Texas R.R.C. No. 1.5.0
Cancels Texas R.R.C. No. 1.4.0

ETP CRUDE LLC

LOCAL PIPELINE TARIFF

CONTAINING RULES AND REGULATIONS
GOVERNING THE INTRASTATE TRANSPORTATION OF
CRUDE PETROLEUM

GENERAL APPLICATION

This tariff shall apply only to those tariffs that specifically incorporate this tariff, supplements to this tariff and successive issues hereof, by reference.

EFFECTIVE: December 17, 2015

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EXPLANATION OF REFERENCE MARKS:
[N] New
[U] Unchanged rate
[W] Change in wording only

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RULES AND REGULATIONS

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."

SECTION 1

[W] The following nineteen (1-19) rules are reprinted here pursuant to the requirements of the Texas Railroad Commission, Rule 3.71. Ssome provisions may be modified by subsequent provisions.

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 three thousand 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. (Amended by Rule 28)

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, 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.

Rule 3. "Barrel" Defined.

[W] For the purpose of these rules, a "barrel" of Crude Petroleum is declared to be 42 gallons of 231 cubic inches per gallon at 60 degrees Fahrenheit. (Supplemented by the definition of "barrel" in Section II.)

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 33)

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. (Amended by Rule 21)

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.

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. (Amended by Rule 30)

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) (Superseded by Rule 31)

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 tank.

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 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 allowing 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 twenty-four (24) hours notice to the consignee, may offer oil for delivery from its common stock at the point of destination, conformable to paragraph (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 paragraph (5) of this Section) shall begin at the expiration of such notice. At the expiration of the time allowed in paragraph (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 [U] $.001 per Barrel; and thereafter at a rate of [U] $.0075 per Barrel, for each day of 24 hours or fractional part thereof. (Superseded by Rule 24)

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. (Amended by Rule 41)

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. (Amended by Rule 41)

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. (Clarified by Rule 25)

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.

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 Rule.

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 apportionment. (Amended by Rule 34)

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. (Amended by Rule 26)

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. (Amended by Rule 26)

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 event the shipper shall be required to pay charges only on the quantity of oil delivered. This rule shall not apply if the loss occurs because of negligence of the pipeline. (Supplemented by Rule 45)

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

Explanation of Terms and Abbreviations:

"API" as herein used means American Petroleum Institute.

"ASTM" as herein used means American Society for Testing Materials.

[W] "Barrel (Bbl)" as herein used means a barrel consisting of 42 U.S. gallons measured in accordance with API Manual of Petroleum Measurement Standards and converted to Gross Standard Volume at 60°F in accordance with the appropriate Table 6A of ASTM D-1250 in its latest version. The term "Gross Standard Volume" is as defined in API Standards, Manual of Petroleum Measurement Chapter 1, "Vocabulary" of such standards. ~~shall have the meaning set forth in Rule 3.~~

[N] "Central Production Facility" or "CPF" as herein used means the common point(s) to which the Producer will gather, in its full well stream state, its Crude Oil for the purpose of (i) separating the oil, gas and produced water and (ii) facilitating deliveries of Crude Oil to the Carrier hereunder at the Receipt Point.

"Common Stream" as herein used means Crude Petroleum moved through the Pipeline and Pipeline facilities which is commingled or intermixed with other Crude Petroleum.

"Consignee" as herein used means a party, including a connecting pipeline system, to whom Shipper has ordered Delivery of Crude Petroleum.

"Condensate" as herein used means liquid products of oil wells and gas wells resulting from condensation of petroleum hydrocarbons existing initially in gaseous phase in an underground reservoir that are recovered at the surface without resorting to processing.

[W] "Crude Petroleum" as herein used means direct liquid products of oil wells, Condensate or a mixture thereof, and is used interchangeably with the term "Crude Oil".

" ° " as herein used means degrees Fahrenheit.

"Dedicated Shipper" as herein used means any Shipper who has an executed Dedication Agreement.

"Dedication Agreement" as herein used means a Connection and Dedication Agreement, providing for the dedication or commitment of reserves, or a Tank Lease Agreement that provides for the commitment of resources to ETP Crude LLC.

"Delivery" as herein used means transfer from Pipeline Operator at destination to Shipper or Consignee.

[N] "Delivery Point" as herein used means the destination points at which Carrier will re-deliver Shipper's Crude Oil to Shipper or Shipper's Consignee.

"Gross Standard Volume" as herein used means volume corrected to a temperature of sixty degrees (60°) Fahrenheit, in accordance with the latest API/ASTM measurement standards, and at equilibrium vapor pressure.

[N] "LACT" as herein used means Lease Automatic Custody Transfer units downstream of each CPF that allow for the delivery of Crude Petroleum to Carrier at a Receipt Point.

[N] "Legal Requirement" as herein used means any applicable law, statute, code, ordinance, order, rule, regulation, judgment, decree, injunction, franchise, permit, certificate, license, authorization, or other directional requirement of any Governmental Authority.

