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Texas Oil Tariff No. 1.1.0

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# BETA CRUDE CONNECTOR, LLC <sup>1</sup>

LOCAL TARIFF

Containing

RULES AND REGULATIONS

Applying to

TRANSPORTATION OF CRUDE PETROLEUM

On

THE BETA CRUDE CONNECTOR PIPELINE

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Rules and regulations published herein apply only under tariffs making specific reference by number to this tariff; such reference will include supplements hereto and reissues hereof. Specific rules and regulations published in individual tariffs will take precedence over the rules and regulations published herein.

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

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**EFFECTIVE: December 16, 2020**

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## **SECTION 1**

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

#### **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 (2.0%) of basic sediment, water, or other impurities above a point six (6) inches below the pipeline connection with the tank. Pipelines shall receive for transportation all such “marketable oil” tendered; but no pipeline shall be required to receive for shipment from any one person an amount exceeding three thousand (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 there from 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.

**See Section 2, Article 5, Quality Specifications, for further definition.**

#### **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 forty-two (42) gallons of 231 cubic inches per gallon at 60 degrees Fahrenheit.

**See Section 2, Article 1, Definitions, for further definition.**

#### **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 AND 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 five hundred (500) barrels.

## **8. GATHERING CHARGES**

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

## **9. MEASURING, TESTING AND DEDUCTIONS**

- 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. This 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 the American Petroleum Institute (API) Manual of Petroleum Measurement Standards, Chapter 6., 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 twenty-four (24) hours' notice to the consignee, may offer oil for delivery from its common stock at the point of destination, conformable to Item No. 6 of this section, 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 Item No. 5 of this section) shall begin at the expiration of such notice. At the expiration of the time allowed in Item No. 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 ten (10) days of one-tenth of one cent (\$.001) per barrel; and thereafter at a rate of three-fourths of one cent (\$.0075) per barrel, for each day of twenty-four (24) hours or fractional part thereof.

## **11. UNPAID CHARGES, LIEN FOR AND SALE TO COVER**

A pipeline shall have a lien on all oil to cover charges for transportation, including demurrage, and it may withhold delivery of oil until the charges are paid. If the charges shall remain unpaid for more than five (5) days after notice of readiness to delivery, the pipeline may sell the oil at public auction at the general office of the pipeline on any day not a legal holiday. The date for the sale shall be not less than forty-eight (48) hours after publication of notice in a daily newspaper of general circulation published in the city where the general office of the pipeline is located. The notice shall give the time and place of the sale, and the quantity of the oil to be sold. From the proceeds of the sale, the pipeline may deduct all charges lawfully accruing, including demurrage, and all expenses of the sale. The net balance shall be paid to the person lawfully entitled thereto.

## **12. NOTICE OF CLAIM**

Notice of 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.

## **13. TELEPHONE – TELEGRAPH LINE – SHIPPER TO USE**

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

## **14. CONTRACTS OF TRANSPORTATION**

When a consignment of oil is accepted, the pipeline shall give the shipper a run ticket, and shall give the shipper a statement that shows the amount of oil received for transportation, the points of the 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 – FOR NECESSARY FACILITIES**

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

## **19. REPORTS OF LOSS FROM FIRES, LIGHTNING AND LEAKAGE**

- (A) Each pipeline shall immediately notify the commission district office, electronically or by telephone, of each fire that occurs at any oil tank owned or controlled by the pipeline, or of any tank struck by lightning. Each pipeline shall in like manner report each break or leak in any of its tanks or pipelines from which more than five (5) barrels escapes. Each 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 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 Item No. 19 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 resident for the purpose of receiving spill or leak reports shall be required every five years, with the 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 2**

### **Supplemental Beta Crude Connector, LLC Rules and Regulations Governing Crude Petroleum Transportation By Pipeline**

#### **1. DEFINITIONS**

“**Accounting Month**” as herein used means a period beginning on the first Day of the calendar month and ending immediately prior to the commencement of the first Day of the next calendar month.

“**Affiliate**” as herein used means any person that directly or indirectly controls, is controlled by, or is under common control with such person, and “control” means (for purposes of this definition only) the power to direct or cause the direction of the management and policies of such person, whether directly or indirectly, through one or more intermediaries or otherwise, and whether by virtue of the ownership of shares or other equity interests, the holding of voting rights or contractual rights, or partnership interests or otherwise. For purposes of this definition, the terms “control,” “controlling,” and “controlled by” mean the ability (directly or indirectly through one or more intermediaries) to direct or cause the direction of the management or affairs of a person, whether through the ownership of voting interests, by contract, or otherwise, and the term “person” means any individual, firm, corporation, partnership, limited liability company, joint venture, association, trust or unincorporated organization. For purposes of this tariff, a Shipper and Carrier shall not be considered Affiliates of one another.

“**API gravity**” or “**gravity**” as herein used means gravity determined in accordance with the ASTM Designation D-287-82 or the latest revision thereof.

“**Barrel**” as herein used means forty-two (42) United States gallons at sixty degrees (60°) Fahrenheit and (a) zero (0) gauge pressure if the vapor pressure of the Crude Petroleum is at or below atmospheric pressure, or (b) at equilibrium pressure if the vapor pressure of the Crude Petroleum is above atmospheric pressure.

“**Base Period**” has the meaning set forth in Item 14(c).

“**BS&W**” has the meaning set forth in Item 13(a).

“**Business Day**” as herein used means any calendar Day other than Saturdays and Sundays that commercial banks in Midland, Texas are open for business.

“**Carrier**” as herein used means Beta Crude Connector, LLC.

“**Carrier Group**” as herein used means Carrier, Carrier’s Affiliates, any manager of Carrier and such manager’s Affiliates, and the officers, directors, employees, agents and invitees of each of the foregoing.

“**Consignee**” as herein used means the party to whom a Shipper has ordered the Delivery of Crude Petroleum.

“**Consignor**” as herein used means the party from whom a Shipper has ordered the Receipt of Crude Petroleum.

“**Crude Petroleum**” as herein used means the direct liquid products of oil wells, or a mixture of the direct liquid products of oil wells with the indirect liquid products of oil and gas wells including gasoline and liquefied petroleum gases.

“**Day**” as herein used means a period of twenty-four (24) hours, commencing at 9:00 a.m., Central Standard Time, on a calendar day and ending at 9:00 a.m., Central Standard Time, on the next succeeding calendar day.

“**Delivery**” and any derivative thereof, as herein used means delivered by Carrier to Shipper or Consignee at the Delivery Point.

“**Delivery Point**” as herein used means a location for the Delivery of Crude Petroleum provided for in the Rate Tariff.

