

PLAINS PIPELINE, L.P.♦

LOCAL PIPELINE TARIFF

CONTAINING RULES AND REGULATIONS
GOVERNING THE INTRASTATE TRANSPORTATION OF
CRUDE PETROLEUM

RECEIVED
R.R.C. OF TEXAS
OCT 01 2018
GAS SERVICES DIVISION
AUSTIN, TEXAS

GENERAL APPLICATION

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

EFFECTIVE: November 1, 2018

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Note: The following rules and regulations shall apply to transportation service provided by Carrier except to the extent that such rules and regulations conflict with tariff rules of the Railroad Commission of Texas, which tariff rules are attached as Appendix A.

RULES AND REGULATIONS

Carrier will receive Petroleum for intrastate transportation through its own lines only when destined for further transportation via water or other pipelines, subject to the following conditions:

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

"Barrel" as herein used means 42 United States gallons at 60° Fahrenheit and zero gauge pressure.

"Business Day" as herein used means a day of the year, excluding all weekends and Carrier Holidays, when Carrier's office is open during normal business hours.

"Carrier" as herein used means Plains Pipeline L.P.

"Carrier Holiday" as herein used means a day on which Carrier's office is closed for business.

"ENom System" as herein used means Electronic Nomination System. The ENom System is a computerized information system that enables Shippers to nominate the movement of Crude Petroleum on Carrier's System. Shippers can access the ENom System on Carrier's website at <https://www.plainsallamerican.com/customer-center/pipeline-tariffs/enom-portal>.

"Petroleum" as herein used means direct products, or a mixture of direct products with indirect products, as defined and provided in Item 3.

"Shipper" as herein used means any party tendering and thereafter actually delivering Petroleum for transportation by Carrier in accordance with the terms of this tariff.

"Sour Petroleum" as herein used means Petroleum containing greater than 0.50 per cent sulfur as indicated by laboratory analysis using ASTM Method ASTM D-4294.

"Sweet Petroleum" as herein used means Petroleum containing 0.50 per cent or less sulfur as indicated by laboratory analysis using ASTM Method ASTM D-4294.

"Tender" as herein used means an offer by a shipper to the Carrier of a stated quantity of petroleum for transportation from a specified origin or origins to a specified destination in accordance with these rules and regulations.

"Transferor" as used herein means the entity transferring volumes pursuant to an intrasystem transfer of title to Crude Petroleum as described in Item 23 to these rules and regulations, INTRASYSTEM TRANSFERS.

"Transferee" as used herein means the entity accepting volumes pursuant to an intrasystem transfer of title to Crude Petroleum as described in Item 23 to these rules and regulations, INTRASYSTEM TRANSFERS.

"Vapor Pressure" as herein used means Vapor Pressure at 100° Fahrenheit as determined by ASTM Method D-323-90, "Standard Method of Test for Vapor Pressure of Petroleum Products (Reid Method)."

2. **Commodity.** Carrier will transport Petroleum as defined in Item 1, exclusively, and will not accept any other commodity for transportation.

3. **Mixtures.** The indirect liquid products of oil or gas wells resulting from the operation of gasoline recovery plants, gas recycling plants, or condensate or distillate recovery equipment in gas or oil fields, herein referred to as indirect products, will be accepted and transported as a mixture with the direct liquid products of oil wells, herein referred to as direct products, providing the vapor pressure of the resulting mixture does not exceed that permitted by Carrier's facilities and operating conditions.

The indirect products portion of the mixture will be accepted for transportation at reception points other than the one at which the direct products portion of the same mixture is received, provided that the Shipper, consignee, and destination are the same, and that operating conditions and the Carrier's facilities permit the indirect products portion to be mixed with the direct products of the same Shipper or consignee. The rate to be assessed on each portion of the mixture shall be the rate applicable from the reception point at which each is received.

The direct and indirect products will be measured and tested separately for determining volumes received. Each such measurement will be made in accordance with Item 7.

Mixtures will be transported and delivered as Petroleum only. Nothing in this rule is to be construed to waive provisions of Item 5 of this tariff or to require the Carrier to receive, transport, and deliver unmixed indirect products. However, unmixed indirect products may be transported for subsequent mixing with direct products in accordance with this rule where facilities exist and operations permit transporting such indirect products.

