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Gas Services Department
Railroad Commission of Texas

TX No. 1.9.0
Cancels TX No. 1.8.0

Advantage Pipeline LLC

LOCAL TARIFF

**CONTAINING
RULES AND REGULATIONS GOVERNING
THE GATHERING AND TRANSPORTATION**

**OF OIL
BY PIPELINE**

GENERAL APPLICATION

The rules and regulations published herein apply only under tariffs making specific reference by number to this tariff, supplements hereto, and successive issues hereof. Specific rules and regulations published in individual tariffs will govern in the event of any conflict with the rules and regulations published herein.

EFFECTIVE: October 1, 2024

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

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◆ Operated under T-4 Permit No. 08656 and P-5 Permit No. 100613

SECTION I**RULES AND REGULATIONS OF RAILROAD COMMISSION OF
TEXAS RULE 71. PIPELINE TARIFFS.**

The following nineteen (1-19) rules are reprinted here pursuant to the requirements of the Texas Railroad Commission.

1. ALL MARKETABLE OIL TO BE RECEIVED FOR TRANSPORTATION:

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

2. BASIC SEDIMENT, HOW DETERMINED—TEMPERATURE:

In determining the amount of sediment, water, or other impurities, a pipeline is authorized to make a test of the oil offered for transportation from an average sample from each such tank, by the use of centrifugal machine, or by the use of any other appliance agreed upon by the pipeline and the shipper. The same method of ascertaining the amount of the sediment, water, or other impurities shall be used in the delivery as in the receipt of oil. A pipeline shall not be required to receive for transportation, nor shall consignee be required to accept as a delivery, any oil of a higher temperature than 90 degrees Fahrenheit, except that during the summer oil shall be received at any atmospheric temperature, and may be delivered at like temperature. Consignee shall have the same right to test the oil upon delivery at destination that the pipeline has to test before receiving from the shipper.

3. "BARREL" DEFINED:

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

4. OIL INVOLVED IN LITIGATION, ETC. - INDEMNITY AGAINST LOSS:

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

5. STORAGE:

Each pipeline shall provide, without additional charge, sufficient storage, such as is incident and necessary to the transportation of oil, including storage at destination or so near thereto as to be available for prompt delivery to destination point, for five days from the date of order of delivery at destination.

6. IDENTITY OF OIL, MAINTENANCE OF OIL:

A pipeline may deliver to consignee either the identical oil received for transportation, subject to such consequences of mixing with other oil as are incident to the usual pipeline transportation, or it may make delivery from its common stock at destination; provided, if this last be done, the delivery shall be of substantially like kind and market value.

7. MINIMUM QUANTITY TO BE RECEIVED:

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

8. GATHERING CHARGES:

Tariffs to be filed by Pipeline shall specify separately the charges for gathering of the Oil, for transportation, and for delivery. (See amendment to this rule in Item No. 11, Section II hereof.)

9. MEASURING, TESTING, AND DEDUCTIONS (reference Special Order Number 20-63,098 effective June 18, 1973) (Amended by Rule 16, Section II Hereof; See exceptions to this rule in Item No. 45, Section II hereof.):

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

(B) As an alternative to the method of measurement provided in subparagraph (A) of this paragraph, crude oil and condensate may be measured and tested, before transfer of custody to the initial transporter, by:

- (i) lease automatic custody transfer (LACT) equipment, provided such equipment is installed and operated in accordance with the latest revision of American Petroleum Institute (API) Manual of Petroleum Measurement Standards, Chapter 6.1; or,
- (ii) any device or method, approved by the commission or its delegate, which yields accurate measurements of crude oil or condensate.

