

ENTERPRISE CRUDE PIPELINE LLC

INTERIM LOCAL TARIFF
Containing
RATES, RULES AND REGULATIONS
for
THE MIDLAND TO ECHO SYSTEM
Governing
THE TRANSPORTATION
of
CRUDE PETROLEUM
by
PIPELINE
WITHIN THE STATE OF TEXAS



Operated by Enterprise Crude Pipeline (P-5 #2531360) Under T-4 Permit No.09437.

The provisions published herein will--if effective--not result in an effect on the quality of the human environment.

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SECTION 1
RULES AND REGULATIONS OF RAILROAD COMMISSION OF TEXAS
OIL AND GAS RULE §3.71, PIPELINE TARIFFS
(The provisions of this §3.71 adopted to be effective August 25, 2003, 28 TexReg 6816)

TITLE 16 OF THE TEXAS ADMINISTRATIVE CODE (TAC) Rule § 3.71, PARAGRAPHS (1) – (19)

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."

(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 1.0% of basic sediment, water, or other impurities above a point six inches below the pipeline connection with the tank. Pipelines shall receive for transportation all such "marketable oil" tendered; but no pipeline shall be required to receive for shipment from any one person an amount exceeding 3,000 barrels of petroleum in any one day; and, if the oil tendered for transportation differs materially in character from that usually produced in the field and being transported therefrom by the pipeline, then it shall be transported under such terms as the shipper and the owner of the pipeline may agree or the commission may require.

*This deviates from TAC Rule § 3.71, Paragraph (1) in that the limit for basic sediment, water, and other impurities is 1.0 % rather than 2.0% as provided in the 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.

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

(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.

(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.

(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.

(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.

(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.

(9) **Measuring, testing, and deductions (reference Special Order Number 20-63,098 effective June 18, 1973).**

(A) Except as provided in subparagraph (B) of this paragraph, all crude oil tendered to a pipeline shall be gauged and tested by a representative of the pipeline prior to its receipt by the pipeline. The shipper may be present or represented at the gauging or testing. Quantities shall be computed from correctly compiled tank tables showing 100% of the full capacity of the tanks.

- (B) As an alternative to the method of measurement provided in subparagraph (A) of this paragraph, crude oil and condensate may be measured and tested, before transfer of custody to the initial transporter, by:
- (i) lease automatic custody transfer (LACT) equipment, provided such equipment is installed and operated in accordance with the latest revision of American Petroleum Institute (API) Manual of Petroleum Measurement Standards, Chapter 6.1, or;
 - (ii) any device or method, approved by the commission or its delegate, which yields accurate measurements of crude oil or condensate.
- (C) Adjustments to the quantities determined by the methods described in subparagraphs (A) or (B) of this paragraph shall be made for temperature from the nearest whole number degree to the basis of 60 degrees Fahrenheit 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.

(10) **Delivery and demurrage.** Each pipeline shall transport oil with reasonable diligence, considering the quality of the oil, the distance of transportation, and other material elements, but at any time after receipt of a consignment of oil, upon 24 hours' notice to the consignee, may offer oil for delivery from its common stock at the point of destination, conformable to 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 \$.001 per barrel; and thereafter at a rate of \$.0075 per barrel, for each day of 24 hours or fractional part thereof.

(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.

(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.

(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.

(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.

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

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

(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.

(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.

(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 section shall not apply if the loss occurs because of negligence of the pipeline.
- (C) Common carrier pipelines shall mail (return receipt requested) or hand deliver to landowners (persons who have legal title to the property in question) and residents (persons whose mailing address is the property in question) of land upon which a spill or leak has occurred, all spill or leak reports required by the commission for that particular spill or leak within 30 days of filing the required reports with the commission. Registration with the commission by landowners and residents for the purpose of receiving spill or leak reports shall be required every five years, with renewal registration starting January 1, 1999. If a landowner or resident is not registered with the commission, the common carrier is not required to furnish such reports to the resident or landowner.

SECTION 2 RULES AND REGULATIONS

ITEM 1 – ABBREVIATIONS AND DEFINITIONS

“API” means American Petroleum Institute.

“Barrel” means 42 United States gallons at 60° Fahrenheit and equilibrium vapor pressure of the liquid.

“Binding Nomination” means the volumes allocated to a Shipper during a period of prorating.

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

“Carrier” means Enterprise Crude Pipeline LLC.

