

**TexStar Midstream Logistics Pipeline, LP  
Hobson Gathering Pipeline**

**RAILROAD COMMISSION OF TEXAS (RRC)  
LOCAL PIPELINE TARIFF NO. 1.0**

RECEIVED  
R.R.C. OF TEXAS

JUN 29 2018

Containing the Rules and Regulations  
Applicable to the Intrastate Transportation by Pipeline of GAS SERVICES DIVISION  
AUSTIN, TEXAS

**CRUDE PETROLEUM**

**From and To Points Within the State of Texas**

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The Rules and Regulations published herein apply only to transportation that both originates in Texas and has a final destination in Texas and only under tariffs making specific reference by number to this tariff; such reference will include supplements hereto and reissues hereof. No transportation in interstate or foreign commerce will be accepted under this Tariff.

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The matter published herein will have no adverse effect on the quality of the human environment.

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## Section I Rules & Regulations

The following nineteen (19) Rules are reprinted here pursuant to the requirements of Rule § 3.71 of Title 16, Part 1, Chapter 3 of the Texas Administrative Code. The Rules and Regulations set forth in this Section I are supplemented with the Special Rules set forth in Section II of this Rules and Regulations Tariff.

### 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 one percent (1%) 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 the pipeline shall not be required to receive for shipment from any one person an amount exceeding 12,000 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 Railroad Commission of Texas ("Commission") may require.

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

In determining the amount of sediment, water, or other impurities, the 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. The pipeline shall not be required to receive for transportation, nor shall consignee be required to accept as a delivery, any oil of a higher temperature than 90 degrees Fahrenheit (90°F), except that during the summer oil shall be received at any atmospheric temperature and may be delivered at like temperature. Consignee shall have the same right to test the oil upon delivery at destination that the pipeline has to test before receiving from the shipper.

### Rule 3 "Barrel" Defined

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

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

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

### Rule 5 Storage

Shipper shall arrange for sufficient storage, such as is incidental 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 (5) days from the date of order of delivery at destination.

#### Rule 6 Identity of Oil, Maintenance of Oil

The 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.

#### Rule 7 Minimum Quantity to Be Received

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

#### Rule 8 Gathering Charges

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

#### Rule 9 Gauging, Testing and Deductions

(Reference Commission Special Order No. 20-63, 098, Effective June 18, 1973).

- (A) All crude oil tendered to the 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 and 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 Rule, 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 shall be made for temperature from the nearest whole number degree to the basis of 60°F and to the nearest 5/10 API degree gravity in accordance with the volume correction Tables SA and 6A contained in API Standard 2540, American Society for Testing Materials 01250, Institute of Petroleum 200, first edition, August 1980. The pipeline may deduct the basic sediment, water, and other impurities as shown by the centrifugal or other test agreed upon; and 1% 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

The pipeline shall transport oil with reasonable diligence, considering the quality of the oil, the distance of transportation and other material elements, but at any time after receipt of a consignment of oil, upon 24 hours' notice to the consignee, may offer oil for delivery from its common stock at the point of destination, conformable to Rule 6 of this Tariff, at a rate not exceeding 12,000 barrels per day of 24 hours. Computation of time of storage (as provided for in Rule 5 of this Tariff) shall begin at the expiration of such notice. At the expiration of the time allowed in Rule 5 of this Tariff for storage at destination, the 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.

#### Rule 11 Unpaid Charges, Lien For and Sale to Cover

The 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 5 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 San Antonio, Texas, 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.

#### Rule 12 Notice of Claims

Notice of claim 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.

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

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

#### Rule 14 Contracts of Transportation

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

### 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 these Rules and Regulations.

### Rule 16 Offers In Excess Of Facilities

If oil is offered to the pipeline for transport in excess of the amount that can be immediately transported, the transport 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 part in such apportionment.

### Rule 17 Interchange of Tonnage

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

### Rule 18 Receipt and Delivery - Necessary Facilities For

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

### Rule 19 Report of Loss from Fire, Lightning and Leakage

- (A) The 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. The pipeline shall in like manner report each break or leak in any of its tanks or pipelines from which more than five (5) barrels escape. The 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 fires, storm, flood or act of God, and no risk resulting from riot, insurrection, rebellion, war, an 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 the 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.

- (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 (5) 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 II Special Rules and Regulations

### Special Rule 1 Definitions

API	American Petroleum Institute.
API Gravity	Gravity determined in accordance with ASTM designation and expressed in degrees.
ASTM	American Society for Testing Materials.
Base Period	Means the previous six months beginning with the eighth-month prior to the month of allocation. Months when no apportionment is in effect will be included in the Base Period.
Barrel	Forty-two (42) gallons of two hundred thirty-one (231) cubic inches per gallon at sixty degrees Fahrenheit (60°F).
Capacity	The quantity of Crude Petroleum the Pipeline Segment at issue is capable of transporting under the current operating conditions.
Carrier	TexStar Midstream Logistics Pipeline, LP.
Crude Petroleum or Product	The direct liquid product of oil wells or a mixture of the direct product of oil wells and the indirect petroleum products resulting either from refining crude oil or the operation of gasoline recovery plants, gas recycling plants, or distillate recovery equipment in gas and distillate fields, or products broken out during the normal production or processing of natural gas and meeting the specifications referenced in Special Rule 2.
Committed Shipper	Any Shipper that has signed a Gathering Agreement with a minimum ten-year term on or before August 1, 2018, requiring an acreage dedication for the term of the agreement.
Day	Means a period of twenty-four (24) consecutive hours commencing at 7:00 A.M., Central Time, on a calendar day and ending at 7:00 A.M., Central Time, on the next succeeding calendar day.
Destination Point(s)	Means the outlet flange of the Pipeline where the Product is delivered by Carrier on behalf of Shipper at the point of interconnection between the outlet flange from the Pipeline and the inlet flange of the Downstream Pipeline or any such additional Destination Point(s) added by Carrier from time to time.
Downstream Pipeline	Means the Three Rivers Pipeline Crude Oil System, which is interconnected with Destination Point(s) on the Hobson Gathering Pipeline.
Firm Service	

Force Majeure

Means the category of service provided to Committed Shippers with priority treatment during Months when apportionment or curtailment for operational necessity occurs.