(C) Adjustments to the quantities determined by the methods described in subparagraphs (A) or (B) of this paragraph shall be made for temperature from the nearest whole number degree to the basis of 60 degrees Fahrenheit and to the nearest 5/10 API degree gravity in accordance with the volume correction Tables 5A and 6A contained in API Standard 2540, American Society for Testing Materials 01250, Institute of Petroleum 200, first edition, August 1980. A pipeline may deduct the basic sediment, water, and other impurities as shown by the centrifugal or other test agreed upon by the shipper and pipeline; and 1.0% for evaporation and loss during transportation. The net balance shall be the quantity deliverable by the pipeline. In allowing the deductions, it is not the intention of the commission to affect any tax or royalty obligations imposed by the laws of Texas on any producer or shipper of crude oil.

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

10. DELIVERY AND DEMURRAGE:

Each pipeline shall transport oil with reasonable diligence, considering the quality of the oil, the distance of transportation, and other material elements, but at any time after receipt of a consignment of oil, upon 24 hours' notice to the consignee, may offer oil for delivery from its common stock at the point of destination, conformable to paragraph (6) of this section, at a rate not exceeding 10,000 barrels per day of 24 hours. Computation of time of storage (as provided for in paragraph (5) of this section) shall begin at the expiration of such notice. At the expiration of the time allowed in paragraph (5) of this section for storage at destination, a pipeline may assess a demurrage charge on oil offered

for delivery and remaining undelivered, at a rate for the first 10 days of \$.001 per barrel; and thereafter at a rate of \$.0075 per barrel, for each day of 24 hours or fractional part thereof.

11. UNPAID CHARGES, LIEN FOR AND SALE TO COVER:

A pipeline shall have a lien on all oil to cover charges for transportation, including demurrage, and it may withhold delivery of oil until the charges are paid. If the charges shall remain unpaid for more than five days after notice of readiness to deliver, the pipeline may sell the oil at public auction at the general office of the pipeline on any day not a legal holiday. The date for the sale shall be not less than 48 hours after publication of notice in a daily newspaper of general circulation published in the city where the general office of the pipeline is located. The notice shall give the time and place of the sale, and the quantity of the oil to be sold. From the proceeds of the sale, the pipeline may deduct all charges lawfully accruing, including demurrage, and all expenses of the sale. The net balance shall be paid to the person lawfully entitled thereto. (Superseded by Rule 15 in Section II)

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 message incident to shipments. However, a Pipeline shall not be held liable for failure to deliver any messages away from its office or for delay in transmission or for interruption of service.

14. CONTRACTS OF TRANSPORTATION:

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

15. SHIPPER'S TANKS, ETC.--INSPECTION:

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

16. OFFERS IN EXCESS OF FACILITIES:

If Oil is offered to any Pipeline for transportation in excess of the amount that can be immediately transported, the transportation furnished by the Pipeline shall be apportioned among all Shippers in proportion to the amounts offered by each; but no offer for transportation shall be considered beyond the amount which the person requesting the shipment then has ready for shipment by the Pipeline. The Pipeline shall be considered as a Shipper of Oil produced or purchased by itself and held for shipment through its line, and its Oil shall be entitled to participate in such 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 district office, electronically or by telephone, of each fire that occurs at any oil tank owned or controlled by the pipeline, or of any tank struck by lightning. Each pipeline shall in like manner report each break or leak in any of its tanks or pipelines from which more than five barrels escape. Each pipeline shall file the required information with the commission in accordance with the appropriate commission form within 30 days from the date of the spill or leak.
- B. No risk of fire, storm, flood, or act of God, and no risk resulting from riots, insurrection, rebellion, war, or act of the public enemy, or from quarantine or authority of law or any order, requisition or necessity of the government of the United States in time of war, shall be borne by a pipeline, nor shall any liability accrue to it from any damage thereby occasioned. If loss of any crude oil from any such causes occurs after the oil has been received for transportation, and before it has been delivered to the consignee, the shipper shall bear a loss in such proportion as the amount of his shipment is to all of the oil held in transportation by the pipeline at the time of such loss, and the shipper shall be entitled to have delivered only such portion of his shipment as may remain after a deduction of his due proportion of such loss, but in such event the shipper shall be required to pay charges only on the quantity of oil delivered. This section shall not apply if the loss occurs because of negligence of the pipeline.
- C. Common carrier pipelines shall mail (return receipt requested) or hand deliver to landowners (persons who have legal title to the property in question) and residents (persons whose mailing address is the property in question) of land upon which a spill or leak has occurred, all spill or leak reports required by the commission for that particular spill or leak within 30 days of filing the required reports with the commission. Registration with the commission by landowners and residents for the purpose of receiving spill or leak reports shall be required every five years, with renewal registration starting January 1, 1999. If a landowner or resident is not registered with the commission, the common carrier is not required to furnish such reports to the resident or landowner.

