Texas R.R.C. No. 3.0

# MEDALLION MIDLAND GATHERING, LLC

IN CONNECTION WITH

# MEDALLION PIPELINE COMPANY, LLC
# CRUDE PETROLEUM SYSTEM

# JOINT PIPELINE TARIFF

CONTAINING

# RULES AND REGULATIONS

GOVERNING THE TRANSPORTATION AND HANDLING

OF

# CRUDE PETROLEUM

TRANSPORTED BY PIPELINE

FROM AND TO POINTS NAMED HEREIN

RECEIVED
R.R.C. OF TEXAS
JUL 29 2019
GAS SERVICES DIVISION
AUSTIN, TEXAS

This Joint Rules and Regulations Tariff shall apply to those Tariffs which specifically incorporate this Joint Tariff by reference; such reference includes supplements to this Joint Tariff and successive reissues thereof.

The rates named in this Joint Tariff are expressed in dollars per Barrel of 42 U.S. gallons and are subject to change as provided by law.

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

**ISSUED: July 29, 2019** | **EFFECTIVE: July 30, 2019**

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# GENERAL RULES AND REGULATIONS

## GENERAL APPLICATION

Carrier provides transportation of Crude Petroleum between the designated Origin Points on the Medallion Midland system and the designated Destination Points on the Medallion Pipeline system, under this Joint Tariff's terms and conditions. Given the configuration of the Joint Tariff Facilities and the bi-directional operations involved on various segments thereof, transportation services nominated by individual Shippers under the Joint Tariff may be effectuated by Carrier through forwardhaul transportation, backhaul transportation, displacement, and/or exchange.

Carrier has delegated to Administrator the authority to perform various functions under the Joint Tariff on Carrier's behalf, including those set forth in Rules 27, 28, 30, 31, 32, 33, 35, 39, and 44, as well as such other functions as Carrier may delegate from time to time. The limitations on Carrier's liability and the indemnifications provided by Shipper set forth in this Rules and Regulations Tariff, including Rules 26, 42, 43, and 44, shall apply in full to all functions delegated to Administrator.

## SECTION I

## RULES AND REGULATIONS OF RAILROAD COMMISSION OF TEXAS RULE 3.71, PIPELINE TARIFFS

### RULE 1 – ALL MARKETABLE OIL TO BE RECEIVED FOR TRANSPORTATION

By the term "marketable oil" is meant any crude petroleum adapted for refining or fuel purposes, properly settled and containing not more than two percent (2%) of basic sediment, water, or other impurities above a point six (6) 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 (1) person an amount exceeding three thousand (3,000) 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, then it shall be transported under such terms as the shipper and the owner of the pipeline may agree or the commission may require. [Amended by Rules 22, 23 and 30 in Section II below].

### RULE 2 – BASIC SEDIMENT, HOW DETERMINED – TEMPERATURE

In determining the amount of sediment, water, or other impurities, a pipeline is authorized to make a test of the oil offered for transportation from an average sample from each such tank, by the use of centrifugal machine, or by the use of any other appliance agreed upon by the pipeline and the shipper. The same method of ascertaining the amount of the sediment, water, or other impurities shall be used in the delivery as in the receipt of oil. A pipeline shall not be required to receive for transportation, nor shall consignee be required to accept as a delivery, any oil of a higher temperature than 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 at destination that the pipeline has to test before receiving from the shipper. [Amended by Rule 22 in Section II below].

**RULE 3 – "BARREL" DEFINED**

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

**RULE 4 – OIL INVOLVED IN LITIGATION, ETC. – INDEMNITY AGAINST LOSS**

When any oil offered for transportation is involved in litigation, or the ownership is in dispute, or when the oil appears to be encumbered by lien or charge of any kind, the pipeline may require of shippers an indemnity bond to protect it against all loss. [Amended by Rule 29 in Section II below]

**RULE 5 – STORAGE**

Each pipeline shall provide, without additional charge, sufficient storage such as is incidental and necessary to the transportation of oil, including storage at destination or so near thereto as to be available for prompt delivery to destination point, for five (5) days from the date of order of delivery at destination. [Amended by Rules 32 and 33 in Section II below]

**RULE 6 – IDENTITY OF OIL, MAINTENANCE OF OIL**

A pipeline may deliver to consignee either the identical oil received for transportation, subject to such consequence 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. [Amended by Rule 29 in Section II below]

**RULE 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. [Amended by Rule 26 in Section II below]

**RULE 8 – GATHERING CHARGES**

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

**RULE 9 – MEASURING, TESTING, AND DEDUCTIONS (REFERENCE SPECIAL ORDER NUMBER 20-63,098 EFFECTIVE JUNE 18, 1973)** [As amended by Rules 22, 23, 24, and 25 in Section II below]

(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 sixty degrees Fahrenheit (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 by the shipper and pipeline; and 1.0% for evaporation and loss during transportation. The net balance shall be the quantity deliverable by the pipeline. In allowing the deductions, it is not the intention of the commission to affect any tax or royalty obligations imposed by the laws of Texas on any producer or shipper of crude oil.

(d) A transfer of custody of crude between transporters is subject to measurement as agreed upon by the transporters.

**RULE 10 – DELIVERY AND DEMURRAGE**

Each pipeline shall transport oil with reasonable diligence, considering the quality of the oil, the distance of transportation, and other material elements, but at any time after receipt of a consignment of oil, upon twenty-four (24) hours' notice to the consignee, may offer oil for delivery from its common stock at the point of destination, conformable to 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 one-tenth of one cent ($.001) per barrel; and thereafter at a rate of three-fourths of one cent ($.0075) per barrel, for each day of twenty-four (24) hours or fractional part thereof. [Amended by Rule 36 in Section II below]

**RULE 11 – UNPAID CHARGES, LIEN 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. [Amended by Rules 36 and 39 in Section II below]

**RULE 12 – NOTICE OF CLAIM**

Notice of claims for loss, damage, or delay in connection with the shipment of oil must be made in writing to the pipeline within 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. [Amended by Rule 44 in Section II below]

**RULE 13 – TELEPHONE-TELEGRAPH LINE – SHIPPER TO USE**

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

**RULE 14 – CONTRACTS OF TRANSPORTATION**

When a consignment of oil is accepted, the pipeline shall give the shipper a run ticket, and shall give the shipper a statement that shows the amount of oil received for transportation, the points of origin and destination, corrections made for temperature, deductions made for impurities, and the rate for such transportation. [Amended by Rule 37 in Section II below]

**RULE 15 – SHIPPER'S TANKS, ETC. – INSPECTION**

When a shipment of oil has been offered for transportation, the pipeline shall have the right to go upon the premises where the oil is produced or stored, and have access to any and all tanks or storage receptacles for the purpose of making any examination, inspection, or test authorized by these Rules.

