location of the Receipt of Crude Petroleum by Carrier or Consignor, which shall be identified in writing under the applicable Dedication and Transportation Agreement, Throughput and Deficiency Agreement, TSA, or TA.

"Reid Vapor Pressure" is the absolute vapor pressure at one-hundred degrees Fahrenheit (100° F) of volatile Crude Petroleum herein expressed in pounds per square inch, as determined by test method ASTM D-323A or ASTM D6377.

"Security Amount" means an amount equal to the sum of costs and changes that could reasonably accrue to Carrier for three months of service under a TSA or three months of service under a TA, as applicable and as calculated by Carrier.

"Services" means the Receipt of Crude Petroleum for a Shipper's account from a Receipt Point, the transportation of that Crude Petroleum on the Pipeline and the Delivery of such Crude Petroleum to a Delivery Point.

"Shipper" means a party, including a Committed Shipper, for whom transportation services are provided under the terms of this Tariff.

"Sold Crude Petroleum" means Crude Petroleum that is subject to a Dedication and Transportation Agreement and that is purchased from a Consignor (also referred to as a "Selling Shipper") and nominated for receipt under a Transportation Services Agreement ("TSA").

"TA" means a transportation agreement executed by an uncommitted or "walk-up" Shipper with respect to the Pipeline.

"Throughput and Deficiency Agreement" means a written agreement by which Shipper has committed to tender for shipment by Carrier a minimum volume of Crude Petroleum during a specified time period, failing which Shipper shall remit to Carrier a deficiency payment in respect to the shortfall.

"Transportation Imbalance" means with respect to any month the variance or differential (stated in Barrels), positive or negative, between (a) the aggregate number of Barrels of Crude Petroleum tendered for transportation by Shipper or its agent and received into Carrier's facilities for such month, as determined and calculated by Carrier and (b) the number of Barrels delivered to Shipper from Carrier's facilities, net of any deductions by Carrier pursuant to Rule 32.

"TSA" means a transportation services agreement executed by a Committed Shipper with respect to the Pipeline.

“**Uncommitted Capacity**” means not less than ten percent (10%) of the Design Capacity of the Pipeline.

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

“**Uncommitted Volume**” means the volume of Crude Petroleum Nominated by an Uncommitted Shipper.

“**Working Stock**” means the amount of Crude Petroleum required to maintain a full Pipeline at the minimum operating requirement thereof, as determined by Carrier.

Rule 21. Commodity.

This Tariff applies only to the transportation of Crude Petroleum by the Carrier and no commodity other than Crude Petroleum will be transported under this Tariff unless the Carrier provides its consent in writing.

Rule 22. Acceptance of Crude Petroleum.

After Shipper has requested a TSA or TA and after Carrier has determined that Shipper is creditworthy or has received acceptable Financial Assurances, Shipper and Carrier may enter into a TSA or TA, which will incorporate by reference this Tariff. Neither Shipper nor Carrier will have any obligations to one another until authorized representatives of both Carrier and Shipper have executed a TSA or TA.

Subject to the further provisions of this Tariff, the Carrier will only accept Crude Petroleum for transportation on the Pipeline: (i) that will originate on the Pipeline at a Receipt Point specified in the TSA or TA and; (ii) when the party taking Delivery of the Crude Petroleum has been specified in writing to the Carrier.

Except where the Carrier provides such facilities, the Carrier will accept Crude Petroleum for transportation only when the Shipper has provided evidence satisfactory to the Carrier that the Shipper has the necessary facilities to accept Delivery of such Crude Petroleum promptly on arrival at the Delivery Point.

The Carrier reserves the right to reject any and all Crude Petroleum Nominated where the Shipper has failed to comply with all applicable Laws made by any Governmental Authorities regulating shipments of Crude Petroleum.

Rule 23. Specifications as to Quality.

- A. A Shipper shall not deliver to the Carrier and the Carrier shall not be obligated to accept Crude Petroleum where, as determined by the Carrier on Receipt, it does not meet the quality standards set forth in the TSA or TA and the following standards unless such standards are inconsistent with those specified in the TSA or TA:
- (i) The Reid Vapor Pressure of the Crude Petroleum exceeds nine (9.0) psia, or might result in Carrier's noncompliance with federal, state or local requirements regarding hydrocarbon emissions;
 - (ii) The kinematic viscosity exceeds three hundred and fifty (350) millimeters per second;
 - (iii) The gravity of Crude Petroleum is less than thirty-six degrees (36°) API gravity or greater than fifty-five degrees (55°) API gravity at sixty degrees Fahrenheit (60° F);

- (iv) The Crude Petroleum contains basic or foreign sediment and water and other impurities exceeding one percent (1%) by volume or in which the volume of water exceeds five-tenths of one percent (.5 of 1%) of the volume offered for transportation;
- (v) The organic chlorides in the Crude Petroleum exceeds three (3) ppm (naphtha cut) as tested by Microcoulometry or Sodium Biphenyl methods;
- (vi) The Crude Petroleum contains any other excessive metals, chemicals, salts, refinery or chemical plant process or by-product materials, or any other material which may adversely affect the refining process, as determined by Carrier;
- (vii) The Crude Petroleum does not meet specifications of connecting carriers; or
- (viii) Crude Petroleum has failed to comply with all applicable laws, rules and regulations made by any Governmental Authorities regulating shipments of Crude Petroleum.