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

“Delivery Point” means Carrier’s ECHO Terminal located in Harris County, Texas.

“Financial Assurances” has the meaning set forth in Item 19.b. of this Section 2.

“Financial Obligations” has the meaning set forth in Item 19.a of this Section 2.

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

“Nomination” or “Nominate(d)” as used herein means a written communication from a Shipper to Carrier requesting that Carrier transport for Shipper in a given month a stated volume of Product from the Receipt Point to the Delivery Point under the terms and conditions of this tariff.

“Pipeline” means the Midland to ECHO Pipeline that extends from Carrier’s Midland Terminal in Midland County, Texas to Carrier’s ECHO Terminal in Harris County, Texas.

“Pipeline Loss Allowance” or “PLA” has the meaning set forth in Item 8.g. of this Section 2.

“Product” means Crude Petroleum.

“Receipt Point” means Carrier’s Midland Terminal located in Midland County, Texas.

“Reid Vapor Pressure” is the absolute vapor pressure at 100° Fahrenheit of volatile Product herein expressed in pounds per square inch, as determined by the American Society for Testing and Materials test method D-323.

“Services” means the transportation of Product for a Shipper’s account on the Pipeline from the Receipt Point and the delivery of such Product to the Delivery Point.

“Shipper” means a party for whom Services are provided under the terms of this tariff.

“Standard Conditions” means 60° degrees Fahrenheit and 14.696 pounds per square inch absolute, which are the standardized temperature and pressure measured Product volumes are corrected to, as if the Product were at those conditions.

“Working Stock” means the volume of Product required by Carrier as pipeline line fill and at locations where Carrier owns tankage, to float tank roofs to working levels and to maintain that level and for terminal piping.

ITEM 2 – COMMODITY

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

ITEM 3 – ACCEPTANCE OF PRODUCT

- a. Subject to the further provisions of this tariff, Carrier will only accept Product for transportation on the Pipeline:
 1. that originates on the Pipeline at the Receipt Point; and
 2. when the party taking delivery of the Product has been specified in writing to Carrier.
- b. Except where Carrier provides such facilities, Carrier will only accept Product for transportation when:
 1. Shipper has provided evidence satisfactory to Carrier that Shipper has the necessary facilities to deliver Product at the Receipt Point and accept delivery of such Product promptly on arrival at the Delivery Point at pressures and volumetric flow levels required by Carrier; and
 2. Shipper's Product batch meeting the minimum batch size set forth in Item 6.d. is available for shipment at the Receipt Point at least 48 hours prior to the time scheduled for shipment.
- c. Carrier reserves the right to reject any and all Product Nominated where Shipper has failed to comply with all applicable laws, items, and regulations made by any Governmental Authority regulating shipments of Product.

ITEM 4 – SPECIFICATIONS AS TO QUALITY

a. Unless the specifications as to quality of a connecting carrier at the Delivery Point are less than those of Carrier and are imposed upon Carrier, in which case the limitations of the connecting carrier will be applied to Shipper, a Shipper shall not deliver to Carrier, and Carrier is not obligated to accept Product where, as determined by Carrier on receipt:

1. the Reid Vapor Pressure of the Product exceeds 9.0 pounds per square inch absolute, or might result in Carrier's noncompliance with federal, state, or local requirements regarding hydrocarbon emissions;
2. the kinematic viscosity exceeds 350 millimeters per second;
3. the Product is not in accordance with the following:

Grade	Minimum API Gravity (at 60°F or above)	Maximum API Gravity (at 60°F or above)	Maximum Sulfur (%)
West Texas Intermediate	38	44	0.4

4. the Product contains basic or foreign sediment and water and other impurities exceeding 1% by volume or in which the volume of water exceeds 0.5% of the volume offered for transportation;
 5. the surface of settled sediment and water and other impurities in tanks is less than four inches below the bottom of the pipeline connection from which it enters Carrier's facilities;
 6. the organic chlorides in the Product exceeds three parts per million (naphtha cut) as tested by Microcoulometry or Sodium Biphenyl methods;
 7. the Product contains any other excessive metals, chemicals, salts, refinery or chemical plant process or by-product materials, or any other material that may adversely affect downstream markets or pipelines, as determined by Carrier; or
 8. the Product does not meet specifications of connecting carriers.
- b. A Shipper shall, as required by Carrier, provide to Carrier a certificate with respect to the specifications of Product to be received by Carrier from Shipper. If a Shipper fails to provide Carrier with such certificate, then Carrier is not obligated to accept Shipper's Product. Carrier reserves the right to sample and/or test any such shipment prior to acceptance or during receipt, and in the event of variance between Shipper's certificate and Carrier's test, the latter will prevail.