**RULE 16 – OFFERS IN EXCESS OF FACILITIES**

If oil is offered to any pipeline for transportation in excess of the amount that can be immediately transported, the transportation furnished by the pipeline shall be apportioned among all shippers in proportion to the amounts offered by each; but no offer for transportation shall be considered beyond the amount which the person requesting the shipment then has ready for shipment by the pipeline. The pipeline shall be considered as a shipper of oil produced or purchased by itself and held for shipment through its line, and its oil shall be entitled to participate in such apportionment. [Amended by Rule 31 in Section II below]

**RULE 17 – INTERCHANGE OF TONNAGE**

Pipelines shall provide the necessary connections and facilities for the exchange of tonnage at every locality reached by two or more pipelines, when the commission finds that a necessity exists for connection, and under such regulations as said commission may determine in each case. [Amended by Rule 32 in Section II below]

**RULE 18 – RECEIPT AND DELIVERY – NECESSARY FACILITIES FOR**

Each pipeline shall install and maintain facilities for the receipt and delivery of marketable crude petroleum of shippers at any point on its line if the commission finds that a necessity exists therefor, and under regulations by the commission. [Amended by Rule 32 in Section II below]

**RULE 19 – REPORTS OF LOSS FROM FIRES, LIGHTNING AND LEAKAGE** [Amended by Rules 42 and 43 in Section II below]

(a) Each pipeline shall immediately notify the commission, 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 (5) barrels escapes. Each pipeline shall file the required information with the commission in accordance with the appropriate commission form within thirty (30) days of the spill or leak.

(b) No risk of fire, storm, flood, or act of God, and no risk resulting from riots, insurrection, rebellion, war, or act of the public enemy, or from quarantine or authority of law or any order, requisition, or necessity of the government of the United States in time of war, shall be borne by a pipeline, nor shall any liability accrue to it from any damage thereby occasioned. If loss of any crude oil from any such causes occurs after the oil has been received for transportation, and before it has been delivered to the consignee, the shipper shall bear a loss in such proportion as the amount of his shipment is to all of the oil held in transportation by the pipeline at the time of such loss, and the shipper shall be entitled to have delivered only such portion of his shipment as may remain after a deduction of his due proportion of such loss, but in such event the shipper shall be required to pay charges only on the quantity of oil delivered. This rule shall not apply if the loss occurs because of negligence of the pipeline.

(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 thirty (30) days of filing the required reports with the commission. Registration with the commission by landowners and residents for the purpose of receiving spill or leak reports shall be required every five (5) years, with renewal registration starting January 1, 1999. If a landowner or resident is not registered with the commission, the common carrier is not required to furnish such reports to the resident or landowner.

# SECTION II

# SUPPLEMENTAL MEDALLION MIDLAND GATHERING, LLC RULES AND REGULATIONS GOVERNING CRUDE PETROLEUM TRANSPORTATION BY PIPELINE

## DEFINITIONS

### RULE 20 – DEFINITIONS

"**Acreage Dedication Shipper**" means a Shipper that enters into an Acreage Dedication TSA that dedicates and commits to transport under the Joint Tariff its interest in Crude Petroleum produced in the particular area dedicated pursuant to such Acreage Dedication TSA.

"**Acreage Dedication TSA**" means a TSA entered between Carrier and an Acreage Dedication Shipper for transportation under the Joint Tariff.

"**Actual Shipment**" means the quantities of Crude Petroleum physically tendered at an Origin Point by an individual Shipper during a month under the Joint Tariff.

"**Administrator**" means Medallion Pipeline as the party which administers, on Carrier's behalf, designated functions under the Joint Tariff.

"**API**" means the American Petroleum Institute.

"**ASTM**" means the American Society for Testing Materials.

"**Available Capacity**" means the operationally available capacity to Shippers on Carrier's Pipeline or a particular segment on Carrier's Pipeline.

"**Barrel**" means forty-two (42) U.S. gallons at sixty degrees Fahrenheit (60° F) and zero (0) gauge pressure if the vapor pressure is at or below atmospheric pressure, or at equilibrium pressure if the vapor pressure is above atmospheric pressure.

"**Base Period**" means the previous eighteen (18) months beginning with the nineteenth ($19^{th}$) month prior to the current Proration Month, except that, during the initial eighteen (18) months of the Joint Tariff's operation, the Base Period shall be as provided in Rule 31(h). Previous Proration Months, as well as months in which no apportionment was in effect, will be included in the rolling eighteen (18) - month Base Period.

"**Batch,**" "**Batched,**" or "**Batched Shipments**" means transportation of Crude Petroleum that is tendered at the Origin Point pursuant to a TSA in which Shipper has provided or arranged for adequate storage at a location(s) and capacity(ies) which, in Carrier's sole discretion, are sufficient to permit Carrier to physically segregate Shipper's quantities for Delivery.

"**Carrier**" means Medallion Midland and Medallion Pipeline.

"**Carrier's Pipeline**" means Medallion Midland's Crude Petroleum pipeline facilities originating at the origin points and terminating at the destination points reflected in the Local Tariff, as may be amended from time to time.

"**Committed Firm Service**" means a service not subject to prorationing except where operational factors or events of force majeure reduce the Joint Tariff Capacity, as set forth in Rule 31(i).

"**Committed Firm Shipper**" means a Shipper that has an effective TSA with both Medallion Midland and Medallion Pipeline pursuant to the Joint Tariff.

"**Committed Volume**" means the Barrel per day ("bpd") quantity committed to by a Volume Commitment Shipper, in accordance with a TSA, multiplied by the number of days in the relevant month.

"**Common Stream**" means Crude Petroleum, Tendered or Received at the Joint Tariff Facilities and associated facilities as designated in the related tariffs and moved through Joint Tariff Facilities, which is commingled or intermixed with other Crude Petroleum of like characteristics and quality. A Common Stream may be made up of one or more Tenders of Crude Petroleum provided that each Tender of Crude Petroleum meets the quality specifications, as set out in Rule 22. Common Streams and characteristics of each shall be determined by Carrier in its sole discretion.

"**Consignee**" means the party that Shipper has authorized to accept the Delivery from Carrier of Crude Petroleum at the Destination Point.

"**Crude Petroleum**" means West Texas Intermediate Light Sweet Crude Oil from oil and gas wells which has not been blended or mixed with other grades of crude oil or "indirect products" (as defined below) and which meet the required specifications established pursuant to Rule 22 of this Rules and Regulations Tariff. For the avoidance of doubt, Crude Petroleum shall exclude, and Carrier shall not be required to transport, "indirect liquid products of oil or gas wells" sometimes referred to as "indirect products", meaning the liquid products resulting from the operation of gasoline recovery plants, gas recycling plants, condensate or distillate recovery equipment in gas or oil fields, or a mixture of such products.

"**Deficiency Payment**" means a payment to be made by a Volume Commitment Shipper, as determined in accordance with a Volume Commitment TSA.

"**Delivery,**" "**Deliver,**" "**Deliveries,**" or "**Delivered**" means the transfer of physical and legal custody of Crude Petroleum from Medallion Pipeline at the Destination Point to Shipper or its Consignee.

