

EnLink Crude Pipeline, LLC

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Gas Services Department
Railroad Commission of Texas

LOCAL TARIFF

CONTAINING

RULES, REGULATIONS AND RATES

GOVERNING THE GATHERING AND TRANSPORTATION

OF

**CRUDE OIL
BY PIPELINE**

Rules and regulations published herein apply only under tariffs making specific reference by number to this tariff; such references will include subsequent reissues hereof.

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

Operated by EnLink Permian, LLC under P-5 Operator No. 252782 and T-4 Permit No. 09604.

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SECTION I
RULES AND REGULATIONS OF RAILROAD COMMISSION OF TEXAS
SECTION 3.71. PIPELINE TARIFFS

The Rules and Regulations shown in Section I are reprinted here pursuant to the requirements of the Texas Railroad Commission under Title 16, Section 3.71 of the Texas Administrative Code.

1. ALL MARKETABLE OIL TO BE RECEIVED FOR TRANSPORTATION:

By the term “marketable oil” is meant any crude petroleum adapted for refining or fuel purposes, properly settled and containing not more than two percent (2%) of basic sediment, water, or other impurities above a point six (6) inches below the pipeline connection with the tank. Pipelines shall receive for transportation all such “marketable oil” tendered; but no pipeline shall be required to receive for shipment from any one person an amount exceeding three thousand (3,000) barrels of petroleum in any one (1) day; and, if the oil tendered for transportation differs materially in character from that usually produced in the field and being transported therefrom by the pipeline, then it shall be transported under such terms as the shipper and the owner of the pipeline may agree or the commission may require.

2. BASIC SEDIMENT, HOW DETERMINED – TEMPERATURE:

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

3. “BARREL” DEFINED:

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

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 (5) days from the date of order of delivery at destination.

6. IDENTITY OF OIL, MAINTENANCE OF OIL:

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

7. MINIMUM QUANTITY TO BE RECEIVED:

A pipeline shall not be required to receive less than one (1) 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. The shipper may be present or represented at the gauging or testing. Quantities shall be computed from correctly compiled tank tables showing 100% of the full capacity of the tanks.
- B. As an alternative to the method of measurement provided in subparagraph (A) of this paragraph, crude oil and condensate may be measured and tested, before transfer of custody to the initial transporter by:
 - i. lease automatic custody transfer (LACT) equipment, provided such equipment is installed and operated in accordance with the latest revision of American Petroleum Institute (API) Manual of Petroleum Measurement Standards, Chapter 6.1, or;
 - ii. any device or method, approved by the commission or its delegate, which yields accurate measurements of crude oil or condensate.
- C. Adjustments to the quantities determined by the methods described in subparagraphs (A) or (B) of this paragraph shall be made for temperature from the nearest whole number degree to the basis of 60 degrees Fahrenheit and to the nearest 5/10 API degree gravity in accordance with the volume correction Tables 5A and 6A contained in API Standard 2540, American Society for Testing

Materials 01250, Institute of Petroleum 200, first edition, August 1980. A pipeline may deduct the basic sediment, water, and other impurities as shown by the centrifugal or other test agreed upon by the shipper and pipeline; and 1.0% for evaporation and loss during transportation. The net balance shall be the quantity deliverable by the pipeline. In allowing the deductions, it is not the intention of the commission to affect any tax or royalty obligations imposed by the laws of Texas on any producer or shipper of crude oil.

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

10. DELIVERY AND DEMURRAGE:

Each pipeline shall transport oil with reasonable diligence, considering the quality of the oil, the distance of transportation, and other material elements, but at any time after receipt of a consignment of oil, upon twenty-four (24) hours' notice to the consignee, may offer oil for delivery from its common stock at the point of destination, conformable to paragraph 6 of this section, at a rate not exceeding ten thousand (10,000) barrels per day of twenty-four (24) hours. Computation of time of storage (as provided for in paragraph 5 of this section) shall begin at the expiration of such notice. At the expiration of the time allowed in paragraph 5 of this section for storage at destination, a pipeline may assess a demurrage charge on oil offered for delivery and remaining undelivered, at a rate for the first ten (10) days of one-tenth of one cent per barrel; and thereafter at a rate of three-fourths of one cent per barrel, for each day of twenty-four (24) hours or fractional part thereof.