"Net Standard Volume" as herein used means Gross Standard Volume less deductions of impurities shown by tests made by Pipeline Operator prior to Receipt and upon Delivery.

[W] "New Shipper" as herein used ~~shall~~ means any Shipper who is not a Regular Shipper or a Reserved Capacity ~~contract~~ Shipper.

"Nomination" as herein used means written designation by a Shipper to the Pipeline Operator of an approximate quantity of Crude Petroleum for transportation from specified origin point(s) to a specified destination point(s) over a period of one calendar month in accordance with these rules and regulations.

"Nomination Date" as herein used means twenty-fifth (25th) of the month preceding the movement; provided that if the twenty-fifth (25th) of such month falls on a weekend, the date shall be the preceding workday, and further provided that if the twenty-fifth (25th) of such month falls on a holiday the date shall be two (2) workdays prior to the holiday.

[N] "Non-Conforming Crude Petroleum" as herein used means Crude Petroleum that does not meet the quality specifications of Pipeline Operator set forth in Rule 28.

[N] "Party" as herein used means either Shipper or Carrier, individually, and "Parties" means Shipper and Carrier, collectively.

[W] "Pipeline" as herein used means the pipeline and all facilities owned and operated by Carrier for transportation of Crude Petroleum that extends from and to the points set forth in this tariff.

"Pipeline Capacity" as herein used means the volume of Crude Petroleum throughput capacity of the Pipeline, as reasonably determined by Pipeline Operator.

[W] "Pipeline Operator" as herein used means ETP Crude LLC and is synonymous with "Carrier" as such term is used in any agreement for service hereunder.

[N] "Proration Month" as herein used shall mean any month in which Nominations of all Shippers on the Pipeline exceed the Pipeline Capacity.

"Receipt" as herein used means transfer from Shipper at origin to Pipeline Operator for transportation.

[N] "Receipt Point" as herein used means each point of origin at which Carrier will receive Shipper's Crude Oil hereunder into the Pipeline from the CPFs.

[N] "Reference Rate" as herein used means the rate per annum equal to the lesser of (i) three (3) percentage points above the prime rate of Citibank, N.A., New York, New York (or any successor thereof) and (ii) the maximum rate permitted under applicable Legal Requirements.

[W] "Regular Shipper" ~~is~~ as herein used means any Shipper that is not a Reserved Capacity shipper that has ~~having~~ a record of movements in the Pipeline ~~that is subject to proration,~~ for the twelve (12) months prior to the month of a pro rationing period. ~~apportionment.~~

[N] "Reserved Capacity" as herein used means a daily quantity of Crude Petroleum transportation capacity that Pipeline Operator reserves for Shipper's use.

[N] "Reserved Capacity Shipper" as herein used means a Party who contracts with Pipeline Operator for the transportation of Crude Petroleum pursuant to a rate schedule that requires such Shipper to pay for capacity reserved in the Pipeline regardless of usage.

"Shipper" as herein used means a Party who contracts with Pipeline Operator for the transportation of Crude Petroleum under the terms of this tariff.

"Single Delivery" as used herein means a Delivery of Crude Petroleum in one continuous operation to one or more Consignees into a single facility, furnished by such Consignee or Consignees, to which the Pipeline is connected.

[N] "Summer" as herein used means the months of May through September.

"TRRC" as used herein means the Texas Railroad Commission.

Rule 20. Common Stream Contamination- Rule 1 contained herein shall be amended as follows:

If Crude Petroleum is tendered that is materially different in character and/or quality from that usually produced in the field, Pipeline Operator, in its sole discretion, may reject such tender to prevent contamination of the Common Stream.

Rule 21. Storage- Rule 5 contained herein shall be amended as follows:

The Pipeline Operator has working tanks required in the process of transporting Crude Petroleum but no other available tankage and therefore, unless otherwise specifically stated in a separate tariff making reference to these rules and regulations, Pipeline Operator 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 the Pipeline will be permitted to the extent authorized under individual tariffs lawfully on file with the Texas Railroad Commission.

Rule 22. Intentionally Left Blank.

Rule 23. Intentionally Left Blank.

Rule 24. Notice of Arrival, Delivery at Destination, Demurrage- Rule 10 contained herein shall be superseded as follows:

A. Pipeline Operator shall transport Crude Petroleum with reasonable diligence, considering the quality of the Crude Petroleum, the distance of transportation, and other material elements. Pipeline Operator shall not be required to deliver Crude Petroleum to a particular destination, at a particular time. At any time after Receipt of a consignment of Crude Petroleum, upon twenty-four (24) hours notice to the Consignee, Pipeline Operator may offer Crude Petroleum for Delivery at the point of destination. Shipper or Consignee shall accept and receive said Crude Petroleum with reasonable dispatch into tanks or receptacles arranged for or provided by the Shipper or Consignee.