"**Destination Point**" means the point(s) of Delivery, as specified in the Rates Tariff.

"**Exempt Volumes**" has the meaning set forth in Rule 31(c).

"**Firm Capacity**" means the bpd capacity equal to the aggregate Committed Volumes and Shipper MDQs pursuant to all Committed Firm Shippers' TSAs in effect during the Proration Month.

"**Firm Rate**" means the applicable rate identified as the "Firm Rate" in the then-effective Rates Tariff.

"**Gravity**" means gravity determined in accordance with ASTM Designation D-287.

"**In-Transit Point**" means Carrier's point of connection with the facilities of third-party storage providers, including an affiliate of Carrier. The current In-Transit Points under the Joint Tariff are at the Colorado City Hub, the Crane Hub, the Garden City Station, the Howard Station, the Midkiff Station, and the Midland Hub on Medallion Pipeline's system.

"**Joint Tariff**" means the tariff publications applicable to the Joint Tariff Service, including the Rates Tariff, the Rules and Regulations Tariff, and any supplements and revisions thereto, as may be filed and maintained with the RRC from time to time for the Joint Tariff Service rendered in intrastate commerce.

"**Joint Tariff Allocated Quantity**" means a quantity determined by multiplying the Joint Tariff Capacity Ratio by the Available Capacity.

"**Joint Tariff Capacity**" means the capacity available for the Joint Tariff Service under normal operating conditions, which shall not be less than the sum of the Joint Tariff MDQ, as such may be changed from time to time pursuant to the terms of the TSAs, plus the Uncommitted Capacity.

"**Joint Tariff Capacity Ratio**" means, as of the time of the determination, a fraction the numerator of which is the Joint Tariff MDQ for the Proration Month and the denominator of which is the sum of the Joint Tariff MDQ and the Local Tariff Capacity on the affected segment.

"**Joint Tariff Facilities**" means the Crude Petroleum pipeline facilities of Medallion Midland and Medallion Pipeline that render the Joint Tariff Service, which facilities originate at the Origin Point(s) and terminate at the Destination Point(s) as reflected in the Rates Tariff, as may be amended from time to time.

"**Joint Tariff MDQ**" means the sum of the (i) aggregate Shipper MDQs of the Acreage Dedication Shippers, and (ii) aggregate Committed Volumes of the Volume Commitment Shippers.

"**Joint Tariff Service**" means the transportation service available to Committed Firm Shippers and Uncommitted Shippers pursuant to the terms of the then-effective Joint Tariff.

"**Joint Tariff Shipper**" means a person that transports Crude Petroleum pursuant to the Joint Tariff.

"**Local Tariff**" means the local rate tariff(s) and rules and regulations tariff(s), including supplements and revisions thereto, as filed and maintained by Medallion Midland with the RRC for local transportation service on the Medallion Midland pipeline system.

"**Local Tariff Allocated Quantity**" means a quantity equal to the Available Capacity less the Joint Tariff Allocated Quantity.

"**Local Tariff Capacity**" means the aggregate capacity between each origin point and destination point on Carrier's Pipeline as set forth in each Petition for Declaratory Order filed with the FERC, less the Joint Tariff MDQ.

"**Local Tariff Service**" means the transportation service available to Local Tariff Shippers pursuant to the terms of the applicable and then-effective Local Tariff.

"**Local Tariff Shipper**" means a person that transports Crude Petroleum pursuant to the Local Tariff.

"**Make-Up Volumes**" means Barrels for which a Deficiency Payment has been paid and that are nominated by a Volume Commitment Shipper for transportation in a subsequent month in accordance with a Volume Commitment TSA.

"**Medallion Midland**" means Medallion Midland Gathering, LLC.

"**Medallion Pipeline**" means Medallion Pipeline Company, LLC.

"**New Shipper**" means, for purposes of prorationing in Rule 31, any Shipper who does not qualify as a Committed Firm Shipper or Regular Shipper.

"**Nomination**" or "**Tender**" means any offer by a Shipper to Carrier of a stated quantity of Crude Petroleum for transportation from the Origin Point to the Destination Point in accordance with the Joint Tariff. The definition of "**Nomination**" includes a late or revised Nomination submitted by a Shipper under Rule 27, and a Nomination for in-transit storage submitted by a Shipper under Rule 33, to the extent such Nomination is accepted by Carrier pursuant to Rule 27 or Rule 33, as applicable.

"**Origin Point**" means the points of Receipt on Medallion Midland, as specified in the Rates Tariff.

"**PLA**" means the loss allowance described in Rule 24.

"**Proration Month**" refers to a month when, based upon all valid Nominations submitted by Shippers in compliance with this Joint Tariff and the Local Tariff, Carrier determines that the total volumes nominated by all Joint Tariff Shippers and Local Tariff Shippers for shipment on Carrier's Pipeline or a pipeline segment thereof during that month exceed the Available Capacity of Carrier's Pipeline or a pipeline segment thereof.

"**Rates Tariff**" means that publication within Carrier's Joint Tariff that sets forth the rates applicable to the transportation of Crude Petroleum by Carrier and that makes specific reference by RRC number to this Rules and Regulations Tariff.

"**Receipt,**" "**Receive,**" or "**Received**" means the transfer of physical and legal custody of Crude Petroleum from Shipper to Medallion Midland at the Origin Point for transportation.

"**Regular Shipper**" means, for purposes of prorationing in Rule 31, (i) an Uncommitted Shipper meeting the eligibility requirements in Rule 31(e), and (ii) a Committed Firm Shipper, but only to the extent of any volumes in excess of its Exempt Volumes.

"**Remaining Available Capacity**" means for each Proration Month, the capacity remaining after the satisfaction of all Exempt Volumes nominated.

"**RRC**" means the Railroad Commission of Texas.

"**Rules and Regulations Tariff**" means this Tariff; specifically, that publication within Carrier's Joint Tariff that sets forth the rules and regulations that govern the Joint Tariff Service, as filed with the RRC and as may be supplemented and amended from time to time.

"**Shipper**" means the party that arranges with Carrier for the transportation of Crude Petroleum pursuant to the terms of the Joint Tariff.

"**Shipper MDQ**" means the maximum daily quantity that an Acreage Dedication Shipper is entitled to transport under an effective Acreage Dedication TSA, as such quantity may be adjusted from time to time by Administrator pursuant to the terms of such Acreage Dedication TSA.

"**Tender**" has the meaning set forth in the definition of Nomination.

"**TSA**" means Transportation Service Agreements executed by Medallion Midland and a Committed Firm Shipper, and by Medallion Pipeline and such Committed Firm Shipper, for service pursuant to the Joint Tariff.

"**Uncommitted Capacity**" means that amount of capacity above the Joint Tariff MDQ to be made available at all times for uncommitted Joint Tariff Service, such that the Joint Tariff MDQ represents ninety percent (90%) and the Uncommitted Capacity represents ten percent (10%) of the total Joint Tariff Capacity.

"**Uncommitted Shipper**" means a Shipper that has not executed a TSA.

