

ALPINE HIGH NGL PIPELINE LP

RULES AND REGULATIONS TARIFF

Governing the Intrastate Pipeline Transportation of

PRODUCT

From:

POINTS IN TEXAS

To:

POINTS IN TEXAS

GENERAL APPLICATION

Rules and Regulation published herein apply only under tariffs which make specific reference by number to this tariff; such reference will include supplements hereto and successive issues hereof. Specific rules and regulations published in individual tariffs will take precedence over rules and regulations published herein.

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GAS SERVICES DIVISION
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RULES OF GENERAL APPLICATION

Notwithstanding anything in the Railroad Commission of Texas Provisions to the contrary, Carrier will receive, transport, and deliver Product through its facilities only as provided in these Rules and Regulations or in succeeding reissues of these Rules and Regulations.

1. Definitions

“Barrel” means forty-two (42) United States gallons of 231 cubic inches at sixty degrees Fahrenheit (60° F) and equilibrium vapor pressure.

“BPD” means Barrels per Day.

“Carrier” means Alpine High NGL Pipeline LP.

“Central Clock Time” or “CCT” means Central Standard Time, as adjusted for Central Daylight Time.

“Component(s)” means each of the five individual hydrocarbon constituents contained in Product, including ethane, propane, isobutane, normal butane, and natural gasoline (with natural gasoline including all pentane and heavier components), all in accordance with the applicable Product Specifications.

“Component Balance Statement” means a Monthly statement issued by Carrier to Shipper reflecting Shipper’s Component balance.

“Component Imbalance” means, for any given Component, a Component Net Volume delivered to Consignee at the applicable Destination Point(s) in excess of, or less than, the Component Net Volume received from Shipper at the applicable Origin Point(s) for delivery to that Consignee.

“Component Net Volume” means Component volume calculated at sixty degrees Fahrenheit (60° F) in accordance with the latest edition of GPA 8173.

“Consignee” means the person or entity to whom the Shipper has ordered delivery of Product.

“Day” or “Daily” means a period commencing at 7:00 a.m., CCT, on a calendar day and ending at 7:00 a.m., CCT, on the next calendar day.

“Deemed Volume Commitment” means the amount of capacity that a Priority Shipper shall be entitled to receive, on a Barrel-per-Day basis, during the term of such Priority Shipper’s Transportation Services Agreement.

“Destination Point” means the point at destination where physical custody of Product is transferred from Carrier to the Consignee, such point being the point of interconnection between Carrier’s facilities and the Product receiving facilities to which Carrier’s facilities are connected as identified in an applicable Transportation Services Agreement.

“Force Majeure” means an event or occurrence beyond the reasonable control of Carrier that interferes with or prevents Carrier’s performance of any obligation or condition under this tariff, under a transportation service agreement, interconnect agreement, or other agreement affecting Carrier or Carrier’s facilities, including but not limited to (i) actions, orders, regulations, or requests of any governmental authority having jurisdiction over the pipeline system, Carrier, or this tariff; (ii) insurrections, wars, rebellion, riots, disturbances, sabotage, acts of public enemies, blockades, embargoes, expropriation, condemnation, epidemics, strikes, lockouts, or labor disturbances or difficulties (the settlement of strikes, lockouts, or labor difficulties being entirely within Carrier’s discretion); (iii) weather conditions or anticipated weather conditions and actions of the elements, including, without limitation, fires, explosions, earthquakes, storms, floods, freezing conditions, washouts, lightning, hurricanes, tornadoes, or landslides; (iv) disruptions to, breakages of, or destruction of all or any portion of Carrier-owned or third party-owned machinery, lines of pipe, or facilities relied upon or contributing to provision of transportation service under this tariff, including the inability to obtain electric power, water, fuel, equipment, parts, repairs, or other items or services; and (v) fires, explosions, freezing conditions, breakdowns or failure of pipe, plant, machinery, or equipment. An event similar to the foregoing that interferes with or prevents Carrier’s performance of its obligations shall be deemed an event of Force Majeure.