“**Governmental Authority**” as herein used means any federal, state, local, tribal, or foreign government, court of competent jurisdiction, administrative or regulatory body, agency, bureau, commission, governing body of any national securities exchange, or other governmental authority or instrumentality in any domestic or foreign jurisdiction, and any appropriate division of any of the foregoing.

“**Law**” as herein used means any federal, state, local, municipal, foreign, tribal, or other law, statute, legislation, constitution, principle of common law, resolution, ordinance, code, proclamation, treaty, convention, rule, regulation, or decree, whether legislative, municipal, administrative, or judicial in nature, enacted, adopted, passed, promulgated, made, or put into effect by or under the authority of any Governmental Authority.

“**Liable Party**” has the meaning set forth in Item 20(f).

“**Line Fill**” as herein used means the total quantity of Crude Petroleum needed to occupy the physical space with the System and reasonably required by Carrier for the efficient operation of the System.

“**New Shipper**” has the meaning set forth in Item 14(c).

**“Nomination”** or **“Nominated”** as herein used means a written notice by a Shipper to the Carrier of a stated quantity of Crude Petroleum for transportation from a specified Receipt Point(s) or to a specified Delivery Point(s) over a period of one Accounting Month in accordance with this tariff. Said Nomination shall be on forms as provided by Carrier.

**“Off-Spec Crude Petroleum”** has the meaning set forth in Item 5(b).

**“Permitted Lien”** as herein used means (a) any liens, security interests, or other encumbrances benefitting one or more lenders to Shipper as part of a financing provided by such lenders to such Shipper for which such lenders have not taken actions to foreclose on such liens; (b) normal and customary liens under financing agreements, operating agreements, unitization agreements, pooling orders, drilling contracts, and similar agreements for upstream operators and mechanic’s and materialman’s liens, tax liens, or mineral liens related to claims or obligations that are not delinquent or that are being contested in good faith and by appropriate proceedings.

**“PLA”** has the meaning set forth in Item 13(g).

**“Proration Factor”** has the meaning set forth in Item 14(b)(i).

**“Quality Specifications”** has the meaning set forth in Item 5(a).

**“Rate Tariff”** as herein used means Carrier’s rate tariff for the System, on file and in effect with the Railroad Commission of Texas, or any successor agency with jurisdiction over common carrier pipelines, as such rate tariff may be amended or supplemented by Carrier from time to time or at any time.

**“Receipt,”** and any derivative thereof, as herein used means the receipt by Carrier at the Receipt Point of a volume of Crude Petroleum from Shipper or Consignor.

**“Regular Shipper”** has the meaning set forth in Item 14(c).

**“Receipt Point”** as herein used means a location for the Receipt of Crude Petroleum provided for in the Rate Tariff.

**“Reid Vapor Pressure”** as herein used is the absolute vapor pressure at one-hundred degrees Fahrenheit (100° F) of volatile Crude Petroleum or indirect products, herein expressed in pounds per square inch absolute (psia), as determined by test method ASTM D-323 or ASTM D6377 RVPE or the latest revision thereof.

**“Shipper”** as herein used means a party who contracts with Carrier for transportation of Crude Petroleum, as defined herein and under the terms of this Tariff.

**“Shipper Group”** as herein used means Shipper, the Shipper’s Affiliates, any manager of Shipper and such manager’s Affiliates and the officers, directors, employees, agents and invitees of each of the foregoing.

**“Single Delivery”** as herein used means a Delivery of Crude Petroleum in one continuous operation to one or more Consignees into a single facility, furnished by such Consignee or Consignees, to which Carrier is connected.

**“System”** as herein used means the pipelines, tanks and related facilities that Carrier owns an interest in and to which the rules and regulations stated herein apply.

**“Transferee”** as herein used means the entity accepting volumes pursuant to an intrasystem transfer of

title to Crude Petroleum.

“**Transferor**” as herein used means the entity transferring volumes pursuant to an intrasystem transfer of title to Crude Petroleum.

## **2. NOMINATION, MINIMUM QUANTITY, DISPATCH**

- a) Unless otherwise stated on a tariff making reference to this tariff, Nominations by a Shipper for the transportation of Crude Petroleum for which Carrier has facilities will be accepted into Carrier’s System under this tariff in quantities of not less than ten thousand (10,000) Barrels per month in the aggregate from one or more Receipt Points; except that Carrier reserves the right to accept any quantity of Crude Petroleum from lease tanks or other facilities to which Carrier’s facilities are connected if such quantity can be consolidated with other Crude Petroleum such that Carrier can make a Single Delivery of not less than ten thousand (10,000) Barrels, and Carrier will not be obligated to make any Single Delivery of less than ten thousand (10,000) Barrels, unless Carrier’s operations dictate otherwise.
- b) Crude Petroleum will be transported only under a Nomination accepted by the Carrier from Receipt Points to Delivery Points when a tariff covering the movement is lawfully in effect and on file.
- c) Any Shipper desiring to tender Crude Petroleum for transportation shall make a Nomination to the Carrier electronically in writing before 12:00 noon Central Standard Time/Central Daylight-Saving Time, whichever is applicable, on the twentieth (20th) Day of the Accounting Month preceding the movement. When the twentieth (20th) Day of the Accounting Month falls on a Day that is not a Business Day or is not a legal holiday in which financial institutions are closed in Midland, Texas, Nominations will be required prior to 12:00 noon Central Standard Time/Central Daylight-Saving Time, whichever is applicable, on the immediately preceding Business Day. When the twentieth (20th) Day of the Accounting Month falls on a Day that is a legal holiday in which financial institutions are closed in Midland, Texas, Nominations will be required prior to 12:00 noon Central Standard Time/Central Daylight-Saving Time, whichever is applicable, two (2) Business Days prior to the holiday. Unless such notification is made, the Carrier will be under no obligation to accept Crude Petroleum for transportation.
- d) When Nominations submitted by Shippers to Carrier on or before the twentieth (20th) Day of the Accounting Month preceding the Accounting Month do not exceed the capacity of the System or any line segment thereof, additional Nominations may be accepted by the Carrier to fill capacity. These additional Nominations will be accepted only if they do not impair the movement of Crude Petroleum Nominated before the twentieth (20th) Day of the preceding Accounting Month.
- e) For each Accounting Month, Carrier will establish a sequence for pumping Crude Petroleum through its trunk lines and will schedule the approximate time when Crude Petroleum offered for shipment will be Received by Carrier at Receipt Points and Delivered by Carrier at Delivery Points. Carrier will inform each Shipper of the time within each Accounting Month when Crude Petroleum will be Received from such Shipper at Receipt Points and Carrier will inform each Consignee of the time within each Accounting Month when Crude Petroleum will be Delivered to such Consignee at Delivery Points.