"**Volume Commitment Shipper**" means a Committed Firm Shipper that commits to transport, or pay for, a specified Committed Volume on a monthly basis pursuant to the terms of a Volume Commitment TSA.

"**Volume Commitment TSA**" means a TSA entered between Carrier and a Volume Commitment Shipper for transportation under the Joint Tariff.

## COMMODITY DESCRIPTION AND MEASUREMENT

### RULE 21 – COMMODITY

Carrier is engaged in the transportation of Crude Petroleum and will not accept any other commodity for transportation, except as provided herein.

### RULE 22 – CRUDE PETROLEUM QUALITY SPECIFICATIONS AND RESTRICTIONS

Crude Petroleum shall be accepted for transportation only when such Crude Petroleum meets the following quality specifications. These specifications shall apply to each Barrel of a Shipper's Nomination and not be limited to the composite sample of the Nomination:

(a) API Gravity of between thirty six degrees (36°) and forty four degrees (44°);

(b) the true vapor pressure of such volumes does not exceed 11 psia or result in Carrier's noncompliance with federal, state, or local requirements regarding hydrocarbon emissions;

(c) has a Reid vapor pressure less than 9.0 psia at a temperature of one hundred degrees Fahrenheit (100° F);

(d) basic sediment, water, and other impurities of one percent (1%) or less;

(e) temperature of one hundred and twenty degrees Fahrenheit (120° F) or less;

(f) the sulfur content does not exceed forty-five hundredths of one percent (0.45%) by weight;

(g) readily susceptible to transportation through Carrier's existing facilities; and

(h) will not materially affect the quality of other shipments or cause disadvantage to other Shippers or Carrier.

Carrier may waive the foregoing specifications on a not unduly discriminatory basis where, in Carrier's sole judgment, the Receipt of any affected Barrels at particular Origin Points would not (i) adversely impact the ability of the Common Stream to remain within the foregoing quality specifications or, if not in compliance with such quality specifications, adversely impact the ability of Deliveries to the affected Destination Points to satisfy the tariff quality specifications of directly connected downstream pipeline carriers (including the requirements of the connection agreements entered into with such carriers), and (ii) otherwise adversely impact the Joint Tariff Facilities.

Carrier reserves the right to reject Crude Petroleum that, in its sole discretion, does not meet the quality specifications referenced above. In addition, Carrier shall reject Crude Petroleum containing contaminants including, but not limited to, chemicals such as chlorinated and/or oxygenated hydrocarbons and/or heavy metals such as lead and/or vanadium. Carrier reserves the right to reject Crude Petroleum if, in its sole discretion, Deliveries of such quantities would not meet the tariff quality specifications (including the requirements of the connection agreements entered with such carriers) of the directly interconnected downstream pipelines listed in Carrier's currently-effective Rates Tariff. Where the transportation service nominated by a Shipper is effectuated by Carrier through backhaul, displacement, and/or exchange, Carrier's determination of whether Receipts from such Shipper satisfy the quality specifications herein may be based upon the actual physical delivery path rather than the nominated delivery path.

Carrier may, at its discretion, require, approve, or reject Crude Petroleum containing, or the injection into Crude Petroleum of, corrosion inhibitors, viscosity or pour point depressants, drag reducing agent, or other such additives in the Crude Petroleum to be transported.

If Crude Petroleum is accepted from third-party owned tankage, settled bottoms in such tanks must not be above a point six inches (6") below the bottom of the pipeline connection with the tank.

Carrier reserves the right to reject Crude Petroleum, in its sole discretion, if Shipper or Consignee has failed to comply with applicable laws, rules, and regulations made by government authorities regulating shipment of Crude Petroleum. If, upon investigation, Carrier determines that Shipper has delivered

contaminated Crude Petroleum or Crude Petroleum which otherwise fails to comply with the specifications set forth above, Carrier may exclude Shipper from further entry into applicable segments of the Joint Tariff Facilities until Shipper is able to comply with the quality specifications referenced above, as determined by Carrier in its sole discretion. Carrier reserves the right to dispose of any contaminated Crude Petroleum in its pipeline. Disposal, if necessary, may be made in any reasonable commercial manner, and any liability associated with the contamination or disposal of any Crude Petroleum shall be borne by the Shipper introducing the contaminated Crude Petroleum into the Joint Tariff Facilities.

Carrier may, from time to time, undertake to transport other or additional grades of crude petroleum to the extent Carrier elects, in its sole discretion, to offer such transportation by employing Batched Shipments. If, in Carrier's sole discretion, sufficient quantities are not nominated or facilities are not available to justify continued transportation of other or additional grades, Carrier may, after giving reasonable notice to Shippers who may be affected, cease transporting particular grades of crude petroleum.

## RULE 23 – TESTING AND MEASURING

Prior to or during Receipt of Crude Petroleum for transportation, and prior to or during release thereof for Delivery, such quantities of Crude Petroleum shall be measured and tested by a representative of Carrier. Crude Petroleum will be measured by metering.

All shipments tendered to Carrier for transportation shall be metered by a representative of Carrier prior to, or at the time of, Receipt from Shipper. Shipper or Consignee shall have the option of being present or represented during the testing or metering. The results of such testing or metering shall be final.

## RULE 24 – DEDUCTIONS AND ADJUSTMENTS

In measuring the quantity of Crude Petroleum Received and Delivered, corrections shall be made from volumes at actual or observed temperature to volumes at sixty degrees Fahrenheit (60° F) and for pressure to 14.696 psia. Quantities shall be corrected for this purpose by use of applicable API-ASTM volume correction factor tables.

For all shipments of Crude Petroleum, a deduction for PLA of two-tenths of one percent (0.2%) will be made to cover evaporation, interface losses, and other normal losses during transportation. Carrier, in addition, will deduct the full amount of sediment, water, and other impurities. The net balance, after applicable deduction, will be the quantity deliverable by Carrier.

## RULE 25 – VOLUMETRIC ADJUSTMENT

Any volumetric difference between Receipts from Shipper and Deliveries to Shipper or Consignee during a current month as a result of scheduling will be adjusted in the following month without any further liability to Carrier, taking into consideration all prior deductions allowed pursuant to the rules and regulations contained herein.

**RULE 26 – VARIATIONS IN QUALITY AND GRAVITY**

(a) **Delivery of Types of Crude Petroleum**. Carrier is not obligated to Deliver the identical Crude Petroleum Received by Carrier. Carrier shall not be liable for any consequence related to the mixing of Crude Petroleum tendered into the Common Stream; provided, however Carrier shall endeavor to Deliver from its common stock Crude Petroleum that is in conformance with the specifications set forth in Rule 22. For Batched Shipments, Carrier shall not be liable for any change in quality and/or Gravity that may occur to Crude Petroleum during transportation of Batches.