B. If Shipper or Consignee do not timely receive said Crude Petroleum, then commencing after the first seven o'clock a.m., after expiration of said twenty-four (24) hour notice, Pipeline Operator 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 1.05 cents per Barrel per day for each day of twenty-four (24) hours or fractional part thereof. After expiration of said twenty-four (24) hour notice, Pipeline Operator'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 the Shipper, or Consignee, is unable or refuses to receive said Crude Petroleum as it arrives at the specified destination, Pipeline Operator reserves the right to make whatever arrangements for disposition of the Crude Petroleum it deems appropriate in order to clear its Pipeline. Any additional expenses incurred by Pipeline Operator in making such arrangements shall be borne by the Shipper or Consignee.

Rule 25. Telecommunications-Rule 13 contained herein is not applicable to the pipelines or facilities operated under this tariff.

Rule 26. Interconnections for Receipts and Deliveries- Rules 17 and 18 contained herein shall be amended as follows:

Pipeline Operator will accept Crude Petroleum for transportation only when the Shipper or Consignee has provided the necessary facilities for delivering Crude Petroleum into the Pipeline at the point of origin and has made the necessary arrangements for shipment beyond or has provided the necessary facilities for receiving said Crude Petroleum as it arrives at the destination.

Pipeline Operator shall not be obligated to provide connections or facilities for the exchange of Crude Petroleum unless the Shipper or producer requesting such connection can demonstrate compliance with Pipeline Operator's connection and Delivery specifications.

Pipeline Operator will determine and advise Shippers of the size and capacity of pipelines, tanks and/or metering facilities to be provided by Shipper at the point of Receipt to meet the operating conditions of Pipeline Operator's facilities at such point. Pipeline Operator will not accept Crude Petroleum for transportation unless such facilities have been provided and meet industry standards.

The Pipeline Operator may refuse to accept Crude Petroleum for transportation unless satisfactory written evidence is furnished that the Shipper or Consignee has provided the necessary facilities for the prompt receiving of said Crude Petroleum at its destination.

[N] The Pipeline Operator shall have no obligation to sell additional Reserved Capacity if Pipeline Operator determines, within its sole discretion, that it does not have the capacity to provide additional Reserved Capacity. In addition, Pipeline Operator shall have the right to sell any unused Reserved Capacity, subject to the rights of Reserved Capacity Shippers under any applicable transportation contract.

Connections to the Pipeline will only be considered if made by formal written notification to Pipeline Operator. All connections will be subject to design requirements necessary to protect the safety, security, integrity and efficient operation of the Pipeline in accordance with generally accepted industry standards. Acceptance of any request for connection will be subject to compliance with governmental regulations.

[W] Rule 27. ~~Intentionally Left Blank.~~ Basic Sediment, How Determined – Temperature

In determining the amount of sediment, water or other impurities, Pipeline Operator is authorized to make a test of the Crude Petroleum offered for transportation from an average sample from each tank, by the use of centrifugal machine, or by the use of any other appliance agreed upon by the Pipeline Operator 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 Crude Petroleum. Pipeline Operator shall not be required to receive for transportation, nor shall Consignee be required to accept as a delivery, any Crude Petroleum of a higher temperature than 90 degrees Fahrenheit, except that during the Summer, Crude Petroleum shall be received at any atmospheric temperature, and may be delivered at like temperature. Consignee shall have the same right to test the Crude Petroleum upon delivery at destination that the Pipeline Operator has to test before receiving from the Shipper.

Rule 28. Specifications and Restrictions.

A. Pipeline Operator will from time to time determine the quality and general characteristics of Crude Petroleum it will regularly transport as a Common Stream between particular origin points and destination points on the Pipeline. Pipeline Operator will inform all interested persons of such Crude Petroleum quality and general characteristics upon request by them. Changes in Crude Petroleum quality standards will be made by new tariff filings. Crude Petroleum quality and general characteristics include, but are not limited to, whole crude properties such as A.P.I.

gravity, sulfur, S. & W., Reid Vapor Pressure, pour point, viscosity, hydrogen sulfide, metals, nitrogen, chlorinated and/or oxygenated hydrocarbons, salt content, and product yields.

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

C. [N] Any Crude Petroleum that does not meet the following specifications shall be considered Non-Conforming Crude Petroleum:

a. Crude Petroleum must be properly settled and contain not more than one percent (1%) of basic sediment and water, and
b. have a temperature not in excess of ninety degrees (90°) Fahrenheit, except during the Summer, and
c. its gravity, viscosity, pour point, and other characteristics must be such that it will be readily susceptible to transportation through Carrier 's existing facilities, and
d. 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
e. must not be tendered by Shipper that has failed to comply with applicable laws, rules, and regulations made by Government Authorities regulating shipment of Crude Petroleum on the Pipeline, and
f. if Crude Petroleum 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 Pipeline, and
g. must not contain impure substances, including but not limited to chlorinated and/or oxygenated hydrocarbons, arsenic, lead and/or other metals.