“Gas” means any mixture of gaseous hydrocarbons, consisting essentially of methane and heavier hydrocarbons and inert and noncombustible gases that are extracted from the subsurface of the earth.

“Interests” means any right, title, or interest in lands, wells, or leases and the right to produce Gas therefrom whether arising from fee ownership, working interest ownership, mineral ownership, leasehold ownership, farm-out, contractual ownership, or arising from any pooling, unitization, or communitization of any of the foregoing rights.

“Linefill” means the quantity of Product required by Carrier needed to occupy the physical space in Carrier’s facilities to provide working stock and storage receptacle bottoms, if applicable, as determined by Carrier.

“Month” means a period commencing at 7:00 a.m., CCT, on the first Day of a calendar month and ending at 7:00 a.m., CCT, on the first Day of the next calendar month.

“Monthly Ratable Basis” means the delivery of Product throughout each Month in Daily quantities that are approximately equal to the volume of Product delivered during the Month divided by the number of Days in that Month.

“Nomination” means a written communication (in form and context specified by Carrier) made by a Shipper to Carrier of a quantity of Product for transportation on the pipeline system in accordance with the terms of this tariff.

“Non-Routine Product Losses” has the meaning set forth in Item 15 of this tariff.

“OPIS Index” means the Monthly average of the Daily average (AVG) prices per gallon, for the Month of delivery, as quoted by Oil Price Information Service (“OPIS”) in the OPIS-LP-Gas Report for “Any Current Month” under “Mont Belvieu Spot Gas Liquids Prices” using (i) the Non-TET prices for the propane, isobutane, normal butane, and natural gasoline Components and (ii)

the Purity Ethane price for the ethane Component. The OPIS Index is not to include any TET, Oth, or other categories of Component prices that might be published by OPIS. No value will be given to CO2 or other impurities or for methane in excess of the Carrier's Product Specifications.

"Origin Point" means the point where physical custody of Product is transferred from Shipper to Carrier, such point being the inlet delivery connection to Carrier's facilities where Product from an originating facility or an interconnected pipeline is injected into Carrier's facilities as identified in an applicable Transportation Services Agreement.

"Priority Shipper" means a Shipper with which Carrier has executed a Transportation Services Agreement that includes a term of at least ten (10) Years and, upon the effective date of any such Transportation Services Agreement, a dedication of Interests covering at least 250,000 acres of lands located in Culberson, Reeves, and/or Ward Counties, Texas.

"Product(s)" means Raw Make.

"Proration Month" means the Month for which System Capacity is to be allocated in accordance with Item 18.

"Raw Make" has the meaning set forth in Item 7 of this tariff.

"Regular Shipper" means a Shipper that does not qualify as a Priority Shipper.

"Shipper" means a party who contracts with Carrier for transportation of Product under the terms of this tariff as either a Priority Shipper or Regular Shipper.

"Shipper Cash Out Position" means the sum of (i) each Component Imbalance multiplied by (ii) the corresponding OPIS Index less \$0.11 per gallon.

"Specifications" has the meaning set forth in Item 7 of this tariff.

"System Capacity" means the operational capacity of the pipeline system at any applicable point in time.

"Transportation Services Agreement" or "TSA" means a transportation services agreement executed by a Priority Shipper and Carrier.

"Year" means a period of three hundred sixty-five (365) consecutive Days, except for any Year that involves a leap year, which will consist of three hundred sixty-six (366) consecutive Days.

2. Certificate

Carrier reserves the right to require Shipper to furnish a certificate by a licensed petroleum inspector confirming the quality and specifications of the Product tendered for transportation hereunder.