(b) **Conditions Applicable to Crude Petroleum**

(i) The acceptance of Crude Petroleum for transportation shall be on the condition that such Crude Petroleum shall be subject to such changes in Gravity, in quality, and in value as may result from its mixture in transit with other Crude Petroleum in the Joint Tariff Facilities and tanks; and

(ii) Carrier is not liable for any loss or damage resulting from an alteration in Gravity or quality of Crude Petroleum transported by Carrier, unless the loss or damage occurs because of the gross negligence of Carrier.

(c) CARRIER MAKES NO WARRANTY AS TO MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR ANY OTHER WARRANTY OR REPRESENTATION WITH RESPECT TO THE GRADE OR QUALITY OF CRUDE PETROLEUM TRANSPORTED UNDER THIS TARIFF.

## PRE-SHIPMENT REQUIREMENTS AND PROCEDURES

**RULE 27 – TENDER**

Shippers desiring to offer Crude Petroleum for transportation shall make a Nomination to Carrier by submitting, on Carrier's prescribed Notice of Shipment form, a separate Nomination for each calendar month on or before the twenty-fifth ($25^{th}$) day of the preceding month or the nomination deadline of the applicable downstream carrier, whichever is earlier. The prescribed Notice of Shipment form, in addition, must provide a verification that Shipper intends, after Delivery to the Destination Point, its quantities will not be transported by other carriers (including by pipeline, rail, and/or water) across state lines to its ultimate destination and, therefore, the transportation on the Joint Tariff Facilities is intrastate in nature and subject to this Tariff. If transportation capacity is available and operating conditions permit, Carrier, in its sole discretion, and on an equitable and non-discriminatory basis taking into account the rights of different classes of Shippers, may accept late or revised Nominations for Crude Petroleum for transportation after the twenty-fifth ($25^{th}$) day of the month preceding the month during which the transportation under the Nomination is to begin, including late or revised Nominations during the month in which the transportation has already begun.

Carrier shall not be obligated to accept Nominations from any Shipper unless such Shipper, upon request from Carrier, provides written third-party verification, in a form and substance satisfactory to Carrier in its sole discretion, that supports such Shipper's Nomination as in compliance with the requirements of this Tariff including, but not limited to, confirmation that the quantities nominated by Shipper are reasonable estimates of the quantities Shipper is capable of tendering for transportation, and that Shipper has

provided, or arranged for access to, equipment and facilities capable of satisfactorily delivering to the Origin Point and receiving at the In-Transit Point or the Destination Point the quantities Tendered for transportation. Carrier shall not be obligated to accept a Shipper's Crude Petroleum where such verification is unacceptable to Carrier, including where a directly interconnected downstream pipeline (or other facility operator) nominated by Shipper (i) does not confirm Shipper's Nomination, in whole or in part, and/or (ii) subsequently during the month in question, reduces Shipper's previously confirmed nomination on the downstream facilities.

If, during a month in which Nominations have not been prorated pursuant to Rule 31, Carrier determines that an Uncommitted Shipper is not tendering the quantities that it has nominated for that month, then Carrier reserves the right to reduce such Shipper's Nomination accordingly for the balance of such month.

**RULE 28 – CREDITWORTHINESS OF SHIPPER**

Upon the request of Carrier, all prospective and existing Shippers must submit sufficient financial information to establish creditworthiness. The creditworthiness requirements for Committed Firm Shippers shall be as set forth in the TSAs. For Uncommitted Shippers, if in Carrier's sole discretion, a prospective Shipper is not creditworthy, or if a current Shipper's credit deteriorates, Carrier may require such Shippers to provide financial assurances, including, but not limited to: (i) prepayment of transportation charges; (ii) a guaranty in an amount sufficient to ensure payment to Carrier of all such costs and charges that could reasonably accrue, in a form and from a third party acceptable to Carrier; (iii) a letter of credit from an appropriate financial institution in a form acceptable to Carrier and in an amount sufficient to ensure payment to Carrier of all costs and charges that could reasonably accrue; or (iv) such other enforceable collateral security, including but not limited to, security agreements over assets of Shipper, in a form acceptable to Carrier.

Carrier shall not be obligated to accept Crude Petroleum, or a Nomination, for transportation from an existing or prospective Shipper if the Shipper or prospective Shipper fails to provide financial assurances within two (2) days of Shipper's receipt of Carrier's written request for such assurances.

**RULE 29 – TITLE**

A Tender for shipment shall constitute a warranty by Shipper that it has unencumbered title thereto, or the unencumbered right to ship such Crude Petroleum, but acceptance shall not be deemed a representation by Carrier as to title or right. Carrier reserves the right to reject on a non-discriminatory basis any Crude Petroleum tendered for shipment that may be involved in litigation, the title or right to which may be in dispute, or that may be encumbered by lien or charge of any kind, except to the extent that Shipper submits either satisfactory proof of unencumbered title or right or a satisfactory indemnity bond.

**RULE 30 – QUANTITIES**

Carrier may take Receipt or make Delivery of Crude Petroleum in quantities of not less than five hundred (500) bpd aggregate from one or more Shippers. Carrier reserves the right to take Receipt or make Delivery of less than five hundred (500) bpd of Crude Petroleum, if such quantity can be consolidated with other Crude Petroleum such that Carrier can make a single Delivery of not less than five hundred (500) bpd.

If a Volume Commitment Shipper fails to tender a volume of Crude Petroleum equal to its Committed Volume, multiplied by the number of days in the applicable month, it shall pay to Carrier the Deficiency Payment, which payment shall be equal to the shortfall in the quantity tendered multiplied by the applicable rate in its Volume Commitment TSA.

**RULE 31 – PRORATIONING OF PIPELINE CAPACITY**

(a) **Prorationing**. When a Proration Month occurs, Available Capacity will be apportioned among all valid Shipper Nominations on the basis set forth in Rule 31(b)-(i).

(b) **Division of capacity between Local and Joint Tariff Services**. If the Proration Month occurs on a segment of Carrier's system used to provide Joint Tariff Service, the Available Capacity on the affected segment will first be divided between the Joint Tariff Service and the Local Tariff Service. The Joint Tariff Service will be allocated capacity equal to the Joint Tariff Allocated Quantity and the Local Tariff Service will be allocated capacity equal to the Local Tariff Allocated Quantity. The Joint Tariff Allocated Quantity shall be divided among shipper classes in accordance with Rule 31(c) – (h) below.

(c) **Exempt Volumes**. Each Committed Firm Shipper's Committed Volumes or Shipper MDQ, as applicable, are exempt from the prorationing procedures set forth in this Rule 31 ("Exempt Volumes"). If a Committed Firm Shipper's Nominations during a Proration Month are less than its Committed Volume or Shipper MDQ, multiplied by the number of days in the applicable month, the Committed Firm Shipper's Exempt Volumes for that month will be limited to the amount of its Nominations. If the total of all Committed Firm Shippers' aggregate Nominations is less than the Firm Capacity, multiplied by the number of days in the applicable month, then a Committed Firm Shipper's Make-Up Volumes will be accepted up to the remaining Firm Capacity during the term of such Committed Firm Shipper's TSA; provided that, in the event the total Nominations by Committed Firm Shippers of Make-Up Volumes exceeds the remaining Firm Capacity, multiplied by the number of days in the applicable month, Carrier will adjust the Nominations of Make-Up Volumes on a pro rata basis. Otherwise, any Make-Up Volumes above the Firm Capacity as well as Committed Firm Shipper quantities in excess of Committed Volumes or Shipper MDQs (other than the Make-Up Volumes), shall be treated as quantities nominated by a Regular Shipper, as described in Rule 31(d) below.

