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Gas Services Department
Railroad Commission of Texas

Ironwood Midstream Energy Partners LLC

Midland Pipeline System

Karnes Pipeline System

Shiner Pipeline System

Gardendale Pipeline System

LOCAL PIPELINE TARIFF NO. 1.3

[Amends No. 1.2]

Rules and Regulations Governing the Intrastate Transportation and Gathering by Pipeline of CRUDE PETROLEUM

Rules and Regulations published herein apply only under tariffs which make specific reference by number to this tariff; such reference will include successive issues hereof.

Special Rules and Regulations published in Section II hereof will take precedence over the rules and regulations published in Section I hereof. If any language in an agreement between the Carrier and a Shipper conflict with the rules and regulations herein, the specific language in the agreement between the Carrier and the Shipper will control (unless exceptions are noted therein).

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

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Section I

Rules and Regulations

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

Carrier (herein generally referred to as “the pipeline”, in this tariff) will accept Crude Petroleum (referred to variously in this tariff as “crude oil”, “crude”, “oil”, and “marketable oil”, and defined in Rule 1 below) for intrastate transportation by pipeline from the point of origin to the point of destination named in this tariff, subject to the following rules and regulations:

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 inches (6”) below the pipeline connection with the tank. Pipelines shall receive for transportation all such “marketable oil” tendered; but the pipeline shall not be required to receive for shipment from any one person an amount exceeding 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 Railroad Commission of Texas (“Commission”) may require.

Rule 2: Basic Sediment, How Determined - Temperature

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

Rule 3: “Barrel” Defined

For the purpose of these rules, a “barrel” of crude petroleum is declared to be forty-two (42) gallons of two hundred thirty-one (231) cubic inches per gallon at sixty degrees Fahrenheit (60°F).

Rule 4: Oil Involved in Litigation, Etc. – Indemnity Against Loss

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

Rule 5: Storage

The 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.

Rule 6: Identity of Oil, Maintenance of Oil

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

Rule 7: Minimum Quantity to be Received

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

Rule 8: Gathering Charges

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

Rule 9: Gauging, Testing, and Deductions

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

- (A) All crude oil tendered to the pipeline shall be gauged and tested by a representative of the pipeline prior to its receipt by the pipeline. The shipper may be present or represented at the gauging and testing. Quantities shall be computed from correctly compiled tank tables showing 100% of the full capacity of the tanks.
- (B) As an alternative to the method of measurement provided in subparagraph (A) of this Rule, crude oil and condensate may be measured and tested, before transfer of custody to the initial transporter, by:
 - (1) 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;
 - (2) any device or method, approved by the commission or its delegate, which yields accurate measurements of crude oil or condensate.
- (C) Adjustments shall be made for temperature from the nearest whole number degree to the basis of 60°F and to the nearest five-tenths (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. The pipeline may deduct the basic sediment, water, and other impurities as shown by the centrifugal or

other test agreed upon; and one percent (1%) for evaporation and loss during transportation. The net balance shall be the quantity deliverable by the pipeline. In allowing the deductions, it is not the intention of the commission to affect any tax or royalty obligations imposed by the laws of Texas on any producer or shipper of crude oil.

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

Rule 10: Delivery and Demurrage

The pipeline shall transport oil with reasonable diligence, considering the quality of the oil, the distance of transportation and other material elements, but at any time after receipt of a consignment of oil, upon 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 of this tariff, 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 of this tariff) shall begin at the expiration of such notice. At the expiration of the time allowed in Rule 5 of this tariff for storage at destination, the pipeline may assess a demurrage charge on oil offered for delivery and remaining undelivered, at a rate for the first ten (10) days of one one-thousandth of one dollar (\$.001) per barrel and thereafter at a rate of seventy five ten-thousandths of one dollar (\$.0075) per barrel, for each day of twenty four (24) hours or fractional part thereof.

Rule 11: Unpaid Charges, Lien for and Sale to Cover

The pipeline shall have a lien on all oil to cover charges for transportation, including demurrage, and it may withhold delivery of oil until the charges are paid. If the charges shall remain unpaid for more than 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 San Antonio, Texas, the city where the general office of the pipeline is located. The notice shall give the time and place of the sale, and the quantity of the oil to be sold. From the proceeds of the sale, the pipeline may deduct all charges lawfully accruing, including demurrage, and all expenses of the sale. The net balance shall be paid to the person lawfully entitled thereto.

Rule 12: Notice of Claims

Notice of claim for loss, damage or delay in connection with the shipment of oil must be made in writing to the pipeline within 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.

Rule 13: Telephone - Telegraph Line - Shipper to Use

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

Rule 14: Contracts of Transportation

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

Rule 15: Shipper's Tanks, Etc. - Inspection

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

Rule 16: Offers In Excess Of Facilities

If oil is offered to the pipeline for 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.

Rule 17: Interchange of Tonnage

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

Rule 18: Receipt and Delivery - Necessary Facilities For

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

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

- (A) The pipeline shall immediately notify the commission district office, electronically or by telephone, of each fire that occurs at any oil tank owned or controlled by the pipeline, or of any tank struck by lightning. The pipeline shall in like manner report each break or leak in any of its tanks or pipelines from which more than five barrels escape. The pipeline shall file the required information with the commission in accordance with the appropriate commission form within thirty (30) days from the date of the spill or leak.
- (B) No risk of fires, storm, flood or act of God, and no risk resulting from riot, insurrection, rebellion, war, an act of the public enemy, or from quarantine or authority of law or any order, requisition or necessity of the government of the United States in time of war, shall be borne by the pipeline, nor shall any liability accrue to it from any damage thereby occasioned. If loss of any crude oil from any such causes occurs after the oil has been received for transportation, and before it has been delivered to the consignee, the shipper shall bear a loss in such proportion as the amount of his shipment is to all of the oil held in transportation by the pipeline at the

time of such loss, and the shipper shall be entitled to have delivered only such portion of his shipment as may remain after a deduction of his due proportion of such loss, but in such event the shipper shall be required to pay charges only on the quantity of oil delivered. This rule shall not apply if the loss occurs because of negligence of the pipeline.

- (C) Common carrier pipelines shall mail (return receipt requested) or hand deliver to landowners (persons who have legal title to the property in question) and residents (persons whose mailing address is the property in question) of land upon which a spill or leak has occurred, all spill or leak reports required by the commission for that particular spill or leak within 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 years, with renewal registration starting January 1, 1999. If a landowner or resident is not registered with the commission, the common carrier is not required to furnish such reports to the resident or landowner.