4. Specifications. Shipper shall not deliver to Carrier and Carrier shall not be obligated to accept Petroleum for transportation except good merchantable petroleum of the gravity of 20° A.P.I. (American Petroleum Institute) or higher which is properly settled and contains not more than one percent of basic sediment, water, and other impurities, has a temperature not in excess of 120° Fahrenheit, contains less than one part per million of organic chlorides (total sample) and has a Reid Vapor Pressure of no more than 8.6. If Petroleum is accepted from tankage, settled bottoms in such tanks must not be above a point four inches below the bottom of the pipeline connection with the tank from which it enters Carrier's facilities. No Petroleum will be accepted unless its gravity, viscosity, and other characteristics are such that it will be readily susceptible of transportation through the Carrier's existing facilities, and it will not materially affect the quality of other shipments or cause disadvantage to other Shippers or the Carrier.

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

Common Stream	API Gravity	Sulfur Content Maximum Percent By Weight
Domestic Sweet	37 – 42 degrees	0.40

No Petroleum will be accepted for transportation unless distillation of any stream sample taken downstream from the sample point or from tankage has an IBP (Initial Boiling Point) of at least 100° Fahrenheit and at least 80% of the volume of the sample has been distilled when the temperature of the sample reaches 700° Fahrenheit using ASTM.

To establish a base line for understanding the nature of Petroleum being carried in Carrier's facilities, each Shipper, by January 1, 1995, shall provide Carrier with a suitable assay of the Petroleum typically tendered for transportation by such Shipper at each origin point on Carrier's facilities. Each Shipper so providing an assay is obligated to notify Carrier and provide a suitable assay whenever such Shipper's typical Petroleum at an origin point changes. Before any Petroleum is accepted for transportation through Carrier's facilities from any producing reservoir or processing plant from which Petroleum has not previously been accepted for transportation by Carrier, Carrier may require Shipper tendering such Petroleum to give Carrier written notice thereof at least 30 days in advance of such proposed shipment. Such notice shall include a suitable assay of the tendered Petroleum.

5. Shipments, Maintenance of Identify. Petroleum will be accepted for transportation only on condition that it may be subject to such changes in gravity or quality while in transit as would result from its mixture with other Petroleum in the pipelines or tanks of the Carrier. Carrier shall be under no obligation to deliver the identical Petroleum received but may make delivery out of common stock or out of Carrier's pipeline stream of substantially like Petroleum.

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

7. Gauging, Testing and Volume Corrections. Petroleum shipped hereunder must be measured and tested by representatives of Carrier or by automatic equipment approved by Carrier. Quantities will be determined from correctly compiled tank table or Carrier-approved automatic equipment and adjusted to the temperature of 60° Fahrenheit. Where measurement is made by meter, a further correction will be made for pressure in accordance with A.P.I. (American Petroleum Institute) Standard 1101 - Measurement of Petroleum Liquid Hydrocarbons by Pipeline Displacement Meters. Deductions will be made for the actual amount of suspended basic sediment, water, and other impurities as ascertained by centrifuge or other tests, if other tests are agreed upon. Petroleum will not be accepted from pressurized vessels.

Carrier shall deduct a percentage of the volume of all Petroleum the gravity of which equals or exceeds 54 degrees API in accordance with the following table:

<u>Degrees API Gravity</u>	<u>Percentage Deduction</u>
20 to 54.9	None
55 to 60.9	1
61 to 75.9	2
76 and above	3

From the net quantities so determined for acceptance, a further deduction of two-tenths of one percent will be made to cover evaporation and loss during trunkline transportation ("Allowance Oil"), and the balance will be the net quantities deliverable.

8. Destination Facilities Required. Carrier will accept Petroleum for transportation only when Shipper has provided the necessary facilities for receiving such Petroleum as it arrives at destination.

9. Origin Facilities Required for Automatic Custody Transfer. Where Shipper elects to deliver Petroleum to Carrier at point of origin through automatic custody transfer facilities (in lieu of tankage), Shipper shall furnish the required automatic measuring and sampling facilities, and the design, construction, and calibration of such facilities must be approved by Carrier and any appropriate regulatory body. In the event automatic custody transfer is made by meters, Shipper shall also furnish whatever pumping service is necessary to ensure that the Petroleum being delivered to the meter is at a pressure in excess of the bubble point of the liquid.

10. Application of Rates and Charges. Petroleum accepted for transportation shall be subject to the rates and charges in effect on the date of receipt of such Petroleum by Carrier. Trunkline transportation and all other lawful charges will be collected on the basis of the net quantities of Petroleum delivered to Shipper at destination. All net quantities will be determined in the manner provided in Item 7.

11. Notice of Arrival, Delivery at Destination. The obligation of Carrier is to deliver at destination the quantity of Petroleum to be transported, less deductions, and such delivery may be made upon 24 hours' notice to Shipper, who shall accept and receive said Petroleum from Carrier with all possible dispatch into the tanks or receptacles to be provided by Shipper.