(d) **Division of capacity between Shipper classes**. For each Proration Month, the Remaining Available Capacity shall be divided between Regular Shippers and New Shippers. Generally, as described in this section, up to ten percent (10%) of the Remaining Available Capacity shall be allocated first to New Shippers, and at least ninety percent (90%) of the Remaining Available Capacity shall be allocated to Regular Shippers in proportion to their usage during the Base Period.

(i) **New Shippers**

a) **Availability of capacity**. Not more than ten percent (10%) of the Remaining Available Capacity shall be made available to New Shippers as a class.

b) **Allocation**. Each New Shipper will be allocated, subject to Rule 34, a share of the capacity available to all New Shippers equal to the least of: (i)

Nominations; (ii) ten percent (10%) of the Remaining Available Capacity for the applicable segment of Carrier's Pipeline, divided by the number of New Shippers who nominated quantities for shipment during the Proration Month; or (iii) one-fifth of 10% (2.0%) of the Remaining Available Capacity of the applicable segment of Carrier's Pipeline for the Proration Month. Any unused capacity allocated to New Shippers will become available for allocation among the Regular Shippers.

(ii) **Regular Shippers**

a) **Availability of capacity**. The remainder of the Remaining Available Capacity will be available to any Regular Shipper that submitted valid Nominations for the Proration Month. A Committed Firm Shipper shall have Regular Shipper status for its Nominations in excess of Exempt Volumes, if any.

b) **Allocation**. The remainder of the Remaining Available Capacity will be apportioned among all Regular Shippers. Each Regular Shipper's share of such capacity will be allocated based on its respective proportion of Deliveries during the Base Period (for example, if a Regular Shipper had five percent (5%) of Deliveries during the Base Period, that Regular Shipper would receive five percent (5%) of the capacity available for Regular Shippers). The shipment history for each Committed Firm Shipper during each month of the Base Period shall be calculated as the greater of (i) Deliveries, or (ii) Committed Volume or Shipper MDQ, as applicable. Any unused allocated capacity by a Regular Shipper shall be reallocated among other Regular Shippers.

(e) **Base Period Eligibility**. For an Uncommitted Shipper to receive Regular Shipper status for purposes of prorationing, the Uncommitted Shipper must have Actual Shipments of Crude Petroleum in at least eighteen (18) of the eighteen (18) months of the Base Period (except during transition periods as described in Rule 31(h). To the extent an Uncommitted Shipper does not meet the foregoing eligibility requirements, it shall be treated as a New Shipper for prorationing purposes.

(f) **Transfer of prorated capacity**. Except as provided in this subsection and in Rule 29, prorated quantities allocated to a Shipper may not be assigned, conveyed, loaned, transferred to, or used in any manner by another Shipper. A Shipper's allocation may be transferred as an incident of the bona fide sale of Shipper's business or to a successor to Shipper's business by the operation of law, such as an executor or trustee in bankruptcy.

(g) **Nomination Integrity**. During a Proration Month, if Shipper fails to Deliver to Carrier at least ninety percent (90%) of its final confirmed Nomination, Carrier will charge Shipper, in addition to the charges associated with Shipper's Barrels Delivered to Carrier, an amount equal to the applicable tariff rate multiplied by the difference between ninety percent (90%) of Shipper's nominated quantity and Shipper's nominated quantities Received by Carrier.

(h) **Transition rule for determining Base Period**. During the initial eighteen (18) months of (i) the Joint Tariff's implementation, and/or (ii) the in-service date of each expansion and each newly constructed pipeline segment of Joint Tariff Facilities (both (i) and (ii) referred to as "Effective Date"), the Base Period shall consist of each full calendar month since the Effective Date, but prior to the Proration Month. For example, if the Proration Month were to occur in the seventh (7th) month from the Effective Date, the Base Period would consist of the first six (6) months from the Effective Date. In all other respects, Rule 31(a)-(e) remains in effect during the initial eighteen (18) months of the Joint Tariff's implementation. This transition rule shall have no effect on and after the nineteenth (19th) full calendar month from the applicable Effective Date.

(i) **Capacity Interruptions and Curtailment**. Carrier shall have the right to interrupt Receipts and Deliveries of Shipper's Crude Petroleum, including the right to curtail Receipts and Deliveries under Committed Firm Service pursuant to the terms of the TSAs, (i) for scheduled or unscheduled repairs, maintenance, modifications or improvements to the Joint Tariff Facilities, and/or (ii) by reason of a force majeure event. Carrier will use commercially reasonable efforts to minimize the extent and duration of any interruption and the impact of such interruption on the operation of the Joint Tariff Service.

## TRANSPORTATION SERVICES AND RELATED REQUIREMENTS

### RULE 32 – ORIGIN AND DESTINATION POINT FACILITIES REQUIRED

Carrier only provides working tankage that is incidental and necessary to the transportation of Crude Petroleum, but does not provide or offer storage service, whether in transit or at Origin Points or Destination Points. Nominations for the transportation of Crude Petroleum will be accepted only when Shipper has provided, or arranged for access to, equipment and facilities capable of satisfactorily delivering to the Origin Point and receiving at the Destination Point the quantities tendered for transportation. Shipper will deliver to the Origin Point nominated quantities on a ratable basis over the course of a month. Carrier, where operations permit, may waive such ratable delivery requirement in its sole discretion.

No duty to transport shall arise until Shipper furnishes to Carrier documentation sufficient to demonstrate that Shipper has provided, or arranged for access to, the necessary equipment and facilities immediately upstream of the Origin Point and downstream of the Destination Point.

### RULE 33 – IN-TRANSIT STORAGE

Although Carrier does not provide or offer storage service, certain storage providers offer storage services at the In-Transit Points. Shipper may submit a Nomination, in accordance with Rule 27, requesting that its Crude Petroleum offered for transportation be stopped temporarily at an In-Transit Point(s) for storage, provided that: (i) such Nomination shall list the Origin Point, the In-Transit Point(s), and the ultimate Destination Point; (ii) the In-Transit Point(s) nominated by Shipper shall be along the transportation path between the Origin Point(s) and the ultimate Destination Point; (iii) the storage shall last no more than six (6) months; (iv) Shipper is solely responsible for arranging for storage services at the In-Transit Point(s), including entering into any required storage service agreement(s) with the affected storage provider(s); and (v) Crude Petroleum stopped at the In-Transit Point(s) shall be subject to the rates applicable to the

transportation from the Origin Point to the ultimate Destination Point. To the extent practicable and permitted by operating conditions, Carrier may, at its sole discretion, accept such Nomination. Upon intermediate delivery of the Crude Petroleum to the In-Transit Point(s), the custody and possession of the Crude Petroleum shall transfer to Shipper, and Carrier shall not be liable for loss and/or damage to such Crude Petroleum while in storage.