Section II

Special Rules and Regulations

The Special Rules and Regulations set forth in this Section II shall control over contrary provisions in the Rules and Regulations set forth in Section I hereof.

Special Rule 1: Definitions

Agreement	A COGA or TSA as defined herein.
API	American Petroleum Institute.
API Gravity	Gravity determined in accordance with ASTM designation and expressed in degrees.
ASTM	American Society for Testing Materials.
Base Period	Means the previous twenty-four (24) months beginning with the twenty-eighth month prior to the month of allocation. Months when no apportionment is in effect will be included in the Base Period.
Capacity	The quantity of Crude Petroleum the Pipeline Segment at issue is capable of transporting under the current operating conditions.
Carrier	Ironwood Midstream Energy Partners LLC.
Crude Petroleum or Product	The direct liquid product of oil wells or a mixture of the direct product of oil wells and the indirect petroleum products resulting either from refining crude oil or the operation of gasoline recovery plants, gas recycling plants, or distillate recovery equipment in gas and distillate fields, or products broken out during the normal production or processing of natural gas and meeting the specifications referenced in Special Rule 2.
Committed Shipper	Any Shipper that has committed to transporting or paying for the transportation of certain minimum volumes of Crude Petroleum pursuant to the terms of an Agreement.
Committed Volume	The committed volume or maximum daily quantity, as set forth in the applicable Agreement.
Delivery Point(s)	Any point(s) of delivery on Carrier's systems.
Force Majeure	Shall include acts of God (and threats thereof), acts or Laws of any Governmental Authority (and acts taken to comply therewith), acts of war, or acts of terrorists; storm, flood, earthquakes, sinkholes, extreme weather, or precautions taken in accordance with Good Industry Practice against any threats (which, in the reasonable judgment of the Party claiming Force Majeure, are bona fide threats) of storm, flood, sinkholes, or extreme weather; accident, fire, freezing, explosions, or breakdown of or accident to machinery or equipment (except to the extent set forth

below); quarantine on authority of law; strikes or other industrial, civil, or public disturbances, insurrections, or rebellions; interruptions in Shipper's supply of crude oil (except to the extent set forth below); or any other cause reasonably beyond the control of the Party experiencing Force Majeure, whether similar or dissimilar to the causes herein enumerated. Force Majeure shall include any maintenance, testing, inspections or repairs of or to the Pipeline relating to, resulting from, caused by, made necessary by, or arising in connection with other events of Force Majeure. Notwithstanding the foregoing, the term "Force Majeure" shall not include or excuse any of the following: (a) Shipper's or Carrier's decision to cease, or materially reduce, or change its operations in the market area served by the Pipeline; (b) Shipper's or Carrier's financial condition; (c) Shipper's or Carrier's obligation to pay money that has become due under the Agreement; (d) any accident, fire, freezing, explosions, or breakdown of or accident to machinery or equipment resulting from the failure of the affected Party to perform maintenance, testing, inspections, and repairs of or to assets and facilities in accordance with Good Industry Practice; (e) either Party's failure to perform any release, indemnity, defense, hold harmless, or similar obligations in this Tariff or an Agreement; (f) shortages or failures of, or interruptions in, Shipper's sources or supply of crude oil in excess of six (6) consecutive Months; or (g) interruptions in Shipper's supply of crude oil resulting from, caused by, or arising out of any act or omission of Shipper that is within the reasonable control of Shipper.

Force Majeure Event	An event caused by Force Majeure.
COGA	A crude oil agreement executed by a Shipper and the Carrier.
Good Industry Practice	Generally accepted pipeline industry standards and pipeline industry practices and procedures.
Governmental Authority	Any federal, state, or local government or other political subdivision thereof, any entity exercising executive, legislative, judicial, regulatory, or administrative functions of or pertaining to government or any other authority, agency, department, board, commission, or instrumentality of the United States, any state of the United States, or any political subdivision thereof, whether civil or military, and any court, tribunal or arbitrator(s) of competent jurisdiction, and any governmental or non-governmental self-regulatory organization, agency, or authority.
Hazardous Waste	Any material defined as hazardous waste under any environmental, health, or safety Law, including the Resources Conservation and Recovery Act of 1976.
Law	Any applicable federal, state, local, municipal or other administrative order, constitution, ordinance, law, decree, directive, injunction, order, permit, requirement, statute, regulation, rule, or code issued or promulgated by a Governmental Authority.
Minimum Monthly Payment	Means a payment made by a Committed Shipper, as determined in accordance with an Agreement.
Minimum Volume Requirement	The volume set forth in Special Rule 14.

New Shipper	Any Shipper who does not qualify as a Regular Shipper or Committed Shipper.
Nomination	A request by a Shipper to Carrier, to accept a stated quantity and grade of Crude Petroleum for transportation from a specified Origin Point(s) to a specified Delivery Point in accordance with this Tariff.
Origin Point(s)	A point named in the Tariff or applicable Agreement at which point Carrier will accept Crude Petroleum for transportation.
Party	Either Carrier or Shipper.
Pipeline	Carrier's Pipeline Systems, located in Midland, Lavaca, Gonzales, DeWitt, Dimmit, Fayette, LaSalle, Wilson, and Karnes Counties, including owned and leased pipeline facilities, to which this Tariff applies.
Pipeline Segment	Section of Carrier's Pipeline, the limits of which are defined by two geographically identifiable points, that, because of the way that section of Carrier's Pipeline is designed and operated, must be treated as a unit for purposes of determining Capacity.
Quality Bank	A method of equitably apportioning any credits or discounts based on quality among Shippers tendering Product to the Pipeline. A Quality Bank system may be implemented at the Carrier's election.
Quality Adjustment Fee	A fee or credit that is received from or given to Shippers based on the quality of the Product tendered to the Pipeline in any given month.
Reid vapor pressure	The absolute vapor pressure exerted by a liquid at one hundred degrees Fahrenheit (100°F) or thirty-seven point eight degrees Celsius (37.8°C), as determined by the test method ASTM-D-323.
Regular Shipper	Any Shipper other than a Committed Shipper who either tendered or received deliveries during the first month of the Base Period or previously has been classified as a Regular Shipper and who continues to tender or receive deliveries in any one or more months of any succeeding Base Period.
Shipper	A party who contracts with Carrier for transportation of Crude Petroleum, as defined herein and under the terms of this tariff.
Shipper History	The historic throughput volumes, and capacity rights of a Shipper, including capacity for which the Shipper paid through fees or a Minimum Monthly Payment.
Tariff	This Tariff containing the Rules and Regulations Applicable to the Intrastate Transportation and Gathering by Pipeline of Crude Petroleum, as well as the Tariffs Containing the Rates Applicable to the Intrastate Transportation and Gathering by Pipeline of Crude Petroleum, all filed with the Railroad Commission of the State of Texas.
Tender	A delivery by a Shipper to Carrier of a stated quantity and grade of Crude Petroleum, under a Nomination accepted by Carrier, for transportation in accordance with this Tariff.
Third Party Shipper	Has the meaning set forth in Special Rule 21.
TSA	A transportation services agreement executed by a Shipper and the Carrier.

