



**PYOTE EAST TEXAS TARIFF**  
**RULES AND REGULATIONS**  
**TABLE OF CONTENTS**

Rule 21 Definitions of Terms and Abbreviations..... 3

Rule 22 Gathering and Transportation Services..... 6

Rule 23 Nominations ..... 6

Rule 24 Changes to Nominations ..... 7

Rule 25 Storage ..... 7

Rule 26 Measurement..... 7

Rule 27 Quality Specifications ..... 8

Rule 28 Imbalances ..... 10

Rule 29 Line Fill Obligation..... 10

Rule 30 Proration Policy ..... 11

Rule 31 Shipper Obligation during Proration..... 12

Rule 32 Interruptions and Curtailment ..... 12

Rule 33 Custody and Control ..... 13

Rule 34 Intrasystem Transfers..... 13

Rule 35 Commingling ..... 13

Rule 36 Billing and Payment..... 14

    1.1. Rules and Regulations Tariff..... 17

    1.2. Long Term Contractual Shipper Receipt Points and Delivery Points ..... 17

**RULES AND REGULATIONS**

This Tariff and the fees referenced herein are for intrastate gathering and transportation service for Gibson Energy Infrastructure, LLC Gathering System to qualifying shippers of crude petroleum, subject to the terms, conditions, rules and regulations set forth below.

**Rule 21 Definitions of Terms and Abbreviations**

“Affiliate” means any person who directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with another Person; provided that, solely as used in this definition, the term “control” (and its derivative terms) means possessing the power to direct or cause the direction of the management and policies of a Person, whether through ownership, by contract, or otherwise.

“API” means American Petroleum Institute.

“ASTM” means American Society for Testing Materials.

“Barrel” or “bbl” means 42 gallons.

“BPD” means Barrels per Day.

“BS&W” means basic sediment, water, and other impurities.

“Business Day” means any day (other than Saturday or Sunday) on which commercial banks are open for business in Fort Worth, Texas.

“Common Stream” means Crude moved through the Operator’s System and System facilities, which is commingled or intermixed with other Crude.

“Crude” or “Crude Oil” means crude petroleum that is the direct liquid product of oil wells and having an API gravity no less than 30.00° and no greater than 44.99°.

“Day” or “Daily” means a period of 24 hours, commencing at 7:00 a.m., Central Time, on a calendar day and ending immediately prior to 7:00 a.m., Central Time, on the next calendar day.

“Delivery Point” means each point of interconnection between Shipper and Operator agreed upon in writing by the Parties in a gathering or transportation contract.

“Evaporation & Shrinkage Deduction” has the meaning set forth in this tariff in Rule 27.

“Force Majeure” means any event or occurrence that (i) hinders or prevents the performance by any Party of such Party’s obligations hereunder, (ii) is beyond the reasonable control of such Party, (iii) could not have been prevented or overcome by such Party’s exercise of due diligence, and (iv) such Party is working to resolve with all reasonable dispatch. An event or occurrence of Force Majeure includes the following to the extent meeting the criteria set forth in (i) through (iv) of the preceding sentence[N]: (a) acts of God; (b) strikes, lockouts, shortage of labor or industrial disputes or disturbances; (c) arrests and restraints of rulers or people; (d) interruptions

by government or court orders; (e) present and future valid orders of any Governmental Authority having jurisdiction; (f) acts of the public enemy, wars, acts of terrorism, vandalism, riots, blockades, and insurrections; (g) inability to secure or delays in securing electricity, water, fuel, or other utilities or services, materials, supplies or equipment not caused by the cost of such services, materials, machinery, and equipment; (h) epidemics, landslides, lightning, earthquakes, fires, storms, floods, tornados, and washouts; (i) fire, explosions, breakage, mechanical failure, or other accident to machinery or lines of pipe; (j) freezing of wells or pipelines; (k) the making of emergency repairs or alterations to pipelines or other facilities; (l) the inability to secure or delay in securing any license, permit, approval, or authorization of any Governmental Authority having jurisdiction; and (m) any other event or occurrence, whether of the kind herein enumerated or otherwise, which hinders or prevents the performance by any Party of such Party's obligations hereunder, is beyond the reasonable control of such Party, could not have been prevented or overcome by such Party's exercise of due diligence, and which such Party is working to resolve with all reasonable dispatch.