Shipper may submit a Nomination, in accordance with Rule 27, requesting that Crude Petroleum placed in storage at the In-Transit Point(s) be withdrawn and Delivered to the ultimate Destination Point, at no additional charge, provided that: (i) such Nomination shall list the In-Transit Point(s) and the ultimate Destination Point previously listed on Shipper's Nomination to stop Crude Petroleum for in-transit storage; and (ii) Shipper shall make such Nomination for withdrawal and Delivery within six (6) months from the date Crude Petroleum was intermediately delivered at the In-Transit Point(s) for storage. To the extent practicable and permitted by operating conditions, Carrier may, at its sole discretion, accept such Nomination. Upon withdrawal of the Crude Petroleum from the In-Transit Point(s), the custody and possession of the Crude Petroleum shall transfer to Carrier.

## RULE 34 – PIPEAGE OR OTHER CONTRACTS

Separate pipeage and other contracts may be required of a Shipper before any duty of transportation by Carrier shall arise. A pipeage contract may include additional charges for reimbursement for facilities necessary to Receive/or Deliver Shipper's shipments.

## RULE 35 – LINE FILL AND WORKING STOCK REQUIREMENT

Carrier will require each Shipper to supply a pro rata share of Crude Petroleum necessary for pipeline line fill and working stock (including tank bottoms) for efficient operation of the Joint Tariff Facilities prior to Delivery. For the first three (3) months commencing on the Effective Date, each Shipper's initial line fill obligation will be based on the higher of (i) Shipper's Nominations or (ii) Shipper's Committed Volume or Shipper MDQ, in proportion to the aggregate Nominations and aggregate Committed Volumes and/or Shipper MDQs. For Acreage Dedication Shippers, both the initial and subsequent line fill obligations will be based upon the line fill necessary to deliver the Shipper MDQ to the Colorado City Hub Destination Point, as defined in the Rates Tariff. Line fill requirements will be adjusted every three (3) months based on Actual Shipments, and New Shippers shall be assigned line fill requirements based on their Nominations. After any such adjustments, if the pro rata share of Crude Petroleum to be provided by a Shipper changes as a result of such reallocation, Shipper shall be required to provide within thirty (30) days at Shipper's Origin Point any increase in its line fill obligation or Carrier shall be required to redeliver any reduction in Shipper's line fill obligation within thirty (30) days to Shipper's Destination Point.

Except for the periodic adjustments in line fill requirements provided for above, Crude Petroleum provided by a Shipper for this purpose may be withdrawn from the pipeline only after shipments have ceased and if written notice to discontinue shipments through the Joint Tariff Facilities is received on or before the twenty-fifth ($25^{th}$) day of the month preceding the last calendar month in which Shipper intends to ship. Such withdrawal shall be made by Carrier over a reasonable period, not to exceed twelve (12) months after such notice to discontinue shipments is received.

## RULE 36 – DELIVERY AND DEMURRAGE

After any shipment has arrived at the Destination Point, Carrier may begin Delivery at its current rate of pumping. Since Carrier does not own or operate storage or tankage facilities for Shipper storage purposes, it is essential that Shipper or its Consignee promptly accept any shipment offered for Delivery. A demurrage charge of $0.01 per Barrel shall accrue for each day on which any part of said shipment offered for Delivery is not promptly taken by Shipper or its Consignee.

In the event that Shipper or its Consignee fail to promptly accept any shipment offered for Delivery or any portion thereof, then Carrier shall also have the right to divert, reconsign, or make whatever arrangements for disposition of the subject Crude Petroleum that it deems appropriate to clear its pipeline facilities, including the right to sell the subject Crude Petroleum at private or public sale. Carrier may be a purchaser at any such sale. From the proceeds of any such sale, Carrier may pay itself all transportation and other charges and expenses in caring for and maintaining the subject Crude Petroleum and the costs of sale, and the balance shall be held for whomsoever may be lawfully entitled thereto.

## RULE 37 – EVIDENCE OF RECEIPTS AND DELIVERIES

The Receipt and Delivery shall be evidenced, in each instance, by a statement showing the quantities Received or Delivered as the case may be, temperature, basic sediment, and water, and any other data essential to the determination of quantity.

## RULE 38 – RATES APPLICABLE

Crude Petroleum accepted for transportation shall be subject to the rates in effect on the date of Receipt by Carrier, irrespective of the date of Tender.

## RULE 39 – PAYMENT OF TRANSPORTATION AND OTHER CHARGES

Transportation and all other lawful charges will be collected on the basis of net quantity of Crude Petroleum Received at the Origin Point. Shipper shall be responsible for payment of transportation and all other charges applicable to the shipment, and at the discretion of Carrier, may be required to prepay such charges or furnish guaranty of payment to Carrier. Shipper shall be responsible for the payment of all royalties, overriding royalties, production payments, and other similar amounts due in respect of such Crude Petroleum. Administrator shall deliver an invoice to Shipper on or before the tenth ($10^{th}$) business day of each month setting forth the amount due under the terms of the Joint Tariff and, where applicable, the TSA. Shipper shall pay on or before the later of the twentieth ($20^{th}$) business day of the month or ten (10) business days following the date of receipt of an invoice from Administrator for the immediately preceding month, if applicable, the amount due as set forth on the invoice, except as disputed in good faith by Shipper, in which event Shipper shall only pay the undisputed portion of such amount in such invoice until such time as the dispute is resolved.

Carrier shall have a lien on all Crude Petroleum in its possession belonging to Shipper to secure the payment of all unpaid charges due by such Shipper, and may withhold such Crude Petroleum from Delivery until all of such unpaid charges shall have been paid. If any charge remains unpaid after the due date specified in Carrier's invoice, then such amount shall bear interest from the day after the date of the invoice until paid, calculated at an annual rate equivalent to one hundred and twenty-five percent (125%)

of the prime rate of interest, as of the date of Carrier's invoice, charged by the Citibank N.A. of New York, New York, for ninety (90) day loans made to substantial and responsible commercial borrowers or the maximum rate allowed by law, whichever is the lesser.

If said charges shall remain unpaid five (5) days after the time that may be fixed for Delivery as provided for below or, in the absence of unpaid charges, when there shall be failure to take the Crude Petroleum at the Destination Point as provided in these rules and regulations, Carrier may, by an agent, sell said Crude Petroleum at public auction for cash on any day not a Sunday or legal holiday, and not less than forty-eight (48) hours after publication of notice, in a daily newspaper, of the time and place of such sale and the quantity of Crude Petroleum to be sold. Carrier may be a bidder and purchaser at such sale. Out of the proceeds of said sale, Carrier may pay itself all transportation and any other lawful charges, expense of notice, advertisement, sale, and other necessary expense, and of caring for and maintaining the Crude Petroleum, and the net balance shall be held without interest for whomsoever may be lawfully entitled thereto; if the proceeds of said sale do not cover all expenses incurred by Carrier, Shipper and/or Consignee are liable to Carrier for any deficiency.