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

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

12. NOTICE OF CLAIM:

Notice of claims for loss, damage or delay in connection with the shipment of oil must be made in writing to the pipeline within ninety-one (91) days after the damage, loss, or delay occurred. If the claim is for failure to make delivery, the claim must be made within ninety-one (91) days after a reasonable time for delivery has elapsed.

13. TELEPHONE-TELEGRAPH LINE – SHIPPER TO USE:

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

14. CONTRACTS OF TRANSPORTATION:

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

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

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

16. OFFERS IN EXCESS OF FACILITIES:

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

17. INTERCHANGE OF TONNAGE:

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

18. RECEIPT AND DELIVERY – NECESSARY FACILITIES FOR:

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

19. REPORTS OF LOSS FROM FIRES, LIGHTENING, 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 barrels escape. Each pipeline shall file the required information with the commission in accordance with the appropriate commission form within 30 days from the date of the spill or leak.
- B. No risk of fire, storm, flood or act of God, and no risk resulting from riots, insurrection, rebellion, war, or act of the public enemy, or from quarantine or authority of law or any order, requisition or necessity of the government of the United States in time of war, shall be borne by a pipeline, nor shall any liability accrue to it from any damage thereby occasioned. If loss of any crude oil from any such causes occurs after the oil has been received for transportation, and before it has been delivered to the consignee, the shipper shall bear a loss in such proportion as the amount of his shipment is to all of the oil held in transportation by the pipeline at the time of such loss, and the shipper shall be entitled to have delivered only such portion of his shipment as may remain after a deduction of his due proportion of such loss, but in such event the shipper shall be required to pay charges only on the quantity of oil delivered. This section shall not apply if the loss occurs because of negligence of the pipeline.
- C. Common carrier pipelines shall mail (return receipt requested) or hand deliver to landowners (persons who have legal title to the property in question) and residents (persons whose mailing address is the property in question) of land upon which a spill or leak has occurred, all spill or leak reports required by the commission for that particular spill or leak within 30 days of filing the required reports with the commission. Registration with the commission by landowners and residents for the purpose of receiving spill or leak reports shall be required every five years, with renewal registration starting January 1, 1999. If a landowner or resident is not registered with the commission, the common carrier is not required to furnish such reports to the resident or landowner.

**SECTION II
RULES AND REGULATIONS**

To the extent allowed by Law, the Rules and Regulations set forth in this Section II herein will apply and take precedence over the Rules and Regulations set forth in Section I.

1. DEFINITIONS

“Annual Throughput” means the actual number of Barrels of Crude Oil received by Carrier from Shipper at the Origin Point and transported to the Destination Point in a Contract Year.

“Annual Volume Commitment” means the product of (i) the Volume Commitment and (ii) the number of days in the applicable Contract Year.

“A.P.I.” means the American Petroleum Institute.

“A.P.I. Gravity” or “Gravity” means Gravity determined in accordance with the ASTM Designation D-287-22 or the latest revision thereof.

“ASTM” means ASTM International, formerly known as the American Society for Testing and Materials.

“Barrel” means forty-two (42) gallons at 60 degrees Fahrenheit (60° F).

“Business Day” means any day other than a Saturday, Sunday or other day on which banks in the State of Texas are permitted or required to close.

“Carrier” means EnLink Crude Pipeline, LLC.

“Change in Law” means the enactment, adoption, promulgation, issuance, modification, or repeal of any law, rule, regulation, order or permit or any material change in the interpretation of any law, rule, regulation, order or permit by any Governmental Authority, including any change in federal, state, or local tax law.

“Change in Law Event” means the occurrence of a Change in Law that necessitates the expenditure of Compliance Costs.