“Gathering Rate” means the particular rate for gathering services listed under the column “Gathering Rate” in the applicable Fee Schedule attached hereto as Attachment A.

“Governmental Authority” means any federal, state, local, tribal, or foreign government, court of competent jurisdiction, administrative or regulatory body, agency, bureau, commission, governing body of any national securities exchange, or other governmental authority or instrumentality in any domestic or foreign jurisdiction, and including any relevant subdivision of any of the foregoing.

“Interest Rate” means an annual rate of interest equal to the lesser of (i) a rate equal to LIBOR plus three hundred (300) basis points and (ii) the maximum rate permitted by applicable Law.

“Intrasystem Transfer” means an exchange of title of Crude between Shippers on the Operator's System.

“LACT” means lease automated custody transfer and facilities.

“Law” means 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, or any amendment or modification of any of the foregoing, in each case: (i) whether legislative, municipal, administrative, or judicial in nature; and (ii) that is enacted, adopted, passed, promulgated, made, or put into effect by or under the authority of any Governmental Authority.

“Lease Tank Batter(ies)” means any facilities where Shipper has installed lease tanks at or near specified well(s) in order to receive and aggregate Crude volumes produced from such well(s) in anticipation of (and to facilitate) delivery of such Crude volumes at the relevant Receipt Point(s).

“LIBOR” means the offered rate per annum for deposits of U.S. dollars for a period of one Month that appears on Reuters Screen LIBOR 01 Page as of 11:00 AM (London, England time) and shall be determined as of the first Day of the applicable default period (or the next succeeding Business Day if such first Day is not a Business Day) and shall thereafter be re-determined as of the first Business Day of each succeeding Month during the applicable default

period. If no such offered rate exists, such rate will be the rate of interest per annum at which deposits of dollars in immediately available funds are offered by the principal London office of JP Morgan Chase Bank, N.A. (or another bank reasonably acceptable to the Parties if J.P. Morgan Chase Bank, N.A. ceases to offer such rate) at 11:00 A.M. (London, England time), as of the applicable date of determination in the London interbank market for a period of one Month.

“Line Fill” means the static volume of Crude needed to occupy the physical space within the Operator’s System that Operator reasonably believes is necessary or prudent for the efficient operation thereof.

“Month” means a period beginning at 7:00 a.m., Central Time, on the first Day of the relevant calendar month and ending immediately prior to 7:00 a.m., Central Time, on the first Day of the next calendar month.

“Nomination” means, with respect to each Day during any Month, a binding notice from Shipper to Operator requesting that Operator receive, transport, and deliver for Shipper, from the Receipt Point(s) to the Delivery Point(s) specified in such notice, a specified volume of Crude on such Day.

“Non-Conforming Crude” means Crude that does not meet the Quality Specifications of Operator set forth in Rule 27.

“Operator” means Gibson Energy Infrastructure, LLC, a Delaware limited liability company.

“Operator’s System” means Operator’s Crude gathering and transportation system and associated system facilities on which Crude is gathered and transported hereunder.

“Party” means either Operator or Shipper, individually, and “Parties” means Operator and Shipper, collectively.

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

“PLA” means, with respect to each Barrel of Crude received by Operator at the Receipt Point(s), the pipeline loss allowance specified on the applicable Rates and Fees Tariff.

“Proration” has the meaning set forth in this tariff in Rule 30.

“Proration Month” has the meaning set forth in this tariff in Rule 30.

“Prorated Capacity” has the meaning set forth in this tariff in Rule 30.

“Quality Specifications” has the meaning set forth in this tariff in Rule 27.

“Receipt” means transfer from Shipper at origin to Operator for transportation.

“Receipt Point” means each point of interconnection between the Operator’s System and (i) any Lease Tank Battery, (ii) any other Shipper facilities (in the event Shipper constructs facilities to connect with Operator’s System) or (iii) any other facilities mutually agreed to by the Parties; in each case, as such points of interconnection are identified under the column titled “Receipt Point” in the applicable Fee Schedule attached hereto as Attachment A, or as otherwise agreed in writing by the Parties; provided, however, that if LACT measurement facilities have been installed at or near any such point of interconnection, then the inlet flange of such LACT measurement facilities shall be the “Receipt Point” with respect to such point of interconnection.