In addition to all other liens, statutory or otherwise, to which Carrier is entitled and unless the following grant is expressly prohibited by the terms of one or more security agreements or credit agreements creating prior, perfected security interests in the hereinafter-defined Collateral, Shipper hereby grants to Carrier a first priority, continuous and continuing security interest in all of the following, whether now or hereafter existing or acquired, as collateral for the prompt and complete payment and performance of Shipper's Obligations (as defined below): (i) all Crude Petroleum accepted by Carrier for transportation, terminalling, or otherwise while in the possession of Carrier; (ii) all other property of Shipper now in the possession of and at any time and from time to time hereafter delivered to Carrier or its agents but only while in the possession of Carrier; and (iii) all of Shipper's pre-payments, deposits, balances, and credits with, and any of its claims against, Carrier, at any time existing. The property described or referred to in subsections (i) through (iii) above is collectively referred to as the "Collateral". This grant secures the following (collectively, the "Obligations"): (i) all antecedent, current and future transportation, terminalling, special, ancillary and other lawful charges arising under or related to this Tariff or the contracts entered into in connection with this Tariff; (ii) the repayment of any amounts that Carrier may advance or spend for the maintenance, storage or preservation of the Collateral; (iii) all amounts owed under any modifications, renewals or extensions of any of the foregoing obligations; and (iv) all other amounts now or in the future owed by Shipper to Carrier, whether or not of the same kind or class as the other obligations owed by Shipper to Carrier. Shipper authorizes Carrier to file such financing statements or other documents necessary to perfect and maintain the security interest herein granted.

## RULE 40 – CHARGES FOR SPILL COMPENSATION ACTS AND REGULATIONS

In addition to the transportation charges and all other charges accruing on Crude Petroleum accepted for transportation, a per Barrel charge will be assessed and collected in the amount of any tax, fee, or other charge levied against Carrier in connection with such a commodity, pursuant to any Federal, State or local act or regulation which levies a tax, fee or other charge on the Receipt, Delivery, transfer or transportation of such commodities within their jurisdiction for the purpose of creating a fund for the prevention, containment, cleanup and/or removal of spills and/or the reimbursement of persons sustaining loss therefrom. If such a tax, fee, or other charge is levied against Carrier, Carrier shall file with the RRC to place into effect a per Barrel rate to recover such tax, fee, or other charge. Carrier shall be under no

obligation to contest or protest on behalf of Shipper or its Consignee the legality of such tax, fee, levy or other charges.

## LIABILITY AND CLAIMS

### RULE 41 – DUTY OF CARRIER

Carrier shall transport and Deliver the quantity of Crude Petroleum accepted for transportation (less the appropriate deductions), with reasonable diligence, considering the quantity of Crude Petroleum, the distance of transportation, the safety of operation, and other material factors.

### RULE 42 – LIABILITY OF CARRIER

(a) Except where caused by the gross negligence of Carrier and/or Administrator, Carrier and Administrator shall not be liable or responsible to any party for any delay, damage or loss, whether to property or person, including fines or penalties, resulting from any cause while Carrier is in possession or control of such Shipper's Crude Petroleum, including the breakdown of the Joint Tariff Facilities.

(b) If damage or loss to Crude Petroleum results from any cause other than the gross negligence of Carrier while Carrier is in possession or control of such Crude Petroleum, then Carrier may apportion the cost of such damage or loss on a pro rata basis among all Shippers. Each Shipper's share of such cost shall be determined by Carrier based on the proportion of the quantity of Shipper's Crude Petroleum in the possession of Carrier on the date of such loss to the total quantity of Crude Petroleum in the possession of Carrier on the date of such loss. Carrier shall be obligated to deliver only that portion of the Crude Petroleum remaining after such deduction.

(c) NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS TARIFF AND EXCEPT AS OTHERWISE PROVIDED IN A TSA BETWEEN CARRIER AND SHIPPER, IN NO EVENT SHALL CARRIER BE LIABLE OR RESPONSIBLE TO ANY SHIPPER, ITS AFFILIATES, SUCCESSORS IN INTEREST, BENEFICIARIES OR ASSIGNEES, FOR ANY CONSEQUENTIAL, INCIDENTAL, INDIRECT, SPECIAL, OR PUNITIVE DAMAGES, OR FOR LOSS OF PROFITS OR REVENUES, THAT ARISE IN RELATION TO THE TRANSPORTATION OF CRUDE PETROLEUM UNDER THIS TARIFF, REGARDLESS OF WHETHER SUCH CLAIM ARISES UNDER OR RESULTS FROM CONTRACT, TORT, OR STRICT LIABILITY.

### RULE 43 – LIABILITY OF SHIPPER

Except as otherwise provided in a TSA between Carrier and Shipper, to the fullest extent permitted by applicable law, Shipper shall indemnify, defend, and hold Carrier harmless from any and all personal injuries, property damage (including full or partial loss of use of property), damages, claims, suits, costs and recoveries, fines, penalties and expenses (including reasonable attorneys' fees and expenses) of any kind or character arising from, or related to, negligent or willful acts, breaches of warranties and representations, or omissions on the part of Shipper or its Consignee, its officers, employees, agents, or contractors with respect to any Crude Petroleum tendered by Shipper and transported by Carrier pursuant to this Tariff. In the event of any suit or action brought against Carrier for any of the foregoing, Shipper shall appear and defend against any such suit or action and pay any judgment that may be obtained against

Carrier. Where personal injury, death, or physical loss of or physical damage to property is the result of the joint negligence or misconduct of both Carrier and Shipper, both parties shall indemnify each other in proportion to their respective share of such joint negligence or misconduct.

**RULE 44 – CLAIMS, TIME FOR FILING**

Claims for any delay, damage to, or loss of Crude Petroleum ("Claims") must be made in writing to Carrier within nine (9) months after Delivery or, in the case of failure to make Delivery, then within nine (9) months after a reasonable time for Delivery has elapsed. Suits shall be instituted against Carrier only within two (2) years and one (1) day from the date when notice in writing is given by Carrier to the claimant that Carrier has disallowed the Claim or any part or parts thereof specified in the notice. The exclusive venue for any suit, action, or proceeding brought in connection with a Claim or arising out of the Joint Tariff Service provided by Carrier shall be in Dallas County, Texas. The foregoing provisions shall be conditions precedent to any suit. Where Claims are not filed or suits are not instituted in accordance with the foregoing provisions, Carrier shall not be liable and such Claims shall not be paid.

**RULE 45 – DEVIATION FROM RULES AND REGULATIONS IN SECTION I**

To the extent allowed by law, where there is a conflict between the language in Sections I and II, the language set forth in Section II shall apply.