If Shipper is unable or refuses to receive Petroleum as it arrives at destination, Carrier reserves the right to make whatever arrangements for disposition of the Petroleum it deems appropriate in order to clear its pipeline. Any expenses incurred by Carrier in making such arrangements shall be borne by Shipper.

Unless otherwise stated on a tariff making reference to these rules and regulations, Nominations for the transportation of Crude Petroleum for which Carrier has facilities will be accepted into Carrier's System under these rules and regulations in quantities of fifty thousand (50,000) Barrels or greater. Quantities of less than fifty thousand (50,000) Barrels may be accepted by Carrier for transportation if operating conditions permit and if such Crude Petroleum is of like quality and characteristics of that currently being transported, all at Carrier's sole discretion. Carrier will not be obligated to make any single delivery of less than fifty thousand (50,000) Barrels, unless Carrier's operations dictate otherwise. The term "single delivery" as used herein means a delivery of Crude Petroleum in one continuous operation to one or more Consignees into a single facility, furnished by such Consignee or Consignees, to which Carrier is connected.

Crude Petroleum will be transported only under a Nomination accepted by the Carrier from origins (or facilities connected to Carrier's gathering System when gathering service is to be performed by the Carrier) to destinations when a tariff covering the movement is lawfully in effect and on file with the FERC as to interstate traffic and with the appropriate state commission covering intrastate traffic.

Any Shipper desiring to tender Crude Petroleum for transportation shall make a Nomination to the Carrier before 12:00 noon Central Standard Time/Central Daylight Saving Time, whichever is applicable, on the twenty-fifth (25th) of the month preceding the movement. When the twenty-fifth (25th) of the month falls on a weekend, Nominations will be required prior to 12:00 noon Central Standard Time/Central Daylight Saving Time, whichever is applicable, on the preceding Business Day. When the twenty-fifth (25th) of the month falls on a Carrier Holiday, Nominations will be required prior to 12:00 NOON Central Standard Time/Central Daylight Saving Time, whichever is applicable, three (3) Business Days prior to the Carrier Holiday. The Nomination must be submitted via Carrier's ENom System. Unless such notification is made, the Carrier will be under no obligation to accept Crude Petroleum for transportation. Carrier's monthly nomination schedule will be posted on Carrier's website on or before January 15 of each year. Shippers can access Carrier's monthly nomination schedule on Carrier's website at <https://www.plainsallamerican.com/customer-center/pipeline-tariffs/enom-portal>.

12. Apportionment When Tenders Are In Excess of Facilities

(a) When there shall be nominated to Carrier, for transportation, more Crude Petroleum than can be immediately transported on a line segment, Carrier shall allocate the available capacity of the line segment, which shall include any Released Capacity on such line segment, among Shippers on an equitable basis. Line segments will be prorated separately if necessary.

(b) When System capacity will be prorated.

1. When it is determined that insufficient capacity is available to accommodate all valid timely and properly submitted Nominations, Carrier will notify via electronic mail, telephone, facsimile, electronic bulletin posting, or other appropriate method as selected by the Carrier, each Shipper that has tendered a Nomination ("Initial Nomination") for the allocated line segment or facility. Each allocated Shipper will have an opportunity to submit a revised Nomination for the month, which revised Nomination must be equal to or less than the Shipper's Initial Nomination ("Revised Nomination"). A Shipper must submit a Revised Nomination to Carrier within 24 hours of Carrier notifying the Shipper of the opportunity to submit a Revised Nomination. If a Shipper does not submit a Revised Nomination within such 24-hour time period, the Shipper's Initial Nomination shall be deemed to be its Revised Nomination.
2. If the total Revised Nominations still exceed the available capacity for the month, Carrier shall allocate the available capacity for such month (the "Proration Month") to all Shippers based on Revised Nominations for the Proration Month and the provisions set forth in this Item No. 12. Under such allocation, each Shipper will receive an allocation of the available capacity for the Proration Month ("Allocated Capacity"), which amount shall be determined in accordance with the provisions of this Item No. 12.
3. No individual Shipper Nomination shall be considered beyond the physical capacity of the Pipeline or the amount that the nominating party has readily accessible for shipment. Furthermore, Carrier will not consider any Nomination submitted by a New Shipper that exceeds the New Shipper Capacity of the Pipeline. Nominations in excess of these limits will be reduced accordingly.
4. Carrier shall notify each Shipper of its Allocated Capacity following the allocation process set forth in this Item No. 12, and each Shipper must then submit a new nomination confirming to Carrier, within 24-hours of receiving its Allocated Capacity, the amount of Crude Petroleum that the Shipper intends to ship during the Proration Month ("Final Nomination"), which amount must be equal to or less than its Allocated Capacity. If a Shipper does not submit a Final Nomination within such 24-hour time period, the Shipper's Final Nomination shall be deemed to be its Allocated Capacity. If the total Final Nominations are less than the available capacity for the month, Carrier shall first notify Regular Shippers of the remaining available capacity. The remaining available capacity will then be allocated to Regular Shippers in the order of receipt of revised Final Nominations, until the remaining available capacity is fully allocated. If there remains available capacity after such allocation to Regular Shippers, Carrier shall next notify New Shippers of the remaining available capacity and shall allocate such remaining capacity to New Shippers in the order of receipt of revised Final Nominations, until the remaining available capacity is fully allocated.