“Segment 1” means the segment on the Operator’s System from each tank battery or other point of connection at which Operator is physically able to receive Crude Oil into the Pyote East Pipeline (Segment 1 Receipt Point) to the Pyote East Pipeline (Segment 1 Delivery Point).

“Segment 2” means the segment on the Operator’s System from the Receipt Point of the Pyote East Pipeline (Segment 2 Receipt Point) to the Gibson Wink Terminal (Segment 2 Delivery Point).

“Shipper” means any party who gives notice to transport Crude under the provisions outlined in this tariff.

“Shipment Notice” means a binding notice of the Nominations with respect to each Day during the subsequent Month.

“Summer” means the calendar months of May through September.

“Third Party” means any Person other than a Party or an Affiliate of a Party.

“Third Party Buyer” means any Third Party who purchases from Shipper (or any of its Affiliates), at or before the Receipt Point(s), any volume of Purchased Crude.

## **Rule 22      Gathering and Transportation Services**

Subject to the terms of this tariff and any other applicable tariff, for all volumes of Crude delivered by Shipper at a Receipt Point pursuant to a Nomination confirmed by Operator: (a) Operator shall receive and accept at the Receipt Point(s) such volumes of Crude in accordance with such Nomination; and (b) Operator shall gather, transport, and deliver to Shipper at the Delivery Point(s) such volumes of Crude (less PLA and Evaporation & Shrinkage Deduction) in accordance with such Nomination; in each case subject to and in accordance with this tariff and any other applicable tariff.

## **Rule 23      Nominations**

Commencing as of the Month during which Operator notifies Shipper that Operator is ready to commence commercial service with respect to the receipt, gathering, transportation, and delivery of Shipper’s Crude hereunder from one or more Receipt Point(s) to one or more Delivery Point(s), and with respect to each Month thereafter:

- (a) On or before the 25<sup>th</sup> Day of each such Month, Shipper shall furnish a Shipment Notice that specifies the origins, destination, and a description of the Crude (including grade) offered to Operator. If Shipper does not furnish such Shipment Notice, Operator will be under no obligation to accept such Crude for transportation.

Provided, however, that Shipper may submit a new or modified Nomination with respect to Crude volumes to be delivered on any Day not later than 6:00 a.m., Central Time, on the last Business Day, preceding such Day, in which case Operator shall have the right, in its sole reasonable discretion, to confirm or reject (in whole or in part) such Nomination.

#### **Rule 24 Changes to Nominations**

As soon as reasonably practicable, but in any event prior to the last deadline by which Operator is willing to receive new or modified Nominations under this tariff or any other applicable tariff, Shipper will provide to Operator a new or modified Nomination (together with any other information reasonably requested by Operator in relation thereto) with respect to any anticipated adjustments to the volumes of Crude to be delivered.

#### **Rule 25 Storage**

Operator will use its operational storage facilities, as necessary, to manage the Operator's System to allow for the gathering and transportation of Crude volumes pursuant to Shipper's Nominations for transportation to the Delivery Point(s). Operator will not accept for gathering or transportation any Crude volumes for which Shipper has not made the necessary arrangements for shipment beyond the Delivery Point(s) or has not provided the necessary facilities for receiving such Crude as and when they arrive at the Delivery Point(s). Provisions for storage during transit in facilities furnished by Shipper at points on Operator's System will be permitted to the extent authorized by Operator.

#### **Rule 26 Measurement**

Measurement. The following measurement provisions shall apply to all volumes of Crude gathered and transported:

- (a) All measurements shall be made by meters generally acceptable in the industry according to the API/ASTM Standard Method then in effect.
- (b) All measurements and tests, including those for quality analysis, shall be made in accordance with the latest ASTM or ASME-API (Petroleum PD Meter Code) published methods then in effect, whichever apply.
- (c) Volume and gravity shall be adjusted to 60° Fahrenheit by the use of Table 6A and 5A of the Petroleum Measurement Tables ASTM Designation D1250 in their latest revision.
- (d) Full deduction for all free water and BS&W content shall be made according to the API/ASTM Standard Method then in effect.