## **3. LINE FILL REQUIREMENTS**

Except as otherwise determined by Carrier, prior to Delivering Barrels out of Carrier’s System, each Shipper will be required to supply a pro rata share of the Line Fill required to meet Carrier’s System’s operational requirements. Crude Petroleum provided by Shippers for this purpose shall be reflected in a Shipper-specific inventory account and may be withdrawn only after: (a) shipments by such Shipper have ceased and the Shipper has notified Carrier in writing of its intention to discontinue shipments in Carrier’s System, and (b) Shipper balances have been reconciled between Shipper and Carrier. Carrier 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. Carrier shall have a reasonable period of time from the receipt of said notice, not to exceed six (6) Accounting Months, to complete administrative and operational requirements incidental to Shipper withdrawal. Title to such Line Fill provided by Shipper shall remain with Shipper, and upon the expiration or termination of this tariff, such Line Fill provided by Shipper shall be returned to Shipper at the Delivery Point designated by Shipper. For the avoidance of doubt, no transportation rates or fees shall be charged for such volumes of Crude Petroleum provided by Shipper to Carrier while the same are used as Line Fill; provided, however, at the termination or expiration of this tariff, applicable transportation rates and fees shall be charged for all Line Fill in accordance with the Rate Tariff, upon Delivery of the same, at the designated Delivery Point.

#### **4. TITLE**

- a) By Nominating Crude Petroleum, the Shipper warrants and guarantees that (i) the Shipper has good title or the good right to deliver and receive such Crude Petroleum and (ii) such Crude Petroleum is free and clear of all liens, encumbrances and adverse claims except for Permitted Liens. Carrier shall have the right to reject any Crude Petroleum, when Nominated for transportation, if Carrier has a good faith reasonable basis to believe that such Crude Petroleum is the subject of any litigation, or the title of which may be in dispute, or which may be encumbered by a lien or charge of any kind other than a Permitted Lien, and it may require of the Shipper satisfactory evidence of its perfected and unencumbered title (subject to Permitted Liens) or a satisfactory indemnity bond to protect Carrier. Shipper agrees to hold Carrier harmless for any and all loss, cost, liability, damage and/or expense resulting from failure of title or bailment right thereto.
- b) Carrier warrants and guarantees that the Crude Petroleum delivered at a Delivery Point shall be free and clear of all liens, encumbrances, and claims arising by, through, or under Carrier, and Carrier agrees to indemnify, defend, and hold a Shipper harmless from and against and all losses, liabilities, and claims on account of any such liens, encumbrances, and claims arising by, through, or under Carrier.

#### **5. QUALITY SPECIFICATIONS**

- a) Subject to the other provisions of this tariff, Crude Petroleum delivered to Carrier at the Receipt Points will be merchantable and properly settled, shall have a temperature not in excess of one hundred and twenty degrees Fahrenheit (120° F), its gravity, viscosity, pour point, and other characteristics are such that it will be readily susceptible to transportation through the Carrier's existing facilities, will not materially affect the quality of other shipments or cause disadvantage to other Shippers and/or the Carrier, and shall meet the following quality specifications ("**Quality Specifications**"): (i) does not contain more than one percent (1%) of BS&W, and other impurities; (ii) does not have a Reid Vapor Pressure in excess of nine (9) pounds per square inch absolute; (iii) does not have an API gravity below thirty-seven (37.0°) or in excess of forty-four degrees (44°); and (iv) does not have a sulphur content by weight equal to or greater than four tenths of one percent (0.4%). If Crude Petroleum is accepted from tanks, settled bottoms in such tanks must not be above a point four inches (4") below the bottom of the pipeline connection with the tank from which it enters Carrier's facilities.
- b) Carrier reserves the right, in its sole discretion, to reject Crude Petroleum where the Shipper or Consignee has failed to meet the foregoing specifications, including the Quality Specifications, set forth in Item 5(a) and/or failed to comply with applicable Laws regulating shipment of Crude Petroleum ("**Off-Spec Crude Petroleum**"). In the event a Shipper delivers Off-Spec Crude Petroleum to the System: (i) Carrier may accept such Shipper's delivery if Carrier determines, in its sole discretion, that the quality of the Off-Spec Crude Petroleum, when commingled as a common stream, will nonetheless meet the Quality Specifications; provided, however, that Carrier shall not knowingly accept Shipper's delivery of Off-Spec Crude Petroleum (A) if Carrier determines that the quality of Off-Spec Crude Petroleum, when commingled as a common stream, would not meet the Quality Specifications or (B) if the common stream is not meeting the Quality Specifications; and (ii) if Carrier does not accept such Off-Spec Crude Petroleum as provided in clause (i) of this Item 5(b), Carrier may exclude such Shipper

from further entry into Carrier's System until such time as Shipper returns the quality of its Crude Petroleum to a level satisfactory to Carrier in accordance with this tariff. During any period when Carrier is knowingly accepting Off-Spec Crude Petroleum, Carrier shall (x) regularly monitor the API gravity of the Off-Spec Crude Petroleum at all Receipt Points from which Off-Spec Crude Petroleum is knowingly accepted by Carrier and (y) manage the cumulative volume of Off-Spec Crude Petroleum so accepted to reduce the likelihood of the common stream failing to meet the Quality Specifications. If Carrier accepts delivery of a Shipper's Off-Spec Crude Petroleum after Carrier has knowledge that such Crude Petroleum is Off-Spec Crude Petroleum, then, unless Shipper agrees in writing to assume all liability attributable thereto and agrees to hold Carrier harmless from and against any loss, cost or disadvantage to other Shippers, to Carrier, or to other pipelines Carrier, then Carrier shall have been deemed to have (1) assumed liability for any and all losses and liabilities relating to its acceptance of such Off-Spec Crude Petroleum and agreed to hold Shipper harmless from and against any loss, cost or disadvantage to other Shippers, to Carrier, or to other pipelines, (2) released Shipper from any losses or liability relating to such Off-Spec Crude Petroleum, and (3) waived any and all claims related to Shipper's delivery of such Off-Spec Crude Petroleum, in each case, only to the extent of any such losses or liabilities attributable to deliveries of Off-Spec Crude Petroleum accepted after Carrier has knowledge that such Crude Petroleum is Off-Spec Crude Petroleum. For purposes of this Item 5(b), Carrier shall be deemed to have knowledge of Shipper delivering Off-Spec Crude Petroleum upon Carrier's field supervisory personnel in charge of day-to-day operations of the System having actual knowledge, after receiving the results of any tests or analyses necessary to confirm the quality of the Crude Petroleum, of Shipper's delivery of such Off-Spec Crude Petroleum.