**SECTION II
RULES AND REGULATIONS**

1. DEFINITIONS:

"Crude Oil" or "Oil" means the grade or grades of direct liquid products of oil or gas wells, which Pipeline has undertaken to transport.

"Pipeline" as used herein means Advantage Pipeline LLC and other pipeline companies which may, by proper concurrence, be parties to joint tariffs incorporating these regulations by specific reference.

"API Gravity" as used herein, means gravity determined in accordance with American Society for Testing Materials Designation D-287.

"WTI" means West Texas Intermediate Oil.

- 2. APPLICATION OF RATES FROM AND TO INTERMEDIATE POINTS:** For shipments accepted for transportation from any point not named in tariffs making reference hereto which is intermediate to a point from which rates are published in said tariffs, through such unnamed point, the rate published therein from the next more distant point specified in the tariff will apply from such unnamed point, and the gathering charge at the next more distant point shall apply when gathering service is performed. For shipments accepted for transportation to any point not named in tariffs making reference hereto which is intermediate to a point to which rates are published in said tariffs, through such unnamed point, the rate published therein to the next more distant point specified in the tariff will apply.

- 3. PUMPING SERVICE:** For loading aboard tank cars or delivery to Shipper's or Consignee's tanks where the receiving station has to perform additional pumping service, an additional charge of **[I]** 11.69 cents per barrel will be made.

- 4. SPECIFICATIONS AS TO QUALITY AND LEGALITY OF SHIPMENTS:** Pipeline reserves the right to reject any and all of the following shipments:

- A. Oil having (1) a vapor pressure in excess of ten (10) pounds absolute at a temperature of 100 degrees Fahrenheit, (2) an A.P.I. gravity in excess of 45 degrees, (3) Crude Oil exceeding 100 parts per million (ppm) hydrogen sulfide (H₂S) in vapor phase, using the applicable test method, and (4) Crude Oil exceeding 75 ppm mercaptans, using UOP 163 methodology. In lieu of any other remedies available to Carrier, if Crude Oil received by Carrier into Carrier's system does not meet the mercaptan limitation set forth herein, Carrier reserves the right to assess a **[U]** 50.0 cents per Barrel fee on each Barrel that fails to meet the mercaptan specification to treat and handle the transportation of the Crude Oil.
- B. Oil where the Shipper or Consignee has failed to comply with all applicable laws, rule, and regulations made by any governmental authorities regulating shipments of Oil.
- C. Oil received from tanks containing basic sediment, water, or other impurities shall not be in excess of three tenths water and shall not exceed one percent (1%) average in suspension above the Pipeline connection. Where Oil is delivered to Pipeline through automatic custody transfer measurement facilities, Pipeline may require use of a monitor which rejects Oil containing in excess of one percent (1%) basic sediment and water. (This limitation by Pipeline is supplementary to the two percent (2%) basic sediment and water limit above a point that is 6 inches below Pipeline connection provided for in Item 1 of Railroad Commission of Texas Rule 71.)