(c) Space in each segment will be allocated among "Regular Shippers" and any "New Shippers" as follows:

1. New Shippers shall be allocated up to a total of five percent of the available line segment capacity ("New Shipper Capacity") except that in any month for which Carrier is allocating capacity on a System, the capacity allocated to a Regular Shipper shall not be reduced by more than 10 percent of the Regular Shipper's Base Period shipments. Each New Shipper will be allocated its Revised Nomination (on a barrel per day basis), but in no event more than a maximum of one percent of the available line segment capacity. If the total allocation among all New Shippers would exceed five percent of the available line segment capacity, then each New Shipper's allocation will be reduced on a pro rata basis (using nominated volumes) so that the allocations to all New Shippers in the aggregate do not exceed five percent of the line segment capacity, provided however, that if such pro rata allocation in a given month does not result in each New Shipper being allocated the monthly minimum volume set forth in Item No. 11 contained herein (the "Minimum Nomination Allocation"), then Carrier will administer the lottery process set forth below.

Lottery Process

- a. Carrier will use a software-generated random number process to randomly assign each New Shipper a number. New Shippers who have both (i) a Revised Nomination in the current Proration Month, and (ii) a Revised Nomination in each of the prior 12 consecutive months, but who have not received Allocated Capacity in any of those 12 months ("Tier 1 Eligible New Shippers") will be ordered sequentially starting with the random number closest to zero. Next, all New Shippers who have both (i) a Revised Nomination in the current Proration Month, and (ii) a Revised Nomination in the last Proration Month, but who were not allocated capacity in such month ("Tier 2 Eligible New Shippers") will be ordered sequentially starting with the random number closest to zero. Finally, all remaining New Shippers ("Tier 3 Eligible New Shippers") will be ordered sequentially starting with the random number closest to zero.
- b. The Tier 1 Eligible New Shipper with the lowest number will receive the first Minimum Nomination Allocation for the applicable Proration Month. Thereafter, Minimum Nomination Allocations will be allocated to Tier 1 Eligible New Shippers sequentially, from the lowest assigned number to the highest assigned number, until either the New Shipper Capacity is fully allocated (other than any final portion that is less than a Minimum Nomination Allocation) or all of the Tier 1 Eligible New Shippers have received Allocated Capacity equal to the Minimum Nomination Allocation.
- c. If all Tier 1 Eligible New Shippers receive a Minimum Nomination Allocation and there is remaining New Shipper Capacity, then the Tier 2 Eligible New Shipper with the lowest number will receive a Minimum Nomination Allocation for the applicable Proration Month. Thereafter, Minimum Nomination Allocations will be allocated to Tier 2 Eligible New Shippers sequentially, from the lowest assigned number to the highest assigned number, until either the New Shipper Capacity is fully allocated (other than any final portion that is less than a Minimum Nomination Allocation) or all of the Tier 2 Eligible New Shippers have received Allocated Capacity equal to the Minimum Nomination Allocation.
- d. If all Tier 2 Eligible New Shippers receive a Minimum Nomination Allocation and there is remaining New Shipper Capacity, then the Tier 3 Eligible New Shipper with the lowest number will receive a Minimum Nomination Allocation for the applicable Proration Month. Thereafter, Minimum Nomination Allocations will be allocated to Tier 3 Eligible New Shippers sequentially, from the lowest assigned number to the highest assigned number, until either the New Shipper Capacity is fully allocated (other than any final portion that is less than a Minimum Nomination Allocation) or all of the Tier 3 Eligible New Shippers have received Allocated Capacity equal to the Minimum Nomination Allocation.
- e. Following the completion of the lottery process, Carrier will notify New Shippers as to whether or not they were allocated capacity in that month.

2. Any capacity that remains after completion of the allocation of the New Shipper Capacity shall be allocated among Regular Shippers in proportion to their Base Period shipments.