Transportation Space	The delivery capacity available to Shippers as determined by Carrier, subject to changes in pipeline operations.
Working Day	Monday, Tuesday, Wednesday, Thursday, or Friday of a calendar week, except when a Federal holiday falls on such day of the week.

Special Rule 2: Acceptance of Crude Petroleum

- (A) Carrier will reject Crude Petroleum containing more than one percent (1%) of basic sediment, water, and other impurities, except that:
- (1) If required by operating conditions, Carrier may reject Crude Petroleum containing less than one percent (1%) of basic sediment, water, and other impurities.
 - (2) Sediment and water limitations of a Connecting Carrier will be imposed upon Carrier (and thus, upon Shippers) when such limits are more restrictive than that of the Carrier, in which case the limitations of the downstream Connecting Carrier will be applied, and Carrier shall file to amend this Tariff.
- (B) Carrier will reject Crude Petroleum for transportation which contains more than four tenths of one percent (0.4%) sulfur by weight; or has a hydrogen sulfide (or H₂S) concentration in the vapor head space greater than two hundred fifty parts per million (or 250 ppm) by volume.
- (C) Carrier will reject Crude Petroleum for transportation which has a gravity, determined in accordance with American Society for Testing Materials designation, and expressed in degrees ("API Gravity"), of less than thirty degrees Fahrenheit (30°F); or has an API Gravity in excess of fifty degrees Fahrenheit (50°F).
- (D) Carrier will reject any Crude Petroleum which contains organic chlorides.
- (E) Carrier will reject any Crude Petroleum which contains any Hazardous Waste.
- (F) Carrier will reject any Crude Petroleum having Reid vapor pressure in excess of 9 pounds above a temperature of one hundred twenty degrees Fahrenheit (120°F).
- (G) Carrier will reject any Crude Petroleum where the Shipper has failed to comply with all applicable laws, rules, and regulations made by any governmental authority regulating shipments of Crude Petroleum.
- (H) Carrier will reject any Crude Petroleum which contains hazardous waste as defined in the Resource Conservation and Recovery Act of 1976, as amended from time to time, as well as any other substance, material, or waste that is regulated by law as hazardous or toxic or as a pollutant or a contaminant.
- (I) Notwithstanding the foregoing, Carrier may waive any of the requirements set forth in Sections (A) through (F) of this Special Rule 2 on a non-discriminatory basis. If Carrier agrees in writing to accept Crude Petroleum that does not meet the applicable quality specifications in this Special Rule 2, then, as to such Crude Petroleum (but only as to the specifications waived), Shipper shall be deemed to be in compliance with this Special Rule 2 but only until such time as Carrier may withdraw any such agreement or waiver.
- (J) Should Shipper's Crude Petroleum fail at any time to conform to any and/or all of the applicable quality standards, Carrier may (without prior notice to Shipper) immediately

suspend receipt of any off specification Shipper's Crude Petroleum; provided, however, that Carrier shall give notice to Shipper as promptly as is reasonably possible after Carrier obtains knowledge of such nonconformance to allow Shipper to correct such condition(s). Carrier shall not be obligated to accept Shipper's Crude Petroleum for delivery unless and until Shipper's Crude Petroleum conforms to the quality standard. Shippers who tender Crude Petroleum which does not meet these quality standards are liable to Carrier for loss as specified in Special Rule 18(B).

(K) Carrier reserves the right to alter these quality specifications in the event that any downstream pipeline, market or interconnect agreement requires any quality specification in addition to, or more stringent than, those set out in this Special Rule 2. On notice to Shippers, the specifications in this Special Rule 2 will be automatically revised to include such additional or more stringent quality specification.

(L) If Carrier determines that a Shipper has delivered Crude Petroleum that 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, carriers, users of the contaminated Crude Petroleum or the System, such Shipper will be excluded from further entry into applicable segments of the System until such time as the quality specification of the Crude Petroleum are met to the satisfaction of Carrier. Carrier is not responsible for monitoring receipts or deliveries for contaminants. Further, Carrier reserves the right to dispose of any contaminated Crude Petroleum blocking the System. Disposal thereof may be made in any commercially reasonable manner, including but not limited to commercial sales, and any cost or liability associated with the contamination or disposal of any Crude Petroleum shall be borne by the Shipper introducing the contaminated Crude Petroleum into the System.

Special Rule 3: Additives

Crude Petroleum shall be free of any additives and inhibitors, including but not limited to drag reducing agents, unless expressly approved by Carrier on a non-discriminatory basis.

Special Rule 4: Storage

Where Carrier owns no facilities or minimal facilities for storage, Carrier will provide only minimal working tankage for storage if necessary to the transportation of Crude Petroleum. Non-incidental storage is a separate service which Shipper must obtain from another person.

Special Rule 5: Pipage or Other Contracts

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

Special Rule 6: Destination Facilities Required

Carrier will refuse to accept Crude Petroleum for transportation unless documentary evidence is furnished that the Shipper has provided the necessary facilities for the prompt receiving of Crude Petroleum. Such documentary evidence shall not be required from a Committed Shipper unless the applicable Agreement specifically so requires. If a Regular Shipper or a New Shipper is unable

or refuses to receive said Crude Petroleum as it arrives at Delivery Point, Carrier reserves the right to make arrangement for disposition of the Crude Petroleum as it deems appropriate (including sale of same, pursuant to the procedures set forth in Special Rule 17(D)), in order to clear the Carrier's pipeline. Any additional expenses incurred by Carrier in making such arrangements shall be borne by the Shipper. If a Committed Shipper is unable or refuses to receive said Crude Petroleum as it arrives at Delivery Point, Carrier's remedies shall be as set forth in the applicable Agreement.