- D. If Pipeline determines that a Shipper has delivered to Pipeline's facilities Oil that is not within the tolerances listed herein, or has been contaminated by the existence of and or excess amounts of impure substances, including but not limited to chlorinated and/or oxygenated hydrocarbons, arsenic, lead and/or other metals which results in harm to other shippers, Pipelines, users of the contaminated Oil or Pipeline, such Shipper will be excluded from further entry into applicable segments of the Pipeline system until such time as the quality of the Oil is to the satisfaction of the Pipeline. Pipeline is not responsible for monitoring receipts or deliveries for contaminants. Further, Pipeline reserves the right to dispose of any contaminated Oil blocking its Pipeline system. Disposal thereof may be made in any reasonable manner including but not limited to commercial sales, and any liability associated with the contamination or disposal of any Oil shall be borne by the Shipper introducing the contaminated Oil into Pipeline's system. Shipper liability includes, but is not limited to, claims from other shippers, Pipelines, or users of the contaminated Oil and the costs of any regulatory or judicial proceeding.
- E. Pipeline will not accept Oil containing any of the following: Waste oils, Lube oils, Crankcase oils, PCB's or Dioxins
- 5. APPLICATION OF RATES:** Oil accepted for gathering and/or transportation shall be subject to the rates in effect on the date of receipt by Pipeline, irrespective of the date of the tendered.
- 6. TENDERS REQUIRED:**
- A. Oil for shipment through lines of Pipeline will be received only on properly executed tenders from the Shipper showing the point at which the Oil is to be received, point of delivery, consignee, and amount of Oil transported. Pipeline may refuse to accept Oil for transportation unless satisfactory evidence be furnished that the Shipper or Consignee has made provision for prompt receipt thereof at destination.
- B. Any Shipper desiring to tender Oil for transportation shall make such tender to the initial Pipeline in writing on or before the twenty-fifth day of the month preceding the month during which the transportation under the tender is to begin; except that, if space is available for current movement, a Shipper may tender Oil for transportation after the twenty-fifth day of the month preceding the month during which the transportation under the tender is to begin.
- 7. LINE FILL AND TANK BOTTOM INVENTORY:** Either prior to or after the acceptance of Oil for transportation through the Pipeline's system (System) Pipeline may, upon reasonable notice, require each Shipper to provide a pro rata part of the volume of Oil necessary for Pipeline fill, unavailable stocks below tank connections, and reasonable additional minimum quantities required for the efficient operation of the System. Oil provided by a Shipper for this purpose may be withdrawn from the System only with the prior approval of Pipeline or after reasonable notice of such Shipper's intention to discontinue shipment in the System pursuant to Pipeline's applicable tariff or tariffs and other agreements between Shipper and Pipeline.
- 8. UNLOADING OR TRANSFER CHARGES:**
- A. All shipments received from tank truck unloading facilities or gathering pipeline facilities provided by others, either of which delivers into Carrier's pipeline facilities, will be subject to an unloading or transfer charge of **11** 8.76 cents per barrel, except that no charge in either case shall be made if the initial trunkline pumping is provided by others.

B. All shipments received from tank truck unloading facilities into Carrier's gathering facilities will be subject to the applicable gathering charge for the particular gathering facility but will not be subject to a truck unloading or transfer charge.

C. In either case, the applicable charge will be in addition to trunk transportation rates.

9. DEDUCTIONS AND QUANTITIES DELIVERABLE: (Exception to Rule 9, Section I hereof)

A. All shipments of Oil of 50 degrees or above shall be subject to a deduction to cover the shrinkage resulting from the mixture thereof, in the facilities of Advantage Pipeline, L.L.C., with Oil of A.P.I. Gravity of 49.9 degrees or less according to the following table:

<u>API Gravity</u>	<u>% Deduction</u>
50 through 54.9	2
55 through 60	3

10. GRADES OF OIL: Pipeline will establish the grades of Oil it will regularly transport as a common stream between particular origin point or points and destination point or points of the pipeline. Pipeline may from time to time, after reasonable notice to persons who may be affected, revise particular grades of Oil.

	WTI
API Gravity, API	36- 44
Sulfur Content, Weight %	<= 0.45
Max Reid Vapor Pressure, psi	9.5
Max True Vapor Pressure, psi	11
BS&W	<= 1.0%

A. The quantity deliverable shall be reduced by deduction for sediment, water, other impurities, loss for evaporation and loss during transportation as provided for in Rule 9, Section I hereof, less the applicable deduction for shrinkage.