Notwithstanding the preceding, Carrier may at its discretion accept Crude Petroleum from Shipper that does not meet the foregoing specifications due to unusual circumstances, emergencies, or events of force majeure. In such cases, Shipper must notify Carrier fully in writing of the characteristics of such Crude Petroleum and Shipper shall then secure from the producer or connecting carrier or shall provide itself, in writing, to Carrier an assumption of all liability and agree to hold Carrier harmless from and against any loss, cost or disadvantage to other Shippers, and other pipelines, or to Carrier arising from such transportation.

- B. A Shipper shall, as required by the Carrier, provide to the Carrier a certificate with respect to the specifications of Crude Petroleum to be received by the Carrier from such Shipper. If a Shipper fails to provide the Carrier with such certificate, then the Carrier shall not be obligated to accept the Shipper's Crude Petroleum. The Carrier reserves the right to sample and/or test any such shipment prior to acceptance or during Receipt, and in the event of variance between the Shipper's certificate and the Carrier's test, the latter shall prevail.
- C. The Carrier reserves the right to refuse to accept any Crude Petroleum (or other product) for transportation which does not meet Carrier's specifications in paragraph A of this Rule 23 or which is not good merchantable Crude Petroleum readily acceptable for transportation through the Pipeline.
- D. If the Carrier determines that a Shipper does not comply with the provisions of paragraph A of Rule 23 of this Tariff, then such Shipper shall remove its Crude Petroleum from the facilities of the Carrier as directed by the Carrier and if Shipper fails to do so by the date and time directed by the Carrier, the Carrier shall have the right, at its sole discretion, to any remedy available, including but not limited to the right without notice of liability to return, divert, sell or dispose of such Crude Petroleum. The Shipper shall reimburse the Carrier for all costs and expenses incurred by the Carrier in returning or otherwise disposing of such non-conforming Crude Petroleum.
- E. If, upon investigation, the Carrier determines that the Shipper has delivered to the Carrier's facilities Crude Petroleum that has contaminated the common fungible stream, rendering all or a portion of the fungible Crude Petroleum stream contaminated, the Carrier reserves the right to treat or otherwise dispose of all contaminated Crude Petroleum in any reasonable commercial manner at Shipper's sole expense.
- F. On Crude Petroleum received by the Carrier that does not meet the Carrier's deliverability requirements, the Carrier reserves the right to charge an additional \$1.00 per Barrel treating and handling charge.

- G. Carrier reserves the right to require, approve or reject the injection of corrosion inhibitors, viscosity or pour point depressants, drag reducing agents, or other such additives in Crude Petroleum to be transported.

Rule 24. Changes in Quality and Segregation.

- A. The Carrier shall endeavor to deliver substantially the same type of Crude Petroleum as that received from a Shipper; however, the Carrier shall not be obligated to make Delivery of the identical Crude Petroleum received by the Carrier.
- B. Crude Petroleum tendered to the Carrier for transportation will be received by the Carrier on the condition that it shall be subject to such changes in density or quality while in transit as may result from the transportation, commingling or intermixing thereof, including, without limiting the generality of the foregoing, the mixing of a Shipper's Crude Petroleum with other Crude Petroleum in the facilities of the Carrier. The Carrier shall not be liable for any damage loss or consequential loss resulting from a change in the density or other quality of a Shipper's Crude Petroleum as a result of the Carrier's transportation, commingling or intermixing of such Crude Petroleum.

Rule 25. Nominations and Quantities Accepted.

- A. All Shippers desiring to ship Crude Petroleum through the Pipeline shall promptly provide Carrier a Nomination containing all information needed by Carrier to schedule and dispatch each shipment of Crude Petroleum which Shipper offers to make. Carrier may refuse to receive Crude Petroleum for transportation until Shipper has provided Carrier with such information.
- B. Carrier shall not be obligated to accept Crude Petroleum for transportation during any calendar month unless the Shipper shall, on or before the twenty fifth (25th) day of the preceding calendar month, notify the Carrier in writing of the kind and quantity of such Crude Petroleum which it desires to ship. If the twenty-fifth (25th) day of the preceding calendar month is a non-business day, then such notification shall be due on the last business day immediately prior to the twenty-fifth (25th) day of the preceding calendar month.
- C. A Shipper shall, upon notice from the Carrier, provide written third party verification as required by the Carrier in support of such Shipper's Nomination to satisfy Carrier that offers to ship are in good faith; and to satisfy Carrier that shipments can be transported in conformance with Carrier's Tariffs. The Carrier shall not be obligated to accept a Shipper's Crude Petroleum where such verification is, in the sole discretion of the Carrier, unacceptable to the Carrier.
- D. The Carrier shall not be obligated to accept a Shipper's Crude Petroleum if the volume of such Crude Petroleum is less than 500 Barrels, or if the Receipt flow rate at which such Crude Petroleum is received by the Carrier is less than or greater than the Receipt flow rates specified from time to time by the Carrier for the Receipt Point.
- E. The Carrier shall not be obligated to make a Delivery of a Shipper's Crude Petroleum of less than 500 Barrels, or at a Delivery flow rate less than or greater than the Delivery flow rates specified from time to time by the Carrier for the Delivery Point.
- F. Shipper shall notify Carrier as promptly as practicable of (i) any differences between (a) the number of Barrels specified in Shipper's Nomination for a given month and (b) the number of Barrels Shipper will actually tender for delivery in that month, and (ii) any daily changes in the rate of delivery of Crude Petroleum at the applicable Receipt Point. Shipper shall take all reasonable actions necessary to avoid the incurrence of a Transportation Imbalance. Transportation

Imbalances shall be settled through an In-Kind Settlement by no later than the month after which the Transportation Imbalance occurred.