- (e) Either Party shall have the right to have a representative witness all gauges, tests, and measurements. Except for arithmetic errors, in the absence of the other Party's representative, such gauges, tests, and measurements shall be deemed to be correct.
- (f) If Shipper desires to use Operator's measurement reports or data to satisfy Shipper's reporting requirements to any Governmental Authority, then Shipper is responsible for obtaining any license, permission, or any other authorization necessary for Shipper to use such reports or data. Shipper will use such reports or data solely at its own risk.

## **Rule 27      Quality Specifications**

Operator will from time to time determine the quality and general characteristics of Crude Oil that[N] it will regularly transport as a Common Stream between Receipt Point(s) and Delivery Point(s) on the Operator's System. Operator will inform Shippers of such Crude quality and general characteristics upon request. Crude quality and general characteristics include, but are not limited to, whole crude properties such as A.P.I. gravity, sulfur, BS&W, Reid Vapor Pressure, pour point, viscosity, hydrogen sulfide, metals, nitrogen, chlorinated and/or oxygenated hydrocarbons, salt content, and product yields.

Operator may, from time to time, undertake to transport other or additional grades of Crude if, in the opinion of Operator, sufficient quantities are nominated and facilities are available to justify transportation of such other or additional grades. Further, Operator may, after giving reasonable notice to Shippers who may be affected, cease transporting particular grades of Crude. In addition, Operator may from time to time refuse to accept Crude for transportation if it is reasonably likely to materially adversely affect the quality of other shipments or cause disadvantage to other Shippers.

Any Crude that does not meet the following specifications shall be considered Non-Conforming Crude:

- a) Crude must be properly settled and contain no more than one percent (1%) of BS&W, and
- b) Crude must not contain additives or contaminants including, but not limited to, hydrogen sulfide (H<sub>2</sub>S) greater than 5 ppm or carbon dioxide (CO<sub>2</sub>) at levels that degrade the commercial value of the Crude or corrode the Operator's System, and
- c) have a temperature not in excess of ninety degrees (90°) Fahrenheit, except during the Summer, and
- d) its gravity, viscosity, pour point, and other characteristics must be such that it will be readily susceptible to transportation through Operator's existing facilities, and
- e) must not have a Reid Vapor Pressure in excess of nine (9) pounds per square inch absolute and/or an API gravity in excess of 84.9°, and



- f) must not be tendered by a Shipper that has failed to comply with applicable laws, rules, and regulations made by Government Authorities regulating shipment of Crude on the Operator's System, and
- g) if Crude is tendered from tankage, settled bottoms in such tanks must not be above a point four inches (4") below the bottom of the pipeline connection with the tank from which it enters the Operator's System, and
- h) must not contain any impure substances, including but not limited to, chlorinated and/or oxygenated hydrocarbons, organic chlorides, arsenic, lead and/or other metals.

Quality specifications of a connecting operator may be imposed upon Operator when such limits are less than that of Operator, in which case the limitations of the connecting operator will be applied.[N]

If a Shipper has delivered to the Operator's System Non-Conforming Crude at a Receipt Point, Operator may, in its sole discretion:

- a) reject any further deliveries of Crude from such Shipper at such Receipt Point until such time as such Shipper has demonstrated to Operator's reasonable satisfaction that future deliveries from Shipper at such Receipt Point will meet the Quality Specifications of this Rule 27; or
- b) accept the Non-Conforming Crude and charge Shipper the cost of treating the Non-Conforming Crude so that the Crude meets the Quality Specifications.

Further, Operator reserves the right to dispose of any Non-Conforming Crude that is adversely affecting its Operator's System. Disposal thereof, if necessary, may be made in any reasonable commercial manner, and any liability associated with such Non-Conforming Crude shall be borne by the Shipper introducing the Non-Conforming Crude into the Operator's System, except to the extent any such liability is caused by the negligence, gross negligence, or willful misconduct of Operator.

Shippers are required to furnish Crude assays upon the request of Operator so that quality determinations can be made. If Operator determines that the Crude tendered for transportation does not meet the specifications contained herein or, in the opinion of Operator, differs materially in character from Crude being transported by Operator, transportation may be either refused or only offered under such terms and conditions agreed to by Operator and Shipper and consistent with this tariff.