- c) The Quality Specifications may be revised by Carrier from time to time to reflect quality limits on a downstream connecting carrier that are more stringent than set forth in Item 5(a).
- d) If, upon investigation, Carrier determines that a Shipper has delivered to Carrier's facilities 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, such Shipper will be excluded from further entry into applicable segments of the System until such time as such Quality Specifications are met to the satisfaction of Carrier. Further, Carrier reserves the right at its sole discretion to dispose of any contaminated Crude Petroleum in its System. Disposal thereof, if necessary, may be made in any reasonable commercial manner. Any and all loss, liability and costs associated with the contamination or disposal of any Crude Petroleum, including but not limited to damage to Carrier's System or third-party facilities downstream from Carrier's System, and any resulting losses, liabilities and costs, shall be borne by the Shipper introducing the contaminated Crude Petroleum into Carrier's System.
- e) Unless stated otherwise in a written notice provided by Carrier to all subscribers to tariffs for the System affected, Carrier will not segregate Crude Petroleum of a kind and/or quality through Carrier's facilities.
- f) **EXCEPT AS OTHERWISE SET FORTH IN ITEM 5(b), ANY SHIPPER THAT DELIVERS OFF-SPEC CRUDE PETROLEUM HEREBY RELEASES AND AGREES TO INDEMNIFY, DEFEND, AND HOLD HARMLESS EACH MEMBER OF THE CARRIER GROUP FROM AND AGAINST ANY AND ALL LOSSES AND LIABILITIES (INCLUDING EXPENSES ATTRIBUTABLE TO DEFENSE OF ANY ACTION OR CLAIM AND ATTORNEYS' FEES) ARISING OUT OF OR IN ANY WAY RELATING TO SUCH SHIPPER'S DELIVERY OF OFF-SPEC CRUDE PETROLEUM TO CARRIER, INCLUDING, WITHOUT LIMITATION, ANY LOSS OF, DAMAGE TO, OR CONTAMINATION OF THE SYSTEM, DOWNSTREAM FACILITIES, OR CRUDE PETROLEUM OTHER THAN CRUDE PETROLEUM DELIVERED BY SUCH SHIPPER AND ALL COSTS ASSOCIATED WITH REMEDIATING ANY CONTAMINATED FACILITIES.**

## 6. COMMON STREAM CRUDE PETROLEUM - CONNECTING CARRIERS

When both Receipts from and Deliveries to a connecting pipeline of substantially the same grade of Crude Petroleum are scheduled at the same interconnection, Carrier reserves the right, with the cooperation of the operator of the connecting pipeline, to offset like volumes of such common stream Crude Petroleum in order to avoid the unnecessary use of energy which would be required to physically pump the offsetting volumes. When this right is exercised, Carrier will make the further Deliveries for the Shipper involved from Carrier's common stream Crude Petroleum.

#### **7. SHIPMENTS, MAINTENANCE OF IDENTITY**

- a) Carrier is not obligated to Deliver to Shipper the identical Crude Petroleum Nominated by Shipper; Carrier will Deliver Crude Petroleum meeting the Quality Specifications.
- b) Carrier shall have no responsibility in, or for, any revaluation, administration or settlements which may be deemed appropriate by Shippers and/or Consignees because of mixing or commingling of Crude Petroleum shipments between the Receipt and Delivery of such shipments by Carrier within the same common stream.

#### **8. RESERVED**

#### **9. ADDITIVES**

Carrier reserves the right to approve or reject the injection of corrosion inhibitors, viscosity or pour point depressants, drag reducing agents, or other such additives in Crude Petroleum to be transported.

#### **10. DUTY OF CARRIER**

Except as may be expressly required in writing, 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 Carrier does not commit to Receive Crude Petroleum at any particular time, nor does Carrier commit to Delivering Crude Petroleum to a particular Delivery Point, at a particular time. Except as may be expressly required in writing, Carrier will not be responsible for any loss of revenue or demurrage charges related to delays in Receiving or Delivering Crude Petroleum.

#### **11. RECEIPT POINT AND DELIVERY POINT FACILITIES REQUIRED**

- a) The Carrier will accept Crude Petroleum for transportation only when the Shipper or Consignee has provided the necessary facilities for delivering Crude Petroleum into the System in accordance with the terms of this tariff at the Receipt Point and has made the necessary arrangements for shipment beyond or has provided the necessary facilities for receiving said Crude Petroleum as it arrives at the Delivery Point at full line flow rates.
- b) Where Crude Petroleum is received at Receipt Points where custody transfer is determined by hand-gauged tank levels, Shipper will be subject to a surcharge of \$100 per gauging (billed monthly) in addition to all other applicable tariff fees.
- c) The design, construction, and calibration of required automatic measuring and sampling facilities must be approved by the Carrier. Except as set forth in writing, Carrier may require Shipper (or Consignor) to be responsible for and bear the cost of such facilities, furnish whatever pumping service is necessary to ensure the Crude Petroleum being delivered to the automatic measuring and sampling facilities is at a pressure in excess of the bubble point of the liquid delivery into Carrier, and transfer ownership or custody of such equipment to Carrier.
- d) Except as expressly set forth in writing, the Crude Petroleum to be delivered to Carrier hereunder shall be delivered by Shipper at the Receipt Points utilizing only the hydrostatic head of the Crude Petroleum in the lease tank batteries for tank gauged Receipt Points or an inlet pump at lease automated custody transfer unit measurement Receipt Points both at a pressure sufficient to enable such Crude Petroleum to enter Carrier's pump at or near the applicable Receipt Point at the suction rate for such pump;

provided, however, the pressure required under this Item 11(d) shall in no event exceed twenty five (25) psig.