- G. During any month in which in which the Pipeline is under Prorating in accordance with Rule 36, any Person that is not a current Shipper on the Pipeline system and is seeking approved Shipper status with the Carrier shall be required, as a condition to such approved status, to certify to the Carrier that the applicant is not an Affiliate of any existing Shipper on the Pipeline

Rule 26. Working Stock

- A. Prior to delivering Barrels out of Carrier's Pipeline, each Shipper will be required to supply a pro rata share of Crude Petroleum necessary for Pipeline and tankage fill to ensure efficient operation of Carrier's Pipeline. Crude Petroleum provided by Shippers for this purpose may be withdrawn only after: (1) shipments have ceased and the Shipper has notified Carrier in writing of its intention to discontinue shipments in Carrier's Pipeline, and (2) Shipper balances have been reconciled between Shipper and Carrier. Carrier may require advance payment of transportation charges on the volumes to be cleared from Carrier's Pipeline, and any unpaid accounts receivable, before final delivery will be made. Carrier shall have a reasonable period of time from the receipt of said notice, not to exceed six months, to complete administrative and operational requirements incidental to Shipper withdrawal.
- B. In the event Shipper fails to supply the Working Stock volumes as requested by the Carrier in 26(A) ("Working Stock Shortfall"), the Carrier will obtain the Working Stock Shortfall on such Shipper's behalf, and such Shipper shall pay for all charges incurred by the Carrier to obtain the Working Stock Shortfall upon receipt of the Carrier's invoice therefor.

Rule 27. Committed Shipper Nominations.

- A. In the event a Committed Shipper under a Throughput and Deficiency Agreement or a TSA fails to Nominate and deliver to Carrier a volume of Crude Petroleum equal to or greater than its Monthly Committed Volume, it shall nevertheless pay to the Carrier the Commitment Payment in accordance with the Throughput and Deficiency Agreement or TSA.
- B. Whether Nominations and deliveries to Carrier meet Monthly Committed Volume requirements will be determined based on quantities Received by Carrier at the Receipt Point.

Rule 28. Dedication and Transportation Agreement ("DTA").

- A. In the event that any Committed Shipper subject to a DTA sells ("Selling Shipper") to any other Shipper ("Upstream Purchaser") on the Pipeline any Dedicated Crude Petroleum, which is dedicated under a specific DTA of such Selling Shipper, at or upstream of any of the Receipt Points on the Pipeline and such Upstream Purchaser has such Crude Petroleum shipped on the Pipeline from such Receipt Points to one or more Delivery Point(s) (the "Sold Crude Petroleum") then: (A) Selling Shipper, as to such Sold Crude Petroleum, shall not be in breach of such DTA for not delivering such Sold Crude Petroleum under such agreement; (B) Selling Shipper shall have no obligations or liabilities under such DTA with respect to any such Sold Crude Petroleum, including any liabilities or payment obligations with respect to, derived from, or attributable to such volumes of Sold Crude Petroleum; and (C) for the purposes of determining the applicable transportation rate charged to any Dedicated Crude Petroleum (which is dedicated under such DTA) shipped hereunder by either a Selling Shipper or an Upstream Purchaser, all such volumes shall be deemed to constitute volumes shipped on the Pipeline by such Selling Shipper pursuant to the applicable DTA.

- B. For purposes of determining the applicable transportation rate to be charged under the Tariff for any Sold Crude Petroleum dedicated under a specific DTA with a specific Selling Shipper, which volumes were purchased by Upstream Purchaser from such Selling Shipper and shipped on the Pipeline in any month, the following volumes shall be counted to determine total volumes of Crude Petroleum dedicated under such specific DTA: 1) all volumes of Dedicated Crude Petroleum transported under such DTA of such Selling Shipper; 2) all volumes of such Sold Crude Petroleum shipped by Upstream Purchaser on the Pipeline; and 3) all volumes of such Sold Crude Petroleum purchased by any other Shipper(s) from such Selling Shipper and shipped by such Shipper(s) on the Pipeline (the sum of volumes in 1), 2) and 3) being "DTA Monthly Total Volume". All such Sold Crude Petroleum shipped by any Shipper on the Pipeline shall be charged the same volume-based transportation rate as would be applicable to the DTA Monthly Total Volume.

Rule 29. Make Up Rights.

Committed Shippers under Throughput and Deficiency Agreements who fail to meet their Monthly Committed Volume requirements in a month, or who pay Commitment Payments during any period when Carrier is unable to provide Services by reason of an event of Force Majeure, will be subject to uniform provisions with respect to their ability to make up those volumes in subsequent months and their corresponding payment obligations as set forth in the Throughput and Deficiency Agreement.