The term "Force Majeure" shall include acts of God (and threats thereof), acts or Laws of any Governmental Authority (and acts taken to comply therewith), acts of war, or acts of terrorists; storm, flood, earthquakes, sinkholes, extreme weather, or precautions taken in accordance with Good Industry Practice against any threats (which, in the reasonable judgment of the Party claiming Force Majeure, are bona fide threats) of storm, flood, sinkholes, or extreme weather; accident, fire, freezing, explosions, or breakdown of or accident to machinery or equipment (except to the extent set forth below); quarantine on authority of law; strikes or other industrial, civil, or public disturbances, insurrections, or rebellions; interruptions in Shipper's supply of crude oil (except to the extent set forth below); limited periods of scheduled maintenance or inspections at downstream facilities as may be mutually agreed to between Shipper and Carrier in a Gathering Agreement; or any other cause reasonably beyond the control of the Party experiencing Force Majeure, whether similar or dissimilar to the causes herein enumerated. Force Majeure shall include any maintenance, testing, inspections or repairs of or to the Hobson Gathering Pipeline relating to, resulting from, caused by, made necessary by, or arising in connection with other events of Force Majeure. Notwithstanding the foregoing, the term "Force Majeure" shall not include or excuse any of the following: (a) Shipper's or Carrier's decision to cease, or materially reduce, or change its operations in the market area served by the Pipeline; (b) Shipper's or Carrier's financial condition; (c) Shipper's or Carrier's obligation to pay money that has become due under the Agreement; (d) any accident, fire, freezing, explosions, or breakdown of or accident to machinery or equipment resulting from the failure of the affected Party to perform maintenance, testing, inspections, and repairs of or to assets and facilities in accordance with Good Industry Practice; (e) either Party's failure to perform any release, indemnity, defense, hold harmless, or similar obligations in this Tariff or a Gathering Agreement; (f) shortages or failures of, or interruptions in, Shipper's sources or supply of crude oil in excess of three (3) consecutive Months; or (g) interruptions in Shipper's supply of Crude Petroleum resulting from, caused by, or arising out of any act or omission of Shipper that is within the reasonable control of Shipper. In the event that Force Majeure affects the (x) the Hobson Gathering Pipeline or the (y) the Downstream Pipeline, impairing Carrier's ability to retender Product to the Downstream Pipeline, then the curtailment provisions in Special Rule 13 shall apply to scheduled quantities as provided therein.

Force Majeure  
Event

An event caused by Force Majeure.

Gathering  
Agreement

A gathering and acreage dedication agreement executed by a Committed Shipper and Carrier.

Good Industry Practice	Generally accepted pipeline industry standards and pipeline industry practices and procedures.
Governmental Authority	Any federal, state, or local government or other political subdivision thereof, any entity exercising executive, legislative, judicial, regulatory, or administrative functions of or pertaining to government or any other authority, agency, department, board, commission, or instrumentality of the United States, any state of the United States, or any political subdivision thereof, whether civil or military, and any court, tribunal or arbitrator(s) of competent jurisdiction, and any governmental or non-governmental self regulatory organization, agency, or authority.
Hazardous Waste	Any material defined as hazardous waste under any environmental, health, or safety Law, including, but not limited to, the Resources Conservation and Recovery Act of 1976.
Hobson Gathering Pipeline	Means the pipeline connecting the Hobson Terminal with the Downstream Pipeline, as referenced in the Gathering Agreement, and for which the Rules and Regulations in this Tariff apply.
Law	Any applicable federal, state, local, municipal or other administrative order, constitution, ordinance, law, decree, directive, injunction, order, permit, requirement, statute, regulation, rule, or code issued or promulgated by a Governmental Authority.
Line Fill	Has the meaning set forth in Special Rule 12.
Minimum Tender Requirement	The volume set forth in Special Rule 14.
Month	Means a calendar month beginning at 7:00 A.M., Central Time, on the first Day of the calendar month and ending at 7:00 A.M., Central Time, on the first Day of the next succeeding calendar month.
New Shipper	Any Shipper who does not qualify as a Regular Shipper or Committed Shipper.
Nomination	A request by a Shipper to Carrier, to accept a stated quantity and grade of Crude Petroleum for transport from a specified Origin Point(s) to a specified Destination Point in accordance with this Tariff.
Origin Point(s)	A point named in the Tariff or applicable Gathering Agreement at which point Carrier will accept Crude Petroleum for transportation.
Party	Either Carrier or a Shipper.
Pipeline Segment	Section of Carrier's Hobson Gathering Pipeline, the limits of which are defined by two geographically identifiable points, that, because of the way that section of Carrier's Pipeline is designed and operated, must be treated as a unit for purposes of determining Capacity.
Pipeline Loss	

Allowance	Has the meaning set forth in Special Rule 20.
Reid Vapor Pressure	The absolute vapor pressure exerted by a liquid at 100° F (37.8°C), as determined by the test method ASTM-D-323.
Regular Shipper	Any Shipper other than a Committed Shipper who either tendered or received deliveries during the first month of the Base Period or previously has been classified as a Regular Shipper and who continues to tender or receive deliveries in any one or more months of any succeeding Base Period. For the purposes of apportionment, Committed Shipper volumes nominated in excess of that Shipper's Firm Service allotment shall be treated as Regular Shipper volumes.
Shipper	A Committed Shipper or an Uncommitted Shipper.
Tank Bottoms	Has the meaning set forth in Special Rule 12.
Tariff	This Tariff containing the Rules and Regulations Applicable to the Intrastate Transport by Pipeline of Crude Petroleum, as well as the Tariff Containing the Rates Applicable to the Intrastate Transportation by Pipeline of Crude Petroleum, both filed with the Railroad Commission of the State of Texas.
Tender	A delivery by a Shipper to Carrier of a stated quantity and grade of Crude Petroleum, under a Nomination accepted by Carrier, for transportation in accordance with this Tariff.
Texas Railroad Commission or RRC	Means the Governmental Authority with which Carrier's Tariffs governing the Hobson Gathering Pipeline are filed or any successor Governmental Authority thereto.
Total Available Capacity	The delivery capacity available to Shippers as determined by Carrier, subject to changes in pipeline operations.
Uncommitted Shipper	Means a Regular Shipper or New Shipper complying with all applicable terms of Carrier's Tariffs, which Nominates product for transportation without an applicable gathering or transportation contract with Carrier.
Working Day	Monday, Tuesday, Wednesday, Thursday, or Friday of a calendar week, except when a Federal holiday falls on such Day of the week.

**Special Rule 2 Acceptance of Crude Petroleum**

- (A) Carrier will reject Crude Petroleum containing more than one percent (1%) of basic sediment, water, and other impurities above a point six (6) inches below the pipeline connection per Rule 1, except that:
- (1) If required by operating conditions on the Hobson Gathering Pipeline or the Downstream Pipeline, Carrier will reject Crude Petroleum containing less than one percent (1%) of basic sediment, water, and other impurities.