c. Carrier reserves the right to refuse to accept any Product (or other product) for transportation that does not meet Carrier's specifications in paragraph a, of this Item 4, or that is not good, merchantable Product readily acceptable for transportation through the Pipeline.

d. If Carrier determines that a Shipper does not comply with the provisions of paragraph a, of this Item 4, then such Shipper shall remove its Product from the facilities of Carrier as directed by Carrier, and if Shipper fails to do so by the date and time directed by Carrier, then Carrier will have the right, at its sole discretion, to any remedy available, including the right without notice of liability to return, divert, sell, or dispose of such Product. Shipper shall reimburse Carrier for all costs and expenses incurred by Carrier in returning or otherwise disposing of such non-conforming Product.

e. If, upon investigation, Carrier determines that Shipper has delivered to Carrier's facilities Product that has contaminated a common stream, rendering all or a portion of the Product in such common stream undeliverable, Carrier reserves the right to treat or otherwise dispose of all contaminated Product in any reasonable commercial manner at Shipper's sole expense.

f. On Product received by Carrier that does not meet Carrier's deliverability requirements, Carrier reserves the right to charge an additional 100 cents per Barrel treating and handling charge.

ITEM 5 – CHANGES IN QUALITY AND SEGREGATION

a. Carrier shall endeavor to deliver substantially the same type of Product as that received from a Shipper; provided, however, Carrier is not obligated to make delivery of the identical Product received by Carrier.

b. Product tendered to Carrier for transportation will be received by Carrier on the condition that it will be subject to such changes in density or quality while in transit as may result from the transportation, commingling, or intermixing thereof, including the mixing of a Shipper's Product with other Product in the facilities of Carrier. Carrier is not liable for any damage, loss, or consequential loss resulting from a change in the density or other quality of a Shipper's Product as a result of Carrier's transportation, commingling, or intermixing of such Product, as long as such actions are done in accordance with Items 4 and 5 of this Section 2.

ITEM 6 – NOMINATIONS AND QUANTITIES ACCEPTED

a. All Shippers desiring to ship Product through the lines of Carrier shall promptly provide Carrier a Nomination with all information needed by Carrier to schedule and dispatch each shipment of Product Shipper offers to make, to satisfy Carrier that offers to ship are in good faith, and to satisfy Carrier that shipments can be transported in conformance with Carrier's tariffs. Carrier may refuse to receive Product for transportation until Shipper has provided Carrier with such information.

b. Carrier is not obligated to accept Product for transportation during any calendar month unless Shipper has provided to Carrier, on or before the 15th day of the preceding calendar month, its Nomination for the following month. If the 15th day of the preceding calendar month is a non-Business Day, then such notification will be due on the last Business Day immediately prior to the 15th day of the preceding calendar month.

c. A Shipper shall, upon notice from Carrier, provide written third-party verification as required by Carrier in support of such Shipper's Nomination to satisfy Carrier that offers to ship are in good faith, and to satisfy Carrier that shipments can be transported in conformance with Carrier's tariffs. Carrier is not obligated to accept a Shipper's Product where such verification is, in the sole discretion of Carrier, unacceptable to Carrier.

d. Carrier is not obligated to accept a Nomination or Shipper's Product if it does not meet the minimum batch size of 200,000 Barrels.

e. Carrier is not obligated to accept a Shipper's Product if the receipt flow rate at which such Product is received by Carrier is less than or greater than the receipt flow rates specified from time to time by Carrier for the Receipt Point.

f. Carrier is not obligated to make a delivery of a Shipper's Product at a delivery flow rate less than or greater than the delivery flow rates specified from time to time by Carrier for the Delivery Point.

ITEM 7 – RULES AND RATES APPLICABLE

The rates for transportation of Product are the rates in effect on the date Product is received by Carrier for transportation. Likewise, the rules and regulations governing the transportation of Product are the rules and regulations in effect on the

date Product is received by Carrier for transportation.