All receipts of Crude having an API gravity of 45.0 or above shall also be subject to a deduction to cover shrinkage and evaporation ("Evaporation and Shrinkage Deduction"). Such deduction shall be determined in accordance with the following table:

API Gravity, Degrees	Additional Deduction for Incremental Evaporation & Shrinkage
45.0 through 47.9 [N]	1%
48.0 through 59.9 [N]	2.5%
60.0 through 74.9 [N]	3%
75.0 and above	5%

**Rule 28 Imbalances**

Any and all imbalances will be subject to the following:

- (a) Volumes of Crude delivered by Operator to Shipper or for Shipper's account at the Delivery Point(s) shall conform as closely as possible to the volumes nominated by Shipper for delivery by Operator that Day at the Delivery Point(s), less PLA and Evaporation & Shrinkage Deduction, except that Operator may conform such volumes to the volumes of Crude actually received from Shipper at the Receipt Point(s); and
- (b) Notwithstanding anything herein to the contrary, Operator may at any time temporarily interrupt or curtail receipts or deliveries of Crude, or adjust Shipper's Nominations therefor, in order to resolve any current or anticipated imbalances between such receipts and deliveries on the Operator' System.

**Rule 29 Line Fill Obligation**

Operator shall require Shipper to supply a pro rata share of Crude ("Line Fill") and inventory necessary for efficient operation of Operator's System. Shipper's Line Fill obligation is as follows:

- (a) Each Shipper shall supply its quantity of Line Fill as determined from time to time by Operator ("Required Line Fill"). Operator shall redetermine each Shipper's Required Line Fill requirements monthly based on each Shipper's proportionate share of Nominated throughput.
- (b) If Shipper fails to supply the Required Line Fill volumes as requested by Operator in Rule 29 (a), then Operator will obtain the deficient Line Fill volumes on such Shipper's behalf, and such Shipper shall pay for all charges incurred by Operator to obtain the deficient Line Fill volumes upon receipt of Operator's invoice therefor.
- (c) If Shipper's receipts and deliveries in a Month result in Shipper's ending inventory in Operator's System at the end of a Month is at least 10% more or less than Shipper's Required Line Fill for that Month, the Shipper will be assessed a penalty as set forth below ("Required Line Fill Penalty"):

- a. If a Shipper's ending inventory in Operator's System at the end of a Month is at least 10% more than the Shipper's Required Line Fill, the Shipper will be assessed a penalty equal to the product of (i) \$1.50 per barrel multiplied by (ii) the Shipper's ending inventory for the Month less 110% of the Shipper's Required Line Fill for the Month.
- b. If a Shipper's ending inventory in Operator's System at the end of a transportation month is at least 10% less than the Shipper's Required Line Fill for that Month, the Shipper will be assessed a penalty equal to the product of (i) \$1.50 per barrel multiplied by (ii) 90% of the Shipper's Required Line Fill less the Shipper's ending inventory for the Month.
- (d) For good cause shown, including Force Majeure events and operational constraints on Operator's System, Operator may waive the Required Line Fill Penalty on a non-discriminatory basis. Crude Oil provided by Shippers for this purpose may be withdrawn only after: (1) shipments have ceased and the Shipper has notified Operator in writing of its intention to discontinue shipments in Operator's System and (2) Shipper balances have been reconciled between Shipper and Operator. Operator may require advance payment of transportation charges on the volumes to be cleared from Operator's System, and any unpaid accounts receivable, before final delivery will be made. Operator 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.

### **Rule 30 Proration Policy**

During any Month when the aggregate volume of Crude properly nominated to be transported exceeds the available capacity in Operator's System ("Proration Month"), the capacity will be allocated among all Shippers under the following Proration Procedures.

- (a) When Operator receives more Nominations in a month for transportation of Crude on Operator's System than Operator is able to transport, Operator shall allocate the capacity of Operator's System under the provisions of this Rule 30.
- (b) Capacity will be allocated on a monthly basis.
- (c) Allocated capacity of one Shipper may not be assigned, conveyed, or used by another Shipper during such time as these Proration Procedures are in effect.
- (d) Capacity will be allocated based on each Shipper's history. Each Shipper shall be allocated a volume of the capacity available to all Shippers that is equal to a fraction, the numerator of which is the total shipments by that Shipper on Operator's System[N] using the latest twelve (12) Month period, for which the Month-end processes are completed preceding the Month for which the Shipper's allocation is being calculated, and the denominator of which is the total shipments during such 12 Month period by all Shippers, multiplied by the total capacity available to all Shippers during that Month.