(d) The "Base Period" is a period of 12 months beginning 13 months prior to the Allocation Month and excluding the month preceding the Allocation Month. A "Regular Shipper" is any Shipper having a record of movements in the line segment being prorated, during the Base Period, except that a New Shipper must **[W] ship have a record of movements** on a particular line segment for twelve (12) consecutive calendar months before it will become eligible to be classified as a Regular Shipper on such line segment; notwithstanding the foregoing, any New Shipper that has both (i) a record of movements in at least one month of the Base Period on a line segment, and (ii) a Revised Nomination in each Month of the Base Period on the line segment shall also become eligible to be classified as a Regular Shipper on the line segment. A "New Shipper" is a Shipper who is not a Regular Shipper. In no event will any portion of Allocated Capacity to a New Shipper be used in such a manner that it will increase the Allocated Capacity of another Shipper beyond the Allocated Capacity that Shipper is entitled to under the provisions stated in this Item No. 12. Carrier may require written assurances from responsible officials of Shippers regarding use of Allocated Capacity stating that this requirement has not been violated. In the event any New Shipper shall, by any device, scheme or arrangement whatsoever, make its Allocated Capacity available to another Shipper, or in the event any Shipper shall receive and use any Allocated Capacity from a New Shipper, then, in the month following discovery of such violation, the Allocated Capacity of a New Shipper will be reduced to the extent of the excess capacity made available and the Allocated Capacity of a Shipper will be reduced to the extent of excess capacity used.

(e) If a Shipper fails to tender Crude Petroleum in a Proration Month that is at least equal to its Allocated Capacity for such month, Carrier shall apply the Non-Performance Penalties to the Shipper; provided, however, that for good cause shown, including Force Majeure events and operational constraints on Carrier's system, Carrier may waive the Financial Non-Performance Penalty and /or the Volumetric Non-Performance Penalty on a non-discriminatory basis.

For purposes of this Item No. 12(e), hereof, the following terms have the meanings specified below:

1. "Non-Performance Penalties" means the Volumetric Non-Performance Penalty.
2. "Volumetric Non-Performance Penalty" means that the Carrier will reduce the Shipper's Allocated Capacity for the succeeding month to be scheduled, which is the month that occurs two months after the month of the non-performance by Shipper (the "Penalty Month"), by the amount of the Deficient Barrels, provided that this Volumetric Non-Performance Penalty will only be applied by Carrier if apportionment is necessary in the Penalty Month. Carrier shall reallocate any volumes made available by imposition of the Volumetric Non-Performance Penalty to all Shippers in accordance with the provisions of this Item No. 12, provided that no volumes shall be allocated to Shippers on which the Volumetric Non-Performance Penalty was imposed in the Penalty Month.

13. Payment of Transportation and Other Charges. Shipper shall pay all applicable transportation and other lawful charges accruing on Petroleum delivered to and accepted by Carrier for shipment, and if required shall pay or furnish guaranty of payment of same satisfactory to Carrier before acceptance of shipment. Carrier shall have a lien on all Petroleum delivered for transportation by Shipper to secure the payment of any and all unpaid transportation and other charges that are due to Carrier from Shipper, and may withhold Petroleum from delivery until all unpaid charges shall have been paid. Such lien shall extend to all Crude Petroleum, including Shipper's linefill, in Carrier's possession beginning with Shipper's first receipt of transportation or other services from Carrier. Shipper agrees to execute such additional documents as may be reasonably necessary to perfect or evidence such lien. If a bill of lading is required under applicable law for such a lien to arise, acceptance of the Nomination will be deemed to be the bill of lading for all Crude Petroleum, including Shipper's line fill, subject to such Nomination. The lien provided herein shall be in addition to any lien or security interest provided by this tariff or applicable law.

If such charges remain unpaid 10 days after the date of Carrier's invoice, such amounts shall, from the date of delivery until paid, bear interest calculated at an annual rate equivalent to 125% of the prime rate of interest as of the date of delivery charged by Citibank N.A. of New York, New York, on 90 day loans to substantial and responsible commercial borrowers.

If such charges remain unpaid five days after notice and demand therefor, in addition to any other rights Carrier has under this tariff or existing law, Carrier shall also have the right to (i) refuse to provide Shipper access to Carrier's system or provides services pursuant to this Tariff, and/or (ii) Carrier, or its representatives, shall have the right to sell such Petroleum at public auction at the office of Carrier in Houston, Texas, on any day not a legal holiday, and not less than 48 hours after notice stating the time and place of such sale and the quantity, general description, and location of the Petroleum to be sold has been published in a daily newspaper of general circulation published in

the city where the sale is to be held, and notice sent by telegraph to Shipper. Carrier may be a bidder and purchaser at such sale. Out of the proceeds of such sale, Carrier may pay itself all transportation and other lawful charges, and all expenses incident to the sale, and the balance shall be held for whosoever may be lawfully entitled thereto.