11. GATHERING CHARGES: (Amendment to Rule 8 Section I hereof.) When gathering service is performed by Pipeline, gathering charges will be assessed on the net volume remaining after adjustment for temperature and deduction for basic sediment, water, other impurities, and losses, provided for in Rule 9, Section I hereof, with no deduction being made for shrinkage.

12. COMMON STREAM OIL-CONNECTING PIPELINES: When both receipts from and deliveries to a connecting Pipeline of substantially the same grade of Oil are scheduled at the same interconnection, Pipeline reserves the right, with cooperation of the connecting Pipeline, to offset like volumes of such common stream Oil in order to avoid the unnecessary use of energy which would be required to physically pump the offsetting volumes. When this right is exercised, Pipeline will make the further deliveries for the Shipper involved from its common stream Oil.

13. CHARGE FOR FUND COMPENSATION: In addition to all other charges accruing on Oil accepted for gathering and/or transportation, a per barrel charge will be assessed and collected in the amount of any tax, fee, or other charge levied against Pipeline by any Federal, State or local act, regulation or agency for the purpose of providing a fund for the reimbursement of parties who sustain costs or losses resulting from Oil Pipeline industry operations. Such charge will be included in the appropriate tariff filed with the Commission.

- 14. WARRANTIES:** Shipper warrants that the Oil tendered to Pipeline will conform with the Specifications stated in Item 25, that it will be merchantable and that it will not be contaminated. Shipper will be liable to Pipeline, other Shippers and/or Consignees for any damage including special, incidental, and consequential, as well as attorney fees, arising from a breach of contract. Transportation of the Oil may be refused or canceled if Pipeline determines or is advised that the Oil does not meet the requirements of these Rules and Regulations. In addition, if Pipeline samples the Oil prior to or after tendered by Shipper and if test results determine that the Oil is non-merchantable, Shipper will be liable to Pipeline for all costs and expenses incurred for such tests and disposition of non-merchantable or contaminated Oil.
- 15. PAYMENT OF TRANSPORTATION AND OTHER CHARGES (Issued in lieu of TRRC Rule 11 in Section I):** The Shipper or Consignee shall pay all applicable gathering, transportation, and all other lawful charges accruing on Oil delivered to and accepted by the Pipeline for shipment, and, if required, shall prepay or guarantee the same before acceptance for transportation by the Pipeline, or shall pay the same before delivery. The Pipeline shall have a lien on all Oil in its possession belonging to Shipper or Consignee to secure the payment of any and all unpaid gathering, transportation, or any lawful charges that are due Pipeline that are unpaid by Shipper or Consignee, and may withhold such Oil from delivery until all unpaid charges have been paid.

If any charge remains unpaid after the due date specified in Pipeline'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 125% of the prime rate of interest, as of the date of Pipeline'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 the invoice is not paid within thirty (30) days from the date due, Pipeline shall have the right, either directly or through an agent, at any time after such publication of notice of such sale in a daily newspaper of general circulation published in the town, city, or general area where the sale is to be held, stating the time and place of sale and the quantity and location of the Oil to be sold. At said sale, Pipeline shall have the right to bid, and, if it is the highest bidder, to become the purchaser. The proceeds of disposition shall be applied in the following order: (A) To the reasonable expenses of holding, preparing for sale, selling, and to the extent allowed by law, reasonable attorney's fees and legal expense incurred by Pipeline; and (B) To the satisfaction of the indebtedness secured hereby including interest herein provided from due date of invoice to date of sale. The balance of the proceeds of the sale remaining, if any, shall be held for whomsoever may be lawfully entitled thereto.

- 16. GAUGING, TESTING, AND DEDUCTIONS** (Amends Rule 9, Section I hereof.): All Oil tendered to a Pipeline for transportation shall be measured 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 determined in accordance with applicable A.P.I. Manual of Oil Measurement Standards. A Pipeline may deduct sediment, water, and other impurities as shown by the centrifugal method, Karl Fischer method or other test agreed upon with two tenths of one percent (0.2%) allowed for evaporation and loss during transportation. The net balance shall be the quantity to be delivered 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 Oil.