**12. NOTICE OF ARRIVAL, DELIVERY AT DESTINATION, DEMURRAGE**

- a) The obligation of the Carrier is to Deliver the quantity of Crude Petroleum to be transported, less PLA and any other permitted deductions or adjustments set forth in this tariff (i.e., adjustments for gravity, BS&W or temperature), at the specified Delivery Point. Such Delivery may be made upon twenty-four (24) hour notice to the Shipper or Consignee who shall accept and receive said Crude Petroleum from the Carrier with all possible dispatch into tanks or receptacles arranged for or provided by the Shipper or Consignee.
- b) Commencing after the first nine o'clock a.m. Central Standard Time/Central Daylight Time, whichever is applicable, after expiration of said 24-hour notice, Carrier shall assess a demurrage charge on any part of said Crude Petroleum shipment offered for Delivery and not taken by Shipper or Consignee; the demurrage charge will be ten cents (\$0.10) per Barrel per Day for each Day of 24 hours or fractional part thereof. After expiration of said 24-hour notice, Carrier's liability for loss, damage or delay with respect to Crude Petroleum offered for Delivery but not taken by Shipper or Consignee shall be that of a warehouseman only.
- c) If the Shipper, or Consignee, is unable or refuses to receive said Crude Petroleum as it arrives at the specified Delivery Point, the Carrier reserves the right to make whatever arrangements for disposition of the Crude Petroleum it deems appropriate in order to clear its System, including, but not limited to, the sale of such Crude Petroleum pursuant to Item 18.

**13. MEASUREMENT, TESTING AND DEDUCTIONS**

- a) Crude Petroleum shipped hereunder shall be measured and tested by representatives of the Carrier or by automatic equipment installed or approved by the Carrier. Quantities shall be determined by dynamic or static measurement methods in accordance with appropriate American Petroleum Institute ("API") standards, latest revision, and adjusted to base (reference or standard) conditions. At Carrier's option, measurements and tests may be made on composite samples. Crude Petroleum Received from Shipper and Crude Petroleum Delivered to Consignee shall, in each instance, be evidenced by Carrier's statements and run tickets showing volume, temperature, basic sediment and water ("BS&W"), and any other data with respect to such Crude Petroleum as may be specified from time to time by Carrier. If lease automated custody transfer facilities ("LACT Unit") are installed at a Receipt Point, Carrier, at its sole cost and expense, shall verify the accuracy of such measurement facilities and cause the same to be adjusted or calibrated as necessary. Such measurement facilities shall, at a minimum, be proven at an interval based on the monthly volume of Crude Petroleum at a Receipt Point according to the following table:

<b>Monthly Volume Received</b>	<b>Proving Frequency</b>
< 5,000 Barrels	Once per quarter
≥ 5,000 Barrels and < 50,000 Barrels	Once per month
≥ 50,000 Barrels	Semi-monthly

Carrier is not required to cause proving or calibration of such measurement equipment more frequently than as set forth in the above table, unless an additional test is requested pursuant to the terms of this tariff; provided, a Shipper may, at any time and in its sole discretion, request that Carrier conduct additional proving or calibration tests and such Shipper shall bear the costs of such requested additional tests, except that Carrier shall bear the costs of such additional tests requested by such Shipper where the inaccuracy is found to be more than one quarter of one percent (0.25%). If any of the measuring or testing equipment installed is found to be out of service or registering inaccurately in any percentage, then Carrier shall adjust it immediately to read accurately, within the limits prescribed by the manufacturer. If any of the measuring or testing equipment installed is out of service or inaccurate by

an amount exceeding one quarter of one percent (0.25%) at a reading corresponding to the average rate of flow for the period since the last preceding test, then the Carrier and such Shipper shall disregard the previous readings of such equipment for any period definitely known or agreed upon, or for a period of one-half of the time elapsed since the last test of the measuring equipment affected, not to exceed forty-five (45) Days. Carrier shall estimate the volume measured during such period by (i) using the data recorded by any check measuring equipment if installed and registering accurately, or if not installed or registering accurately, (ii) correcting the error if the percentage of error is ascertainable by calibration, test, or mathematical calculation, or if neither such method is feasible, (iii) estimating the quantity, volume, or quality measured, based upon deliveries under similar conditions during a period when the equipment was registering accurately. Carrier shall not be required to make corrections for recorded inaccuracies of one quarter of one percent (0.25%) or less over the period of time in question.

- b) If a LACT Unit is installed at a Receipt Point, Carrier shall give Shipper three (3) Days' notice of the time of, and the Shipper or Consignee shall at all times have the privilege of being present or represented during, the testing, gauging, or metering of the Crude Petroleum and meter proving. If, after notice, a Shipper fails to have a representative present for such testing, gauging, or metering of the Crude Petroleum or meter provision, Carrier shall not be required to wait for such Shipper's personnel to be on-site, and the results of the tests are, nevertheless, deemed accurate until the next tests are made, and upon request by a Shipper, Carrier shall furnish such Shipper a written copy of such test results. Carrier shall bear the costs of all tests of such measuring equipment.
- c) Either of Carrier, on the one hand, or Shipper or its Consignee, on the other hand, may, at its sole option and expense, install, maintain, and operate check meters at the Receipt Points of a suitable type and other equipment to check the other party's meters; provided, however, that such check meters and other equipment shall be installed so as not to interfere with the operation of any of the other party's facilities. Each of Carrier, Shipper and Shipper's Consignee, as applicable, shall exercise care in the installation, maintenance, and operation of check meters, pressure regulating equipment, and pumps so as to prevent any inaccuracy in the determination of the quantity of Crude Petroleum being measured. Whenever any Receipt Point is on the premises of either Carrier, on the one hand, or Shipper or its Consignee, on the other hand, then the other party shall have the right of free use and ingress and egress at all reasonable times for the purpose of installation, operation, repair, or removal or its own metering facilities at such Receipt Points. In the event check measurement equipment is installed, the other party shall have access to the same at all reasonable times, but the reading, calibration, and adjusting thereof shall be done only by the party installing the check measuring equipment. Shipper and Consignee shall each have the right to be present at the time of any installing, reading, cleaning, changing, repairing, inspecting, calibrating or adjusting done in connection with the equipment used in measuring Crude Petroleum delivered by Shipper or its Consignee at the Receipt Points. The original records from such measuring equipment shall remain the property of Carrier, but, upon request, Carrier shall provide to Shipper, at Shipper's cost, copies of such records. **SHIPPER WAIVES AND RELEASES AND HEREBY AGREES TO INDEMNIFY, RELEASE, DEFEND, AND HOLD HARMLESS EACH MEMBER OF THE CARRIER GROUP FROM AND AGAINST ANY AND ALL LOSSES AND LIABILITIES (INCLUDING EXPENSES ATTRIBUTABLE TO DEFENSE OF ANY ACTION OR CLAIM AND ATTORNEYS' FEES) ARISING OUT OF OR INCIDENT TO SUCH SHIPPER'S EXERCISE OF ITS RIGHTS PURSUANT TO ITEM 13(b) AND THIS ITEM 13(c) WITHOUT REGARD TO WHETHER THE ACT, OCCURRENCE, OR CIRCUMSTANCE GIVING RISE TO THE LOSSES IS THE RESULT OF THE SOLE, ACTIVE, PASSIVE, CONCURRENT, OR COMPARATIVE NEGLIGENCE, STRICT LIABILITY, BREACH OF DUTY (STATUTORY OR OTHERWISE), OR OTHER FAULT OF OR VIOLATION OF ANY LAW BY ANY SUCH INDEMNIFIED PERSON, PROVIDED THAT NO SUCH INDEMNIFICATION SHALL BE APPLICABLE TO THE EXTENT OF ANY GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF CARRIER.**
- d) All measurement data, tests, inspection records, invoices and billings, and other related books, records

and data shall be retained by Carrier no less than twenty-four (24) months after the expiration of the applicable calendar year in which the transportation services are provided hereunder (or such longer period as required by applicable Laws). Original meter fabrication and specification records shall be kept for the service life of each meter.