3. Scheduled Shipments

Shippers desiring to transport Product shall furnish a Nomination to Carrier on a form supplied by Carrier specifying Origin Point, Destination Point, and quantity. All such forms shall be submitted at least two weeks prior to the calendar week in which Shipper desires transportation. If Shipper does not furnish such notice prior to the requested movement date, Carrier shall be under no obligation to accept Product for transportation. All Product accepted for transportation will be transported at such time and in such quantity as scheduled by Carrier.

4. Minimum Tender and Ratable Delivery

The minimum quantity of Product which will be accepted at the Origin Point shall be 2500 Barrels.

Product shall be delivered by Shipper to each Origin Point for transportation service under this tariff on a Monthly Ratable Basis.

5. Facilities at Origin and Destinations

Carrier will provide only such facilities at the Origin Points or Destination Points that Carrier considers necessary for operation of the pipeline. Product will be accepted for transportation only when Shipper has provided facilities at the applicable Origin Points and Destination Points that are satisfactory to Carrier and are capable of delivering or receiving Product at pressures and pumping rates required by the Carrier, provided that Carrier shall operate the pipeline system so that deliveries to Destination Points at downstream interconnecting pipelines shall be at the prevailing operating pressure of the respective downstream pipeline, not to exceed 1440 psig.

6. Assurance of Delivery at Destination

Upon arrival of Product at the specified Destination Point, such Product will be delivered through metering facilities provided by Carrier or the operator of the receiving facility into receiving lines and storage facilities provided by Shipper. In the event Shipper or its Consignee does not have adequate facilities available to receive Product at the Destination Point in accordance with Carrier's schedule, Carrier may store, sell at public auction, or otherwise dispose of Product in accordance with Item 13 below.

7. Product Specifications

Carrier is engaged in the transportation of Product as herein defined and will not accept any other commodity for transportation under this tariff.

Carrier reserves the right to refuse to accept any Product for transportation service which does not conform to Carrier's Product specifications ("Specifications") (set forth below). Carrier reserves the right to modify its Specifications from time to time. In the event Carrier makes modifications to its Specifications, Carrier will provide Shippers with notice of such modifications and provide a copy of, or access to, the modified Specifications. As a prerequisite to transportation service, Shipper's Product must also conform to its Nominated Destination Point specifications.

If Product received by Carrier does not conform to the Specifications, Carrier reserves the right to bill and Shipper shall pay the reasonable costs and expenses incurred to treat or otherwise dispose of all contaminated Product including without limitation any penalties or charges incurred by Carrier as a result of such contamination.

Except and to the extent Carrier knowingly accepts Product from Shipper that does not conform to the Carrier's Specifications, Shipper shall be liable for and shall defend, indemnify, and hold Carrier harmless from and against any and all claims, actions, suits, losses, demands, costs, and expenses (including attorneys' fees and costs of repairing, inspecting, cleaning, and decontaminating the facilities of Carrier or third parties) of every kind, nature, or description resulting from any Product that Shipper has delivered into Carrier's facilities that fails to meet the Specifications.

In addition to meeting the Specifications, the Ethane content of Raw Make tendered by Shipper to Carrier at an Origin Point shall be at least ten percent (10%) and no more than sixty-five (65%) by liquid volume. Raw Make shall be a mixture of Component products of natural gas liquids (NGLs) composed predominantly of Ethane, Propane, Butanes & Natural Gasoline (Pentanes & Heavier) meeting the following Specifications:

COMPONENT	TEST METHOD	SPECIFICATION
Total Methane (See note 5)	GPA 2186	0.5 Liq. Vol.% max.
Methane % of Ethane (See note 5)	GPA 2186	1.5 Liq. Vol.% max.
Aromatics	GPA 2186	10.0 Liq. Vol.% max. (of C5+)
Olefins	GPA 2186	1.0 Liq. Vol.% max. (See note 1)
Vapor Pressure at 100 deg. F	ASTM D2598	600 psig max.
Copper Strip Corrosion	ASTM D1838	No. 1 (See notes 2 & 3)
Volatile Sulfur	ASTM D2784 or ASTM D5623	150 ppm wt. max.
Carbon Dioxide	GPA 2186	0.35 Liq. Vol. % max. (of C2)
Hydrogen Sulfide	ASTM D2420 or ASTM D5623	Pass
Carbonyl Sulfide	ASTM D5623	15 ppm wt. max. (of C3)
Distillation End Point	ASTM D-86	375 deg. F. max. (See note 4)
Saybolt Color Number	ASTM D156 or ASTM D6045	+27 min. (See note 4)
Water Content	VISUAL	No Free Water @ 34 deg.F
Prod. Temp. (>65 mole% Ethane)	Thermometer	90 deg. F. max.
Prod. Temp. (<65 mole% Ethane)	Thermometer	110 deg. F. max.
Halides (including Fluorides)	ASTM D7359	1 ppm wt. max. (in nC4)
Methanol (see note 6)	ASTM D7423	200 ppm wt. max

ON TEST METHODS: Method numbers listed above, beginning with the letter "D", are American

Society for Testing and Materials (ASTM), Standard Test Procedures. The most recent year's revision for the procedures will be used.

CONTAMINANTS: The Specification defines only the basic purity for this Product. The Product is to be free of any contamination that might render the product unusable for its commonly used applications. Specific contaminants include (but are not limited to) dirt, rust, scale, and all other types of solid contaminants, caustic, amines, chlorides, heavy metals, oxygenates, inerts and any component added to the Product to enhance the ability to meet the Specifications.

1. Propylene limited to 5.0 Liq. Vol. % max. of contained Propane, Butylene limited to 0.35 Liq. Vol. % max. of contained Butanes, and Butadiene limited to 0.01 Liq. Vol. % max. of contained Butanes.
2. Caution – Use a corrosion cylinder rated at a minimum of 1500 psig.
3. The use of corrosion masking agents is strictly prohibited.
4. Distillation and Color to be run on that portion of the mixture having a boiling point of 70° F and greater at atmospheric pressure.
5. Includes Nitrogen and Oxygen.
6. This is a Component Specification for Product received from injectors to the pipeline.

8. Measurement

Carrier, at its sole cost and expense, will measure or cause to be measured the Product tendered at each Origin Point and Destination Point, in each case as provided pursuant to measurement procedures that shall be available upon request. Carrier and Shipper shall refer for determination any dispute, controversy, or claim arising out of or in connection with this Item 8, which Carrier and Shipper are unable to resolve, to the following measurement expert: Coastal Flow Measurement. The decision of the measurement expert with respect to the applicable measurement dispute shall be final and binding upon Carrier and Shipper.

9. System Losses and Loss Adjustments

Quantities of Product will be adjusted at the Destination Point to allow for inherent losses or gains, including but not limited to shrinkage, evaporation, measurement, interface losses, and other physical losses not due to the negligence of Carrier. In the event any such loss or gain occurs in Product received for transportation from two or more Shippers, the loss or gain will be allocated among Shippers in the proportion that each Shipper's Product bears to the total number of Barrels received. Shipper is solely responsible for and shall bear the physical and economic consequences of all such losses.

10. Integrity of Product

Carrier will use its best efforts to transport Product to the specified Destination Point with a minimum of contamination. Carrier may commingle Product received for transportation and reserves the right at any time to substitute and deliver a Product of the same specification as the Product tendered by Shipper. Product will be accepted for transportation service only on the condition that it shall be subject to such changes in characteristics (including Component changes), while in transit, as may result from the mixture with other Product. Carrier shall be under no

obligation to make delivery of the identical Product, but may make delivery out of the common stream and Shippers will be required to accept such delivery. For pipeline protection, Carrier may inject corrosion inhibitor in the Product to be transported, and Shipper will accept delivery of Product at the specified Destination Point containing the corrosion inhibitor. Notwithstanding the foregoing, Carrier shall not inject any corrosion inhibitor in the Product that will cause the Product to fail to satisfy the quality specifications of any downstream interconnecting pipelines.