Operator will follow the Proration Policy set out above. The aggregate capacity available for service during the Month of allocation is the “Prorated Capacity.”

### **Rule 31 Shipper Obligation during Proration**

Shipper will be invoiced and shall be responsible for payment of an amount equal to the product of (a) the Prorated Capacity allocated to Shipper for the Proration Month multiplied by (b) the then-current tariff rate applicable to the Prorated Capacity; provided, however, in the event such Shipper is a party to a transportation or gathering agreement with Operator at that time, charges under this paragraph shall be without duplication of amounts due under the applicable agreement and shall only apply to the extent they would exceed charges due for the Proration Month under the applicable agreement. Such Shipper Obligation arises despite Shipper’s failure to deliver to Operator the entirety of its Prorated Capacity during the Proration Month in which Operator’s System[N] is prorated, unless such failure has been caused by Force Majeure as substantiated in a manner satisfactory to the Operator, in which case Shipper will not be responsible for the portion of undelivered Prorated Capacity caused by Force Majeure.

### **Rule 32 Interruptions and Curtailment**

Operator may interrupt or curtail gathering and transportation services to Shipper and any Third Party Shippers for such reasonable periods of time as may be required during events of Force Majeure and, to the extent Force Majeure does not apply:

- (a) For the purpose of performing (or allowing) any repairs, maintenance, replacement, upgrading or other work related to the Operator’s System (or any pipeline segment) or any facilities downstream of the Delivery Point(s); or
- (b) When, for any reason, the amount of Crude nominations submitted by all Shippers exceeds the Operator’s System’s (or relevant pipeline segment’s) capacity for a given Month.

If such interruption or curtailment is due to a planned outage, then Operator shall give Shipper prior notice of such interruption or curtailment not later than 30 Days prior to the commencement of the interruption or curtailment, which notice shall provide reasonable details regarding the cause and anticipated duration of such interruption and curtailment.

If such interruption or curtailment is unforeseen, Operator shall give Shipper notice of such interruption and curtailment as soon as reasonably possible, which notice shall provide reasonable details regarding the cause and anticipated duration of such interruption and curtailment.

Subject to any terms in a gathering and transportation contract between Shipper and Operator for termination of such contract for extended suspension of performance, Operator shall use reasonable commercial efforts to minimize the extent and duration of any interruption or curtailment and the impact of such interruption or curtailment on the operation of the Operator’s System.

**Rule 33 Custody and Control**

Custody and control of volumes delivered under this tariff shall pass from Shipper to Operator after the receipt by Operator at the Receipt Point(s) of such volumes of Crude, and Operator shall control and possess such volumes of Crude at and after the Receipt Point(s) and prior to the delivery, at the Delivery Point designated in the applicable Nomination, of such volumes of Crude to or for the account of Shipper. Shipper shall have custody and control of such volumes of Crude at all other times.

**Rule 34 Intrasystem Transfers**

An Intrasystem Transfer of title of Crude Petroleum will be allowed on the Operator's System for a fee of \$0.0065 per Barrel, with a \$100 per month minimum charged to the transferor; provided, however, that no Intrasystem Transfer fee shall be assessed to the transferor if the transferor pays the transportation charges to the specified transport point.

The transferee accepting volumes on an Intrasystem Transfer shall be responsible for payment of transportation charges from the transfer point to the destination.

Operator shall not be obligated to recognize any Intrasystem Transfer and shall incur no liability with respect thereto or for any losses or damages accruing to any party involved in an Intrasystem Transfer.

Operator's documentation of Intrasystem Transfers for a given Month shall be provided to Shipper on or about the 20th day of the following calendar Month.

Operator will invoice Shipper each Month for Intrasystem Transfer documentation charges on Crude transferred during the previous Month. If such invoice is not paid within 10 days after the date of invoice, Operator shall have the right to assess a late charge at an annual interest rate equivalent to 125% of the prime rate of interest charged by Citibank N. A. of New York, NY, on 90 day loans to substantial and responsible commercial borrowers as of the due date. In the event the late charge as described in the preceding sentence is greater than the maximum rate allowed by law, then the maximum rate allowed by law will be used. Such late charges shall accrue from 10 days after the date of invoice until payment is made.