- e) When, in Carrier’s opinion, a lease operator or connecting carrier’s tanks are unsafe or unsuitable for use in custody transfer because of improper connections, high bottom accumulations of any extraneous matter, incrustations on the inside of the tank walls, or any other conditions unacceptable to Carrier, Carrier may reject the use of such tank until the unacceptable conditions have been corrected. Alternatively, in the case of incrustation inside any tank, Carrier may determine and apply a correction factor to ascertain the correct tank capacity.
- f) Corrections will be made for temperature from observed degrees Fahrenheit to sixty degrees (60°) Fahrenheit and for pressure to 14.696 psia. Carrier will deduct the full amount of sediment, water and other impurities as the centrifugal or other test may show.
- g) A pipeline loss allowance (“**PLA**”) equal to (i) the volume of Crude Petroleum delivered to the Receipt Points by a Shipper less (ii) the volume of all Crude Petroleum delivered to such Shipper or for such Shipper’s account at the Delivery Points will be deducted from the quantity of Crude Petroleum received to cover shrinkage and evaporation, interface losses, measurement inaccuracies (subject to the other terms of this tariff) and other normal losses that occur during transportation of Crude Petroleum, provided that the PLA shall not exceed two tenths of one percent (0.2%) of the quantity of Crude Petroleum delivered to the Receipts by a Shipper.
- h) To the extent Carrier agrees to accept Crude Petroleum having an API gravity above forty-four degrees (44.0°), such Receipts shall – in addition to the deduction set forth in Item 13(g) – be subject to an incremental deduction according to the following schedule:

<b>API Gravity</b>	<b>Additional Deduction</b>
45.0 through 55.0	0.5%
55.1 through 65.0	1.0%
65.1 through 75.0	1.5%
75.1 and above	2.0%

- i) After consideration of all of the factors set forth in this Item 13, a net balance will be determined as the quantity to be Delivered by Carrier.
- j) Carrier reserves the right to modify the foregoing measurement procedures from time to time in order to conform with the most current API measurement standards generally accepted in the industry; provided, however, such measurement procedures shall be consistently applied to all Shippers delivering Crude Petroleum.

**14. APPORTIONMENT WHEN NOMINATIONS EXCEED CAPACITY**

- a) When there shall be Nominated to Carrier, for transportation, more Crude Petroleum than can be immediately transported on a line segment, the transportation furnished by Carrier shall be apportioned among Shippers on such line segment as set forth below.
- b) Space in each segment will be allocated among Regular Shippers and any New Shippers as follows:
  - i) The capacity of the line segment being prorated shall be divided by the total of all volumes Nominated by Regular Shippers and New Shippers on the line segment. The resultant fraction will be the “**Proration Factor**”.

- ii) Each New Shipper shall be allocated space equal to its Nominated volumes on the line segment multiplied by the Proration Factor, except that in any Accounting Month for which Carrier is allocating capacity on a line segment, the capacity allocated to a Regular Shipper shall not be reduced by more than ten percent (10%) of the Regular Shipper's daily average of Base Period shipments on the line segment. If the application of the Proration Factor calculated in Item 14(b)(i) results in an allocation to New Shippers greater than ten percent (10%) of the line segment being prorated, then each New Shipper shall be allocated space equal to ten percent (10%) of segment capacity multiplied by the fraction derived by dividing its Nomination on the line segment by the total of all volumes Nominated by New Shippers on the line segment.
  - iii) The remaining capacity shall be allocated among Regular Shippers in proportion to their entitlements on the line segment (as described in Item 14(c)).
- c) The **"Base Period"** is a period of 12 Accounting Months beginning 13 Accounting Months prior to the Accounting Month of allocation and excluding the Accounting Month preceding the Accounting Month of allocation. A **"Regular Shipper"** is (i) any Shipper having a record of movements in all Accounting Months during the applicable Base Period on the applicable line segment; and/or (ii) any Shipper receiving an assignment of Regular Shipper history on the applicable line segment. If the segment being prorated has been in service less than 13 Accounting Months, a Regular Shipper is any Shipper having a record of movements on the segment in all Accounting Months during which the segment has been active. A **"New Shipper"** is a Shipper on the line segment who is not a Regular Shipper on such line segment. In no event will any portion of allocated capacity to a New Shipper be used in such a manner that it will increase the allocated capacity of another Shipper beyond the allocated capacity that Shipper is entitled to under the provisions stated in this Item 14. Carrier may require written assurances from responsible officials of Shippers regarding use of allocated capacity stating that this requirement has not been violated. In the event any New Shipper shall, by any device, scheme or arrangement whatsoever, make its allocated capacity available to another Shipper, or in the event any Shipper shall receive and use any allocated capacity from a New Shipper, then, in the Accounting Month following discovery of such violation, the allocated capacity of such New Shipper will be reduced to the extent of the excess capacity made available and the allocated capacity of such Shipper will be reduced to the extent of excess capacity used.
- d) No Nominations shall be considered beyond the amount that the nominating party has readily accessible for shipment. During a period of segment allocation, if a Shipper is unable to tender Crude Petroleum equal to ninety percent (90%) of the space allocated to it for the allocated segment, such Shipper will be liable for and will pay transportation charges on the amount of allocated throughput not utilized, in addition to the payment due for volumes actually transported; provided, that, such charges will be waived when Receipts are reduced at the request of Carrier or where Carrier operational problems prevented full Receipt of Crude Petroleum tendered by a the Shipper. In addition, Carrier will reduce such Shipper's volumes for the succeeding Accounting Month by the amount of allocated throughput not utilized during the preceding Accounting Month if apportionment is necessary. Carrier shall provide each Shipper electronic written notice when the System, or the applicable line segment, is no longer under proration.