11. Title to Product, Possession, Control, and Risk of Loss.

- (a) Title. Title to the Product tendered by Shipper to Carrier for transportation on the pipeline will remain with Shipper.
- (b) Possession, Control, and Risk of Loss. Shipper shall be deemed to be in exclusive possession and control of all Product for which services are provided hereunder upstream of the Origin Point and at and downstream of the Destination Point. Carrier shall be deemed to be in exclusive possession and control of all Product at and downstream of the Origin Point and upstream of the Destination Point. Risk of loss for all Product for which services are provided hereunder shall pass from Shipper to Carrier and back to Shipper in the manner outlined in the prior sentence; provided that, Carrier's risk of loss does not apply to the extent of the system losses and loss adjustments addressed in Item 9 above.

12. Title, Liens, and Unpaid Charges

Shipper warrants and guarantees that Shipper has good title to all Product tendered and delivered hereunder and agrees to hold Carrier harmless for any and all loss, cost, liability, damage, and/or expense resulting from failure of title thereto. Carrier's acceptance of Shipper's Product for transportation service is not an admission by Carrier that Shipper holds good title thereto and is not a waiver of Shipper's obligation to have good title thereto.

Carrier will refuse any Product for transportation which may be encumbered by a lien or charge of any kind, or which may be involved in litigation, or the ownership of which may be in dispute, unless Shipper provides satisfactory evidence of its perfect and unencumbered title or satisfactory indemnity bond to protect Carrier against any and all loss.

13. Payment for Transportation and Lien

Carrier shall bill Shipper Monthly for all transportation charges and other charges due hereunder based upon volumes received by Carrier from Shipper. Shipper shall pay for transportation charges and all other lawful charges accruing on Product accepted in accordance with Carrier's then current payment policies and procedures at the rates published herein.

Carrier may require that all payments to Carrier for services pertaining to the transportation of Product be wire transferred in accordance with the instructions on the Carrier's invoice to Shipper.

If any amounts owed by Shipper are not paid by the due date stated on the invoice, Carrier shall have the right to assess a finance charge on the entire past due balance until paid in full at the rate

equal to the lesser of (i) the prime rate per annum plus two percent (2%), with the prime rate being the then effective prime rate of interest published under "Money Rates" by *The Wall Street Journal* or (ii) the maximum interest rate allowed by law.

Shipper or Consignee shall pay the transportation charges applicable to the shipment and, if required, shall prepay such charges or furnish guaranty of payment satisfactory to Carrier. If Shipper fails to pay any charges when due, Carrier shall not be obligated to provide Shipper access to Carrier's facilities or provide services pursuant to Carrier's tariff until such time as payment is received by Carrier. In addition, Carrier reserves the right to set-off any amounts owing to Carrier against any monies owed by Carrier to Shipper or any of its affiliates under this tariff, a transportation services agreement, or under any other agreement, or against any Product of Shipper in Carrier's custody. In addition, Shipper shall pay all documented costs incurred by Carrier to collect any unpaid amounts, including reasonable attorneys' fees and costs incurred by Carrier.

Carrier shall have a lien on all Product in its possession belonging to Shipper and may withhold such Product from delivery until all of unpaid charges shall have been paid. Such lien shall take effect at the Origin Point as Product is received into Carrier's pipeline. Such lien shall secure the payment of any and all charges and fees owed to Carrier by Shipper, including but not limited to penalties, interest, and late payment charges, whether or not incurred on the Product in Carrier's pipeline and whether or not invoiced. Such lien shall be in addition to any and all other rights and remedies Carrier has at law or in equity.