ITEM 8 – PAYMENT OF RATES AND LIEN FOR UNPAID CHARGES

- a. A Shipper shall pay all charges and costs as provided for in this tariff or otherwise lawfully due to Carrier relating to the transportation of Shipper's Product by Carrier. Shipper shall pay such charges and costs by no later than 20 days following Shipper's receipt of Carrier's invoice respecting such charges and costs. Shipper shall pay such charges and costs based on receipts into the Pipeline, or before acceptance by Carrier of Shipper's Product at the Receipt Point.
- b. Carrier shall have a lien on all of Shipper's Product in the custody of Carrier to secure the payment of all charges and costs as provided for or referenced in this tariff due to Carrier relating to the transportation of Shipper's Product by Carrier. Carrier may withhold Shipper's Product from delivery and may exercise any other rights and remedies provided at law or by contract, until all such charges and costs have been paid.
- c. If charges for the transportation of a Shipper's Product remain unpaid for 10 Business Days after notice of demand for payment of charges is made to such Shipper by Carrier, then Carrier will have the right to (i) 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, New York (the maximum on 90-day loans to substantial and responsible commercial borrowers or any lesser maximum interest rate permitted under Texas law) as of the due date; provided, however, that Shipper may withhold payment of disputed amounts subject to: (1) the incurrence of carrying charges thereon as specified above; and (2) Carrier's right to demand reasonable surety for such payment, and/or (ii) remove and sell any or all of such Shipper's Product that is in the possession of Carrier in such lawful manner as deemed appropriate by Carrier.
- d. Carrier shall pay from the proceeds of any sale pursuant to Item 8.c.(ii) of this Section 2 all charges and costs accruing or due relating to the transportation of such Shipper's Product by Carrier and all costs incurred by Carrier with respect to the storage, removal, and sale of such Shipper's Product. The remainder of such proceeds, if any, will be held by Carrier for Shipper and any other party lawfully entitled to such proceeds.
- e. Carrier may require that all payments to Carrier for Services be wire transferred in accordance with the instructions on Carrier's invoice to Shipper.
- f. When required, Carrier shall, with or without notice to Shipper, appoint agents to retain possession of Shipper's Product on behalf of Carrier for the purpose of enforcing the lien described in this Item 8.
- g. Carrier shall retain 0.2% of the volumes of Product received into Carrier's facilities to cover loss due to shrinkage and evaporation incident to transportation on Carrier's facilities ("Pipeline Loss Allowance" or "PLA"). PLA is settled financially pursuant to Carrier's then-effective Policy and Procedures Applicable to Shipper Over/Short Balancing and Pipeline Loss Allowance Settlement, which is available upon request. This policy will also be used to settle any over/short balances of Shipper each month.

ITEM 9 – MEASURING, TESTING, AND DEDUCTIONS

- a. All Product accepted at custody transfer points into Carrier's facilities shall be tested for basic or foreign sediment and water and other impurities and gauged or metered by Carrier's representative. Shipper will have the right to witness all proving of meters used in such measurement. Carrier reserves the right to test and measure and/or witness the testing and measurement of all deliveries from its facilities.
- b. Where the measurement is determined by tank gauge, such measurement will be based upon tanks strapped and tables compiled in accordance with Chapter 2, "Tank Calibration", API Manual of Petroleum Measurement Standards, Latest Edition, indicating 100% full capacity. Volume measurements by temperature compensated meters will be further corrected for meter factor and pressure in accordance with the API Manual of Petroleum Liquid Hydrocarbons by Pipeline Displacement Meters.
- c. Where the tank or meter of Shipper is used for volume determination for deliveries into or from Carrier's facilities, Carrier reserves the right to require restrapping or check-strapping of any such tank, the recalculation of any tank table utilized by Shipper in relation to any such tank and the proving or check-proving of any such meter.
- d. Carrier shall deduct from the volume of Product received into Carrier's facilities the actual amount of suspended basic or foreign sediment, water and other impurities as ascertained by centrifuge or other tests agreed upon.
- e. The net calculated quantity under Standard Conditions less sediment and water and other impurities volume percentage

will be the quantity received or delivered by Carrier.

- f. Carrier will not accept any material for shipment above 44° API gravity at 60° Fahrenheit.
- g. Except for manifest errors, all measurement and testing by Carrier will be conclusive if a representative of Shipper was not present during such measuring and testing and will be determinative unless contested within 90 days of receipt of appropriate documentation by Shipper.