“Committed Shipper” means a Shipper that has executed a T&D with Carrier pursuant to the Open Season.

“Common Stream” means Crude Oil moved through Carrier’s System and associated facilities which is commingled or intermixed with other Crude Oil in said System.

“Compliance Costs” means all expenses in excess of \$4,000,000 per Change in Law Event incurred by Carrier to comply with a Change in Law, irrespective of whether such expenses are to be incurred as a one-time expenditure or periodically for an extended period.

“Consignee” means the party to whom a Shipper has ordered the delivery of Crude Oil.

“Contract Year” means a year commencing on the In-Service Date or any anniversary thereof and continuing until the next succeeding anniversary date.

“Crude Oil” means direct liquid product of oil or gas wells that meets Carrier’s product Quality Specifications.

“Destination Point” means the delivery point(s) of the System located at or near the point set out in Section III herein and any other delivery point(s) mutually agreed upon by Carrier and Shipper and set forth in a revision to this tariff. Carrier may, in its sole discretion, add additional delivery points on the System, for which additional charges may apply.

“Encumbered Crude Oil” has the meaning set forth in Item 14 of this Section II.

“Force Majeure” means events including: strikes, lockouts, or other industrial disturbances; wars, sabotage, terrorism, blockades, insurrections, or acts of the public enemy; epidemics, landslides, lightning, earthquakes, tornadoes, loss of utilities, fires, storms, floods, washouts, or other acts of God; arrests or restraints of governments and people; compliance (voluntary or involuntary) with federal, state or local laws, rules or regulations, permits, acts, orders, directives, requisitions, or requests of any official or agency of the federal, state, or local governments; rationing of, shortages of, or inability to obtain or a delay in obtaining any material or equipment; riots or civil disturbances, fires, explosions, failures, disruptions, breakdowns, or accidents to machinery, facilities, or lines of pipe (whether owned, leased or rented); the testing of, or the making of repairs, or the performing of maintenance, alterations, enlargements, turnarounds, or connections to machinery, facilities, or lines of pipe (whether owned, leased or rented); the necessity to not operate, or to reduce the operation of, equipment to protect the safety of the public and/or environment; freezing of lines; embargoes, priorities, expropriation, or condemnation by government or governmental authorities; interference by civil or military authorities; and any cause which is not reasonably within the control of Carrier or Shipper, or its affiliates, claiming suspension. Force Majeure also includes:

- (a) those instances where Carrier is required to obtain servitudes, right-of-way grants, permits or licenses to enable it to fulfill its obligations, the inability or delay of Carrier to acquire, at reasonable cost and after the exercise of reasonable diligence, such servitudes, right-of-way grants, permits or licenses;
- (b) those instances where Carrier is required to furnish materials and supplies for the purpose of constructing or maintaining facilities or is required to secure permits or permissions from any governmental authority to enable Carrier to fulfill its obligations, the inability of Carrier to acquire, at reasonable cost and after the exercise of reasonable diligence, such materials, supplies, permits and permissions; and
- (c) the event that a third party claims an event of force majeure or otherwise fails to perform under an agreement (whether the failure to perform is excused or unexcused), and such event prevents the performance by Carrier.

“Incremental Barrels” means the Barrels of Crude Oil that Shipper nominates and tenders for shipment on the System in a month that exceed Shipper’s Monthly Volume Commitment.

“Incremental Capacity” means the difference between ninety percent (90%) of the available capacity on the System, less the aggregate amount of capacity allocated to all Committed Shippers under Item 7(C)(1) of this Section II.

“In-Service Date” means the first day upon which Carrier’s System is deemed complete, operational and available to receive, transport, and deliver Crude Oil (including without limitation, Line Fill) from the Origin Point(s) to the Destination Point(s) listed herein.

“Law” means all applicable local, state and federal constitutions, laws (including common law), treaties, statutes, orders, decrees, rules, regulations, codes, and ordinances issued by any governmental entity, and including judicial or administrative orders, consents, decrees, and judgments, and determinations by, or interpretations of any of the foregoing by any governmental entity having jurisdiction over the matter in question.