The gauging and testing of Oil by the Pipeline representative is directed toward and intended to require tank gauge measurement, or other type measuring device when authorized by the Commission, of produced Oil prior to the transfer of custody to the initial transporter from a producing property. A transfer of custody of Oil between transporters is subject to measurement as agreed upon by the transporters.

SECTION III STORAGE OF OIL IN TRANSIT

1. GENERAL APPLICATION: In conjunction with the transport of Oil on the Pipeline, Pipeline will provide working tankage that is incident and necessary to the transportation of Oil, however incremental storage services not incident and necessary to the transportation of Oil could be offered by Pipeline to Shippers or Consignee under one or more storage services agreements. Shipper or Consignee may, by request on the original tender or shipper order, or by order for diversion or reconsignment enroute, have Oil tendered for shipment stored in tanks furnished by the Shipper or Consignee at points on the lines of Advantage Pipeline, L.L.C., when intermediate to the destination shown on the tender of shipments, subject to the execution of a separate storage services agreement between Pipeline and Shipper or Consignee and under the conditions provided in this Section.

2. RATES APPLICABLE:

- A. All lawful transportation charges from point of origin to the storage point published in tariffs lawfully on file with the Railroad Commission of Texas shall be paid upon delivery of Oil into the tanks at storage point or may be required in advance of such transportation at the option of Pipeline.
- B. In the absence of a through rate from point of origin to the storage point, the rate to the next point beyond shall be applied.
- C. If shipments are placed in in-transit storage at request of Shipper, and such stop-over causes an additional pumping by Pipeline upon reshipment from the in-transit point which would not otherwise have been required for delivery to final destination on Pipeline's system, then such shipments shall be subject to a charge for stop-over service of **[I]** 9.35 cents per barrel. The stop-over charge shall be in addition to all other transportation charges and shall be payable when shipment is reshipped from the in-transit point.
- D. Transportation charges on Oil stopped, and subsequently forwarded to destination within a period not exceeding two years from date of original shipment shall be assessed at the balance of the through rate from the original point of origin to final destination, via the storage point, in effect on the date of original shipment, provided for in tariffs of Pipeline lawfully on file with the Railroad Commission of Texas.
- E. Oil disposed of locally will be subject to the local rate into the storage point and Oil not forwarded from storage points within the specified time will be subject to the local rate into, and out of the storage point published in Pipeline's tariffs lawfully on file with the Railroad Commission of Texas.
- F. After a shipment has had time to arrive at destination, and on 24 hours' notice to Shipper or Consignee, Pipeline may begin delivery of such shipment from its common stock to Consignee at Pipeline's current rate of pumping. If Shipper or Consignee is unable or refuses to receive said shipment, a demurrage charge of **[I]** 7.01 cents per barrel per 24 hours shall accrue from the time said notice expires, on that part of such shipment which is not received by Consignee. Pipeline reserves the right, if deemed necessary to clear its Pipeline system to make whatever arrangements for disposition of the shipment that are appropriate which includes selling the shipment to the first available purchaser at the best price attainable. Any expenses incurred by the Pipeline in making such arrangements shall be borne by the Shipper or Consignee, in addition to any demurrage charges.

- 3. DELIVERY INTO STORAGE TANKS:** Upon delivery of Oil into storage tanks furnished by the Shipper or Consignee, its custody and possession shall be that of the Shipper or Consignee and not that of Pipeline, and Pipeline shall not be liable for loss of or damage to such Oil while in storage. However, Pipeline reserves the right to gauge and examine such Oil from time to time as desired while it is in said tanks.
- 4. TENDER AT STORAGE POINTS:** When the Oil is tendered for forwarding to destination a new tender must be issued making proper reference by number and date to the original tender or shipper order for shipment.