- (2) Sediment and water specifications of the Downstream Pipeline will be imposed upon Carrier (and thus, upon Shippers). If such specifications become more restrictive than those of Carrier, Carrier shall file to amend this Tariff to conform with the Downstream Pipeline's specifications.
- (B) Carrier will reject Crude Petroleum for transportation that has a sulfur content that exceeds 0.42%.
  - (C) Carrier will reject Crude Petroleum for transportation that has a gravity above 50 degrees API.
  - (D) Carrier will reject any Crude Petroleum that contains organic chlorides.
  - (E) Carrier will reject any Crude Petroleum that contains any Hazardous Waste.
  - (F) Carrier will reject any Crude Petroleum having Reid Vapor Pressure in excess of 9 pounds above a temperature of 100 degrees Fahrenheit.
  - (G) Carrier will reject any Crude Petroleum where the Shipper has failed to comply with all applicable Laws, rules, and regulations made by any Governmental Authority regulating shipments of Crude Petroleum.
  - (H) Carrier will reject any Crude Petroleum with a wax appearance temperature, or cloud point, at or above 60 degrees Fahrenheit.
  - (I) Carrier will reject any Crude Petroleum that is 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.
  - (J) Notwithstanding the foregoing, Carrier, at its sole discretion, may waive the requirements set forth in Sections (A) through (I) of this Special Rule 2 on a non-discriminatory basis. If Carrier agrees in writing to accept Crude Petroleum that does not meet all of the applicable quality specifications in this Special Rule 2, then, as to such Crude Petroleum (but only as to the specifications waived), Shipper shall be deemed to be in compliance with this Special Rule 2, but only until such time as Carrier may withdraw any such agreement or waiver (which may occur at any time and for any non-discriminatory reason, at Carrier's sole discretion).

### **Special Rule 3 Additives**

Crude Petroleum shall be free of any additives and inhibitors, including drag reducing agents other than paraffin additives, unless expressly approved by Carrier on a non-discriminatory basis.

### **Special Rule 4 Storage—Rules 5 and 10 shall be supplemented as specified herein**

Carrier operates working tankage required for transporting Crude Petroleum on the Hobson Gathering Pipeline, but has no facilities available for rendering or offering nonincidental storage, as part of transportation services provided in this Tariff. Storage provided at the Hobson Terminal is not necessary and incidental storage within the meaning for this Tariff. Any and all nonincidental storage, include storage at the Hobson Terminal, may be available under the terms and rates provided in a separate agreement with the applicable terminal company.

Carrier does not offer storage at the Destination Point where the Pipeline interconnects with the Downstream Pipeline. Consistent with the Gathering Agreement, Carrier will only accept Product for which Shipper has a valid corresponding Nomination on the Downstream Pipeline. Under no circumstances will Carrier provide for delivery, or delivery-related storage at the Destination Point. As there is no delivery option at the Destination Point, the provisions in (a) Rule 5 requiring Carrier to offer five days of storage at the Destination Point, at no charge to Shipper, before assessing demurrage charges and (b) the demurrage rates set forth in Rule 10, do not apply to service offered under this Tariff. Carrier reserves the right, as to any Product that is denied retender by the Downstream Pipeline at the Destination Point, to clear its system of such Product under the terms of Rule 11, Special Rule 6 and Special Rule 17(E).

#### **Special Rule 5 Pipeage or Other Contracts**

Separate pipeage and other contracts, in accordance with this Tariff and these regulations covering further details, may be required by Carrier before any duty to Regular Shippers and New Shippers for transportation shall arise. Such separate contracts shall not be required in the case of Committed Shippers unless specified in the applicable Gathering Agreement.

#### **Special Rule 6 Destination Facilities Required**

Carrier will refuse to accept Crude Petroleum for transport unless documentary evidence is furnished that the Shipper has provided the necessary facilities and transportation capacity on the Downstream Pipeline for the prompt retender of Shipper's Crude Petroleum to the Downstream Pipeline. If a Shipper is unable or refuses to retender or otherwise receive said Crude Petroleum as it arrives at Destination Point, Carrier reserves the right to make arrangement for disposition of the Crude Petroleum as it deems appropriate (including sale of same, pursuant to the procedures set forth in Rules 10 and 11, as supplemented in Special Rule 17(D), in order to clear the Carrier's Hobson Gathering Pipeline. Any additional expenses incurred by Carrier in making such arrangements shall be borne by the Shipper. If a Committed Shipper is unable or refuses to receive said Crude Petroleum as it arrives at Delivery Point, Carrier's remedies shall be as set forth in the applicable Gathering Agreement.

#### **Special Rule 7 Rejection of Crude Petroleum Subject to Dispute, Liens, or Charges; Warranty of Title**

Carrier will reject any Crude Petroleum which, when nominated for transportation, may be involved in litigation, or the title of which may be in dispute, or which may be encumbered by lien or charge of any kind unless the Shipper provides documentary evidence of the Shipper's unencumbered title or satisfactory indemnity bond to protect Carrier. By nominating Crude Petroleum, the Shipper warrants and guarantees that it owns or controls, has the right to deliver or have delivered for its account, such Crude Petroleum, and agrees to defend, indemnify, and hold Carrier harmless for any and all loss, cost, liability, damage, and/or expense resulting from failure of ownership or control thereto, provided that acceptance for transport by Carrier shall not be deemed: (a) a representation by Carrier as to ownership or control or (b) a waiver of Carrier's rights hereunder.

#### **Special Rule 8 Measurement**

Rule 9 is supplemented as provided in this Special Rule 8. The quantity of Crude Petroleum handled hereunder shall be determined by the custody transfer meter. Meter proving procedures and reports shall be in accordance with current American Petroleum Institute ("API") guidelines.

Meter tickets and the meter proving report shall be the only recognized documents for custody transfer. It is agreed that, unless such is not possible due to instrument or mechanical failure of meters, the measurement system proving and calibration is to be made at the custody transfer meter. The measurement system shall be proven and calibrated during each calendar month, or for each crude type or for a flow rate change of more than +/- 10%, or for a gravity change of more than 5 degrees from the prior calibration, or any condition which results in a meter factor variation of more than 0.0010. It is agreed that, in the event of meter failure during the course of transfer and discharge operations at the custody transfer meter, adjustment will be made based on pipeline information supplied by the Shipper and Carrier. Unless otherwise provided for herein, applicable sections of the API Manual of Petroleum Measurement Standards are to be observed and apply as to any measurement by mutually agreeable meters and/or pipeline measurement, as well as the sampling of crude oil at the custody transfer meter. Corrections will be made for temperature from observed degrees Fahrenheit to 60 degrees Fahrenheit.