“Line Fill” has the meaning set forth in Item 13(A) of this Section II.

“Monthly Throughput” means the actual number of Barrels of Crude Oil received by Carrier from Shipper at the Origin Point and transported to the Destination Point in a month.

“Monthly Volume Commitment” means the product of (i) the Volume Commitment and (ii) the number of days in the applicable month.

“Nomination” or “Nominate” means a written notification (in form and context specified by Carrier) made by a Shipper to Carrier of a stated quantity of Crude Oil that Shipper proposes to tender to Carrier for transportation from a specified Origin Point to a specified Destination Point in the next following month in accordance with Carrier’s applicable tariff or tariffs.

“Off-Specification Crude Oil” has the meaning set forth in Item 3(E) of this Section II.

“Open Season” means that open season held by Carrier beginning July 11, 2016, to obtain volume commitments on the System prior to the In-Service Date.

“Origin Point” means the receipt/inception point(s) of the System located at or near the point set out in Section III herein, and any other receipt/inception point(s) mutually agreed upon by Carrier and Shipper and set forth in a revision to this tariff. Carrier may, in its sole discretion, add additional receipt/inception points on the System, for which additional charges may apply.

“Proportionate Share” means, at a given time, the percentage equal to a Committed Shipper’s Volume Commitment divided by the Total Volume Commitments at such time.

“Proration Month” means the month for which capacity is to be allocated under Item 7 of this Section II.

“Quality Specifications” has the meaning set forth in Item 3 of this Section II.

“Shipper” means a party that contracts with Carrier for transportation of Crude Oil in accordance with this tariff and any other applicable tariffs.

“System” means Carrier’s gathering system, including all appurtenances thereto, related to the provision of gathering and transportation services provided by Carrier pursuant to this tariff.

“System Capacity” means the operational capacity of the System at any applicable point in time.

“Tender” or “Tendered” means the presentation by a Shipper to Carrier of a stated quantity of Crude Oil for transportation from a specified Origin Point to a specified Destination Point in accordance with this tariff.

“Third Party Shipper” has the meaning set forth in Item 7(H) of this Section II.

“Total Volume Commitments” means the aggregate Volume Commitments of all Committed Shippers (as such amounts are individually defined in the T&D of each Committed Shipper).

“T&D” means a Throughput and Deficiency Agreement entered into between a Committed Shipper and Carrier for the transportation of Crude Oil on Carrier’s System pursuant to the Open Season.

“Uncommitted Shipper” means a Shipper that is not a Committed Shipper.

“Unremoved Crude Oil” means Crude Oil that Shipper is unable or refuses to receive upon Carrier’s delivery at the Nominated Destination Point.

“Volume Commitment” means the daily volume of Barrels of Crude Oil Shipper has agreed to transport on the System during the term of its T&D.

2. COMMODITY

Carrier is engaged in the transportation on the System of Crude Oil only, and therefore will not accept any other commodity for transportation under Carrier’s applicable tariffs.

3. QUALITY SPECIFICATIONS

A. The quality specifications for Crude Oil set forth below (“Quality Specifications”) shall apply to each Barrel of Shipper’s Tender and shall not be limited to the composite sample of the Tender. Carrier reserves the right to reject Crude Oil that does not meet the following Quality Specifications:

- (1) contain less than 0.2% sulfur by weight;
- (2) be of an API Gravity not to exceed 44° when corrected to 60° Fahrenheit (provided that if a composite stream of Crude Oil as gathered from the Origin Point(s) has an API Gravity not exceeding 44° then such Crude Oil shall be deemed not to be Off-Specification Crude Oil for the purposes of this Agreement; provided further that, in no event will the Crude Oil delivered at any Origin Point exceed an API Gravity of 55°);
- (3) not contain more than 1% by volume basic sediment and water and other impurities, or on an individual basis, water shall not be more than 0.3% by volume and basic sediment shall not be more than 0.7% by volume as determined by the average of representative samples; and
- (4) Reid Vapor Pressure less than or equal to 9.0 psi at 100° Fahrenheit.