**SECTION IV
SUPPLEMENTAL RULES AND REGULATIONS**

1. APPORTIONMENT WHEN TENDERS ARE IN EXCESS OF FACILITIES: When there shall be tendered to Carrier for transportation greater than can be immediately transported, the transportation shall be apportioned among all Shippers in accordance with the Advantage Pipeline, L.L.C.'s Proration Policy set forth below.

2. PRORATION POLICY:

The intention of the Advantage Pipeline, L.L.C.'s ("Carrier") Proration Policy is twofold:

- To allocate the Capacity of a specific pipeline segment equitably among all Shippers in the Nomination process.
- To maximize the actual utilization of the Capacity of a specific pipeline segment.

Carrier may implement this Proration Policy anytime the Nominations on a specific pipeline segment exceed the Capacity on that pipeline segment. The Proration Policy is in compliance with Carrier's obligations under Part I of the Interstate Commerce Act.

Definitions:

For purposes of the Proration Policy, the following capitalized terms have the meanings set forth below:

"Adjusted Nominations" means the valid and binding modified Nominations that are received by Carrier from Shippers, once the Shippers have been notified that a specific pipeline segment has been prorated.

"Allocation Month" means any month in which the Nominations of all Shippers on a specific pipeline segment exceed the Capacity of that pipeline segment, thereby causing Carrier to implement this Proration Policy.

"Base Period" means the period of months during which current Shippers establish their Historic Shipment Ratio. This would be the twelve (12) consecutive months ending with the second month prior to the Allocation Month for which Nominations are being apportioned.

"Base Period Shipment Volume" means the average barrels per month ("BPM") transported on a specific pipeline segment by an Established Shipper over the Base Period.

"Base Period Shipment Volume" means the average barrels per month ("BPM") transported on a specific pipeline segment by an Established Shipper over the Base Period.

"Capacity" means the practical throughput capability for the Allocation Month of a pipeline segment expressed in thousands of barrels per day.

"Carrier" means the pipeline company, Advantage Pipeline, L.L.C., that accepts Nominations for, and transports Crude Oil on its common carrier pipeline system.

"Committed Shipper" means a Shipper that has signed a dedication agreement or throughput and deficiency agreement with Advantage Pipeline, L.L.C. after January 1, 2017.

"Crude Oil" means the grade or grades of direct liquid products of oil or gas wells, which Carrier has undertaken to transport. Deemed Volume Commitment means the barrels per month that a Committed Shipper is anticipated to tender for delivery pursuant to a dedication agreement or a throughput and deficiency agreement. A Committed Shipper's Deemed Volume Commitment shall be set forth in its dedication agreement or throughput and deficiency agreement.

"Established Shipper(s)" means both Regular Shippers and Committed Shippers.

"Historic Shipment Ratio" means: (a) for each Committed Shipper, the greater of (i) such Committed Shipper's Base Period Shipment Volume, or (ii) such Committed Shipper's Deemed Volume Commitment, and (b) for each Regular Shipper, such Regular Shipper's Based Period Shipment Volume; in either case divided by the total of all Committed Shippers' greater of determinations and Regular Shippers' Base Period Shipment Volumes.

"New Shipper" means any nominating party who is not an Established Shipper.

"Nomination" means the volumes of Crude Oil that a Shipper formally requests the Carrier to transport for the account of the Shipper for the Allocation Month.

"Proration Policy" means this document that is the official written description of the process by which Carrier will allocate Capacity on its common carrier pipelines in an equitable manner to all Shippers when Nominations on any segment of the pipeline system exceed the Capacity of that segment.

"Regular Shipper" means a Shipper that shipped any volume of Crude Oil on any of Carrier's pipeline segments for at least twelve (12) consecutive calendar months of the Base Period.

"Shipper" means the transporter of Crude Oil on the pipeline and the entity that submitted Nominations to the Carrier.

"Unused Allocation" means that portion of the allocated Capacity awarded to a Shipper on a prorated pipeline segment that is projected to go unused based on Shipper's Nominations.