D. [N] If a Shipper has delivered to the Pipeline Non-Conforming Crude Petroleum at a Receipt Point, Carrier may reject any further deliveries of Crude Petroleum from such Shipper at such Receipt Point until such time as such Shipper has demonstrated to Carrier's reasonable satisfaction that future deliveries from Shipper at such Receipt Point will meet the quality specifications of this Rule 28. Further, Carrier reserves the right to dispose of any Non-Conforming Crude Petroleum that is adversely affecting its Pipeline. Disposal thereof, if necessary, may be made in any reasonable commercial manner, and any liability associated with such Non-Conforming Crude Petroleum shall be borne by the Shipper introducing the Non-Conforming Crude Petroleum into the Pipeline, except to the extent any such liability is caused by the negligence, gross negligence or willful misconduct of Carrier.

~~E. No Crude Petroleum will be accepted for transportation except merchantable Crude Petroleum which is properly settled and contains not more than one percent (1%) of basic sediment, water, and other impurities, and has a temperature not in excess of one hundred degrees (100°) Fahrenheit and its gravity, viscosity, pour point, and other characteristics are such that it will be readily susceptible to transportation through Pipeline Operator 's existing facilities, and will not materially affect the quality of other shipments or cause disadvantage to other Shippers and/or Pipeline Operator. In addition, Pipeline Operator reserves the right to reject (any and all of, but not limited to) the following shipments: (1) Crude Petroleum having 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 (2) Crude Petroleum where the Shipper or Consignee has failed to comply with applicable laws, rules, and regulations made by government authorities regulating shipment of Crude Petroleum. If Crude Petroleum is accepted 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 Pipeline.~~

F. ~~If, upon investigation, Pipeline Operator determines that a Shipper has delivered to the Pipeline Crude Petroleum that has been contaminated by the existence of and/or excess amounts of impure substances, including but not limited to, chlorinated and/or oxygenated hydrocarbons, arsenic, lead and/or other metals, such Shipper will be excluded from further entry into the Pipeline until such time as quality specifications are met to the satisfaction of Pipeline Operator. Further, Pipeline Operator reserves the right to dispose of any contaminated Crude Petroleum blocking its Pipeline. Disposal thereof, if necessary, may be made in any reasonable commercial manner, and any liability associated with the contamination or disposal of any Crude Petroleum shall be borne by the Shipper introducing the contaminated Crude Petroleum into the Pipeline.~~

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

G. ~~Crude Petroleum accepted by Carrier for transportation and destined for Delivery to Basin Pipeline's Domestic Sweet and Super Sweet common streams must meet Basin Pipeline's specifications set forth below:~~

~~Common Stream~~	~~API Gravity~~	~~Sulfur Content Maximum Percent By Weight~~
~~Domestic Sweet~~	~~37 – 42 degrees~~	~~0.40~~
~~Super Sweet~~	~~38 – 45 degress~~	~~0.35~~

~~Quality specifications of a connecting carrier may be imposed upon Shipper when such limits are less than that of Carrier, in which case the limitations of the connecting carrier shall be applied.~~

Rule 29. Intentionally Left Blank.

Rule 30. Nominations and Scheduling.

All Shippers and Consignees desiring to ship or receive Crude Petroleum through the Pipelines of Pipeline Operator shall provide Pipeline Operator, in writing, a Nomination containing the following information, and any other such information reasonably requested by Pipeline Operator to schedule and dispatch each shipment of Crude Petroleum: the kind, quantity, Receipt point, sequence of Delivery, Delivery point and Shipper of each proposed shipment of Crude Petroleum. The following shall also apply to Nominations which amend Rule 7:

A. Unless otherwise stated on a tariff making reference to these rules and regulations, Nominations for the transportation of Crude Petroleum for which Pipeline Operator has facilities will be accepted into the Pipeline under these rules and regulations in quantities of not less than ten thousand [W] (15~~0~~0,000) Barrels aggregate from one or more Shippers as operations permit and provided such Crude Petroleum is of similar quality and characteristics as is being transported from origin point to destination point; except that Pipeline Operator reserves the right to accept any quantity of Crude Petroleum from lease tanks or other facilities to which the Pipeline is connected if such quantity can be consolidated with other Crude Petroleum such that Pipeline Operator can make a Single Delivery of not less than ten thousand [W] (~~10~~5,000) Barrels, and Pipeline Operator will not be obligated to make any Single Delivery of less than ten thousand [W] (~~10~~5,000) Barrels, unless Pipeline Operator's operations dictate otherwise.

B. Unless such Nomination is made timely, Pipeline Operator will be under no obligation to accept Crude Petroleum for transportation. Nominations shall only include origin points and destination points set forth on the applicable tariff. Nominations must be received in writing before 12:00

noon Central Standard Time/Central Daylight Saving Time, whichever is applicable, on the Nomination Date. Pipeline Operator will inform Shippers of Pipeline Operator holidays at the time they become Shippers and thereafter on January 15 of each year in the event the holidays are changed.