Should any of the Crude Oil received by Carrier hereunder fail to meet the Quality Specifications, Carrier may accept such Crude Oil if Carrier has the appropriate treatment facilities and Shipper and Carrier have an effective service agreement pursuant to which Carrier may treat such Crude Oil to bring it into compliance with the Quality Specifications.

- B. Carrier shall have the right to change or modify the Quality Specifications described in Item 3(A) of this Section II to conform Carrier’s Quality Specifications to those of upstream or downstream connecting facilities, as applicable. Carrier shall not be required to accept Crude Oil at the Origin Point that does not meet the quality specifications of a downstream connecting carrier.
- C. Shipper shall not Tender Crude Oil for transportation on the System unless the Crude Oil meets the Quality Specifications specified in this Item 3, the Crude Oil is readily susceptible to transportation through the System, and the Crude Oil will not adversely affect the quality of Crude Oil received from other Shippers or

damage the System, all of which shall be determined by Carrier, in Carrier's sole discretion, to be exercised in a manner that is not unduly discriminatory or unduly preferential. As a prerequisite to transportation on the System, Shipper's Crude Oil must also conform to the quality specifications of the connecting carrier or facility at any Destination Point.

- D. Carrier reserves the right to require, approve, and/or reject the injection of corrosion inhibitors, viscosity or pour point depressants or any other such additives in Crude Oil to be transported.
- E. Shipper shall perform applicable tests to ensure that the Crude Oil it Tenders to Carrier for delivery on the System conforms to the specifications set forth in this Item 3. Should spot samples, analyses, or any other test (including tests performed by Carrier) indicate that the Crude Oil Tendered or to be Tendered does not meet the Quality Specifications (such Crude Oil, "Off-Specification Crude Oil"), Shipper agrees to stop delivery of such Off-Specification Crude Oil to Carrier until such time as it is determined by additional testing that the Crude Oil meets the Quality Specifications issued by Carrier.
- F. Carrier or its representative may measure and test all Crude Oil Tendered for transportation prior to its receipt and may measure and test such Crude Oil at any time thereafter. Quantities shall be tested in accordance with applicable A.P.I./ASTM standards and pipeline industry practice or such other tests as may be agreed upon by Carrier and Shipper. All measurements and tests performed by Carrier shall be deemed final and determinative unless Shipper presents appropriate documentation to contest such measurements and/or tests within ninety (90) days of receipt. In the event of variance between any of Shipper's test results or the specifications contained in a certificate provided by Shipper pursuant to this Item 3 and Carrier's test results, the latter will prevail (absent error demonstrated by Shipper or fraud).
- G. Should spot samples, analyses, or any other test (including tests performed by Carrier) indicate that Shipper has Tendered Off-Specification Crude Oil, Shipper agrees to stop delivery of such Off-Specification Crude Oil to Carrier until such time as it is determined by additional testing that the Crude Oil meets the Quality Specifications provided in this Item 3.
- H. Carrier reserves the right to reject any and all Tenders of Crude Oil, or any part thereof, and refuse transportation of such Tenders if Carrier determines, in its sole discretion, to be exercised in a manner that is not unduly discriminatory or unduly preferential, that Shipper has delivered Crude Oil that (i) is Off-Specification Crude Oil, (ii) is not merchantable, (iii) is not readily acceptable for transportation through Carrier's System, (iv) would otherwise adversely affect the System or other Crude Oil in the System, and/or (v) would expose any person, property (including the System), or the environment to an undue risk of harm or property damage, all of which shall be determined by Carrier, in Carrier's sole discretion, to be exercised in a manner that is not unduly discriminatory or unduly preferential.
- I. In the event Shipper Tenders Off-Specification Crude Oil, Carrier may accept

such Off-Specification Crude Oil pursuant to Item 3(A) of this Section II or if Carrier determines, in its sole discretion, to be exercised in a manner that is not unduly discriminatory or unduly preferential, that the Off-Specification Crude Oil, when commingled with the Common Stream, will meet the Quality Specifications. If Carrier decides not to accept the Off-Specification Crude Oil, Carrier may exclude Shipper from further entry into Carrier's System until such time as Shipper returns the quality of its Crude Oil to a level satisfactory to Carrier in accordance with this tariff.