Carrier will adjust any overage or short of Crude Petroleum with Shippers to allow for inherent losses or gains, including but not limited to shrinkage, evaporation, interface mixture, product measurements, and other physical losses not due to negligence of Carrier. The adjustments for losses or gains will be allocated by grade by month, among the Shippers in the proportion that the total number of barrels of a given grade delivered out of the system, by grade, for each Shipper, bears to the total number of barrels of that grade delivered out of the system for all Shippers.

#### **Special Rule 9 Evidence of Receipts and Deliveries**

Crude Petroleum received from Shipper shall, in each instance, be evidenced by tickets or Carrier's statements containing data essential to the determination of quantity. Carrier will provide Shipper with a Monthly statement on or before the fifth (5th) Working Day of each calendar Month which will include the amount of Barrels delivered or redelivered through each Meter during the immediately preceding calendar Month and Carrier's calculation of Barrels for each Meter.

#### **Special Rule 10 Duty of Carrier**

- (A) Carrier shall not be required to transport Crude Petroleum except with reasonable diligence, considering the quality of the Crude Petroleum, the distance of transportation, and other material elements, and will not accept Crude Petroleum to be transported in time for any particular market. Carrier will not be required to deliver the identical Crude Petroleum received.
- (B) Carrier may suspend transport services on the Hobson Gathering Pipeline in order to comply with applicable Laws of any Governmental Authority, to perform maintenance, testing, inspections, or repairs; to attach new Origin Points or Destination Points, or other interconnections to the Pipeline, or to prevent injuries to persons, damage to property, or harm to the environment, without incurring any obligation relating thereto (except for a proportionate decrease in the Minimum Monthly Payment, if applicable, as provided in a Gathering Agreement). Carrier will provide Shipper with at least fifteen (15) days advance notice of any routine or scheduled maintenance, testing, or interconnections on the Pipeline.

#### **Special Rule 11 Pro Rata Utilities**

In addition to the any rates payable under a Tariff, Shipper will be responsible for either providing or reimbursing Carrier for its pro-rata share of the monthly utilities required to operate the Hobson

Gathering Pipeline, provided that, with respect to a Committed Shipper, such obligation shall be subject to the applicable provisions, if any, in the Gathering Agreement.

### **Special Rule 12 Line Fill and Tank Bottom Inventory Requirements**

Carrier will require each Shipper to supply a pro rata share of Crude Petroleum necessary for pipeline and tankage fill to ensure efficient operation of the Hobson Gathering System prior to delivery. As used herein, the term "pro rata share" of Line Fill for a Shipper on the Hobson Gathering System means a fraction of the total amount of Product required for Line Fill in the Hobson Gathering System, with the numerator of such fraction being equal to the amount of Capacity in the Hobson Gathering System contractually committed to such Shipper as Firm Service, and the denominator of such fraction being equal to the total Capacity contractually committed to all Shippers on the Hobson Gathering System as Firm Service.

Crude Petroleum provided by a Shipper for this purpose may be withdrawn only after: (1) shipments have ceased and the Shipper has notified Carrier in writing to discontinue shipments in Carrier's system; and (2) the Shipper's balances have been reconciled between all Shippers and Carrier. Carrier, in its reasonable discretion, may require advance payment of transportation charges on the volumes to be cleared from Carrier's system, and any unpaid accounts receivable, before final delivery will be made. Unless Shipper has not made any required payment, or unless otherwise prevented by Force Majeure or actions of the Shipper, Carrier shall have a reasonable period of time, not to exceed 30 days, from the receipt of the Shipper's written notice to Carrier, to complete administrative and operational requirements incidental to Shipper's withdrawal.

If Shipper's inventory balance drops below its pro rata portion of the volume of Crude Petroleum necessary for the efficient operation of the Hobson Gathering Pipeline system (including working tankage), Carrier will require Shipper to provide the necessary volume to meet its pro rata portion of such volume of Crude Petroleum.

### **Special Rule 13 Apportionment (Prorating of Pipeline Capacity); Curtailments for Operational Necessity**

This Special Rule 13 shall supplement Rule 16.

If Carrier receives Nominations for more Crude Petroleum than Carrier can transport in a Pipeline Segment in a given month, then Committed Shippers will first be allocated their aggregate Committed Volumes. Any remaining capacity will be apportioned among all remaining Shipper Nominations in accordance with the provisions in this Special Rule 13. Committed Shipper Nominations in excess of Shipper's Firm Service allotment shall be treated as Regular Shipper volumes for the purpose of this apportionment policy.

After fulfilling Committed Shipper Nominations up to their Firm Service allotments, any remaining Total Available Capacity will be allocated among Regular Shippers and Committed Shippers (for the amounts in excess of their Firm Service allotments, as applicable) in the respective proportions that deliveries during the Base Period bear to the deliveries of all Regular Shippers and Committed Shippers (in excess of their Committed Volumes) during such period. Allocations to Regular Shippers and Committed Shippers will be subject to further reduction if required to accommodate New Shippers.

A New Shipper nominating Product for shipment during the given period, and who has otherwise satisfied applicable requirements of the Tariff rules, will be allocated Total Available Capacity based on its demonstrated need to ship at least the Minimum Volume Requirement (set forth in

Special Rule 14) up to a maximum allocation of 1.25% of the total Total Available Capacity. If total New Shipper allocations exceeds 5.0% of Total Available Capacity, each New Shipper's allocation will be reduced on a proportional basis not to exceed an aggregate of 5.0%. Any unused Total Available Capacity will become available for allocation among Regular Shippers as per the terms of the preceding paragraph.

If, during a month of apportionment, a Shipper fails to deliver to Carrier Volumes equal to its allocated Total Available Capacity, such unused space shall be made available to other Shippers in accordance with the procedures described in this Special Rule 13.

Except as noted in this Special Rule 13, prorated Total Available Capacity allocated to a Shipper may not be assigned, conveyed, loaded, transferred to or used in any manner by another Shipper. However, a Shipper's allocation may be transferred as an incident of the bona fide sale of the Shipper's business or to a successor to the Shipper's business by the operation of law.

In case of operational necessity, or any other extraordinary circumstance beyond the control of Carrier, including a Force Majeure Event, that substantially affects the ability of Carrier to deliver the volumes that have been Tendered by all Shippers for a given Day, Carrier, at its sole discretion, may curtail deliveries to Shippers to the extent that is operationally required. During such an event, Carrier will curtail Shippers in reverse order vis-a-vis its apportionment order set forth in this Special Rule 13, that is: Carrier will curtail scheduled deliveries for Committed Shippers last (up to their daily allotment of Firm Service capacity), if necessary, on a pro-rata basis as among scheduled quantities. All other scheduled service will be reduced pro rata as among scheduled quantities.