## **15. APPLICATION OF RATES & CHARGES**

Except as otherwise provided in this tariff, Crude Petroleum accepted for transportation shall be subject to the rates and charges in effect on the date of Receipt of such Crude Petroleum by the Carrier, irrespective of the date of Nomination. All other lawful charges will be collected on the basis of the quantities of Crude Petroleum Received by Carrier for the account of Shipper or its Consignor.

## **16. CHARGE FOR FUND COMPENSATION**

In addition to other permitted charges accruing on Crude Petroleum accepted for transportation through Carrier's facilities, a per Barrel charge may be assessed and collected in the amount of any tax, fee, or other

charge levied against Carrier by any Governmental Authority for the purpose of creating a fund for reimbursement of parties who sustain costs or losses resulting from oil pipeline industry operations. If a per Barrel charge is assessed, the amount of such charge will be stated in an amendment to this tariff.

#### **17. TRUCK UNLOADING**

Shipments unloaded from tank trucks into Carrier's facilities may be subject to a per-Barrel charge, under separate contract.

#### **18. PAYMENT OF TRANSPORTATION AND OTHER CHARGES**

- a) Shipper shall be responsible for payment of transportation and all other charges hereunder. Invoices shall be issued by Carrier by the tenth (10th) Day of the Accounting Month, for service provided during the immediately preceding Accounting Month. Payment of undisputed invoiced amounts shall be made by wire transfer on the later of the twenty-fifth (25th) Day of the Accounting Month in which the invoice is issued, or fifteen (15) Days after the date upon which the invoice is received. If such due date is not a Business Day, payment is due on the next Business Day following such date. Payments not received by Carrier in accordance with the terms of this tariff shall be subject to a late charge equivalent to the prime rate as quoted by a major New York bank plus two percent (2%) or the maximum rate allowed by Law, whichever is less, compounded Monthly. Carrier shall have a lien and security interest on all Crude Petroleum accepted for transportation to cover payment of all charges, including demurrage and late charges, permitted hereunder and may refuse to make Delivery of the Crude Petroleum until all undisputed charges have been paid. If said undisputed charges, or any part thereof, shall remain unpaid for thirty (30) Days after notice of readiness to deliver, the Carrier may sell the Crude Petroleum at public auction, for cash. Carrier shall have a lien and security interest on Crude Petroleum when there shall be failure to take the Crude Petroleum at the point of destination as provided in Item 12. Carrier shall have the right to sell said Crude Petroleum at public auction or in a private sale, as Carrier may, in its reasonable judgment, elect, for cash. Out of the proceeds of said sale, Carrier shall pay itself for all transportation, demurrage, and other lawful charges, attorney fees, expenses of notice, advertisement, sale and other reasonably necessary expenses, and expenses of caring for and maintaining the Crude Petroleum, and the balance shall be held for whomsoever may be lawfully entitled thereto after the auction. If the proceeds of said sale do not cover all expenses incurred by Carrier, the Shipper and/or Consignee are liable to Carrier for any deficiency. Carrier's rights under this Item 18 are not exclusive but shall be in addition to any other rights or remedies available hereunder or under applicable Law.
- b) In the event Carrier determines that the financial condition of a Shipper, or the guarantor (if any) of such Shipper, is or has become impaired or unsatisfactory or Carrier determines it is necessary to obtain security from such Shipper, Carrier, upon notice to such Shipper, may require any of the following prior to Carrier's Delivery of Shipper's Crude Petroleum in Carrier's possession or prior to Carrier's acceptance of Shipper's Crude Petroleum: (a) a prepayment of all charges by wire transfer and Shipper's Crude Petroleum shall be held by Carrier without interest accruing thereon until credited to the Shipper, (b) a letter of credit at Shipper's expense in favor of Carrier in an amount sufficient to ensure payment of all charges and, in a form, and from an institution, acceptable to Carrier, or (c) a guaranty in an amount sufficient to ensure payment of all charges, and in a form, and from a third-party acceptable to Carrier, in each case, the amount of such security to be equal to Carrier's good faith estimate of the next ninety (90) Days of charges that will be chargeable to such Shipper. In the event any applicable Shipper fails to comply with any such requirement on or before the date supplied in Carrier's notice to such Shipper, Carrier shall not be obligated to provide such Shipper access to Carrier's facilities or provide services pursuant to this tariff until such requirement is fully met.

#### **19. DIVERSION**

Subject to Item 2, change in destination or routing will be permitted without additional charge, on written request from the Shipper, provided an applicable tariff is in effect for any requested destination or routing, and provided that no back-haul is required.



## **20. LIABILITY OF CARRIER**

- a) Except as otherwise expressly provided in writing, the Carrier while in possession of any of the Crude Petroleum herein described shall not be liable for any loss thereof, damage thereto, or delay, caused by: fire, storm, flood, epidemics, act of God, accident, riots, civil disorder, strikes, insurrection, rebellion, war, act of the public enemy, quarantine, the authority of Law, requisition or necessity of the government of the United States in time of war, default of Shipper, earthquakes, sinkholes, or from any other cause not due to the negligence, gross negligence, willful misconduct of Carrier or violation of any Law by Carrier. In case of loss of Crude Petroleum each Shipper of the grade of Crude Petroleum so lost via the System in which the loss occurs shall share such loss in the proportion that the amount of such grade of Crude Petroleum then in the custody of Carrier for the account of such Shipper in such System bears to the total amount of such grade of Crude Petroleum then in the custody of Carrier in such System. Statements of quantities ascertained and computed from records in the usual manner by Carrier shall be accepted as prima facie correct in the distribution of losses under this Item 20.
- b) Carrier will be obligated to Deliver only that portion of a Crude Petroleum shipment remaining after deducting such loss.
- c) If Crude Petroleum is lost in transit, while in the custody of Carrier, due to causes other than those described in the first paragraph of this Item 20, Carrier may obtain and Deliver to Shipper other Crude Petroleum of the same quantity and grade as that which was lost, but Carrier shall not be obligated to do so. In the alternative, Carrier may compensate Shipper for such loss in money. If Carrier compensates Shipper for such loss in money, the price per Barrel shall be determined as of the date of the loss based on the value of the lost Crude Petroleum. Carrier's liability to Shipper, Consignor and Consignee for the failure to deliver at any Delivery Points any Crude Petroleum delivered and accepted by Carrier at any Receipt Point hereunder arising out of the negligence or other acts or omissions of Carrier shall be limited to (i) the market value of such Crude Petroleum and (ii) any transportation fees or other amounts paid hereunder by Shipper chargeable based on such volumes of Crude Petroleum.
- d) Any volumetric difference between Receipts from Shipper and Delivery to Shipper or Consignee during a current month will be credited or debited to Shipper's inventory account and will be settled in the following month, or as soon thereafter as may be reasonably accommodated by Carrier, without any further liability to Carrier, taking into consideration all prior deductions allowed pursuant to this tariff.
- e) Each of Carrier, Shipper, Consignor and Consignee or their respective designated representative(s) shall have the right, at its/their own expense, upon reasonable notice and at reasonable times, to examine and audit and to obtain copies of the relevant portion of the books and records (including electronic measurement data or records and other similar information supporting relevant calculations) of the other party to the extent reasonably necessary to verify the accuracy of any statement, charge, payment, or computation made or compliance with any other obligation, under this tariff. This right to examine, audit, and to obtain copies shall not be available with respect to information not directly relevant to transactions under this tariff or to the extent such materials are protected by the attorney-client privilege, work product doctrine, other applicable privilege or are subject to any confidentiality or similar obligations arising pursuant to the terms of any contract or at Law. If any audit conducted pursuant to the terms hereof reveals that there was an inaccuracy or omission in an invoice submitted under this tariff, the parties shall, within ten (10) Days of a request by any such party, meet to discuss the adjustments and/or payments that would be necessary to correct such inaccuracy or omission. All invoices and billings, adjusted as contemplated herein, shall be conclusively presumed final and accurate and all associated claims for underpayments or overpayments shall be deemed waived unless such invoices or billings are objected to in writing, with adequate explanation and/or documentation, within twenty-four (24) months after the expiration of the applicable calendar year in which the transportation services are provided hereunder; provided, however, any objection associated with any