C. Nominations or changes in Nominations received after the Nomination Date will not be accepted from the Nomination Date to the first day of the following month. After the first of the month, changes will be accepted only in writing and only if space is available and the additional or changed Nominations do not impair the movement of Crude Petroleum nominated prior to the Nomination Date.

D. In the event the total Nominations submitted for shipment in the Pipeline exceed the Pipeline Capacity, such Pipeline Capacity shall be prorated among all shipments according to the proration procedure set forth in Rule 34, below.

E. For each calendar month Pipeline Operator will establish a sequence for pumping Crude Petroleum through the Pipeline and will schedule the approximate time when Crude Petroleum offered for shipment will be received by Pipeline Operator at origin points and delivered by Pipeline Operator at destination points.

F. Pipeline Operator will inform each Shipper of the time within each calendar month when Crude Petroleum will be received from such Shipper at origin points and Pipeline Operator will inform each Shipper or his Consignee of the approximate time within each calendar month when Crude Petroleum will be delivered to such Shipper or Consignee at destination points.

Rule 31. Measurements and Adjustments- The following modifies and supersedes Rule 9 hereof as follows:

A. Crude Petroleum shipped hereunder shall be measured and tested by representatives of Pipeline Operator or by automatic equipment approved by Pipeline Operator. Quantities shall be determined by dynamic or static measurement methods in accordance with appropriate API standards, latest revision, and adjusted to base (reference or standard) conditions.

B. When, in Pipeline Operator's opinion, a lease operator or connecting carrier's tanks are unsafe or unsuitable for use in custody transfer because of improper connections, high bottom accumulations of any extraneous matter, incrustations on the inside of the tank walls, or any other conditions unacceptable to Pipeline Operator, Pipeline Operator may reject the use of such tank until the unacceptable conditions have been corrected. Alternatively, in the case of incrustation inside any tank, Pipeline Operator may determine and apply a correction factor to ascertain the correct tank capacity.

C. Corrections will be made for temperature from observed degrees Fahrenheit to 60 degrees Fahrenheit and for pressure to 14.696 psia. Pipeline Operator will deduct the full amount of sediment, water and other impurities as the centrifugal or other test may show.

D. Unless otherwise indicated on a tariff, a deduction of two-tenths of one percent [W] (0.12%) will be made to cover evaporation, interface losses, and other normal losses during transportation.

E. All Receipts of Crude Petroleum having an A.P.I. gravity at 44.9 degrees or above shall also be subject to a deduction to cover shrinkage and evaporation.

Such deduction shall be determined in accordance with the following table:

API Gravity, Degrees	Deduction for Incremental Evaporation & Shrinkage
44.9 through 49.9	1%
50.0 through 59.9	2%
60.0 through 74.9	3%
75.0 through 84.9	5%

On certain movements as specified in the individual tariffs referencing this tariff, Crude Petroleum, natural gas products and petroleum production injected into Carrier's system with an API gravity in excess of 84.9 degrees shall be subject to a deduction of 20%.

F. After consideration of all of the factors set forth in this Rule 31, a net balance will be determined as the quantity deliverable by Pipeline Operator, and transportation charges will be assessed on this net balance.

Rule 32. Intentionally Left Blank.

Rule 33. Liability of Parties-Rule 4 contained herein shall be supplemented, as follows:

A. Pipeline Operator shall have the right to reject any Crude Petroleum, when nominated for transportation, which may be involved in litigation, or the title of which may be in dispute, or which may be encumbered by a lien or charge of any kind, and it may require of the Shipper satisfactory evidence of its perfected and unencumbered title or satisfactory indemnity bond to protect Pipeline Operator. By nominating Crude Petroleum, the Shipper warrants and guarantees that the Shipper has good title thereto and agrees to hold Pipeline Operator harmless for any and all loss, cost, liability, damage and/or expense resulting from failure of title thereto; provided, that acceptance for transportation shall not be deemed a representation by Pipeline Operator as to acceptance of Shipper's good title.

B. As a condition to Pipeline Operator's acceptance of Crude Petroleum under this tariff, each Shipper agrees to defend, indemnify and hold harmless Pipeline Operator against claims or actions for injury and/or death of any and all persons whomever and for damage to property of or any other loss sustained by Pipeline Operator, Shipper, Consignee and/or any third party resulting from or arising out of 1) any breach of or failure to adhere to any provision of this tariff by Shipper, Consignee, their agents, employees or representatives and 2) the negligent act(s), or failure(s) to act of Shipper, Consignee, their agents, employees or representatives in connection with Delivery or Receipt of Crude Petroleum.