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

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

Special Rule 8: Measurement

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

Any difference between the volume of Product received at the Delivery Point and delivered at the Redelivery Point may be allocated, on a pro rata basis, back to other shippers on the Gathering System.

(A) Unless otherwise mutually agreed, all sampling, testing, and metering of deliveries of crude oil will be made in accordance with the latest version of the following standards:

- (1) API MPMS Chapter 4, "Proving Systems"
- (2) API MPMS Chapter 5, "Metering"

- (3) API MPMS Chapter 6, "Metering Assemblies"
- (4) API MPMS Chapter 7, "Temperature Determination"
- (5) API MPMS Chapter 8, "Sampling"
- (6) API MPMS Chapter 9.3, "Standard Test Method for Density, Relative Density and API Gravity of Crude Petroleum and Liquid Petroleum Products by Thermohydrometer"
- (7) ASTM D5002, "Standard Test Method for Density and Relative Density of Crude Oils by Digital Density Analyzer"
- (8) API MPMS Chapter 10, "Sediment and Water"
- (9) ASTM D4294, "Standard Test Method for Sulfur in Petroleum and Petroleum Products by Energy Dispersive X-ray Fluorescence Spectrometry"
- (10) API MPMS Chapter 11, "Physical Properties and Data"
- (11) API MPMS Chapter 12.2, Calculation of Petroleum Quantities"
- (12) Where multiple methods are allowed, IMEP, in its reasonable discretion, shall determine the preferred method. IMEP reserves the right, from time to time, as it deems reasonably appropriate, to change the preferred testing method, provided that IMEP must provide notice of such change to Customer.

(B) All meter proving quantity and quality determinations for crude oil will be made using the latest applicable industry standard API/ASTM methods and standards, as amended from time to time, as follows:

- (1) The LACT Unit necessary for the measurement of crude oil delivered under this Agreement will be a custody transfer meter that meets all the then current API specifications.
- (2) All measurement procedures will be conducted in accordance with this Agreement and the then current API/ASTM standards. All measurement will be based on gross standard volume and all samples to establish the sediment and water content, specific gravity, and other required quality information will be taken by automatic sampling equipment.
- (3) Whenever there is evidence of meter malfunctions in the measurement of Product, IMEP and Customer shall negotiate in good faith an appropriate adjustment as specified below in Article 10.
- (4) Security will be implemented on the flow computer to prevent access from unauthorized personnel.

(C) Meter factors shall be determined as follows:

- (1) Volumetric meter proving calculations, inferred mass will be in accordance with API MPMS, Chapter 12.2. The average of five consecutive prover runs will be

taken to establish an initial or new meter factor, provided that the five proving runs are within 0.0005 of each other and the meter factor is within 0.0025 of the previous meter factor under like operating conditions.

- (2) Volumetric meter proving calculations, direct mass will be in accordance with API MPMS, Chapter 5.6. The average of five consecutive prover runs will be taken to establish an initial or new meter factor, provided that the five proving runs are within 0.0005 of each other and the meter factor is within 0.0025 of the previous meter factor under like operating conditions.
- (3) Mass meter proving calculations will be in accordance with API MPMS, Chapter 5.6. The average of five consecutive prover runs will be taken to establish an initial or new meter factor, provided that the five proving runs are within 0.0005 of each other and the meter factor is within 0.0025 of the previous meter factor under like operating conditions.
- (4) As an option a valid proving will consist of a proving set as outlined in API MPMS, Chapter 4.8.3.6 "Assessment of Results." The use of alternate methods as outlined in API MPMS, Chapter 4.8 "Appendix A" Tables A -1 and A – 2 will not be used unless approved by IMEP.
- (5) The new meter factor will be used after each successful proving if it meets the above proving criteria.
- (6) If the new meter factor deviates from the previous meter factor under like operating conditions by more than plus or minus 0.0025, then 1/2 of the volume measured since the previous proving will be corrected using the new meter factor. If the time of malfunction can be determined by historical data, then the volume measured since that point in time will be corrected using the new meter factor. The new meter factor will not be used to correct volumes measured more than 31 days prior to the new proving.
- (7) Turbine or Coriolis Meters:
 - i. If reasonably practicable, no work will be performed on the measuring element of a turbine meter or a Coriolis meter without first proving the meter. If any work is performed, a new meter factor must be established.
 - ii. If the new meter factor deviates more than 0.0025 but less than 0.0050 from the previous meter factor, then the field representatives of IMEP and Customer shall determine the corrective action, if any, to be taken.
 - iii. If the new meter factor deviates 0.0050 or more, then the element will be removed and inspected. If there is build-up on the internals, then the element will be cleaned, and the meter re-proved. If excessive wear is found, then the element will be repaired or replaced, and the meter re-proved to establish a new initial meter factor. After a 24-hour wear-in period, the meter will be re-proved and if the meter factor changes more than +/- 0.0025 from the new initial meter factor, then 1/2 of the volume measured will be corrected using the latest meter factor.

- (8) The measurement technician shall record all required corrections to measured volumes and shall describe the findings, method of repair, and calculations used in making the correction on the meter proving report. A correction ticket for the amount of the correction will be issued.

(D) Custody Transfer Tickets:

- (1) IMEP is responsible for the preparation of custody transfer tickets at the IMEP Connection Facilities. IMEP shall provide copies of tickets to Customer when generated if generated during normal business hours on a business day or, otherwise, at the commencement of the next business day. The crude oil measurement methods are to be as prescribed by this Agreement and the API MPMS and the tickets will include the data listed on Exhibit B attached hereto.
- (2) Ticket support documentation will be produced and retained by IMEP in accordance with industry standards, provided that IMEP will retain such support documentation for a minimum of twenty-four (24) months from the preparation of such support documentation. IMEP will not refuse any reasonable request from Customer to receive copies of such supporting documentation and will provide such documentation within ten (10) business days following any such request.

Special Rule 9: Evidence of Receipts and Deliveries

Crude Petroleum received from Shipper shall, in each instance, be evidenced by tickets or Carrier's statements containing data essential to the determination of quantity.