billing or invoice associated with any measurement inaccuracies as to the transportation of Crude Petroleum from the System to a downstream pipeline at a Delivery Point, where such downstream pipeline has a different time limitation to object to any billing or invoice with respect to such Crude Petroleum movement than the foregoing twenty-four months, must be brought within the time limitation provided for in the tariff of such downstream pipeline. Any retroactive adjustment made in response to information furnished under an audit under this tariff shall be paid in full by the party owing payment within thirty (30) Days of notice and substantiation of such inaccuracy.

- f) NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, IN NO EVENT SHALL ANY MEMBER OF THE CARRIER GROUP OR OF THE SHIPPER GROUP BE LIABLE FOR ANY (i) PUNITIVE OR EXEMPLARY DAMAGES OR (ii) ANY LOST PROFITS OR CONSEQUENTIAL, SPECIAL OR INDIRECT DAMAGES, PROVIDED, HOWEVER, EACH PARTY (THE “**LIABLE PARTY**”) SHALL BE LIABLE TO ANY MEMBER OF THE OTHER PARTY’S GROUP (I.E. THE CARRIER GROUP OR THE SHIPPER GROUP, AS APPLICABLE) FOR ANY OF THE FOREGOING DAMAGES PAID TO A THIRD-PARTY NOT IN THE CARRIER GROUP OR THE SHIPPER GROUP BY A MEMBER OF SUCH OTHER PARTY’S GROUP WHERE SUCH DAMAGES ARE A RESULT OF A BREACH BY THE LIABLE PARTY OF ITS OBLIGATIONS UNDER THIS TARIFF.

## **21. CLAIMS, SUITS, AND TIME FOR FILING**

Except where property is alleged to have been lost or damaged in transit by carelessness or negligence of the Carrier or as limited by Item 20, as a condition precedent to recovery, claims must be filed in writing with the Carrier within twenty-four (24) months after the expiration of the applicable calendar year in which such claim was incurred or accrued and suits arising out of such claims shall be instituted against the Carrier only within such period. Where claims are not filed or suits are not instituted thereon in accordance with the foregoing provisions, Carrier will not be liable and such claims will not be paid.

## **22. PIPEAGE OR OTHER CONTRACTS**

Except as set forth in writing, separate pipeage and other contracts may be required of a Shipper, in accordance with the applicable tariff and these rules and regulations, before any duty of transportation by the Carrier shall arise.

## **23. STORAGE IN TRANSIT**

The Carrier has working tanks required in the process of transporting Crude Petroleum but no other available tankage and therefore Carrier does not have facilities for rendering, nor does it offer, a storage service. Provisions for storage in transit in facilities furnished by Shipper at points on Carrier’s System will be permitted to the extent authorized under individual tariffs lawfully on file, and per an executed agreement detailing the terms and conditions for such storage.

## **24. INTRASYSTEM TRANSFERS**

An intrasystem transfer of title to Crude Petroleum will be allowed on Carrier’s System for a fee of \$0.005 per Barrel charged to the Transferor; provided, however, that no transfer fee shall be assessed to the Transferor if the Transferor pays the transportation and other charges due hereunder to the specified transport point. The Transferee accepting volumes on an intrasystem transfer shall be responsible for payment of transportation charges from the transfer point to destination. Carrier shall not be obligated to recognize any intrasystem transfer and shall incur no liability with respect thereto or for any losses or damages accruing to any party involved in an intrasystem transfer. An intrasystem transfer oral request, if recognized, shall be confirmed in writing by both the Transferor and the Transferee within seventy-two (72) hours after the oral request. Such request shall indicate the party to which the transfer is to be made, the amount of Crude Petroleum to be transferred, its location, grade, and a warranty statement of unencumbered title. In addition, the Transferor and Transferee, upon the request of Carrier and at Carrier’s option, shall provide an irrevocable letter of credit in terms satisfactory to Carrier and in an amount necessary to cover all charges and fees.

**25. COMMODITY**

Carrier is engaged primarily in the transportation of Crude Petroleum and will not accept any other commodity for transportation under tariffs making reference hereto.

**26. CONNECTION POLICY**

Connections to Carrier's System will only be made pursuant to a definitive agreement in writing executed by Carrier, provided that Carrier shall consider any formal written connection request delivered to Carrier by a Shipper or prospective Shipper. All connections will be subject to generally accepted industry standards and all regulatory standards for design and construction and will meet the hydraulic requirements necessary to protect the safety, security, integrity and efficient operation of Carrier's System. Acceptance of any request for connection will be subject to compliance with governmental regulations. Successful connection requests may require other capital recovery arrangements, which Carrier will negotiate on a not unduly discriminatory basis.

**PLEASE NOTE: IN THE EVENT OF ANY CONFLICT BETWEEN SECTION 1 AND SECTION 2 OF THIS TARIFF, SECTION 2 WILL GOVERN.**