Rule 34. Proration- The following modifies and supersedes Rule 16 hereof as follows:

A. [W] During any month for which ~~When there shall be nominated to Pipeline Operator, for transportation,~~ more Crude Petroleum is nominated to Pipeline Operator than can be immediately transported ~~by Shipper on the Pipeline~~, ~~the transportation furnished by~~ Pipeline Operator will allocate Pipeline Capacity ~~shall be apportioned~~ among Shippers as set forth herein for such Proration Month.

B. [W] Available ~~Net~~ Pipeline Capacity shall be allocated first among Reserved Capacity Shippers in accordance with each such Reserved Capacity Shipper's nomination up to its Reserved Capacity. Any nomination by a Reserved Capacity Shipper in excess of such shipper's Reserved Capacity shall be treated like a nomination of a Regular Shipper.

C. [W] If, after the allocation in accordance with paragraph B above, there is available capacity ("Remaining Capacity"), such Remaining Capacity will be allocated among Regular Shippers and any New Shippers as follows:

1. [W] The Remaining ~~Net Pipeline~~ Capacity ~~of the Pipeline being prorated~~ shall be divided by the total of all volumes nominated by Regular Shippers and New Shippers. The resultant fraction will be the "Proration Factor".

2. [W] Each New Shipper shall be allocated space equal to its nominated volumes multiplied by the Proration Factor, except that the capacity available to New Shippers shall not be more than 10 percent of the Remaining ~~Net Pipeline~~ Capacity.

3. [W] ~~The remaining~~ Remaining Capacity shall be allocated among Regular Shippers in proportion to their Base Period Shipments.

D. In no event shall any portion of allocated capacity to a New Shipper be used in such a manner that it will increase the allocated capacity of another Shipper beyond the allocated capacity that Shipper is entitled to under the provisions stated in this Rule 34.

E. Pipeline Operator may require written assurances from responsible officials of Shippers regarding use of allocated capacity stating that this requirement has not been violated. In the event any New Shipper shall, by any device, scheme or arrangement whatsoever, make its allocated capacity available to another Shipper, or in the event any Shipper shall receive and use any allocated capacity from a New Shipper, then, in the month following discovery of such violation, the allocated capacity of a New Shipper will be reduced to the extent of the excess capacity made available and the allocated capacity of a Shipper will be reduced to the extent of excess capacity used.

F. [W] No Nominations shall be considered beyond the amount that the nominating party has readily accessible for shipment. Once Carrier has determined the capacity allocated to each Shipper for a given Proration Month under the provisions stated in this Rule 34, it shall provide notice to each Shipper of its allocated capacity for the Proration Month. If a Shipper is unable to tender Crude Petroleum equal to the capacity allocated to it, Pipeline Operator will reduce that Shipper's volumes for the succeeding month by the amount of allocated throughput not utilized during the preceding month if apportionment is necessary. If any Shipper fails to tender Crude Petroleum during a Proration Month equal to at least ninety percent (90%) of the capacity allocated to it for that Proration Month, such Shipper shall be nonetheless obligated to pay to Pipeline Operator, in the aggregate, the tariff charge due for shipment of a quantity equal to ninety percent (90%) of its allocated capacity, except that this sentence will not apply to the Reserved Capacity of a Reserved Capacity Shipper.

Rule 35. Payment of Transportation and Other Charges- Supersedes the provisions of Rule 11 hereof.

A. Crude petroleum accepted for transportation shall be subject to the rates in effect on the day of Receipt of such Crude Petroleum by the Pipeline Operator, irrespective of the date of the Nomination. Unless otherwise stated in an individual tariff making reference to these rules and regulations, all other lawful charges will be collected on the basis of the net quantities of Crude Petroleum delivered. All net quantities will be determined in the manner provided in Rule 31 (Measurements and Adjustments).

~~B.~~ [W] Shipper shall be responsible for payment of transportation and all other charges applicable to the shipment (including penalties, interest and late fees), and may be required to prepay such charges or furnish an irrevocable letter of credit satisfactory to Pipeline Operator or furnish a guaranty of payment satisfactory to Pipeline Operator. Unless otherwise stated in a tariff, or on an invoice, payments shall be due and payable within twenty (20) days following the receipt of an

invoice. Payments not received by Pipeline Operator in accordance with these Rules shall be subject to a late charge equivalent to the Reference Rate. ~~one hundred and twenty-five percent (125%) of the prime rate as quoted by a major New York bank selected by Pipeline Operator, or the maximum rate allowed by law, whichever is less.~~

C. Pipeline Operator shall have a lien on all Crude Petroleum accepted for transportation to cover payment of all charges, including demurrage and late charges and may refuse to make Delivery of Crude Petroleum until all charges have been paid. If said charges, or any part thereof, shall remain unpaid for twenty (20) days following the due date, Pipeline Operator may sell Shipper's Crude Petroleum at public auction in accordance with the procedures set forth below.