If any charges or fees owed to Carrier by Shipper shall remain unpaid for ten (10) Days after the date set for payment in Carrier's invoice to Shipper or, in the absence of unpaid charges, when there shall be a failure to take redelivery of the Product at the Destination Point, Carrier shall have the following options, in its sole discretion:

- (a) Carrier may sell Shipper's Product in its possession for cash at public auction at its office in Houston, Texas, on any Day not a legal holiday, not less than forty-eight (48) hours after publication of a notice in a daily newspaper in Houston, Texas, of the time and place of sale and the specifications and quantity of Product to be sold. Carrier may be a bidder and a purchaser at such sale. From the sale proceeds, Carrier may pay itself all charges, expense of notice and sale, and storage and maintenance costs, and the balance shall be held for whosoever may be entitled thereto; or
- (b) In circumstances in which Carrier has no storage facilities or other means of holding and maintaining Shipper's Product and inability to deliver (whether caused by Shipper's failure to take redelivery or caused by exercise of Carrier's lien) will cause a shutdown of a line, Carrier may, without notice but in the most commercially reasonable manner as is possible under the circumstances, dispose of Shipper's Product. If such disposal shall result in proceeds after payment of Carrier's charges and expenses, proceeds shall be held for whoever may be entitled thereto. If such disposal does not result in proceeds, Shipper and Consignee shall remain liable for all charges due to Carrier and for all expenses incurred by Carrier.

If Carrier, in its sole judgment, has reasonable grounds for insecurity regarding the ability of Shipper or Shipper's guarantor (if any) to perform its obligations hereunder or make payment of charges and fees when due (including without limitation, the occurrence of a material change in the creditworthiness of Shipper or its guarantor (if any)), Carrier, upon notice to Shipper, may require any of the following prior to Carrier's delivery of Shipper's Product in Carrier's possession or prior to Carrier's acceptance of Shipper's Product: (1) prepayment of all charges, (2) a standby irrevocable letter of credit (in a form, amount, and term, and issued by a financial institution reasonably acceptable to Carrier) at Shipper's expense in favor of Carrier, or (3) a guaranty issued on behalf of Shipper in a format, amount and tenor acceptable to Carrier, if the credit of Shipper's guarantor is deemed to be acceptable to Carrier in Carrier's sole judgment. If Shipper fails to comply with any such requirement on or before the date supplied in Carrier's notice to Shipper, Carrier shall not be obligated to provide Shipper access to Carrier's facilities or provide transportation service pursuant to this tariff until such requirement is fully met.

14. Application of Rates

Product transported shall be subject to the rates in effect on the date such Product is accepted for transportation by the Carrier as identified in Carrier's Pipeline Service Rate Tariff No. 2.0, made part of this tariff, and successive issues thereof as it may be revised by Carrier.

For Product accepted for transportation from any point on Carrier's line not named in a particular tariff which is intermediate to a point from which rates are published therein, through such unnamed point, Carrier will apply the rate published therein from the next more distant point specified in such tariff pending establishment of new rates.

15. Liability of Carrier

Carrier agrees to indemnify and save Shipper harmless from any loss, claims, or damages (including but not limited to consequential damages and attorneys' fees and costs, except that if Shipper and Carrier have entered a TSA pursuant to which there is a waiver of consequential, multiple, incidental, indirect, special, exemplary, or punitive damages, or loss of profits or revenues, then such waiver shall apply and be enforced in accordance with the terms of the applicable TSA) for injury or death of any person and for damage to property of Carrier, Shipper, Shipper's Consignee, and/or third party resulting from or arising out of any material breach of any provision of this tariff by Carrier, his agents, employees, or representatives or the negligence of Carrier, his agents, employees, or representatives.