14. Liability of Carrier. Carrier shall not be liable for any loss, damage, or delay of Petroleum in its possession, except to the extent that liability therefor is imposed on Carrier by law. In case of loss of Petroleum for which Carrier is not responsible, Shipper shall bear the loss. Where such loss occurs in a tank containing Petroleum which is the property of more than one Shipper, or in a line to a segregated batch of Petroleum which is the property of more than one Shipper, each Shipper shall bear the loss in such proportion as its total volume in said tank or batch bears to the total volume in said tank or batch.

15. Claims, Suits, and Time for Filing. As a condition precedent to recovery for loss, damage, or delay to shipments, claims must be filed in writing with Carrier within nine months after delivery of the Petroleum, or, in case of failure to make delivery, then within nine months after a reasonable time for delivery has elapsed; and suits arising out of such claims shall be instituted against Carrier only within two years from the time when Carrier delivers, or tenders delivery of, the Petroleum or, in case of failure to make or tender delivery, then within two years after a reasonable time for delivery has elapsed. Where claims are not filed or suits are not instituted thereon in accordance with the foregoing provisions, Carrier will not be liable and such claims will not be paid.

16. Receipts From Tank Truck Facilities. Carrier will undertake to receive Petroleum from tank truck facilities, provided all required racks and other special facilities at Carrier's points of origin are furnished by Shipper. Due to the nature of Carrier's operations, Carrier reserves the right to designate the particular points of origin where such facilities may be located and the periods of time when such service will be performed. An additional charge will be made for such service.

17. Duty of Carrier. Carrier shall not be required to transport Petroleum except with reasonable diligence, considering the quantity of Petroleum, the distance of transportation, the safety of operation, and other material factors.

18. Application of Rates from and to Unnamed Points. For a shipment accepted for transportation from any point on Carrier's facilities not named in this tariff and intermediate to a point from which rates are published through such unnamed point, Carrier will apply from such unnamed point the rate published from the next more distant point specified in the tariff. For a shipment accepted for transportation to any point on Carrier's facilities not named in this tariff and intermediate to a point to which rates are published, Carrier will apply to such unnamed point the rate published to the next more distant point specified in the tariff.

19. Diversion. Change in destination or routing will be permitted without additional charge, on written request from Shipper, provided an applicable tariff is in effect for any requested destination or routing, and provided that no back-haul is required.

20. Additives. Carrier reserves the right to inject and to approve or reject the injection of corrosion inhibitors, viscosity or pour point suppressants or other such additives in Petroleum to be transported.

21. Petroleum Fill Requirements. Carrier will require Shipper to supply its pro rata share of Petroleum to fill Carrier's facilities.

22. Evidence of Receipts and Deliveries. Petroleum received from or delivered to Shipper shall, in each instance, be documented by tickets showing volumes, temperature, basic sediment and water, and any other data essential to the determination of quantity and quality. Unless waived, such tickets shall be jointly signed by representatives of Carrier and Shipper, as appropriate, and shall be conclusive evidence of the Petroleum received or of the Petroleum delivered, as the case may be. Failure of Shipper to have a representative present shall constitute a waiver, and Shipper shall be bound by the information and data on such tickets.

23. Intrasystem Transfers. An intrasystem transfer of title to Crude Petroleum may be allowed on Carrier's System for a fee of [U] 0.56 cent per Barrel charged to the Transferor; provided, however, that no transfer fee shall be assessed to the Transferor if the Transferor pays the transportation and/or other charges to the specified transport point for the barrel and, at the time of nomination, consigns the barrel to the Transferee at the transfer point. The transfer point must be a location listed in the tariff. The Transferee accepting volumes on an intrasystem transfer shall be responsible for payment of transportation charges of those volumes from the transfer point to destination. Carrier shall not be obligated to recognize any intrasystem transfer and shall incur no liability with respect thereto or for any losses or damages accruing to any party involved in an intrasystem transfer. All intrasystem transfer requests must be submitted in a nomination to Carrier, made in accordance with requirements stipulated in Item 11, Notice of

Arrival, Delivery at Destination, of these Rules and Regulations. In addition, the Transferor and Transferee, upon the request of Carrier and at Carrier's option, shall provide financial assurances to Carrier pursuant to Item 13, Payment of Transportation and Other Charges, contained herein.