- J. Shipper shall be liable for and shall defend, indemnify and hold Carrier harmless from and against any and all claims, actions, suits, losses, demands, costs and expenses (including attorney's fees and costs of repairing, inspecting, cleaning, and decontaminating Carrier's System or the facilities of third parties) of every kind, nature or description to the extent caused by any Off-Specification Crude Oil that Shipper has delivered into Carrier's System.
- K. In addition to any other remedies available to Carrier, Carrier may also charge Shipper and Shipper agrees to pay (i) the costs and expenses incurred to treat or otherwise dispose of any Off-Specification Crude Oil that Shipper delivers to Carrier, including without limitation any penalties or charges incurred by Carrier related to such Off-Specification Crude Oil, and (ii) a \$1.00 per Barrel additional penalty payment assessable on all of Shipper's Off-Specification Crude Oil received by Carrier for transportation service during the applicable ticket.
- L. Carrier is not responsible for monitoring receipts or deliveries of Off-Specification Crude Oil or any contaminants into Carrier's System. Further, Carrier reserves the right to dispose of any Off-Specification Crude Oil or contaminated Crude Oil blocking Carrier's System. Disposal thereof may be made in any reasonable manner, including, but not limited to, commercial sales, and any liability associated with the contamination or disposal of any Crude Oil or Off-Specification Crude Oil shall be borne by the Shipper that introduced the contaminated Crude Oil or Off-Specification Crude Oil into Carrier's System. Shipper's liability includes, but is not limited to, claims from other Shippers, carriers, or users of the contaminated Crude Oil and the costs of any regulatory or judicial proceeding.

4. VARIATIONS IN QUALITY AND GRAVITY

- A. Carrier shall not be liable to Shipper for changes in gravity or quality of Shipper's Crude Oil that may occur from commingling or intermixing Shipper's Crude Oil with other Crude Oil in the same Common Stream while in transit. Carrier is not obligated to deliver to Shipper the identical Crude Oil Tendered by Shipper; Carrier will deliver the Crude Oil it is regularly transporting as a Common Stream.
- B. Carrier shall have no responsibility in, or for, any revaluation or settlements which may be deemed appropriate by Shippers and/or Consignees because of the mixing or commingling of Crude Oil shipments between the receipt and delivery of such shipments by Carrier within the same Common Stream.

- C. Carrier shall not be required to transport Crude Oil except with reasonable diligence, considering the quality of the Crude Oil, the distance of transportation and other material elements. Carrier cannot commit to delivering Crude Oil to a particular destination, at a particular time.

5. MINIMUM TENDER

Crude Oil of the required Quality Specifications shall be Tendered for transportation in quantities of not less than 10,000 Barrels of the same specification, except that Carrier may, in its sole discretion to be exercised in a manner that is not unduly discriminatory or unduly preferential, accept any quantity of Crude Oil if such quantity can be consolidated with other Crude Oil such that Carrier can make a single delivery of not less than 10,000 Barrels. The term “single delivery” as used herein means a delivery of Crude Oil in one continuous operation to one or more Consignees into a single facility, furnished by such Consignee or Consignees, to which Carrier is connected.