ITEM 10 – WORKING STOCK

- a. Each Shipper shall supply its quantity of Working Stock as determined from time to time by Carrier. Carrier shall re-determine each Shipper's Working Stock requirements monthly based on each such Shipper's proportionate share of Nominated throughput.
- b. If Shipper fails to supply the Working Stock volumes as requested by Carrier in Item 10.a. of this Section 2, then Carrier will obtain the deficient Working Stock volumes on such Shipper's behalf, and such Shipper shall pay for all charges incurred by Carrier to obtain the deficient Working Stock volumes upon receipt of Carrier's invoice therefor.
- c. Subject to Carrier's operating conditions, Working Stock may be withdrawn after not less than 60 days' advance written notice to Carrier of Shipper's intention to discontinue shipments through the Pipeline pursuant to this tariff.
- d. Carrier may require advance payment of transportation charges on the volumes to be delivered from Carrier's pipeline system, and any unpaid accounts receivable, before final delivery will be made. Carrier will have a reasonable period of time after the receipt of said notice to complete administrative and operational requirements incident to Shipper's withdrawal of the Product.

ITEM 11 – DELIVERY AND ACCEPTANCE

- a. Carrier shall transport and deliver Product with reasonable diligence and dispatch, but will not be required to transport Product in time for any particular market.
- b. A Shipper, or its designee, shall accept and remove such Shipper's Product upon arrival at the Delivery Point.
- c. If a Shipper fails to accept and remove its Product from the facilities of Carrier in accordance with the provisions of Item 11.b. of this Section 2, then Carrier will have the right to remove and sell such Product in such lawful manner as deemed appropriate by Carrier. Carrier shall pay from the proceeds of such sale all costs incurred by Carrier with respect to the storage, removal, and sale of such Product. The remainder of such proceeds, if any, will be held by Carrier for Shipper and any other party lawfully entitled to such proceeds.

ITEM 12 – LIABILITY OF CARRIER

Carrier is not liable to Shipper for any delay in delivery or for any loss of Product caused by an act of God, public enemy, quarantine, authority of law, strikes, riots, fire, floods, or by act of default of Shipper or its consignee, or resulting from any other cause, whether similar or dissimilar to the causes herein enumerated. Any such loss will be apportioned by Carrier to each shipment of Product or portion thereof involved in such loss in the proportion that such shipment or portion thereof

bears to the total of all Product in the loss, and each Shipper and/or consignee will be entitled to receive only that portion of its shipment remaining after deducting its proportion as above determined of such loss. Carrier shall prepare and submit a statement to Shipper and consignee showing the apportionment of any such loss.

Carrier operates under this tariff solely as a common carrier and not as an owner, manufacturer, or seller of the Product transported or stored hereunder, and Carrier expressly disclaims any liability for any express or implied warranty for Products transported or stored hereunder, including any warranties of merchantability or fitness for a particular purpose.

Without limiting any other rights of Carrier hereunder, for all Services provided for and received under this tariff, Shipper will indemnify and defend Carrier from any claims, liabilities, or losses (including costs of defense and reasonable attorney's fees), including claims for personal injury, death, or property damage involving Carrier, Shipper, consignee, or third parties based on or arising out of Carrier's performance of such Services where such Services are performed in accordance with applicable federal, state, or local statutes, regulations, or ordinances. This indemnification will include services such as the provision of emergency response numbers and will include claims of any nature, legal or equitable, whether based on strict liability, negligence, breach of warranty, or any other cause of action.

ITEM 13 – INDEMNIFICATION BY SHIPPER

A Shipper shall indemnify Carrier for any damages, losses, costs, or consequential losses incurred by Carrier or any other party as a result of such Shipper's failure to comply with any provision of this tariff.

ITEM 14 – PRORATIONING

- a. In the event Shippers offer to ship more Product via a particular pipeline or segment of line during any period of time than can be pumped through such line or segment of line during such period, then Carrier shall accept and transport, during such period, only that portion of each good-faith offer to ship that Carrier determines to be equitable to all Shippers.
- b. If any Shipper fails to tender volumes during a month equal to 100% of its Binding Nomination for that month, that Shipper shall pay to Carrier, in the aggregate, the tariff charge for 100% of the Binding Nomination.

ITEM 15 – REQUESTED CHANGE BY SHIPPER

Subject to the operating conditions of the facilities of Carrier, Carrier may upon the written request of a Shipper, allow a Shipper to change:

- i. the designated volume and type of its Product that will originate on the Pipeline at the Receipt Point; or
- ii. the designated volume and type of its Product to be delivered to a Delivery Point.