#### **Special Rule 14 Nominations; Minimum Quantity**

Crude Petroleum will be transported by Carrier only under a Nomination accepted by Carrier. Any Shipper desiring to Tender Crude Petroleum for transportation shall make such Nomination to Carrier in writing on or before 4:15 PM Central Standard Time, the last Working Day prior to the 20th day of the Month preceding the Month during which the transportation under the Nomination is to begin; except that, if space is available for current movement and at the reasonable discretion of Carrier, a Shipper may submit a Nomination after such 4:15 PM Central Standard Time deadline.

Nominations for transporting Crude Petroleum for which Carrier has the requisite facilities will be accepted under Carrier's Tariffs in quantities (in Barrels) as designated by the Shipper, as operations permit and subject to all applicable terms in Carrier's Tariffs (or any periodic reissues thereof). Carrier reserves the right reject Tender of any Shipper Nominated volumes of Crude Petroleum that do not conform to Carrier's product specification requirements found in Special Rules 2 and 3.

Carrier will ship Tendered Product in a common stream. Segregated batches may be accepted from time to time if operationally feasible, at Carrier's sole discretion.

Before Carrier will accept a Nomination from a New Shipper, such Shipper must: (i) comply with Special Rule 17(A); (ii) demonstrate to Carrier the adequacy of such Shipper's arrangements and facilities as reference in Special Rule 5 and Special Rule 6; and (iii) provide any other information reasonably requested by Carrier.

### **Special Rule 15 Application of Rates**

With the exception of Line Fill and Tank Bottom volumes, Crude Petroleum accepted for transportation shall be subject to the rates in effect on the date of the Tender. For returned Line Fill and Tank Bottom volumes, Carrier reserves the right to assess a transportation charge (based on the applicable rate provided in Carrier's then effective Rates Tariff) on such volumes delivered at the Destination Point.

### **Special Rule 16 Legality of Shipments**

Carrier will reject Crude Petroleum where the Shipper has failed to comply with all applicable laws, rules, and regulations made by any Governmental Authority regulating shipments of Crude Petroleum, unless this Special Rule is waived by Carrier on a non-discriminatory basis.

### **Special Rule 17 Payment of Carrier Charges; Adequate Assurance**

- (A) Prior to becoming a Shipper, a prospective Shipper must submit to Carrier sufficient financial information or financial assurances satisfactory to Carrier to establish creditworthiness. The types of information Carrier may request from a prospective Shipper include but are not limited to: most recent year-end financials, 10Q or 10K reports, other filings with regulatory agencies, and bank references. The execution of a Gathering Agreement by a Committed Shipper and Carrier shall constitute satisfaction of the foregoing requirements. If a Party ("Insecure Party") has reasonable grounds for insecurity regarding the ability of the other Party ("Assuring Party") to provide timely payment, indemnities or perform other obligations (including minimum insurance requirements) hereunder, or the Assuring Party's creditworthiness is or becomes unsatisfactory to the Insecure Party (or a Shipper is deemed uncreditworthy before a Gathering Agreement is executed by Carrier), or if the Assuring Party is Shipper and Shipper's title to any Product is disputed, the Insecure Party may require the Assuring Party to provide adequate assurance of performance. When entitled to require adequate assurances under this Tariff the Insecure Party may require the Assuring Party to provide one of the following at the Insecure Party's discretion: (a) an irrevocable stand-by letter of credit from a bank reasonably acceptable to the Insecure Party with terms reasonably acceptable to the Insecure Party, and in an amount reasonably acceptable to the Insecure Party; (b) a parent guaranty with terms reasonably acceptable to the Insecure Party; or (c) prepayment at least ten (10) calendar days prior to the first day of each Month of an amount of money reasonably calculated by the Insecure Party to cover all charges or liabilities under this Tariff likely to be incurred by the Assuring Party during such month. If the Insecure Party is entitled to and does require the Assuring Party to provide adequate assurance, the Insecure Party will provide the Assuring Party with notice. If the Assuring Party fails to provide the required adequate assurance within five (5) Working Days of its receipt of such notice from the Insecure Party, the Insecure Party may, without liability, immediately cease tendering or receiving deliveries from the Assuring Party, as applicable (or, in the case of a potential Shipper, refuse to enter into a Gathering Agreement with such potential Shipper), provided, however, that if the Carrier and Shipper are party to a Gathering Agreement and such Gathering Agreement expressly gives the Insecure Party the right to require such adequate assurances from the Assuring Party then (i) if the Assuring Party is the Shipper, Carrier may, if and to the extent provided in the Gathering Agreement and pursuant to the procedures set forth in the Gathering Agreement,

terminate the Gathering Agreement with such Shipper upon notice to Shipper and may declare the Monthly Minimum Payment due for all remaining Months in the initial term or extended term in which Shipper fails to provide the required adequate assurance, and (ii) if the Assuring Party is Carrier, the Committed Shipper shall have a claim against Carrier for its actual damages as a result of such termination.

- (B) Deadlines for determining when Shippers' payments are due shall be by either Carrier Invoice or as otherwise provided in the applicable Gathering Agreement. To the extent that Rule 11 provides deadlines for payment based on when a notice for readiness of delivery is issued, these terms shall not apply in Shippers' payment deadlines because Carrier does not bill based on a notice of readiness for delivery. Shipper shall pay all transportation and other fees and lawful charges accruing on Crude Petroleum delivered to and accepted by Carrier for shipment as measured at the Origin points (i) with respect to Regular Shippers and New Shippers, by the due date stated in Carrier's invoice or (ii) with respect to Committed Shippers, by the due date for such payments specified in the applicable Gathering Agreement, subject to any adjustments, reductions and credits expressly provided for therein.
- (C) If Shipper disputes any portion of any invoice Shipper shall promptly notify Carrier in writing of the disputed portion and pay the undisputed portion per Special Rule 17(B).
- (D) All undisputed amounts owed by one Party to the other which are not timely paid, shall bear interest from the date due until paid. Such interest will be assessed at an annual rate equal to: (a) the prime rate of interest as reported from time to time in the Wall Street Journal plus two percent (2.0%), or (b) the highest rate permitted by Law, whichever is less, for any invoice not paid pursuant to the term of this Tariff and the Gathering Agreement. If any amount is disputed, interest will accrue from the date due until the date paid but will only be due after the dispute is resolved and based on the amount found or agreed to be due. If either party disputes any portion of any amount claimed or invoiced by the other Party, the disputing party shall promptly notify the claiming or invoicing Party in writing (no later than 15 days from the date of the claim or invoice) and give reasons, with reasonable detail, for the disputed matter(s). Carrier and Shipper shall then use best commercial efforts to resolve the disputed amount in accordance with the provisions of the Gathering Agreement, if applicable. Any payment due resulting from such dispute resolution shall be due within five (5) Working Days following the receipt by the disputing Party of an amended claim or invoice incorporating the agreed resolution. If the Shipper has not entered into a Gathering Agreement, Carrier and Shipper shall each have the right to pursue claims against the other in a court of competent jurisdiction.
- (E) In addition to specific remedies outlined in Special Rule 17(A), if Carrier becomes an Insecure Party, Carrier shall have the right to withhold an amount of Line Fill, Tank Bottoms, or Tendered Crude Petroleum belonging to Shipper from retender at the Downstream Pipeline that would be sufficient to cover all unpaid charges due to Carrier from Shipper until all such unpaid charges have been paid. Furthermore, Carrier shall retain a perfected possessory lien under the Texas Bus. & Comm. Code, Title 1, Chapter 9 (section 9. 101, *et seq.*), as applicable, on an amount of a Shipper's Crude Petroleum in Carrier's possession sufficient to secure payment of any and all amounts owed by such Shipper to Carrier. Carrier reserves the right to set-off any such charges against any monies owed to Shipper by Carrier on any Crude Petroleum of Shipper in Carrier's