Special Rule 10: Duty of Carrier

- (A) Carrier shall not be required to transport Crude Petroleum except with reasonable diligence, considering the quality of the Crude Petroleum, the distance of transportation, and other material elements, and will not accept Crude Petroleum to be transported in time for any particular market. Carrier will not be required to deliver the identical Crude Petroleum received.
- (B) Carrier may suspend transportation services on the Pipeline in order to comply with applicable Laws of any Governmental Authority, to perform maintenance, testing, inspections, or repairs; to attach new Origin Points or Delivery Points, or other interconnections to the Pipeline, or to prevent injuries to persons, damage to property, or harm to the environment, without incurring any obligation relating thereto (except for a proportionate decrease in the Minimum Monthly Payment, if applicable, as provided in an Agreement). Carrier will provide Shipper with at least five (5) days' advance notice of any routine or scheduled maintenance, testing, or interconnections on the Pipeline.

Special Rule 11: Pro Rata Utilities

In addition to the rates payable under a Tariff, Shipper will be responsible for either providing or reimbursing Carrier for its pro-rata share of the monthly utilities required to operate the Pipeline, provided that, with respect to a Committed Shipper, such obligation shall be subject to the applicable provisions, if any, in the Agreement.

Special Rule 12: Line Fill and Tank Bottom Inventory Requirements

Carrier will require each Shipper to supply a pro rata share of Crude Petroleum necessary for pipeline and tankage fill to ensure efficient operation of the pipeline system prior to delivery. Crude Petroleum provided by a Shipper for this purpose may be withdrawn only after: (a) shipments have ceased and the Shipper has notified Carrier in writing to discontinue shipments in Carrier's system; and (b) the Shipper's balances have been reconciled between all Shippers and Carrier. Carrier, at its reasonable discretion, may require advance payment of transportation charges on the volumes to be cleared from Carrier's system, and any unpaid accounts receivable, before final delivery will be made. Unless Shipper has not made any required payment, or unless otherwise prevented by Force Majeure or actions of the Shipper, Carrier shall have a reasonable period of time, not to exceed ninety (90) days, from the receipt of the Shipper's written notice to Carrier, to complete administrative and operational requirements incidental to Shipper's withdrawal.

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

Special Rule 13: Apportionment (Prorating of Pipeline Capacity)

This Special Rule 13 shall apply in lieu of Rule 16 set forth in Section I hereof:

If Carrier receives Nominations for more Crude Petroleum than Carrier can transport in a Pipeline Segment in a given month, then each Committed Shipper will first be allocated the lesser of: (a) its monthly Committed Volumes or (b) the volume it scheduled for such month. Any remaining capacity will be apportioned among all remaining Shipper Nominations, including excess Committed Shipper Nominations, in accordance with the provisions in this Special Rule 13.

Any remaining Transportation Space will be allocated among Regular Shippers and Committed Shippers in the respective proportions that deliveries during the Base Period bear to the deliveries of all Regular Shippers and Committed Shippers (in excess of their Committed Volumes) during such period. Allocations to Regular Shippers and Committed Shippers will be subject to further reduction if required to accommodate New Shippers.

A New Shipper nominating Product for shipment during the given period, and who has otherwise satisfied applicable requirements of the Tariff rules, will be allocated Transportation Space based on its demonstrated need to ship at least the Minimum Volume Requirement (set forth in Special Rule 14) up to a maximum allocation of one and one quarter percent (1.25%) of the total Transportation Space. If total New Shipper allocations exceed five percent (5.0%) of Transportation Space, each New Shipper's allocation will be reduced on a proportional basis not to exceed an aggregate of all New Shippers of five percent (5.0%). Any unused Transportation Space will become available for allocation among Regular Shippers and allocated per this Special Rule.

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

Except as noted in this Special Rule 13, prorated Transportation Space allocated to a Shipper may not be assigned, conveyed, loaded, transferred to, or used in any manner by another

Shipper. However, a Shipper's allocation may be transferred as an incident of the bona fide sale of the Shipper's business or to a successor to the Shipper's business by the operation of law.

SHIPPER NOMINATIONS DURING A PERIOD OF APPORTIONMENT (PRORATION OF PIPELINE CAPACITY) WILL BE CONSIDERED FIRM OFFERS. SHIPPERS WILL BE INVOICED FOR, AND OBLIGATED TO PAY, FOR THE FULL NOMINATED CAPACITY, WHETHER ACTUALLY USED OR NOT.

Special Rule 14: Nominations; Minimum Quantity

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

Nominations for the transportation of Crude Petroleum for which Carrier has facilities will be accepted under the Tariff in quantities of not less than the following ("Minimum Volume Requirement"):

Minimum Volume Requirement:
Two hundred (200) barrels per day

from each Shipper as operations permit, and provided such Crude Petroleum is of similar quality and characteristics as is being transported from Origin Points to Delivery Points.

Segregated batches may be accepted from time to time if operationally feasible.

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

Notwithstanding Rule 10 set forth in Section 1 hereof, Carrier will accept such quantities of Crude Petroleum from any Committed Shipper as the applicable Agreement may require such Committed Shipper to ship and Carrier to deliver.

Special Rule 15: Application of Rates

Crude Petroleum accepted for transportation shall be subject to the rates in effect on the date of the Tender.