D. Pipeline Operator shall have a lien on Crude Petroleum when there shall be failure to take the Crude Petroleum at the point of destination as provided in Rule 24 (Notice of Arrival, Delivery at Destination, Demurrage). Pipeline Operator shall have the right to sell said Crude Petroleum at public auction, for cash. The auction will be held between the hours of ten o'clock a.m. and four o'clock p.m. on any day not a weekend or legal holiday, and not less than twenty-four (24) hours after the Shipper has been officially notified of the time and place of such sale and the quantity, general description, and location of the Crude Petroleum to be sold. Pipeline Operator may be a bidder and purchaser at such sale. Out of the proceeds of said sale, Pipeline Operator shall pay itself for all transportation, demurrage, and other lawful charges, expenses of notice, advertisement, sale and other necessary expenses, and expenses of caring for and maintaining the Crude Petroleum and the balance shall be held for whomsoever may be lawfully entitled thereto after the auction. If the proceeds of said sale do not cover all expenses incurred by Pipeline Operator, the Shipper and/or Consignee are liable to Pipeline Operator for any deficiency.

Rule 36. Charge for Spill Compensation.

In addition to the transportation charges and all other charges accruing on Crude Petroleum accepted for transportation, a per Barrel charge will be assessed and collected in the amount of any tax, fee, or other charge levied against Pipeline Operator in connection with such a commodity, pursuant to any Federal, State or local act or regulation which levies a tax, fee, or other charge, on the Receipt, Delivery, transfer or transportation of such commodities within their jurisdiction for the purpose of creating a fund for the prevention, containment, cleanup and/or removal of spills and/or the reimbursement of persons sustaining loss therefrom. If such taxes, fees or other charges are levied against Pipeline Operator pursuant to this Rule 36, Pipeline Operator shall file a tariff with the TRRC.

Rule 37. Intrasystem Transfers.

An intrasystem transfer of title to Crude Petroleum will be allowed on the Pipeline for a fee of 0.52 cent per Barrel charged to the transferor, provided, however, that no 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 destination. Pipeline 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. An intrasystem transfer request, if recognized, shall be confirmed in writing by both the transferor and the transferee within seventy-two (72) hours after the request. Such request shall indicate the party to which the transfer is to be made, the amount of Crude Petroleum to be transferred, its location, grade, and a warranty statement of unencumbered title. In addition, the transferor and transferee, upon the request of Pipeline Operator and at Pipeline Operator's option, shall provide an irrevocable letter of credit or other form of security in terms satisfactory to Pipeline Operator and in an amount necessary to cover all charges and fees.

Rule 38. Volumetric Adjustment.

Any volumetric difference between Receipts from Shipper and Delivery to Shipper or Consignee during a current month as a result of scheduling will be adjusted in the following month without any further liability

to Pipeline Operator, taking into consideration all prior deductions allowed pursuant to the rules and regulations contained herein.

Rule 39. Inventory Requirements.

Prior to delivering Barrels out of the 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 the Pipeline . Crude Petroleum provided by Shippers for this purpose may be withdrawn only after: (1) shipments have ceased and the Shipper has notified Pipeline Operator in writing of its intention to discontinue shipments in the Pipeline, and (2) Shipper balances have been reconciled between Shipper and Pipeline Operator. Pipeline Operator may require advance payment of transportation charges on the volumes to be cleared from the Pipeline, and any unpaid accounts receivable, before final Delivery will be made. Pipeline Operator shall have a reasonable period of time from the Receipt of said notice, not to exceed six (6) months, to complete administrative and operational requirements incidental to Shipper withdrawal.

Rule 40. Pipeage or other Contracts Required.

[W] Additional ~~Separate pipeage and other~~ contracts in accordance with these rules and regulations covering further details may be required by the Pipeline Operator before any duty for transportation shall arise.

Rule 41. Claims for Loss or Damage-Rule 12 contained herein shall be amended as follows:

As a condition precedent to recovery for loss, damage, or delay to shipments, claims must be filed in writing with Pipeline Operator within nine (9) months after Delivery of the Crude Petroleum, or, in case of failure to make Delivery, then within nine (9) months after a reasonable time for Delivery has elapsed; and suits arising out of such claims shall be instituted against Pipeline Operator only within two (2) years and one (1) day from the day when notice in writing is given by Pipeline Operator to the claimant that Pipeline Operator has disallowed the claim or any part or parts thereof specified in the notice. Where claims are not filed or suits are not instituted thereon in accordance with the foregoing provisions, Pipeline Operator will not be liable and such claims will not be paid.

Rule 42. [W] Intentionally left blank. ~~Diversion or Reconsignment.~~

~~Crude Petroleum in transport may be diverted to a destination other than originally specified on the Nomination, or Crude Petroleum in transport may be reconsigned to another Shipper at point of destination only, provided such diversion or reconsignment is made in writing by the tendered Shipper prior to Delivery at original destination. This will be allowed subject to the rates, rules and regulations applicable from point of origin to point of final destination, upon condition that no out-of-line or backhaul movement will be made.~~

Rule 43. Material Transfers.