**Rule 35 Commingling**

The Crude delivered by a Shipper may be commingled with Crude of Third Parties, and accordingly, the Crude delivered by Operator at the Delivery Point(s) to or for the account of a Shipper may not be the same Crude as that delivered by the Shipper to Operator into the Operator's System at the Receipt Points; provided, however, that if Operator reasonably determines that any volumes of Crude delivered (or to be delivered) by the Shipper to the Operator's System should be batched separately from any other volumes of Crude delivered (or to be delivered) by any Person to the Operator's System as a result of material differences in the applicable Quality Specifications of such volumes of Crude, then Operator shall have the right, in its sole reasonable discretion, to: (i) batch such volumes of Shipper's Crude separately from

such other volumes of Crude; and (ii) invoice Shipper for any additional costs incurred by Operator in connection with such batched volumes of Crude.

Operator shall not be liable to Shipper for changes in gravity or quality of Shipper's Crude, which may occur from commingling Shipper's Crude with other Crude in the Common Stream while in transit in the Operator's System. Operator is not obligated to deliver to Shipper the identical Crude tendered by Shipper. Operator will deliver the grade of Crude it is regularly transporting as a Common Stream. Operator shall have no responsibility in, or for, any reevaluations or settlements, which may be deemed appropriate by Shippers or Third Parties because of commingling of Crude between the Receipt Point(s) and Delivery Point(s) of such shipments by the Operator within the Common Stream.

### **Rule 36      Billing and Payment**

- (a) Generally. This section shall apply to all statements and payments required hereunder.
- (b) Statements. After the end of each Month, Operator will invoice Shipper for all amounts under the relevant dedication, gathering, and transportation contract.
- (c) Payments. The total amount (in dollars) of each invoice shall be due and payable on or before the 20<sup>th</sup> Day after the date on which such invoice was received, unless such Day is not a Business Day, in which event such payment will be due and payable not later than the next Business Day. All invoices shall be paid in full, but payment of any disputed amount shall not waive a Party's right to dispute the invoice. All payments by a Party shall be made by electronic funds transfer to the account designated by the Party or to whomever payment is due.
- (d) Delinquent Payments. Any amounts that are not disputed in good faith and are[N] not paid by the due date will be deemed delinquent and will accrue interest at the Interest Rate. Such interest shall accrue from and including the due date until but excluding the date the delinquent amount is paid in full.
- (e) Payment Disputes. A Party may dispute any invoice or statement by written notice within 12 Months following the Month in which such invoice or statement was rendered. Upon resolution of the dispute, any required payment shall be made within 30 Days of such resolution, with interest accrued at the Interest Rate from and including the due date until but excluding the due date such payment is paid in full.
- (f) Audit. Each party may, at its sole expense and during normal working hours, quarterly examine the records of the other Party to the extent necessary to verify the accuracy of any statement, charge, or computation 12 Months following the Month in which such statement, charge, or computation was rendered.

### **Rule 37      Financial Assurances**

- (a) At any time, upon the request of Operator, any prospective or existing Shipper

shall provide information to Operator that will allow Operator to determine the prospective or existing Shipper's capacity to perform any financial obligations that could arise under the terms of this tariff or the applicable Rates and Fees Tariff (collectively, "Financial Obligations"). Operator shall not be obligated to accept Crude for transportation from an existing or prospective Shipper if Shipper or prospective Shipper fails to provide the requested information to Operator within 10 days of Operator's written request, or if Operator's review of the requested information reveals that the existing or prospective Shipper does not have the capacity to perform the Financial Obligations.