The Allocation Methodology

1. The Capacity allocated to each Established Shipper during an Allocation Month will be determined by multiplying each Shipper's Historic Shipment Ratio by the Capacity of the prorated pipeline segment.
2. If the result of the allocation calculation for a Shipper in Item #1 is less than the minimum batch size, then the Shipper's allocated Capacity will be increased to the minimum batch size of the allocated pipeline segment for the Allocation Month.
3. If the result of the calculation in Item #1 for a Shipper is greater than that Shipper's Nomination, then the Shipper's allocated Capacity will be reduced to equal its Nomination but in no case will the allocated Capacity be less than the minimum batch size on the Carrier's system.

4. Ten percent (10%) of the relevant pipeline segment will be allocated to New Shippers on a pro rata basis. If any allocation of Capacity to any New Shipper hereunder is greater than the New Shipper's Nomination, then the New Shipper's allocated Capacity will be reduced to equal its Nomination. Excess capacity will be reallocated to Established Shippers.

When it is determined that insufficient Capacity is available to accommodate all valid, timely, and properly submitted Nominations, Carrier will so notify each Shipper that has tendered a Nomination for the affected pipeline segment. Each Shipper will then have a period of two business days to reduce its Nomination. At 12:01 a.m. on the third business day following the day notification was made to Shippers; this Adjusted Nomination shall be considered a binding Nomination.

No movements will be considered above the amount that the Shipper has been allocated for shipment, nor will Carrier accept a Nomination which exceeds the Capacity of Carrier's pipeline segment to transport.

In the event that a Shipper, who in spite of having a binding Nomination on the prorated pipeline segment, then attempts to withdraw that binding Nomination, and as a result the pipeline Capacity is not fully allocated following application of Items #1 through #4 above, the newly available pipeline Capacity shall be allocated in the following manner:

- A. Each Shipper with Nominations exceeding their allocated Capacity will be allocated a portion of the remaining pipeline Capacity in the same proportion as that which they have been assigned on the allocated pipeline segment.
- B. If there are no Shippers who have Nominations exceeding their allocated Capacity, all Shippers who have Nominations on the allocated pipeline segment will be notified that there is additional Capacity on the pipeline segment. All Nominations from these Shippers will be honored in the same proportion that their allocated Capacity is to the aggregated allocated Capacity of all Nominations from Shippers.

If the allocated Capacity awarded to a Shipper on a prorated pipeline segment goes unused by that Shipper ("Unused Allocation"), then that Shipper is accountable for payment of the tariff fees for the actual shipments, or 85% of the Nomination, whichever is greater. These charges will be waived when there exists Unused Allocation as a result of deliveries having been reduced at the request of the Carrier, or where Carrier operational problems prevented full receipt or delivery of barrels tendered by the Shipper. This charge only applies when the pipeline segment is in proration.

In the event that a Shipper releases all or any part of its allocated Capacity in sufficient time prior to the Allocation Month to permit Carrier to reallocate and revise the schedule, and as a result the Carrier is then able to solicit other Shippers to fully utilize that Capacity, that Shipper's allocation will be reduced without penalty.

Carrier will carefully examine Nominations, using every means available to ensure that they are true and realistic and will challenge any Nominations that appear to be inflated. Carrier may require written assurances from responsible officials of Shippers requesting use of allocated Capacity, stating that this requirement has not been violated.

In the event any Shipper shall, by any device, scheme, or arrangement whatsoever, make available to another Shipper, or in the event any Shipper shall receive and use any Capacity from another Shipper through violation of this Proration Policy, then the allocated Capacity for both Shippers will be reduced, to the extent of the Capacity so made available or used, in the next Allocated Month after such violation becomes known to Carrier. In the event of sale, merger, consolidation or other material occurrence affecting a Shipper, Carrier shall make adjustments in allocations consistent with this Proration Policy.

EXPLANATION OF REFERENCE MARKS:

[I] Increase
[U] Unchanged rate