Rule 30. Rules and Rates Applicable.

- A. The rates which shall apply to the transportation of Crude Petroleum shall be the rates in effect on the date Crude Petroleum is received by the Carrier for transportation as provided in the Rates Tariff. Likewise, the rules and regulations which shall govern the transportation of Crude Petroleum shall be the rules and regulations in effect on the date Crude Petroleum is received by Carrier for transportation as provided in this Rules and Regulations Tariff.
- B. The rates set forth in the Rates Tariff shall be adjusted upward or downward by Carrier beginning on the first July 1st after the date that is 365 days after the date on which Carrier commences commercial service with respect to the receipt, transportation, storage, handling and delivery of Crude Petroleum on the Pipeline, and on each July 1st thereafter, to reflect the indexing adjustments promulgated annually by the FERC pursuant to 18 C.F.R. § 342.3(d) or any successor indexing methodology that the FERC may adopt; provided, however, in no event shall the rates for service under a Dedication and Transportation Agreement (including the rates for any Sold Crude Petroleum shipped on Carrier's Pipeline) or a Throughput and Deficiency Agreement be adjusted downward to be less than the initial rates to be charged Committed Shippers set forth in the initial filing of the Tariff. In lieu of the foregoing, Carrier may agree in writing with a Committed Shipper that the rate(s) set forth in the initial filing of the Tariff containing such rate(s) shall be escalated at a fixed rate per annum as agreed in writing between Carrier and such Committed Shipper.

Rule 31. Payment of Rates and Lien for Unpaid Charges.

- A. A Shipper shall pay all charges and costs as provided in this Tariff or otherwise lawfully due to the Carrier relating to the transportation of the Shipper's Crude Petroleum by the Carrier. The Carrier will issue an invoice respecting such charges and costs by the 15th day of the month following the month of Receipt, and Shipper shall pay such invoiced charges and costs by the 25th day of the same month. If the 25th day of the month is not a Business Day, Shipper payment shall be due on the preceding Business Day. The Shipper shall pay such charges and costs based on Receipts into the Pipeline.

- B. The Carrier shall have a lien on all of Shipper's Crude Petroleum that is in the custody of the Carrier to secure the payment of all charges and costs as provided for or referenced in this Tariff due to the Carrier relating to the transportation of the Shipper's Crude Petroleum by the Carrier. The Carrier may withhold the Shipper's Crude Petroleum from Delivery and may exercise any other rights and remedies provided at law or by contract, until all such charges and costs have been paid.
- C. If charges for the transportation of a Shipper's Petroleum remain unpaid for ten (10) Business Days after the date upon which such amounts are due pursuant to Rule 31(A) above, then the Carrier shall have the right to (i) assess a late charge at an annual interest rate equivalent to one hundred twenty-five percent (125%) of the prime rate of interest charged by Citibank N.A. of New York, New York (the maximum on ninety (90) day loans to substantial and responsible commercial borrowers or any lesser maximum interest rate permitted under applicable law) as of the due date; provided that Shipper may withhold payment of disputed amounts subject to: (1) the incurrence of carrying charges thereon as specified above; and (2) Carrier's right to demand reasonable surety for such payment, and/or (ii) remove and sell any or all of such Shipper's Crude Petroleum that is in the possession of the Carrier in such lawful manner as deemed appropriate by the Carrier.
- D. The Carrier shall pay from the proceeds of any sale pursuant to Rule 31(C)(ii) all charges and costs accruing or due relating to the transportation of such Shipper's Crude Petroleum by the Carrier and all costs incurred by the Carrier with respect to the storage, removal and sale of such Shipper's Crude Petroleum. The remainder of such proceeds, if any, shall be held by the Carrier for the Shipper and any other party lawfully entitled to such proceeds.
- E. Carrier may require that all payments to Carrier for services pertaining to the transportation of Crude Petroleum be wire transferred in accordance with the instructions on the Carrier's invoice to Shipper.
- F. When required the Carrier shall, with or without notice to the Shipper, appoint agent(s) to retain possession of the Shipper's Crude Petroleum on behalf of the Carrier for the purpose of enforcing the lien described in this Rule.

Rule 32. Measuring, Testing and Deductions.

- A. All Crude Petroleum accepted at custody transfer points into the Carrier's facilities in accordance with API MPMS standards shall be tested for basic or foreign sediment and water and other impurities and gauged or metered by the Carrier's representative. Shipper shall have the right to witness all proving of meters used in such measurement. The Carrier reserves the right to test and measure and/or witness the testing and measurement of all deliveries from its facilities.
- B. The Carrier shall deduct from the volume of Crude Petroleum received into the Carrier's facilities the actual amount of suspended basic or foreign sediment, water and other impurities as ascertained by centrifuge or other tests agreed upon.
- C. The net calculated quantity at sixty degrees Fahrenheit (60° F) less sediment and water and other impurities volume percentage shall be the quantity received or delivered by the Carrier.
- D. The Carrier will not accept any material for shipment above fifty-five degrees (55°) API gravity at sixty degrees Fahrenheit (60° F).
- E. Two tenths of one percent (2/10ths of 1%) of the volumes of Crude Petroleum received into the Carrier's facilities shall be deducted from such volumes and shall be retained by the Carrier to

cover loss due to shrinkage and evaporation incident to transportation on the Carrier's facilities, and the volumes delivered to a Shipper from the Carrier's facilities shall be net of such deduction

- F. Except for arithmetic errors, all measurement and testing by the Carrier shall be conclusive after 6-months.