- (b) Operator, upon notice to Shipper, may require one or more of the following financial assurances ("Financial Assurances") for the payment of the Financial Obligations, to be provided at the expense of the Shipper:
  - a. Prepayment;
  - b. A letter of credit in favor of Shipper in an amount sufficient to ensure payment of all Financial Obligations that could reasonably accrue due to Shipper, in a form and from a financial institution acceptable to Operator;
  - c. A guaranty in an amount sufficient to ensure payment of all Financial Obligations that could reasonably accrue due to Operator, in a form and from a third party acceptable to Operator; or
  - d. Other enforceable collateral security, including security agreements over assets of Shipper, in form and substance acceptable to Operator.
- (c) In the event Operator reasonably determines that:
  - a. The existing or prospective Shipper's financial condition is or has become impaired or unsatisfactory;
  - b. Any Financial Assurances previously provided by a Shipper no longer provide adequate security for the performance of all Financial Obligations that could reasonably accrue due to Operator; or
  - c. Operator otherwise determines that it is necessary to obtain additional Financial Assurances from Shipper, then

Shipper shall provide Financial Assurances for the payment of all Shipper's Financial Obligations. Operator shall not be obligated to accept Crude from an existing or prospective Shipper if Shipper or prospective Shipper fails to deliver the Financial Assurances to Operator within 10 days of Shipper's receipt of Operator's written request for such Financial Assurances.

### **Rule 38 Rules of Construction**

Unless the context of this tariff requires otherwise, the plural includes the singular, the singular includes the plural, and "including" has the inclusive meaning of "including without limitation."

The words “hereof,” “herein,” “hereby,” “hereunder,” and other similar terms of this tariff refer to this tariff as a whole and not exclusively to any particular provision of this tariff. All pronouns and any variations thereof will be deemed to refer to masculine, feminine, or neuter, singular, or plural, as the identity of the Person or Persons may require. Unless otherwise expressly provided, any tariff, rate schedule, agreement, instrument, or Applicable Law defined or referred to herein means such tariff, rate schedule, agreement, instrument, or Applicable Law as from time to time amended, modified, or supplemented, including (in the case of agreements or instruments) by waiver or consent and (in the case of Applicable Law) by succession of comparable successor law and includes (in the case of tariffs, rate schedules, agreements, or instruments) references to all attachments thereto and instruments incorporated therein.



**ATTACHMENT A**

**FEE SCHEDULE**

1.1. Rules and Regulations Tariff

Operator’s Rules and Regulations Tariff (Pyote East Texas Tariff No. 1.4.0) as may be amended and supplemented from time to time is incorporated herein by reference. Those provisions include definitions for certain capitalized terms and abbreviations used below.

1.2. Long Term Contractual Shipper Receipt Points and Delivery Points

Gathering Rates. For each barrel of Crude received by Operator from or on behalf of Producer hereunder at a Receipt Point(s), Producer shall pay the rates identified for each path (from the relevant Receipt Point(s) to the relevant Delivery Point(s)) under the column titled “Gathering Rate” in the tables set forth below:

Receipt Points, Delivery Points, Gathering Rates, and Transport Rates

Wink, Texas

Segment 1

Receipt Point	Delivery Point	Rate (per Barrel)
Each tank battery or other point of connection at which Operator is physically able to receive Crude Oil into the Segment 1 Delivery Point	Pyote East Pipeline	\$0.75

Segment 2

Receipt Point	Delivery Point	Rate (per Barrel)
Pyote East Pipeline	Gibson Wink Terminal	\$0.75
Pyote East Pipeline [N]	Brillhart Station [N]	\$1.35 [N]

**ATTACHMENT A**

Rate Adjustment. The rates set forth above shall be adjusted on (a) July 1<sup>st</sup> of the second year after the effective date of the tariff and (b) each July 1<sup>st</sup> thereafter. The annual adjustment shall reflect the inflation adjustments promulgated by FERC pursuant to 18 C.F.R. § 342.3(d) or any successor indexing methodology that the FERC may adopt (“Adjusted Rates”); provided, however, in no event shall such Adjusted Rates be (i) less than the initial rates set forth below and (ii) greater than a 1% adjustment per year.

Pipeline Loss Allowance (“PLA”). For each Shipper, a PLA of two-tenths of one percent (0.2%) shall apply to quantities tendered at the Segment 2 Receipt Point to Delivery Point. For each Shipper, there shall be no PLA for quantities tendered at the Segment 1 Receipt Point to Delivery Point.

Pump-over Rate

Receipt Point	Delivery Point	Pump-over Rate (per Barrel)
Gibson Wink Terminal	Storage or pipeline systems interconnected to Gibson Wink Terminal	\$0.125

**EXPLANATION OF REFERENCE MARKS**

[N] NEW