custody. If said charges remain unpaid five (5) days after the due date therefor, Carrier shall have the right, through an agent, to dispose of such Crude Petroleum under the process set forth in Rule 11 of this Tariff. Carrier shall distribute any proceeds from the sale as provided in Rule 11. Carrier shall have the right to bid, and if the highest bidder, to become the purchaser. Notwithstanding the foregoing, the provisions of this Special Rule 17(E) shall not apply to a Committed Shipper unless and to the extent specified, if at all, in the applicable Gathering Agreement.

### **Special Rule 18 Liability Limitation of Damages, and Indemnity**

- (A) CARRIER SHALL BE RESPONSIBLE FOR (i) ANY LOSS, DAMAGE, CONTAMINATION, OR DEGRADATION OF SHIPPER'S PRODUCT RESULTING FROM CARRIER'S NEGLIGENCE, WILLFUL MISCONDUCT, STRICT LIABILITY, OR BREACH OF THIS TARIFF AND (ii) ANY ACTUAL, DIRECT DAMAGES INCURRED BY SHIPPER RESULTING FROM DELIVERY OF PRODUCT INTO THE PIPELINE BY ANY PERSON OTHER THAN SHIPPER WHICH FAILS TO COMPLY WITH THE QUALITY SPECIFICATIONS SET FORTH IN THE TARIFF; PROVIDED, HOWEVER, CARRIER'S LIABILITY UNDER THIS SPECIAL RULE 18(A) SHALL BE FOR ACTUAL, DIRECT DAMAGES ONLY AND WILL NOT EXCEED THE SUM OF: (x) THE RESULTING LOSS IN VALUE (AS CALCULATED UNDER SPECIAL RULE 19 FOR ANY CONTAMINATION, DAMAGE, DEGRADATION, OR LOSS OF SHIPPER'S PRODUCT ATTRIBUTABLE OR ALLOCABLE TO CARRIER'S NEGLIGENCE, WILLFUL MISCONDUCT, STRICT LIABILITY, OR BREACH, (y) THE COSTS AND EXPENSES OF REPAIRING AND/OR REPLACING ANY PIPE OR OTHER FACILITIES OR EQUIPMENT OF SHIPPER DAMAGED AS A RESULT THEREOF, AND (z) IF SHIPPER IS A PARTY TO A GATHERING AGREEMENT, A CREDIT EQUAL TO THE APPLICABLE RATE SET FORTH IN CARRIER'S THEN EFFECTIVE RATES TARIFF, MULTIPLIED BY THE AMOUNT OF SHIPPER'S PRODUCT NOT DELIVERED BY CARRIER. NOTWITHSTANDING THE FOREGOING, IN THE EVENT OF ANY LOSS OF CRUDE PETROLEUM FOR WHICH CARRIER IS RESPONSIBLE WHILE IN THE POSSESSION OF CARRIER, SHIPPER'S SOLE AND EXCLUSIVE REMEDY SHALL BE (AT CARRIER'S SOLE DISCRETION): (1) REPLACEMENT OF SUCH CRUDE PETROLEUM AT CARRIER'S EXPENSE, OR (2) PAYMENT TO SHIPPER OF THE MARKET VALUE OF SUCH CRUDE PETROLEUM IF CARRIER DEEMS REPLACEMENT IMPRACTICABLE. CARRIER DOES NOT CARRY INSURANCE ON SHIPPER CRUDE PETROLEUM.
- (B) SHIPPER SHALL BE RESPONSIBLE FOR (i) ANY LOSS, DAMAGE, CONTAMINATION, OR DEGRADATION OF ANY PRODUCT BELONGING TO PERSONS OTHER THAN SHIPPER IN THE PIPELINE RESULTING FROM SHIPPER'S NEGLIGENCE, WILLFUL MISCONDUCT, STRICT LIABILITY, OR BREACH OF THIS TARIFF AND (ii) ANY ACTUAL, DIRECT DAMAGES INCURRED BY CARRIER OR BY PERSONS OTHER THAN SHIPPER FOR WHOM CARRIER TRANSPORTS PRODUCT IN THE PIPELINE RESULTING FROM DELIVERY OF PRODUCT INTO THE PIPELINE BY SHIPPER WHICH FAILS TO COMPLY WITH SPECIAL RULE 2 OR SPECIAL RULE 3 OF THIS TARIFF (REGARDLESS OF WHETHER CARRIER WAIVED SUCH REQUIREMENTS UNDER SPECIAL RULE 2(J)); PROVIDED, HOWEVER,

SHIPPER'S LIABILITY UNDER THIS SPECIAL RULE 18(B) SHALL BE FOR ACTUAL, DIRECT DAMAGES ONLY AND WILL NOT EXCEED THE SUM OF: (x) THE RESULTING LOSS IN VALUE (AS CALCULATED UNDER SPECIAL RULE 19) FOR ANY CONTAMINATION, DAMAGE, DEGRADATION, OR LOSS OF SUCH OTHER PERSONS' PRODUCT ATTRIBUTABLE OR ALLOCABLE TO SHIPPER'S NEGLIGENCE, WILLFUL MISCONDUCT, STRICT LIABILITY, OR BREACH, (y) AN AMOUNT EQUAL TO THE RATE PAID BY SUCH OTHER PERSONS UNDER THE TARIFF FOR THE TRANSPORTATION OF THEIR PRODUCT IN THE PIPELINE ON A FIRM BASIS MULTIPLIED BY THE AMOUNT OF SUCH OTHER PERSON'S PRODUCT NOT DELIVERED BY CARRIER AS A RESULT OF SHIPPER'S NEGLIGENCE, WILLFUL MISCONDUCT, STRICT LIABILITY, BREACH OF THIS AGREEMENT OR DELIVERY OF PRODUCT BY SHIPPER THAT DOES NOT COMPLY WITH SPECIAL RULE 2 OR SPECIAL RULE 3, AND (z) THE COSTS AND EXPENSES OF REPAIRING AND/OR REPLACING ANY PIPE OR OTHER FACILITIES OR EQUIPMENT OF CARRIER OR SUCH OTHER PERSONS DAMAGED AS A RESULT THEREOF.