6. NOMINATIONS REQUIRED

- A. A Nomination will be accepted only when the total quantity covered by such Nomination will be made available for transportation within the calendar month the Nomination is to begin.
- B. Crude Oil for shipment through Carrier’s System will be received only on a properly executed Nomination from Shipper showing the Origin Point at which the Crude Oil is to be received, the Destination Point of the shipment, the Consignee (if any), the grade of Crude Oil, and the quantity of Crude Oil to be transported.
- C. Any Shipper desiring to Nominate Crude Oil for transportation shall make such Nomination to Carrier in writing on or before the tenth (10th) Business Day of the calendar month preceding the month during which the transportation of Crude Oil under the Nomination is to begin. When the tenth (10th) Business Day of the month falls on a weekend, Nominations will be required on the preceding Business Day. When the tenth (10th) Business Day of the month falls on a holiday, Nominations will be required two (2) Business Days prior to the holiday. Unless such notification is made, Carrier will be under no obligation to accept Crude Oil for transportation. However, if operating conditions permit, Carrier, in its sole discretion to be exercised in a manner that is not unduly discriminatory or unduly preferential, may consider and accept Nominations for Crude Oil submitted after the tenth (10th) Business Day of the calendar month preceding the month during which the transportation under the Nomination is to begin.
- D. Carrier may refuse to accept Crude Oil for transportation where Shipper or Consignee is not in compliance with other provisions of this tariff or where Shipper or Consignee has failed to comply with all applicable Laws regulating shipments of Crude Oil.
- E. For Future Use
- F. All Crude Oil accepted for transportation will be transported at such time and in

such quantity as scheduled by Carrier.

- G. Each Committed Shipper is required to properly Nominate Crude Oil for transportation pursuant to this Item 6 in a quantity equal to or greater than its Monthly Volume Commitment each month during the term of its T&D.

7. NOMINATIONS IN EXCESS OF CAPACITY; PRORATIONING

- A. When System Capacity will be prorated. When Carrier receives more Nominations in a month for transportation of Crude Oil on Carrier's System than Carrier is able to transport, Carrier shall allocate the System Capacity under the provisions of this Item 7. In the event Carrier receives more nominations than Carrier is able to transport, Carrier may in its sole discretion, to be exercised in a manner that is not unduly discriminatory or unduly preferential, decide to use drag-reducing agents or other methods to create additional capacity and in such cases will accept nominations to the extent there is capacity available on the System.
- B. Division of System Capacity between Shipper classes. System Capacity will be allocated among Committed Shippers as a class and Uncommitted Shippers as a class; any remaining System Capacity will be allocated in accordance with the provisions of Item 7(E) below.
- C. Allocation to Committed Shippers.
- (1) Except as provided in Item 7(C)(2) below, Carrier shall allocate each Committed Shipper an amount of System Capacity equal to its Monthly Volume Commitment, as such Monthly Volume Commitment is defined under the terms of the Committed Shipper's T&D. If a Committed Shipper Nominates Incremental Barrels, such Incremental Barrels shall be allocated capacity under Item 7(E) below.
 - (2) In the event System Capacity is reduced for the Proration Month, for example due to Force Majeure or maintenance, the allocation of System Capacity to each Committed Shipper under this Item 7(C) shall be reduced by the same percentage as the reduction in System Capacity that is caused by the Force Majeure event or operational issue. If an event of Force Majeure or other operational issue causes a service disruption on only a portion of Carrier's System or at a particular Origin Point or Destination Point, Carrier shall continue to provide full operational service with respect to the unaffected portions of Carrier's System and to the unaffected Origin Points and Destination Points. Carrier will reduce the allocations of System Capacity to each Committed Shipper affected by such Force Majeure event by the same percentage as the reduction in capacity of the affected portion of the System or the reduction in receipt or delivery capability of the affected Origin Point or Destination Point.

D. Allocation to Uncommitted Shippers.

(1) Following the allocation of System Capacity set forth in Item 7(C) of this Section II, Carrier shall next allocate the Non-Priority Capacity on Carrier's System among all Uncommitted Shippers in the following manner:

- i. Each Uncommitted Shipper shall be allocated an amount of System Capacity in the Proration Month that is equal to:
 - a. its Nomination, if the total volume Nominated by all Uncommitted Shippers is less than or equal to the Non-Priority Capacity;
 - b. or its pro rata share, in accordance with its Nomination, of the Non-Priority Capacity, if the total volume Nominated by all Uncommitted Shippers is greater than the Non-Priority Capacity.