ITEM 16 – INLINE CHANGE IN OWNERSHIP

- a. Notice of change in ownership of Product shall be recognized and recorded only where such Product entered Carrier's system and only on a monthly basis. Statements denoting ownership transactions shall be provided to the applicable transferors and transferees. Carrier shall not provide any information as to the quality of the Product subject to changes in ownership except for gravity on current receipts when requested. Each transferor shall be charged \$0.0075 per Barrel (which will be applied on a separate invoice) for recognizing and recording the change in ownership and, if required shall pay said charge prior to the recognizing and recording of such change. The transferor, at Carrier's option, shall provide an irrevocable letter of credit satisfactory to Carrier prior to such recognizing and recording. The recognition by Carrier of a change in ownership of Product requires the recording thereof, and Carrier is entitled to a lien for all such charges and fees.
- b. Carrier shall not be obligated to recognize and record changes in ownership of Product during any operating month unless the transferor and transferee requesting Carrier to recognize and record the change in ownership shall, each, on or before the 15th day of the preceding calendar month provide written notice to Carrier containing like data relative to the kind quantity, source, location, transferor, and transferee of the Product. Carrier is not obligated to accept any modification in said notice unless confirmed in writing by the transferor and transferee on or before the last day of the calendar month preceding the operating month.
- c. When the quantity of the Product received during the operating month is not equivalent to the quantity of the Product subject to the notice of change in ownership, Carrier is not required to recognize and record the change in ownership beyond the extent of the quantity received.
- d. A notice of change in ownership of Product will be deemed: (1) a warranty that the transferor has unencumbered title to the Product identified in its notice at the time of change in ownership, and (2) a representation that the change in ownership is effective as of 7:00 o'clock a.m. (Mountain Standard Time) on the first day of the operating month.
- e. Carrier may, in the absence of adequate security, decline to recognize and record any change in ownership of Product.
- f. A transfer of a Shipper's rights and obligations under this Item 16 respecting its Product will not be binding or effective on Carrier until Carrier has provided a notice of acceptance to the transferor and transferee. Carrier will not provide a notice of acceptance of a transfer until such time as the transferee has satisfied Carrier of its capacity to undertake the transferor's obligations and has provided any Financial Assurances requested by Carrier in accordance with Item 19 of this Section 2.

ITEM 17 – ADVERSE CLAIMS AGAINST PRODUCT

- a. A Shipper shall not Nominate or deliver to Carrier Product that is involved in litigation, the ownership of which may be in dispute, or that is encumbered by a lien (other than a lien that is subordinated to Carrier's lien described in Item 8.b. of this Section 2) or charge of any kind unless Shipper provides written notification to Carrier of such litigation, dispute, lien, or charge not less than 20 days before such Nomination is made to Carrier.
- b. Carrier is not obligated to accept Product that is involved in litigation, the ownership of which may be in dispute, or that is encumbered by a lien (other than a lien that is subordinated to Carrier's lien described in Item 8.b. of this Section 2) or charge of any kind.
- c. A Shipper shall advise Carrier in writing if, at any time while Shipper's Product is in the possession of Carrier, such Product becomes involved in litigation, the ownership of such Product becomes in dispute, or such Product becomes encumbered by a lien (other than a lien that is subordinated to Carrier's lien described in Item 8.b. of this Section 2) or charge of any kind.
- d. A Shipper shall, upon demand from Carrier, provide a bond or other form of indemnity satisfactory to Carrier protecting Carrier against any liability or loss that may arise as a result of such Shipper's Product that is involved in litigation, the ownership of which may be in dispute, or that is encumbered by a lien (other than a lien that is subordinated to Carrier's lien described in Item 8.b. of this Section 2) or charge of any kind. If Shipper fails to provide such bond or other form of indemnity acceptable to Carrier, then Carrier will not be obligated to accept such Shipper's Product for transportation.

ITEM 18 – CLAIMS, SUITS, AND TIME FOR FILING

- a. As a condition precedent to recovery for loss, damage, injury, or delay, a Shipper shall advise Carrier in writing of any claim for delay, damage, injury, or loss resulting from the transportation of such Shipper's Product by Carrier within 91 days of delivery of such Product by Carrier or, in the case of a failure to make delivery, within 91 days after the initial receipt of Product by Carrier.
- b. A Shipper shall institute any action arising out of any claim against Carrier within two years from the date that written notice is given by Carrier to such Shipper that Carrier has disallowed such claim or any part of such claim.
- c. If a Shipper fails to comply with the provisions of Item 18.a. or 18.b. of this Section 2, then such Shipper waives all rights it has to bring an action against Carrier with respect to such claim.