Special Rule 16: Legality of Shipments

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

Special Rule 17: Payment of Carrier Charges; Adequate Assurance

- (A) Prior to becoming a Shipper, a prospective Shipper must submit to Carrier sufficient financial information or financial assurances satisfactory to Carrier to establish creditworthiness. The types of information Carrier may request from a prospective Shipper include, but are not limited to, the most recent year-end financials, 10Q or 10K reports, other filings with regulatory agencies, and bank references. The execution of an Agreement by a Committed Shipper and Carrier shall constitute satisfaction of the foregoing requirements. If a Party (Insecure Party) has reasonable grounds for insecurity regarding the ability of the other Party (Other Party) to provide indemnities or perform other obligations (including reasonable industry minimum insurance requirements) hereunder, or the Other Party's creditworthiness is or becomes unsatisfactory to the Insecure Party (or a Shipper is not deemed creditworthy before an Agreement is executed by Carrier), or if the Other Party is Shipper and Shipper's title to any Product is disputed, the Insecure Party may require the Other Party to provide adequate assurance of performance; provided that, with respect to Committed Shippers, neither the Committed Shipper nor the Carrier shall have the right to require such adequate assurances unless the applicable Agreement so provides. When entitled to require adequate assurances under this Tariff, the Insecure Party may require the Other Party to provide one of the following at the Insecure Party's discretion: (a) an irrevocable stand-by letter of credit from a bank reasonably acceptable to the Insecure Party, with terms reasonably acceptable to the Insecure Party, and in an amount reasonably acceptable to the Insecure Party; (b) a parent guaranty with terms reasonably acceptable to the Insecure Party; or (c) prepayment at least ten (10) calendar days prior to the first day of each Month of an amount of money reasonably calculated by the Insecure Party to cover all charges or liabilities under this Tariff likely to be incurred by the Other Party during such month. If the Insecure Party is entitled to and does require the Other Party to provide adequate assurance, the Insecure Party will provide the Other Party with notice. If the Other Party fails to provide the required adequate assurance within five (5) Working Days of its receipt of such notice from the Insecure Party, the Insecure Party may, without liability, immediately cease tendering or receiving deliveries from the Other Party, as applicable (or, in the case of a potential Shipper, refuse to enter into an Agreement with such potential Shipper), provided, however, that if the Carrier and Shipper are parties to an Agreement and such Agreement expressly gives the Insecure Party the right to require such adequate assurances from the Other Party then: (i) if the Other Party is the Shipper, Carrier may, if and to the extent provided in the Agreement and pursuant to the procedures set forth in the Agreement, terminate the Agreement with such Shipper upon notice to Shipper and may declare the Monthly Minimum Payment due for all remaining Months in the initial term or extended term in which Shipper fails to provide the required adequate assurance, and (ii) if the Other Party is Carrier, the Committed Shipper shall have a claim against Carrier for its actual damages as a result of such termination.
- (B) Notwithstanding Rule 11 set forth in Section I hereof, Shipper shall pay all transportation and other fees and lawful charges accruing on Crude Petroleum delivered to and accepted by Carrier for shipment as measured at the Origin points (i) with respect to Regular Shippers and New Shippers, by the due date stated in Carrier's invoice or (ii) with respect to Committed Shippers, by the due date for such payments specified in the applicable Agreement, subject to any adjustments, reductions and credits expressly provided for therein.

- (C) If Shipper disputes any portion of any invoice, Shipper shall promptly notify Carrier in writing of the disputed portion and pay the undisputed portion per Special Rule 17(B).
- (D) All undisputed amounts owed by one Party to the other which are not timely paid, shall bear interest from the date due until paid. Such interest will be assessed at an annual rate equal to: (a) eighteen percent (18%), or (b) the highest rate permitted by Law, whichever is less, as of the first of any month in which charges are due, for any invoice not paid pursuant to the terms of this Tariff and the Agreement. If any amount is disputed, interest will accrue from the date due until the date paid but will only be due after the dispute is resolved and based on the amount found or agreed to be due. If either party disputes any portion of any amount claimed or invoiced by the other Party, the disputing party shall promptly notify the claiming or invoicing Party in writing (no later than fifteen (15) days from the date of the claim or invoice) and give reasons, with reasonable detail, for the disputed matter(s). Carrier and Shipper shall then endeavor to resolve the disputed amount in accordance with the provisions of the Agreement, if applicable. Any payment due resulting from such dispute resolution shall be due within five (5) Working Days following the receipt by the disputing Party of an amended claim or invoice incorporating the agreed resolution. If the Shipper has not entered into an Agreement, Carrier and Shipper shall each have the right to pursue claims against the other in a court of competent jurisdiction.
- (E) In addition to specific remedies outlined in Special Rule 17(a), if Carrier becomes an Insecure Party, Carrier shall have the right to withhold an amount of Crude Petroleum belonging to Shipper from delivery that would be sufficient to cover all unpaid charges due to Carrier from Shipper until all such unpaid charges have been paid. Furthermore, Carrier shall retain a perfected possessory lien under the Texas Bus. & Comm. Code, Title 1, Chapter 9 (section 9.101, *et seq.*), as applicable, on an amount of a Shipper's Crude Petroleum in Carrier's possession sufficient to secure payment of any and all amounts owed by such Shipper to Carrier. Carrier reserves the right to offset any such charges against any monies owed to Shipper by Carrier on any Crude Petroleum of Shipper in Carrier's custody. If said charges remain unpaid five (5) days after the due date therefore, Carrier shall have the right, through an agent, to sell such Crude Petroleum 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 of such sale in a daily newspaper of general circulation published in San Antonio, Texas, the city where the general office of the pipeline is located, stating the time, place of sale, and the quantity and location of Crude Petroleum to be sold. At said sale, Carrier shall have the right to bid, and if the highest bidder, to become the purchaser. From the proceeds of said sale, Carrier will pay itself the transportation and all other lawful charges, including expenses incident to said sale, and the balance remaining, if any, shall be paid to Shipper. Notwithstanding the foregoing, the provisions of this Special Rule 17(e) shall not apply to a Committed Shipper unless and to the extent specified, if at all, in the applicable Agreement.

Special Rule 18: Liability, Limitation of Damages, and Indemnity

- (A) INDEMNIFICATION BY CARRIER (PRODUCT). CARRIER SHALL BE RESPONSIBLE FOR: (i) ANY LOSS, DAMAGE, CONTAMINATION, OR DEGRADATION OF SHIPPER'S PRODUCT TO THE EXTENT RESULTING FROM CARRIER'S NEGLIGENCE, WILLFUL MISCONDUCT, STRICT LIABILITY, OR BREACH OF THIS TARIFF AND (ii) ANY ACTUAL, DIRECT DAMAGES INCURRED BY SHIPPER RESULTING FROM DELIVERY

OF PRODUCT INTO THE PIPELINE BY ANY PERSON OTHER THAN SHIPPER WHICH FAILS TO COMPLY WITH THE QUALITY SPECIFICATIONS SET FORTH IN THE TARIFF; PROVIDED, HOWEVER, CARRIER'S LIABILITY UNDER THIS SPECIAL RULE 18(A) SHALL BE FOR ACTUAL, DIRECT DAMAGES ONLY AND WILL NOT EXCEED THE SUM OF: (x) THE RESULTING LOSS IN VALUE (AS CALCULATED UNDER SPECIAL RULE 19 FOR ANY CONTAMINATION, DAMAGE, DEGRADATION, OR LOSS OF SHIPPER'S PRODUCT ATTRIBUTABLE OR ALLOCABLE TO CARRIER'S NEGLIGENCE, WILLFUL MISCONDUCT, STRICT LIABILITY, OR BREACH, AND (y) THE COSTS AND EXPENSES OF REPAIRING AND/OR REPLACING ANY PIPE OR OTHER FACILITIES OR EQUIPMENT OF SHIPPER DAMAGED AS A RESULT THEREOF.