Carrier shall not be liable for any loss of Product as described herein or damage thereto, or delay caused by an event of Force Majeure or default of Shipper or from any other cause not due to the negligence of Carrier ("Non-Routine Product Losses"). Non-Routine Product Losses shall be charged proportionately to each Shipper in the ratio that such shipment, or portion thereof, received and undelivered at the time of the loss or damage occurs, bears to the total of all shipments, or portions thereof, then in the custody of Carrier for shipment via the lines or other facilities in which the loss or damage occurs, provided that if such Non-Routine Product Losses are due to the default of a Shipper, such Shipper shall be responsible for such Non-Routine Product Losses. Shipper shall be entitled to receive only that portion of its shipment remaining after deducting its proportion of such loss or damage determined as aforesaid, and shall be required to pay transportation charges

only on the quantity delivered. Carrier will not be liable for discoloration, contamination, or deterioration of Product transported hereunder unless resulting from the negligence of Carrier, provided that Carrier shall be deemed negligent if the injection of corrosion inhibitors by Carrier causes any such discoloration, contamination, or deterioration of Product.

16. Liability of Shipper

As a condition precedent to Carrier's acceptance of Product for transportation under this tariff, each Shipper agrees to indemnify and save Carrier harmless from any loss, claims, or damages (including but not limited to consequential damages and attorneys' fees and costs, except that if Shipper and Carrier have entered a TSA pursuant to which there is a waiver of consequential, multiple, incidental, indirect, special, exemplary or punitive damages, or loss of profits or revenues, then such waiver shall apply and be enforced in accordance with the terms of the applicable TSA) for injury or death of any person and for damage to property of Carrier, Shipper, Consignee, and/or third party resulting from or arising out of (1) any material breach of any provision of this tariff by Shipper, his Consignee, his agents, employees, or representatives; (2) the negligence of Shipper, his Consignee, his agents, employees, or representatives; (3) the injection of contaminants of any kind by Shipper, his Consignee(s) or consignors, his agents, employees, or representatives into the Carrier's pipeline; and/or (4) failure of Shipper's Product delivered or accepted for transportation to meet Carrier's Specifications.

17. Claims Against Carrier; Time Limitation

As a condition precedent to recovery for loss, damage, delay, or misdelivery, claims must be filed in writing with Carrier within nine (9) Months after delivery of Product, or in case of failure to make delivery, within ten (10) Months after receipt of the Product from Shipper by Carrier, except such time limits shall not apply to the extent damage to Product is known by Carrier. Suits must be instituted against Carrier within two (2) Years from the Day when Carrier gives notice to the claimant that Carrier has disallowed the claim or any part thereof specified in the notice of claim. If claims are not filed or suits are not instituted thereon in accordance with these provisions, Carrier will not be liable and claimant may not recover from Carrier.

18. Prorationing of Pipeline Capacity

When Carrier receives more Nominations in a Month for transportation of Product on Carrier's pipeline system than Carrier is able to transport, Carrier shall allocate the System Capacity under the provisions of this Item 18.

System Capacity will be allocated among Priority Shippers as a class and any remaining System Capacity will be allocated in accordance with the provisions of Item 18(B). Such allocation may be based on Nominations exceeding System Capacity at a given Origin Point or Destination Point, and/or a given segment of Carrier's pipeline system.

A. Allocation to Priority Shippers.

- (1) Except as provided in Item 18(A)(2), Carrier shall allocate each Priority Shipper an amount of System Capacity equal to the lesser of the Shipper's Nomination for the Proration Month or its Deemed Volume Commitment.

- (2) If a Priority Shipper Nominates volumes in excess of its Deemed Volume Commitment, then the excess incremental volumes shall be subject to prorationing on a pro rata basis among all other Priority Shippers who have Nominated Volumes in excess of their respective Deemed Volume Commitment.
- (3) If an event of Force Majeure or other operational issue causes System Capacity to be reduced for the Proration Month, Carrier shall allocate available System Capacity to satisfy the Nominations up to the Deemed Volume Commitment of each Priority Shipper under this Item 18(A). Carrier will reduce the allocations of available System Capacity to each Priority Shipper affected by such Force Majeure event or operational issue by the same percentage.