Rule 33. Evidence of Receipts and Deliveries.

The Carrier shall evidence the Receipt and Delivery of Crude Petroleum by tickets showing the volume, crude type, temperature, gravity, sediment and water and any other data with respect to such Crude Petroleum as may be specified from time to time by the Carrier. Unless otherwise agreed in writing by the Carrier, Shipper and/or its Consignee, such tickets shall be signed by a representative of the Carrier. The signed tickets shall be conclusive evidence of the information set forth therein.

Rule 34. Delivery and Acceptance.

- A. The Carrier shall transport and Deliver Crude Petroleum at the Delivery Point with reasonable diligence and dispatch, but shall not be required to transport Crude Petroleum in time for any particular market. Such Delivery may be made upon twenty-four (24) hours' notice to the Shipper or Consignee who shall accept and receive said Crude Petroleum from the Carrier with all possible dispatch into tanks or receptacles arranged for or provided by the Shipper or Consignee.
- B. Beginning on the first Day after expiration of said 24-hour notice, Carrier shall assess a demurrage charge on any part of said Crude Petroleum shipment offered for Delivery and not taken by Shipper or Consignee; the demurrage charge will be \$0.01 per Barrel per Day for each Day or fractional part thereof. After expiration of said 24-hour notice, Carrier's liability for loss, damage or delay with respect to Crude Petroleum offered for Delivery but not taken by Shipper or Consignee shall be that of a warehouseman only.
- C. If a Shipper fails to remove its Crude Petroleum from the facilities of the Carrier in accordance with the provisions of paragraph B of Rule 34 of this Tariff, then the Carrier shall have the right to remove and sell such Crude Petroleum in such lawful manner as deemed appropriate by the Carrier. The Carrier shall pay from the proceeds of such sale all costs incurred by the Carrier with respect to the storage, removal and sale of such Crude Petroleum. The remainder of such proceeds, if any, shall be held by the Carrier for the Shipper and any other party lawfully entitled to such proceeds.

Except where caused by the direct negligence of the Carrier, the Carrier shall not be liable to a Shipper for any delay, damage, loss or consequential loss resulting from any cause while the Carrier is in possession or control of such Shipper's Crude Petroleum, including the breakdown of the facilities of the Carrier.

If damage or loss to Crude Petroleum results from any cause other than the direct negligence of the Carrier while the Carrier is in possession or control of such Crude Petroleum, then the Carrier may apportion the cost of such damage or loss on a pro rata basis among all Shippers. Each Shipper's share of such cost shall be determined by the Carrier based on the proportion of the volume of the Shipper's Crude Petroleum in the possession of the Carrier on the date of such loss to the total volume of Petroleum in the possession of the Carrier on the date of such loss. The Carrier will be obligated to deliver only that portion of the Crude Petroleum remaining after such deduction.

If Crude Petroleum is lost in transit while in the custody of Carrier due to the direct negligence of the Carrier, then, as full compensation therefor, and as Shipper's sole and exclusive remedy therefor, the Carrier shall either obtain and deliver to the Shipper thereof other Crude Petroleum of the same quantity

and grades as that which was lost, or compensate Shipper for such loss in money.

Rule 35. Indemnification by Shipper.

A Shipper shall indemnify the Carrier for any damage, loss, or cost incurred by the Carrier or any other party to the extent caused by such Shipper's failure to comply with any provision of this Tariff, excluding any damage, loss, or cost caused by the direct negligence of the Carrier.

Rule 36. Prorationing.

A. For the purposes of this Rule, the following definitions shall apply:

"Actual Shipments" means volumes of Crude Petroleum that originate on the Pipeline at the Receipt Point and that are ultimately delivered at a Delivery Point. All volumes shall be measured at the Receipt Point.

"Allocable Capacity" means the capacity of the Pipeline (or segment thereof) available for transportation in a given month after satisfaction of the Nominations of Committed Shippers up to each such Shipper's Committed Volume or Deemed Committed Volume.

"Available Capacity" means the total capacity of the Pipeline (or segment thereof) available to transport Crude Petroleum in a given month.

"Binding Nomination" means the volumes (excluding any Committed Volumes) allocated to a Shipper during a period of prorationing.

"Excess Nominations" means the portion of any Committed Shipper's Nomination that exceeds the applicable Monthly Committed Volume or Monthly Deemed Committed Volume.