- (B) INDEMNIFICATION BY SHIPPER (PRODUCT). SHIPPER SHALL BE RESPONSIBLE FOR: (i) ANY LOSS, DAMAGE, CONTAMINATION, OR DEGRADATION OF ANY PRODUCT BELONGING TO PERSONS OTHER THAN SHIPPER IN THE PIPELINE TO THE EXTENT RESULTING FROM SHIPPER'S NEGLIGENCE, WILLFUL MISCONDUCT, STRICT LIABILITY, OR BREACH OF THIS TARIFF, AND (ii) ANY ACTUAL, DIRECT DAMAGES INCURRED BY CARRIER OR BY PERSONS OTHER THAN SHIPPER FOR WHOM CARRIER TRANSPORTS PRODUCT IN THE PIPELINE, RESULTING FROM DELIVERY OF PRODUCT INTO THE PIPELINE BY SHIPPER WHICH FAILS TO COMPLY WITH SPECIAL RULE 2 OR SPECIAL RULE 3 OF THIS TARIFF; PROVIDED, HOWEVER, SHIPPER'S LIABILITY UNDER THIS SPECIAL RULE 18(B) SHALL BE FOR ACTUAL, DIRECT DAMAGES ONLY AND WILL NOT EXCEED THE SUM OF: (x) THE RESULTING LOSS IN VALUE (AS CALCULATED UNDER SPECIAL RULE 19) FOR ANY CONTAMINATION, DAMAGE, DEGRADATION, OR LOSS OF SUCH OTHER PERSONS' PRODUCT ATTRIBUTABLE OR ALLOCABLE TO SHIPPER'S NEGLIGENCE, WILLFUL MISCONDUCT, STRICT LIABILITY, OR BREACH, AND (y) THE COSTS AND EXPENSES OF REPAIRING AND/OR REPLACING ANY PIPE OR OTHER FACILITIES OR EQUIPMENT OF CARRIER OR SUCH OTHER PERSONS DAMAGED AS A RESULT THEREOF.
- (C) LIMITATION OF LIABILITY (BREACH). EXCEPT AS PROVIDED IN PARAGRAPHS 18(A) AND 18(B), THE REMEDY FOR DAMAGES TO THE OTHER PARTY RESULTING FROM A MATERIAL BREACH OF THE TERMS AND CONDITIONS OF THE AGREEMENT OR ANY REPRESENTATIONS AND WARRANTIES CONTAINED THEREIN OR IN THIS TARIFF IS LIMITED TO CANCELLATION OF THE CONTRACT.
- (D) POSSESSION AND CONTROL. AS BETWEEN THE PARTIES HERETO, CARRIER SHALL BE DEEMED TO BE IN POSSESSION AND CONTROL OF THE PRODUCT AFTER THE PRODUCT ENTERS AN ORIGIN POINT AND UNTIL THE PRODUCT IS DELIVERED AT A DELIVERY POINT, AND SHIPPER SHALL BE DEEMED TO BE IN POSSESSION AND CONTROL OF THE PRODUCT BEFORE THE PRODUCT ENTERS AN ORIGIN POINT AND AFTER THE PRODUCT IS DELIVERED AT A DELIVERY POINT.
- (E) INDEMNITY BY CARRIER (POSSESSION AND CONTROL). EXCEPT AS TO LIABILITIES ASSUMED BY SHIPPER IN SPECIAL RULE 18(B), CARRIER SHALL DEFEND, INDEMNIFY, AND HOLD SHIPPER, ITS AFFILIATES, AND ITS AND THEIR SHAREHOLDERS, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, PARTNERS, AND MEMBERS (COLLECTIVELY, "SHIPPER INDEMNIFIED PARTIES") HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS, DAMAGES, FEES, CAUSES OF ACTION, LIABILITIES, AND COSTS (INCLUDING, WITHOUT LIMITATION,

REASONABLE ATTORNEYS' FEES AND COSTS OF INVESTIGATION AND DEFENSE) (THE FOREGOING, COLLECTIVELY, "CLAIMS") BUT LIMITED TO ACTUAL, DIRECT DAMAGES ONLY, ARISING FROM OR RELATED TO CARRIER'S POSSESSION AND CONTROL OF THE PRODUCT AND OPERATION OF CARRIER'S PIPELINE; PROVIDED, HOWEVER, THAT CARRIER SHALL HAVE NO DUTY TO DEFEND OR INDEMNIFY ANY SHIPPER INDEMNIFIED PARTIES IF SUCH CLAIMS RESULT FROM ANY SHIPPER INDEMNIFIED PARTY'S NEGLIGENCE, WILLFUL MISCONDUCT, STRICT LIABILITY, OR BREACH OF THE AGREEMENT OR THIS TARIFF; PROVIDED, FURTHER HOWEVER, THAT CARRIER SHALL HAVE NO DUTY TO DEFEND OR INDEMNIFY ANY SHIPPER INDEMNIFIED PARTY TO THE EXTENT THE CLAIM AT ISSUE IS CAUSED BY SHIPPER DELIVERING PRODUCT WHICH FAILED TO COMPLY WITH SPECIAL RULE 2 OR SPECIAL RULE 3 OF THIS TARIFF.