A material transfer charge may be charged for loading, unloading, metering and handling barrels delivered into Operator's facilities by truck or third-party pipelines, if specified on individual tariffs making reference to these rules and regulations. Such charge will be in addition to all other charges.

Rule 44. Application of Rates from and to Intermediate Points

For Crude Petroleum accepted for transportation from any point on Pipeline Operator's lines not named in a particular tariff, which is intermediate to a point from which rates are published in said tariff, through such unnamed point, the rate published from the next more distant point specified in such tariff will apply. For Crude Petroleum accepted for transportation to any point not named in a particular tariff which is intermediate to a point which rates are published in said tariff, through such unnamed point, the rate published therein to the next more distant point specified in the tariff will apply.

Rule 45. Risk of Loss.

[W] If Crude Petroleum is lost in transit, while in the custody of Pipeline Operator, due to causes other than those described in Rule 19, Pipeline Operator may obtain and deliver to Shipper other Crude Petroleum of the same quantity and grade as that which was lost, but Pipeline Operator shall not be obligated to do so. In the alternative, Pipeline Operator may compensate Shipper for such loss in money. If Pipeline Operator compensates Shipper for such loss in money, the price per Barrel shall be determined as of the date of the loss based on the value of the lost Crude Petroleum. In no event shall Pipeline Operator be liable to Shipper for consequential, incidental or exemplary damages, nor any damages not due to Pipeline Operator's negligence, gross negligence or willful misconduct.

Rule 46. Common Stream Crude – Connecting Carriers.

When both Receipts from and Deliveries to a connecting pipeline of substantially the same grade of Crude Petroleum are scheduled at the same interconnection, Pipeline Operator reserves the right, with cooperation of the operator of the connecting pipeline, to offset like volumes of such Common Stream Crude Petroleum in order to avoid the unnecessary use of energy which would be required to physically pump the offsetting volumes. When this right is exercised, Pipeline Operator will make the further deliveries for the Shipper involved from Pipeline Operator's Common Stream.

Rule 47. Shipments, Maintenance of Identity.

A. [N] Pipeline operator may deliver to Shipper or Consignee either the identical Crude Petroleum received for transportation, subject to such consequences of mixing with other Crude Petroleum as are incident to the usual pipeline transportation, or it may make delivery from its Common Stream at the Delivery Point(s), provided that any delivery shall be of Crude Petroleum of substantially like kind and market value as that tendered by Shipper, and shall comply with the quality specifications set forth herein.

~~B. Pipeline Operator shall not be liable to Shipper for changes in gravity or quality of Shipper's Crude Petroleum which may occur from commingling or intermixing Shipper's Crude Petroleum with other Crude Petroleum in the same Common Stream while in transit. Pipeline Operator is not obligated to deliver to Shipper the identical Crude Petroleum nominated by Shipper; Pipeline Operator will deliver the grade of Crude Petroleum it is regularly transporting as a Common Stream.~~

C. Pipeline Operator shall have no responsibility in, or for, any revaluation or settlements which may be deemed appropriate by Shippers and/or Consignees because of mixing or commingling of Crude Petroleum shipments between the Receipt and Delivery of such shipments by Pipeline Operator within the same Common Stream.

Rule 48. Additives.

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

Rule 49. Origin Facilities Required for Automatic Custody Transfer.

[W] When Shipper provides and/or constructs facilities (including but not limited to a LACT and/or pumping equipment) for the delivery of Crude Oil to Carrier, the design, construction, and calibration of such facilities must be approved by Carrier and any appropriate Governmental Authority having jurisdiction, if required by Legal Requirement. ~~Where Consignor (or Shipper) elects to deliver Crude Petroleum to Pipeline Operator at point of origin through automatic custody transfer facilities (in lieu of tankage), the Consignor (or Shipper) shall furnish the required automatic measuring and sampling facilities and the design, construction, and calibration of such facilities must be approved by Pipeline Operator and any appropriate regulatory body. In the event automatic custody transfer is made by~~

~~meters, the Consignor (or Shipper) shall also furnish whatever pumping service is necessary to insure that the Crude Petroleum being delivered to the meter is at a pressure in excess of the bubble point of the liquid.~~

Rule 50. Laws and Regulations.

This tariff is subject to all present and future applicable federal, state and local laws and all applicable rules, regulations and orders of any governmental authority having jurisdiction (collectively "Law"). To the extent any rule herein conflicts with any Law, the applicable rule shall be revised to comply with such Law. Pipeline Operator shall not be liable to a Shipper for the adverse consequences of a revision necessary to comply with the Law.

PLEASE NOTE: IN THE EVENT OF ANY CONFLICT BETWEEN SECTION 1 AND SECTION 2 OF THIS TARIFF, SECTION 2 WILL GOVERN.