B. Each Committed Shipper that Nominates Crude Petroleum for transportation during a given month will be allocated capacity as follows:

- (i) Nominations by a Committed Shipper up to such Shipper's applicable Monthly Committed Volume or Monthly Deemed Committed Volume shall be allocated capacity equal to the lesser of (1) one hundred percent (100%) of such Shipper's applicable Monthly Committed Volume or Monthly Deemed Committed Volume and (2) such Shipper's Nominated Barrels.
- (ii) If the aggregate Nominations of Committed Shippers up to each such Shipper's applicable Monthly Committed Volume or Monthly Deemed Committed Volume for a given month exceed 100 percent (100%) of Available Capacity, then Available Capacity shall be allocated to each such Committed Shipper based on the ratio of its applicable Monthly Committed Volume or Monthly Deemed Committed Volume to the aggregate total of all Committed Shippers' Monthly Committed Volumes and Monthly Deemed Committed Volumes.
- (iii) Excess Nominations shall be subject to prorationing in accordance with Rule 37(C).
- (iv) Carrier shall not contract to transport Committed Volumes and/or Deemed Committed Volumes that, in the aggregate, exceed ninety percent (90%) of the Design Capacity of the Pipeline.

- (v) Pursuant to its Dedication and Transportation Agreement or Throughput and Deficiency Agreement, a Committed Shipper may have the ability to increase its Priority capacity rights on the Pipeline during the term of such agreements.
- C. During each month in which the Pipeline is under prorating, Allocable Capacity will be allocated among Excess Nominations and Uncommitted Shippers' Nominations, subject to applicable regulations, based on the ratio of each Shipper's Excess Nominations or Uncommitted Shipper Nominations to the aggregate total of all Excess Nominations and Uncommitted Shipper Nominations.
- D. Any remaining Available Capacity not allocated through the application of items B. and C. above shall be allocated pro rata and if the allocation to any Shipper pursuant to this item D. exceeds its remaining Nomination, the excess will be allocated among all other remaining Nominations until the remaining Available Capacity is fully allocated or all of the remaining Nominations have been fulfilled.

Carrier may reject any portion of a Shipper's Nomination that exceeds the physical capacity of the Pipeline. Any Nomination in excess of the physical capacity of the pipeline will be reduced accordingly.

Once the Carrier has determined the capacity allocated to each Shipper for a given month under the provisions stated herein, it shall provide notice to each Shipper of its allocated capacity for the month. If any Shipper fails to tender volumes (excluding any Committed Volumes or Deemed Committed Volumes) during the Month equal to one hundred percent (100%) of its Binding Nomination for that month, that Shipper shall pay to the Carrier, in the aggregate, the Tariff charge for one hundred percent (100%) of the Binding Nomination.

Rule 37. Requested Change by the Shipper.

Subject to the operating conditions of the facilities of the Carrier, the Carrier may upon the written request of a Shipper, allow a Shipper to change: the designated volume and type of its Crude Petroleum that will originate on the Pipeline at the Receipt Point; or the designated volume and type of its Crude Petroleum to be delivered to a Delivery Point.

Rule 38. Inline Change in Ownership.

Notice of change in ownership of Crude Petroleum shall be recognized and recorded only where such Crude Petroleum entered the Carrier's system and only on a monthly basis. Statements denoting ownership transactions shall be provided to the applicable transferors and transferees. The Carrier shall not provide any information as to the quality of the Crude Petroleum subject to changes in ownership except for gravity on current Receipts when requested. Each transferor shall be charged a $\frac{3}{4}$ of a cent per Barrel (which will be applied on a separate invoice) for recognizing and recording the change in ownership and, if required shall pay said charge prior to the recognizing and recording of such change. The transferor, at the Carrier's option, shall provide an irrevocable letter of credit satisfactory to the Carrier prior to such recognizing and recording. The recognition by the Carrier of a change in ownership of Crude Petroleum requires the recording thereof, and the Carrier is entitled to a lien for all such charges and fees.

The Carrier shall not be obligated to recognize and record changes in ownership of Crude Petroleum during any operating month unless the transferor and transferee requesting the Carrier to recognize and record the change in ownership shall, each, on or before the 15th day of the preceding calendar month provide written notice to the Carrier containing like data relative to the kind quantity, source, location, transferor and transferee of the Crude Petroleum. The Carrier shall not be obligated to accept any modification in said notice unless confirmed in writing by the transferor and transferee on or before the last day of the calendar month proceeding the operating month.

When the quantity of the Crude Petroleum received during the operating month is not equivalent to the quantity of the Crude Petroleum subject to the notice of change in ownership, the Carrier shall not be required to recognize and record the change in ownership beyond the extent of the quantity received.

A notice of change in ownership of Crude Petroleum shall be deemed: (1) a warranty that the transferor has unencumbered title to the Crude Petroleum identified in its notice at the time of change in ownership, and (2) a representation that the change in ownership is effective as of 7:00 o'clock a.m. (Mountain Standard Time) on the first day of the operating month.

The Carrier may, in the absence of adequate security, decline to recognize and record any change in ownership of Crude Petroleum.

A transfer of a Shipper's rights and obligations under this Rule 39 respecting its Crude Petroleum will not be binding or effective on the Carrier until the Carrier has provided a notice of acceptance to the transferor and transferee. The Carrier will not provide a notice of acceptance of a transfer until such time as the transferee has satisfied the Carrier of its capacity to undertake the transferor's obligations and has provided any Financial Assurances requested by the Carrier in accordance with Rule 42 of this Tariff.

Rule 39. Adverse Claims Against Crude Petroleum.