24. Required Shipper Information and Financial Assurances

(a) All (i) existing Shippers who have not submitted a nomination to Carrier in the prior six (6) Months and (ii) prospective Shippers shall provide to the Carrier, at least ten (10) Business Days prior to making their nomination, information that will allow the Carrier to determine the Shipper's capacity to perform any financial obligations that could arise from the transportation of that Shipper's Crude Petroleum under the terms of this tariff. At any time, upon the request of the Carrier, on a non-discriminatory basis, any prospective or existing Shipper shall provide financial documentation and information to the Carrier that will allow the Carrier to enforce the terms of this tariff and to determine the prospective or existing Shipper's capacity to perform any financial obligations that could arise from the transportation of that Shipper's Crude Petroleum under the terms of this tariff, including but not limited to the payment of transportation charges and the reasonably determined value of the Allowance Oil and negative Shipper's balance positions. Such information may include, but is not limited to, the names of any Affiliates of the Shipper or prospective Shipper, the legal business name of the Shipper or prospective Shipper and the registered business address of the Shipper or prospective Shipper.

The Carrier shall not be obligated to accept Crude Petroleum for transportation from an existing or prospective Shipper (i) if the Shipper or prospective Shipper fails to provide the requested information to the Carrier in accordance with this Item No. 24(a) within ten (10) days of the Carrier's written request; (ii) if the Carrier reasonably determines that any of the information provided is false; or, (iii) if the Carrier's review of the requested information reveals that the existing or prospective Shipper may not have the capacity to perform the financial obligations that could arise from the transportation of that Shipper's Crude Petroleum under the terms of this tariff, including but not limited to the payment of transportation charges and the reasonably determined value of the Allowance Oil and negative Shipper's balance positions.

(b) Subject to the provisions of paragraph (c) below, the Carrier upon notice to the prospective or existing Shipper, may require one or more of the following Financial Assurances for the payment of all charges and costs as provided for in this tariff, or otherwise lawfully due to the Carrier to be provided at the expense of the Shipper:

1. prepayment;
2. a letter of credit in favor of Carrier in an amount sufficient to ensure payment of all costs and charges that could reasonably accrue due to the Carrier in a form and from an institution acceptable to Carrier;
3. a guaranty in an amount sufficient to ensure payment of all such costs and charges that could reasonably accrue due to the Carrier, in a form and from a third party acceptable to Carrier; or
4. such other enforceable collateral security including but not limited to security agreements over assets of the Shipper, in a form acceptable to the Carrier, collectively "the Financial Assurances".

(c) In the event that the Carrier reasonably determines that:

1. the existing or prospective Shipper's financial condition is or has become impaired or unsatisfactory;
2. any Financial Assurances previously provided by a Shipper no longer provide adequate security for the performance of the Shipper's obligations that could arise from the transportation of its Crude Petroleum under the terms of this tariff; or
3. the Carrier otherwise determines that it is necessary to obtain Financial Assurances from the Shipper,

then the Shipper shall provide Financial Assurances for the payment of the charges and costs as provided for in this tariff or otherwise lawfully due to the Carrier relating to the transportation of the Shipper's Crude Petroleum by the Carrier.

For the purpose of this tariff, and without limiting the generality of the charges and costs lawfully due to the Carrier relating to the transportation of the Shipper's Crude Petroleum, those charges and costs shall include but are not limited to transportation charges, negative Shipper's balance positions and the Allowance Oil. The Carrier shall not be obligated to accept Crude Petroleum for transportation from an existing or prospective Shipper if the Shipper or prospective Shipper fails to deliver the Financial Assurances to Carrier.

[W] 24 25. Released Capacity

From time to time, Carrier may lease certain unused capacity on its System to another carrier. Lessee may choose in an applicable transportation month to release all or a portion of such leased capacity, at its discretion, to Carrier to allow Carrier to fulfill any unmet Nominations for service on its System (the "Released Capacity"). Carrier shall allocate Released Capacity among Shippers in accordance with the terms of ~~[W] Item No. Rule 12~~. Any Released Capacity that was provided to Carrier by lessee in a month shall automatically revert back to lessee at the end of such transportation month and shall only become available for Carrier's use in a subsequent transportation month in accordance with the provisions of this ~~[W] Item No. 24 Rule 25~~.