B. Allocation to Regular Shippers.

Following the allocation of System Capacity set forth in Items 18(A) above, Carrier shall next allocate any remaining System Capacity on Carrier's pipeline among all Regular Shippers on a pro rata basis.

E. Basis for Allocation.

When prorationing of System Capacity is in effect:

- (1) Carrier shall allocate System Capacity on a Monthly basis; and
- (2) Carrier will notify each Shipper of its allocation no later than ten (10) Days in advance of the first (1st) Day of the Proration Month.

F. Reallocation of Unused Allocated System Capacity.

If a Shipper does not use the portion of System Capacity allocated to it under this Item 18 at the times and in the amounts designated by Carrier, Carrier shall have the right to use Shipper's unused portion of System Capacity to fulfill the unmet Nominations of other Shippers.

19. Linefill Requirements

Shipper shall provide its share of initial Linefill sufficient for the operation of the pipeline system, provided that a Priority Shipper's initial obligation to provide Linefill shall not exceed the pro rata share that results from such Priority Shipper's Deemed Volume Commitment, as applicable, as a percentage of the System Capacity. Carrier shall not be required to provide service to Shipper until Shipper provides its required portion of initial Linefill. Following the first Month of service, Shipper's pro rata share of Linefill shall be adjusted on the fifth (5th) Day of every Month to equal a ratio based on the actual volumes of Product Shipper delivers to Carrier at the Origin Points and that are ultimately delivered by Carrier to Shipper or the Consignee at the Destination Points compared to the total volumes shipped on the pipeline system, provided that a Priority Shipper's obligation to provide Linefill shall never exceed such Priority Shipper's Deemed Volume Commitment as a percentage of the System Capacity for the preceding Month. Product provided by Shipper for Linefill may be withdrawn thirty (30) Days after (i) Shipper's Transportation Services Agreement terminates or expires, (ii) shipments have ceased, and the Shipper has notified

Carrier in writing to discontinue shipments on the pipeline system, and (iii) Shipper's balances have been reconciled between any other shippers and Carrier, provided that a Priority Shipper may withdraw Product tendered as Linefill to the extent that such Priority Shipper's Deemed Volume Commitment, as applicable, is reduced pursuant to a Transportation Services Agreement such that the Priority Shipper's Linefill obligation will remain satisfied by supply of its pro rata share in accordance with the immediately preceding sentence.

20. Pipeage Contracts Required

A proposed Shipper may be required to execute a separate pipeage contract (including without limitation a transportation services agreement) covering further details of the transportation before any duty of transportation shall arise.

Connections to Carrier's system will only be considered if made by formal written application to Carrier in the form required by Carrier. Acceptance of any request for connection will be subject to compliance with governmental regulations and approval of Carrier.

21. Product Component Balancing

It is the individual Shipper's responsibility to handle Component balancing; participation in the Component balancing process is a prerequisite to shipping on Carrier. Carrier will work with its Shippers, connected pipelines, and connected origins in this regard to function as a source of information to ensure confidentiality.

On a Monthly basis, Shippers are required to cash out any Component Imbalance to zero. The Shipper Cash Out Position equals the sum of (i) each Component Imbalance multiplied by (ii) the corresponding OPIS Index less \$0.11 per gallon. The Shipper will be notified of its Shipper Cash Out Position on the Component Balance Statement. A positive Shipper Cash Out Position shall be paid by Shippers within ten (10) Days from receipt of the Component Balance Statement. A negative Shipper Cash Out Position shall be paid by Carrier within ten (10) Days from issuance of the Component Balance Statement.

RAILROAD COMMISSION OF TEXAS PROVISIONS

The following Railroad Commission of Texas Tariff Requirements must be printed and included in a pipeline tariff in accordance with 16 Texas Administrative Code § 3.71(20). To the extent that any matter in these Texas Tariff Requirements is addressed with greater specificity in the foregoing Rules of General Application, such Rules of General Application shall govern the rights and obligations of Carrier and Shipper hereunder.

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