- A. Adverse Claims Prior to Delivery. Shipper shall not Nominate or deliver to the Carrier Crude Petroleum which is involved in litigation, the ownership of which may be in dispute or which is encumbered by a lien (other than a lien that is subordinated to Carrier's lien described in Rule 31(B)) or charge of any kind unless the Shipper provides written notification to the Carrier of such litigation, dispute, lien or charge not less than twenty (20) days before such Nomination is made to the Carrier.
- B. In the event that Carrier receives the notice referenced in Rule 40(A) above, the Carrier 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 (other than a lien that is subordinated to Carrier's lien described in Rule 31(B)) or charge of any kind.
- C. Adverse Claims After Delivery. If, at any time while the Shipper's Crude Petroleum is in the possession of the Carrier, 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 (other than a lien that is subordinated to Carrier's lien described in Rule 31(B)) or charge of any kind Shipper shall advise the Carrier in writing of such issue immediately.
- D. In the event that Shipper provides Carrier with notice of an adverse claim under Rules 40(A) or 40(C) above, then in such event a Shipper shall, upon demand from the Carrier, provide a bond or other form of indemnity satisfactory to the Carrier protecting the Carrier against any liability or loss that may arise as a result of 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 (other than a lien that is subordinated to Carrier's lien described in Rule 31(B)) or charge of any kind. If the Shipper fails to provide such bond or other form of indemnity acceptable to the Carrier, the Carrier will not be obligated to accept such Shipper's Crude Petroleum for transportation.

Rule 40. Claims, Suits and Time for Filing.

- A. As a condition precedent to recovery for loss, damage, injury or delay, a Shipper shall advise the Carrier in writing of any claim for delay, damage, injury or loss resulting from the transportation of such Shipper's Crude Petroleum by the Carrier within nine (9) months after Delivery of such Crude Petroleum by the Carrier or, in the case of a failure to make Delivery, then within nine (9) months after a reasonable time for Delivery has elapsed.

- B. A Shipper shall institute any action arising out of any claim against the Carrier within two (2) years and one (1) day from the date that written notice is given by the Carrier to such Shipper that the Carrier has disallowed such claim or any part of such claim, or any such claim shall be forever waived and released.
- C. If a Shipper fails to comply with the provisions of paragraph A or paragraph B of Rule 41 of this Tariff, then such Shipper waives all rights it has to bring an action against the Carrier with respect to such claim.

Rule 41. Financial Assurances.

- A. At any time, upon the request of the Carrier, any prospective or existing Shipper shall provide information to the Carrier that will allow the Carrier to determine the prospective or existing Shipper's capacity to perform any financial obligations that could arise under the terms of this Tariff, including the payment of transportation charges, Commitment Payments, charges for Working Stock Shortfalls and Shipper's negative Transportation Imbalance positions. The Carrier shall not be obligated to accept Crude Petroleum for transportation from an existing or prospective Shipper if Shipper or prospective Shipper fails to provide the requested information to the Carrier within five (5) Business Days of the Carrier's written request, or if the Carrier's review of the requested information reveals that the existing or prospective Shipper does not have the capacity to perform any financial obligations that could arise under the terms of this Tariff, including the payment of transportation charges, Commitment Payments, charges for Working Stock Shortfalls, and the reasonably determined value of Shipper's negative Transportation Imbalance positions.

Upon notice to Shipper, Carrier may require financial assurances from Shipper, in which case, Shipper shall satisfy the requirement by providing, at its option, one or more of the following Financial Assurances for the payment of all charges and costs as provided in this Tariff, or otherwise lawfully due to the Carrier, to be provided at the expense of Shipper (collectively, "the Financial Assurances"):

- (i) prepayment in an amount not less than the Security Amount;
- (ii) a standby irrevocable letter of credit in favor of the Carrier in an amount not less than the Security Amount, in a form and from a financial institution acceptable to the Carrier;
- (iii) a guaranty in a form and from a third party acceptable to the Carrier; or
- (iv) other enforceable collateral security, including security agreements over assets of Shipper, in form and substance acceptable to the Carrier.

In the event the Carrier reasonably determines that:

- (i) the existing or prospective Shipper's financial condition is or has become impaired or unsatisfactory;
- (ii) any Financial Assurances previously provided by a Shipper no longer provide adequate security for the performance of Shipper's financial obligations that could arise under the terms of this Tariff; or
- (iii) the Carrier otherwise determines that it is necessary to obtain additional Financial Assurances from Shipper

then Shipper shall provide Financial Assurances for the payment of the charges and costs as provided for

in this Tariff or otherwise lawfully due to the Carrier relating to the transportation of Shipper's Crude Petroleum by the Carrier. For the purpose of this Tariff, and without limiting the generality of the charges and costs lawfully due to the Carrier under this Tariff, those charges and costs shall include transportation charges, Commitment Payments, charges for Working Stock Shortfalls, and Shipper's negative balance positions. The Carrier shall not be obligated to accept Crude Petroleum for transportation from an existing or prospective Shipper if Shipper or prospective Shipper fails to deliver the Financial Assurances to the Carrier within five (5) Business Days of Shipper's receipt of the Carrier's written request for such Financial Assurances.

Rule 42. Duty of Carrier.

The Carrier shall not be required to transport Crude Petroleum except with reasonable diligence, considering the quantity of Crude Petroleum, the distance of transportation, the safety of operation, and other material factors.