- (C) EACH PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR ACTUAL, DIRECT DAMAGES (AND ONLY ACTUAL, DIRECT DAMAGES) TO THE OTHER PARTY RESULTING FROM A MATERIAL BREACH OF THE TERMS AND CONDITIONS OF THIS AGREEMENT OR ANY REPRESENTATIONS AND WARRANTIES CONTAINED HEREIN OR IN THE TARIFF; PROVIDED, HOWEVER, THAT, IN THE CASE OF A MATERIAL BREACH BY CARRIER, SHIPPER'S DAMAGES WILL BE LIMITED TO: (i) THE VALUE OF ANY PRODUCT DELIVERED TO CARRIER AND NOT REDELIVERED BY CARRIER AT THE DESTINATION POINT(S) (CALCULATED UNDER SPECIAL RULE 19 HEREOF) AND (ii) IF THE SHIPPER IS A PARTY TO A GATHERING AGREEMENT, THE DIFFERENCE BETWEEN THE COSTS SHIPPER WOULD HAVE INCURRED UNDER THIS AGREEMENT FOR THE TRANSPORTATION OF SHIPPER'S PRODUCT AND THE COSTS ACTUALLY INCURRED BY SHIPPER UNDER ANY COMMERCIALY REASONABLE ALTERNATIVE TRANSPORTATION ARRANGEMENTS ENTERED INTO BY SHIPPER FOR THE TRANSPORTATION OF SHIPPER'S PRODUCT; AND PROVIDED FURTHER THAT THE LIMITATION ON CARRIER'S LIABILITY SET FORTH IN THE PRECEDING PROVISIO SHALL NOT APPLY TO OR LIMIT CARRIERS LIABILITY UNDER THE INDEMNITY OBLIGATIONS SET FORTH IN THIS TARIFF
- (D) AS BETWEEN THE PARTIES HERETO, CARRIER SHALL BE DEEMED TO BE IN POSSESSION AND CONTROL OF THE PRODUCT AFTER THE PRODUCT ENTERS AN ORIGIN POINT AND UNTIL THE PRODUCT IS DELIVERED AT A DESTINATION POINT AND SHIPPER SHALL BE DEEMED TO BE IN POSSESSION AND CONTROL OF THE PRODUCT BEFORE THE PRODUCT ENTERS AN ORIGIN POINT AND AFTER THE PRODUCT IS DELIVERED AT A DESTINATION POINT.
- (E) EXCEPT AS TO LIABILITIES ASSUMED BY SHIPPER IN SPECIAL RULES 18(B) AND 18(C), CARRIER SHALL DEFEND, INDEMNIFY, AND HOLD SHIPPER, ITS AFFILIATES, AND ITS AND THEIR SHAREHOLDERS, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, PARTNERS, AND MEMBERS ("SHIPPER INDEMNIFIED PARTIES") HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS, DAMAGES,

FEEES, CAUSES OF ACTION, LIABILITIES AND COSTS (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES AND COSTS OF INVESTIGATION AND DEFENSE) BUT LIMITED TO ACTUAL, DIRECT DAMAGES ONLY, ARISING FROM OR RELATED TO CARRIER'S POSSESSION AND CONTROL OF THE PRODUCT AND OPERATION OF THE PIPELINE, INCLUDING, WITHOUT LIMITATION, IF IT IS ALLEGED OR PROVEN THAT ONE OR MORE SHIPPER INDEMNIFIED PARTIES CAUSED THE DAMAGES AT ISSUE THROUGH THEIR SOLE, OWN, OR CONCURRENT NEGLIGENCE, STRICT LIABILITY, OR OTHER LEGAL FAULT; PROVIDED, HOWEVER, THAT CARRIER SHALL HAVE NO DUTY TO DEFEND OR INDEMNIFY ANY SHIPPER INDEMNIFIED PARTIES IF ANY SHIPPER INDEMNIFIED PARTY IS GROSSLY NEGLIGENT OR ENGAGES IN WILLFUL MISCONDUCT; PROVIDED, FURTHER HOWEVER, THAT CARRIER SHALL HAVE NO DUTY TO DEFEND OR INDEMNIFY ANY SHIPPER INDEMNIFIED PARTY TO THE EXTENT THE CLAIM AT ISSUE IS CAUSED BY SHIPPER DELIVERING PRODUCT WHICH FAILED TO COMPLY WITH SPECIAL RULE 2 OR SPECIAL RULE 3 OF THIS TARIFF.