[N] 26. Transfer of Shipment History

Except as provided in this Rule 26, Shipper's history of shipments on the System may not be assigned, conveyed, loaned, or transferred to or used in any manner by another Shipper. Upon thirty (30) days' written notice to Carrier ("Transfer Request"), a Regular Shipper ("Transferor") may transfer its history of shipments on the System in the period of 13 months beginning 13 months prior to the effective date of the transfer ("Shipment History"), or a portion thereof, to a third party (the "Transferee"). Transferee must be a Shipper on Carrier's system. The Transfer Request must be in writing and must contain, at a minimum, the following information:

- (a) The names and contact information of Transferor and Transferee.
- (b) The portion of Transferor's Shipment History to be transferred to Transferee ("Transfer Volume").
- (c) The effective date of the transfer of such Transfer Volume. The effective date must be the first day of a calendar month, cannot be a date in the past, and shall not be less than thirty (30) days from the date Transferor provides Carrier with the Transfer Request.

Carrier, after receipt of the Transfer Request, will send notification via electronic mail or other appropriate method as selected by Carrier to Transferor and Transferee of (1) the Transfer Volume, which may be subject to prior period adjustments; and (2) to Transferor, the remaining Shipment History of Transferor; and (3) to Transferee, the new Shipment History of Transferee. If either Transferor or Transferee does not submit a revised Transfer Volume within twenty-four (24) hours of its receipt of such notification, the transfer of the Transfer Volume will be finalized. Once the transfer is finalized, Carrier shall be entitled to fully rely on, conform its records to, and allocate System capacity in accordance with the transfer. Any finalized transfer of the Transfer Volume shall be irrevocable. The Transfer Volume may not be transferred more than once in any twelve (12)-month period, except by a Shipper that has a currently-effective volume commitment and/or transportation services agreement with Carrier in accordance with its applicable agreement or as an incident of the bona fide sale of all or substantially all of the Transferor's business or to a successor to the Transferor's business, or by the operation of law (such as by an executor or trustee in bankruptcy).

Carrier shall have the right to reject any request for transfer of shipment history under this Rule 26 if the Transferor or Transferee is not in compliance with the provisions of this Tariff at the time of the request. Transferor shall remain solely liable to Carrier for all fees and other charges Transferor has accrued under this Tariff and any other transportation agreement with Carrier prior to the transfer effective date. A transfer of Shipment History does not relieve the Transferor of any financial obligations.

Appendix A

Rules of the Railroad Commission of Texas

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 two per cent (2%) of basic sediment, water, or other impurities above a point six (6) inches below the pipe line connection with the tank. Pipelines shall receive for transportation all such "marketable oil" tendered; but no pipeline shall be required to receive for shipment from any one person an amount exceeding three thousand (3000) barrels of petroleum in any one (1) 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, it shall be transported under such terms as the shipper and the owner of the pipe line may agree or the commission may require.

2. Basic Sediment, How Determined — Temperature. In determining the amount of sediment, water or other impurities, a pipe line 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 pipe line 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 ninety 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 of destination that the pipe line has to test before receiving from the shipper.

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

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 pipe line may require of shippers an indemnity bond to protect it against all loss.

5. Storage. Each pipe line 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 (5) days from the date of order of delivery at destination.

6. Identity of Oil, Maintenance of. 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 (1) 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 five hundred (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. Gauging, Testing and Deductions.

A. All crude oil tendered to a pipeline for transportation 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, and 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 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; 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.

B. The gauging and testing of oil by the pipeline representative is directed toward and intended to require tank measurement of produced crude prior to the transfer of custody to the initial transporter from

a producing property. 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 twenty-four (24) hours notice to the consignee, may offer oil for delivery from its common stock at the point of destination, conformable to Rule 6, at a rate not exceeding ten thousand (10,000) barrels per day of twenty-four (24) hours. Computation of time of storage (as provided for in Rule 5) shall begin at the expiration of such notice. At the expiration of the time allowed in Rule 5 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 ten (10) days of [U] one-tenth of one cent per barrel; and thereafter at a rate of [U] three-fourths of one cent per barrel, for each day of twenty-four (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 (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 forty-eight (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 ninety-one (91) days after the damage, loss, or delay occurred. If the claim is for failure to make delivery, the claim must be made within ninety-one (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 shipper 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.

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

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. Fires, Lightning and Leakage, Reports of Loss From.

A. Each pipeline shall immediately notify the commission, by telegraph, telephone, or letter, 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 (5) barrels escapes. Each pipeline shall report in writing to the commission, by the fifteenth (15th) day of each calendar month, the estimated amount of loss of oil by fire or leakage from its tanks and pipelines for the preceding month; but not including leakage or evaporation ordinarily incident to transportation (Form H-8).

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 even 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.

EXPLANATION OF REFERENCE MARKS:

- [U] Unchanged rate
- [N] New
- [W] Change in wording only