Rule 43. Interpretation.

- A. Unless otherwise expressly specified herein, (i) defined terms in the singular will also include the plural and vice versa, (ii) the words "hereof", "herein", "hereunder" and other similar words refer to this Tariff as a whole, (iii) "or" is not exclusive regardless of whether "and/or" is included in the applicable provision; (iv) references to Rules are to the Rules in this Tariff.
- B. The captions in this Tariff are for convenience only and will not in any way affect the meaning or construction of any provision of this Tariff.
- C. Unless the context otherwise requires, "including" means "including without limitation".

Rule 44. Rates.

Crude Petroleum accepted for transportation shall be subject to the rates and charges in the applicable TSA or TA in effect on the date of Receipt of such Crude Petroleum by the Carrier or in this Tariff if no such agreement exists or no rate is stated therein. Unless otherwise stated in an individual Tariff making reference to these rules and regulations, transportation and all other lawful charges will be collected on the basis of the quantities of Crude Petroleum received by Carrier for the account of Shipper or its Consignor.

Rule 45. Storage in Transit.

The Carrier has working tanks required in the process of transporting Crude Petroleum but no other available tankage and therefore, unless otherwise specifically stated in a Tariff making reference to these rules and regulations, Carrier does not have facilities for rendering, nor does it offer, a storage service. Provisions for storage in transit in facilities furnished by Shipper at points on Carrier's System will be permitted to the extent authorized under individual Tariffs lawfully on file with the Commission, and per an executed agreement detailing the terms and conditions for such storage.

Rule 46. Pipe Connection and Other Contracts.

Separate pipe connection and other contracts may be required of a Shipper, in accordance with the applicable Tariff and these rules and regulations, before any duty of transportation by the Carrier shall arise.

Connections to Carrier's System will be considered only if made by formal written notification to Carrier by a Shipper or prospective Shipper. All connections, if agreed to by Carrier, will be subject to generally accepted industry standards and all regulatory standards for design and construction and will meet the

hydraulic requirements necessary to protect the safety, security, integrity and efficient operation of Carrier's System. Carrier's acceptance of any request for connection will be subject to compliance with governmental regulations. Carrier reserves the right to install LACT equipment at a Receipt Point at the Shipper's expense, and additionally, Carrier may require other capital recovery arrangements as part of its agreement to accept a connection request, which Carrier will negotiate on a not unduly discriminatory basis.

Rule 47. Charge for Compensation Fund Fees, New Taxes or Compliance Costs.

- A. In addition to all other permitted charges accruing on Crude Petroleum accepted for transportation through Carrier's facilities, and subject to Carrier's compliance with applicable Tariff filing requirements, Shipper shall reimburse Carrier for (1) any tax, fee, or other charge levied against Carrier by any Federal, State or local agency for the purpose of creating a fund for the reimbursement of parties who sustain costs or losses resulting from oil pipeline industry operations, (2) any New Taxes implemented or imposed after the effective date of this Tariff or (3) any Compliance Costs incurred and paid by Carrier after the effective date of this Tariff, with respect to Carrier's performance under this Tariff or on any part of the Pipeline. Carrier shall not be under any obligation to contest or protest on behalf of Shipper or Consignee the legality of any such taxes, fees, costs or other charges. The per-Barrel charge to each Shipper for such fees, taxes or Compliance Costs shall be included in Carrier's Tariff.
- B. To the extent that any of Carrier's activities pursuant to this Tariff produce or result in the generation of or otherwise qualify for any emission reduction credits or emission offset credits or bonus emission allowances (collectively, "Greenhouse Gas Credits") and Shipper has paid for an allocable share of the costs of such activities pursuant to Rule 48(A) above, then Shipper shall be entitled to receive, and Carrier shall obtain and convey to each Shipper, its allocable share of any such Greenhouse Gas Credits, to the extent permitted by applicable Law. Carrier shall, as soon as practicable, notify each Shipper following Carrier obtaining knowledge of any New Tax applicable to such Shipper hereunder in order to afford such Shipper the opportunity to contest any such charges and Carrier shall cooperate with Shipper in the event Shipper elects to do so.

Rule 48. LIMITATION ON DAMAGES.

UNLESS SPECIFICALLY PROVIDED OTHERWISE IN A TSA OR TA, IN NO EVENT SHALL CARRIER OR SHIPPER BE LIABLE TO THE OTHER FOR ANY INDIRECT, INCIDENTAL, PUNITIVE, EXEMPLARY, CONSEQUENTIAL OR SPECIAL DAMAGES, INCLUDING LOSSES OF PROFITS, BUSINESS INTERRUPTION, OR REPUTATION, SUFFERED OR INCURRED BY THE OTHER PARTY ARISING OUT OF, IN CONNECTION WITH OR RESULTING FROM THIS AGREEMENT, WHETHER ANY CLAIM FOR SUCH LOSS OR DAMAGE IS BASED ON TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY, CONTRACT OR OTHERWISE. THIS SECTION SHALL APPLY NOTWITHSTANDING THE SOLE, JOINT, OR CONCURRENT NEGLIGENCE (ACTIVE OR PASSIVE), FAULT OR RESPONSIBILITY OF ANY PARTY.