- (F) INDEMNITY BY SHIPPER (POSSESSION AND CONTROL). EXCEPT AS TO LIABILITIES EXPRESSLY ASSUMED BY CARRIER IN SPECIAL RULE 18 (A), SHIPPER SHALL DEFEND, INDEMNIFY, AND HOLD CARRIER, ITS AFFILIATES, AND ITS AND THEIR SHAREHOLDERS, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, PARTNERS, AND MEMBERS (COLLECTIVELY, "CARRIER INDEMNIFIED PARTIES") HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS, BUT LIMITED TO ACTUAL, DIRECT DAMAGES ONLY, ARISING FROM OR RELATED TO SHIPPER'S POSSESSION AND CONTROL OF THE PRODUCT AND OPERATION OF ITS FACILITIES UPSTREAM OF THE ORIGIN POINTS AND DOWNSTREAM OF THE DELIVERY POINT(S); PROVIDED, HOWEVER, THAT SHIPPER SHALL HAVE NO DUTY TO DEFEND OR INDEMNIFY ANY CARRIER INDEMNIFIED PARTIES IF SUCH CLAIMS RESULT FROM ANY CARRIER INDEMNIFIED PARTY'S NEGLIGENCE, WILLFUL MISCONDUCT, STRICT LIABILITY, OR BREACH OF THE AGREEMENT OR THIS TARIFF.
- (G) WAIVER OF CERTAIN DAMAGES. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT, AND EXCEPTING DAMAGES UNDER SECTION 18(B), NEITHER PARTY WILL BE LIABLE TO THE OTHER PARTY PURSUANT TO ANY INDEMNITY OR ANY OTHER PROVISION HEREOF FOR, AND EACH HEREBY WAIVES, ANY AND ALL CONSEQUENTIAL DAMAGES (INCLUDING, WITHOUT LIMITATION, LOST PROFITS, LOST BUSINESS OPPORTUNITIES, LOSS OF USE, OR OTHER BUSINESS INTERRUPTION DAMAGES), INDIRECT, INCIDENTAL, PUNITIVE, EXEMPLARY, OR SPECIAL (OTHER THAN TO THE EXTENT INCLUDING DIRECT) DAMAGES ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, REGARDLESS OF HOW CAUSED AND REGARDLESS OF THE THEORY OF RECOVERY, INCLUDING, WITHOUT LIMITATION, THE NEGLIGENCE (WHETHER GROSS, ORDINARY, SIMPLE, SOLE, JOINT, CONCURRENT, COMPARATIVE, CONTRIBUTORY, ACTIVE, PASSIVE, OR OTHERWISE), WILLFUL MISCONDUCT, STRICT LIABILITY, STATUTORY LIABILITY, OR OTHER FAULT OF, OR THE BREACH OF THIS AGREEMENT BY, A PARTY.
- (H) SURVIVAL. THE INDEMNITIES AND OTHER PROVISIONS EXPRESSED IN THIS SPECIAL RULE 18 AND THE INDEMNITIES EXPRESSED IN ANY AGREEMENTS SHALL SURVIVE THE EXPIRATION OR TERMINATION OF THIS TARIFF OR ANY AGREEMENTS. THE PARTIES HEREBY WAIVE AND RELINQUISH ALL RIGHTS AND REMEDIES INCONSISTENT WITH THIS SPECIAL RULE 18.
- (I) LIABILITY FOR FORCE MAJEURE EVENT. CARRIER SHALL NOT BEAR ANY RISK FOR, OR BE LIABLE FOR, ANY DAMAGE, CONTAMINATION, DEGRADATION, OR

LOSS OF PRODUCT RESULTING FROM AN EVENT OF FORCE MAJEURE. IF CONTAMINATION, DAMAGE, DEGRADATION, OR LOSS OF PRODUCT FROM FORCE MAJEURE OCCURS AFTER THE PRODUCT HAS BEEN RECEIVED BY CARRIER FOR TRANSPORTATION AND BEFORE IT HAS BEEN DELIVERED TO SHIPPER, SHIPPER SHALL BEAR A LOSS IN SUCH PROPORTION AS THE AMOUNT OF SHIPPER'S SHIPMENT IS TO ALL OF THE PRODUCT HELD IN TRANSPORTATION BY THE CARRIER AT THE TIME OF SUCH LOSS, DAMAGE, CONTAMINATION, OR DEGRADATION, AND THE SHIPPER SHALL BE ENTITLED TO HAVE DELIVERED ONLY SUCH PORTION OF SHIPPER'S SHIPMENT AS MAY REMAIN AFTER A DEDUCTION OF SHIPPER'S PROPORTION OF SUCH LOSS, DAMAGE, CONTAMINATION, OR DEGRADATION.

Special Rule 19: Claims for Damage; Valuation of Loss.

- (A) CLAIMS FOR DAMAGES. SHIPPER MUST MAKE ANY CLAIMS FOR THE CONTAMINATION, DAMAGE, DEGRADATION, OR LOSS OF SHIPPER'S PRODUCT, OR DAMAGE TO SHIPPER'S FACILITIES, BY NOTICE TO CARRIER WITHIN FIFTEEN (15) CALENDAR DAYS OF THE DATE THAT SHIPPER KNEW OR SHOULD HAVE KNOWN OF THE CONTAMINATION, DAMAGE, DEGRADATION, OR LOSS, OR DAMAGE TO FACILITIES, AND SHIPPER IRREVOCABLY WAIVES ANY CLAIM FOR WHICH THE REQUIRED NOTICE IS NOT PROVIDED WITHIN THE REQUIRED TIME.
- (B) VALUATION OF LOSS. THE LIABILITY OF EITHER PARTY TO THE OTHER ARISING OUT OF LOSS OF VALUE IN PRODUCT OR LOSS OF PRODUCT WILL NOT EXCEED THE MARKET VALUE OF THE PRODUCT, LESS THE FAIR MARKET SALVAGE VALUE OF THE CONTAMINATED, DAMAGED, OR DEGRADED PRODUCT, ALL ON THE DAY OF SUCH CONTAMINATION, DAMAGE, DEGRADATION, OR LOSS.

Special Rule 20: Scheduling of Delivery

When Shippers request delivery from the pipeline at a Delivery Point of a volume of Crude Petroleum greater than can be immediately delivered, Carrier shall not be liable for any delay in delivery of any such volume resulting from such scheduling of delivery.

Special Rule 21: Third Party Shippers

Without relieving itself of any of its obligations hereunder or under an Agreement, a Shipper may designate a "Third Party Shipper" as its agent, to nominate and transport Crude Petroleum, and to perform any other actions for Shipper under this Tariff and the applicable Agreement. Carrier shall be entitled to look solely to Shipper to fulfill its obligations hereunder and under the applicable Agreement, and Shipper shall be liable to Carrier for any actions taken by Shipper's Third-Party Shipper, as if such actions had been taken by Shipper itself.

Special Rule 22: Shipper History

Shipper (or a Third-Party Shipper, if applicable), may be credited with all Shipper History on the Pipeline, whether attributable to the Crude Petroleum shipped by Shipper or Shipper's designated Third-Party Shipper. If a Shipper assigns its Agreement (if and to the extent allowed by the provisions of the applicable Agreement), a Shipper may also assign its Shipper History.

Special Rule 23: Quality Bank

Carrier will have the right, at Carrier's election, to institute a Crude Petroleum quality bank.