ITEM 19 – FINANCIAL ASSURANCES

- a. At any time, upon the request of Carrier, any prospective or existing Shipper shall provide information to Carrier that will allow Carrier to determine the prospective or existing Shipper's capacity to perform any financial obligations that could arise under the terms of this tariff, including the payment of transportation charges, charges for deficient Working Stock, and negative Shipper's balance positions (collectively, "Financial Obligations"). Carrier will not be obligated to accept Product for transportation from an existing or prospective Shipper if Shipper or prospective Shipper fails to provide the requested information to Carrier within 10 days of Carrier's written request, or if Carrier's review of the requested information reveals that the existing or prospective Shipper does not have the capacity to perform the Financial Obligations.
- b. Carrier, 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 Shipper:
 1. prepayment;
 2. a letter of credit in favor of Carrier in an amount sufficient to ensure payment of all Financial Obligations that could reasonably accrue due to Carrier, in a form and from a financial institution acceptable to Carrier;
 3. a guaranty in an amount sufficient to ensure payment of all Financial Obligations that could reasonably accrue due to Carrier, in a form and from a third party acceptable to Carrier; or
 4. other enforceable collateral security, including security agreements over assets of Shipper, in form and substance acceptable to Carrier.
- c. If Carrier reasonably determines that:
 1. the existing or prospective Shipper's financial condition is or has become impaired or unsatisfactory;

2. 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 Carrier ; or
3. Carrier 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. Carrier is not obligated to accept Product for transportation from an existing or prospective Shipper if Shipper or prospective Shipper fails to deliver the Financial Assurances to Carrier within 10 days of Shipper's receipt of Carrier's written request for such Financial Assurances.

ITEM 20 – STORAGE IN TRANSIT

Carrier does not have facilities for rendering, nor does it offer, a storage service, including for the facilitation of transportation services.

ITEM 21 – SEPARATE PIPELINE AGREEMENTS

Separate agreements, if applicable, in association with pipeline connections or other facilities ancillary to Carrier's pipeline system and in accordance with this tariff will be required of any Shipper or consignee before any obligation to provide transportation will arise.

ITEM 22 – CHARGES FOR ENVIRONMENTAL RELATED MEMBERSHIPS AND FEES

To the extent Barrels transported over Carrier's facilities are the basis of a charge by any public or private agency or organization (such as the Marine Preservation Association), which charge is related to compliance with federal, state or local environment laws or regulations (such as the Oil Pollution Act of 1990), Carrier will have the right to assess Shipper for any such charge attributable to that Shipper's Barrels, provided Carrier has first given 30 days advance written notice to Shipper of its intention to make such assessment thereafter.

ITEM 23– DISPATCHING

For each calendar month, Carrier will establish a sequence for pumping various grades of Product through its trunk lines and will schedule the approximate time when Product offered for shipment will be received by Carrier at origins and delivered by Carrier at destinations.

Carrier will inform each Shipper of the time within each calendar month when Product will be received from such Shipper at origins and Carrier will inform each consignee of the time within each calendar month when Product will be delivered to such consignee at destinations.

ITEM 24 – TITLE OF PRODUCT

Shipper will retain title to its Product while the same is in Carrier's custody. Carrier will be deemed to be in control and possession of the Product from the time the Product is delivered to Carrier until the Product is delivered to Shipper or consignee at the flange designated for change of custody for such deliveries. Carrier will have, and Shipper grants to Carrier, a security interest in the Product to secure payment of all charges under this tariff.

ITEM 25 – INTERPRETATION

- a. Unless otherwise expressly specified herein, (i) defined terms in the singular also include the plural and vice versa, (ii) the words "hereof", "herein", "hereunder" and other similar words refer to this tariff as a whole, and (iii) references to Items are to the Items in this tariff.
- b. The captions in this tariff are for convenience only and will not in any way affect the meaning or construction of any provision of this tariff.
- c. Unless the context otherwise requires, "including" means "including without limitation".

**SECTION 3
INTERIM LOCAL UNCOMMITTED RATE**

FROM	TO	RATE IN CENTS PER BARREL
Midland Terminal (Midland County), Texas	ECHO Terminal (Harris County), Texas	674.00

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