- (F) EXCEPT AS TO LIABILITIES EXPRESSLY ASSUMED BY CARRIER IN SPECIAL RULE 18(A) and 18(C), SHIPPER SHALL DEFEND, INDEMNIFY, AND HOLD CARRIER, ITS AFFILIATES, AND ITS AND THEIR SHAREHOLDERS, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, PARTNERS, AND MEMBERS ("CARRIER INDEMNIFIED PARTIES") HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS, DAMAGES, FEES, CAUSES OF ACTION, LIABILITIES, AND COSTS (INCLUDING REASONABLE ATTORNEYS' FEES AND COSTS OF INVESTIGATION AND DEFENSE) BUT LIMITED TO ACTUAL, DIRECT DAMAGES ONLY, ARISING FROM OR RELATED TO SHIPPER'S POSSESSION AND CONTROL OF THE PRODUCT AND OPERATION OF ITS FACILITIES UPSTREAM OF THE ORIGIN POINTS AND DOWNSTREAM OF THE DESTINATION POINT(S), INCLUDING, IF IT IS ALLEGED OR PROVEN THAT ONE OR MORE CARRIER INDEMNIFIED PARTIES CAUSED THE DAMAGES AT ISSUE THROUGH THEIR SOLE, OWN, OR CONCURRENT NEGLIGENCE, STRICT LIABILITY, OR OTHER LEGAL FAULT; PROVIDED, HOWEVER, THAT SHIPPER SHALL HAVE NO DUTY TO DEFEND OR INDEMNIFY ANY CARRIER INDEMNIFIED PARTIES IF ANY CARRIER INDEMNIFIED PARTY IS GROSSLY NEGLIGENT OR ENGAGES IN WILLFUL MISCONDUCT.
- (G) NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT, AND EXCEPTING DAMAGES RESULTING FROM CARRIER'S OR SHIPPER'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, NEITHER PARTY WILL BE LIABLE TO THE OTHER PARTY PURSUANT TO ANY INDEMNITY OR ANY OTHER PROVISION HEREOF FOR, AND EACH HEREBY WAIVES, ANY AND ALL CONSEQUENTIAL DAMAGES (INCLUDING, WITHOUT LIMITATION, LOST PROFITS, LOST BUSINESS OPPORTUNITIES, LOSS OF USE, OR OTHER BUSINESS INTERRUPTION DAMAGES), INDIRECT, INCIDENTAL, PUNITIVE, EXEMPLARY, OR SPECIAL DAMAGES ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, REGARDLESS OF HOW CAUSED AND REGARDLESS OF THE THEORY OF RECOVERY (OTHER THAN GROSS NEGLIGENCE OR WILLFUL MISCONDUCT), INCLUDING, WITHOUT LIMITATION, THE NEGLIGENCE (WHETHER SIMPLE, SOLE, JOINT, CONCURRENT, COMPARATIVE, CONTRIBUTORY, ACTIVE,

PASSIVE, OR OTHERWISE), STRICT LIABILITY, STATUTORY LIABILITY, OR OTHER FAULT OF, OR THE BREACH OF THIS AGREEMENT BY, A PARTY.

- (H) THE INDEMNITIES AND OTHER PROVISIONS EXPRESSED IN THIS SPECIAL RULE 18 AND THE INDEMNITIES EXPRESSED IN ANY GATHERING AGREEMENTS SHALL SURVIVE THE EXPIRATION OR TERMINATION OF THIS TARIFF OR ANY GATHERING AGREEMENTS. THE PARTIES HEREBY WAIVE AND RELINQUISH ALL RIGHTS AND REMEDIES INCONSISTENT WITH THIS SPECIAL RULE 18.
- (I) CARRIER SHALL NOT BEAR ANY RISK FOR, OR BE LIABLE FOR, ANY DAMAGE, CONTAMINATION, DEGRADATION, OR LOSS OF PRODUCT RESULTING FROM AN EVENT OF FORCE MAJEURE. IF CONTAMINATION, DAMAGE, DEGRADATION, OR LOSS OF PRODUCT FROM FORCE MAJEURE OCCURS AFTER THE PRODUCT HAS BEEN RECEIVED BY CARRIER FOR TRANSPORTATION AND BEFORE IT HAS BEEN DELIVERED TO SHIPPER, SHIPPER SHALL BEAR A LOSS IN SUCH PROPORTION AS THE AMOUNT OF SHIPPER'S SHIPMENT IS TO ALL OF THE PRODUCT HELD IN TRANSPORTATION BY THE CARRIER AT THE TIME OF SUCH LOSS, DAMAGE, CONTAMINATION, OR DEGRADATION, AND THE SHIPPER SHALL BE ENTITLED TO HAVE DELIVERED ONLY SUCH PORTION OF SHIPPER'S SHIPMENT AS MAY REMAIN AFTER A DEDUCTION OF SHIPPER'S PROPORTION OF SUCH LOSS, DAMAGE, CONTAMINATION, OR DEGRADATION. NOTWITHSTANDING THE FOREGOING, IN THE EVENT OF ANY LOSS OF SHIPPER'S PRODUCT RESULTING FROM A FORCE MAJEURE EVENT, SHIPPER SHALL BE ENTITLED TO A CREDIT AGAINST CHARGES OTHERWISE APPLICABLE HEREUNDER, EQUAL TO THE RATE SET FORTH IN CARRIER'S THEN CURRENT RATES TARIFF, MULTIPLIED BY THE AMOUNT OF SHIPPER'S PRODUCT NOT DELIVERED BY CARRIER.

**Special Rule 19 Claims for Damage; Valuation of Loss**

- (A) TERMS FOR NOTICE OF LOSS, DAMAGE, DELAY IN CONNECTION WITH SHIPMENT, OR FAILURE TO MAKE DELIVERY ARE GOVERNED BY RULE 12. FOR ALL OTHER CLAIMS, INCLUDING BUT NOT LIMITED TO, CLAIMS FOR THE CONTAMINATION, DEGRADATION, OR DAMAGE TO SHIPPER'S FACILITIES, SHIPPER SHALL NOTIFY CARRIER WITHIN FIFTEEN (15) CALENDAR DAYS OF THE DATE THAT SHIPPER KNEW OR SHOULD HAVE KNOWN OF THE CONTAMINATION, DEGRADATION, OR DAMAGE TO FACILITIES, AND SHIPPER IRREVOCABLY WAIVES ANY CLAIM FOR WHICH THE REQUIRED NOTICE IS NOT PROVIDED WITHIN THE REQUIRED TIME. CARRIER MUST MAKE ANY CLAIMS FOR THE CONTAMINATION, DEGRADATION, OR DAMAGE TO FACILITIES, BY NOTICE TO SHIPPER WITHIN FIFTEEN (15) CALENDAR DAYS OF THE DATE THAT CARRIER KNEW OR SHOULD HAVE KNOWN OF THE CONTAMINATION, DEGRADATION, OR DAMAGE TO FACILITIES, AND CARRIER IRREVOCABLY WAIVES ANY CLAIM FOR WHICH THE REQUIRED NOTICE IS NOT PROVIDED WITHIN THE REQUIRED TIME.
- (B) THE LIABILITY OF EITHER PARTY TO THE OTHER ARISING OUT OF LOSS OF VALUE IN PRODUCT OR LOSS OF PRODUCT WILL NOT EXCEED THE MARKET VALUE OF THE PRODUCT, LESS THE FAIR MARKET SALVAGE VALUE OF THE CONTAMINATED, DAMAGED, OR DEGRADED PRODUCT, ALL ON THE DAY OF SUCH CONTAMINATION, DAMAGE, DEGRADATION, OR LOSS.

**Special Rule 20 Pipeline Loss Allowance**

Each Shipper shall be responsible for its pro rata share of any losses caused by evaporation or ordinary loss during transportation ("PLA"). Each Shipper's PLA shall be capped at 1% of its Tendered volumes during the applicable measuring period and shall exclude any losses caused by Carrier's negligence or willful misconduct.