E. Remaining System Capacity. Any remaining System Capacity not allocated through the application of Items 7(C) or 7(D) of this Section II shall be allocated first among all Committed Shippers that nominated Incremental Barrels, with each Committed Shipper receiving the lower of its remaining unmet Nomination or its Proportionate Share of the Incremental Capacity. If there remains unallocated System Capacity following this additional allocation to Committed Shippers, then the excess capacity will be allocated among all other Shippers having unmet Nominations until the remaining System Capacity is fully allocated or all of the remaining Nominations have been fulfilled.

F. Basis for Allocation; Notification. When prorationing of System Capacity is in effect:

- (1) Carrier shall allocate System Capacity on a monthly basis; and
- (2) Carrier will use reasonable efforts to notify each Shipper of its allocation not later than the first Business Day of the Proration Month.

G. Reallocation of Unused Allocated System Capacity. If a Shipper does not use the portion of System Capacity allocated to it under this Item 7 at the times and in the amounts designated by Carrier, Carrier shall have the right to use Shipper's unused portion of System Capacity to fulfill the unmet Nominations of other Shippers.

H. Transfer of Allocated System Capacity; Third Party Shippers. Shipper's allocation of System Capacity 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, such as an executor or trustee in bankruptcy. In addition, a Committed Shipper may use a third party to deliver Barrels of Crude Oil for transportation on Carrier's System ("Third Party Shipper"), and the transportation of such volumes by a Third Party Shipper shall count towards fulfillment of the Committed Shipper's Volume Commitment under its T&D. The Third Party

Shipper will receive the same allocation priority that is applicable to the Committed Shipper on whose behalf the Third Party Shipper is transporting Crude Oil on Carrier's System. A Committed Shipper must provide Carrier with thirty (30) days' written notice prior to the applicable Nomination deadline of its intent to designate a Third Party Shipper, with such requirement applying to each Third Party Shipper designated by the Committed Shipper and including the address, contact person and telephone number for each such Third Party Shipper. A Committed Shipper will be prohibited from utilizing a Third Party Shipper until such time as the Third Party Shipper has executed a "Third Party TSA," as defined and described in the Committed Shipper's T&D. A Committed Shipper's use of a Third Party Shipper shall be governed by the provisions set forth in such Committed Shipper's T&D. The intent of this Third Party Shipper provision is to give a Committed Shipper the flexibility to use such Third Party Shipper in order to, among other things, fully utilize the Committed Shipper's contractual rights under the T&D, as well as meet its contractual obligations with Carrier. Accordingly, Uncommitted Shippers will not have the right to use a Third Party Shipper.

8. MEASUREMENT AND EVIDENCE OF RECEIPTS AND DELIVERIES

- A. Carrier or its representative may measure all Crude Oil Tendered for transportation immediately upon its receipt into Carrier's System and may measure such Crude Oil at any time thereafter. All measurements shall be performed by Carrier, but Shipper or Consignee may be present or represented at the gauging and metering, provided such witnessing does not unreasonably interfere with Carrier's operation of the System and Carrier shall provide reasonable advance notice of any such testing (other than the continuous monitoring) to Shipper. Quantities shall be measured in Barrels and determined in accordance with applicable API/ASTM standards and pipeline industry practice or such other tests as may be agreed upon by Carrier and Shipper. All measurements performed by Carrier shall be determinative unless Shipper or Consignee submits to Carrier, within ninety (90) days of the date of the measurement, appropriate documentation contesting the measurement. In the event of variance between any of Shipper's measurements and Carrier's measurements, the latter will prevail (absent error demonstrated by Shipper or fraud).
- B. All Crude Oil shall be received and delivered with documented meter tickets.
- C. A representative of Carrier shall, at reasonable times and after providing reasonable notice to Shipper, have the right to enter upon the premises where Shipper's Crude Oil is received or delivered and shall have the right to access to any and all storage receptacles or meters for the purposes of measuring and testing and to make any examination, inspection, measurement or test required.
- D. Whenever there is substantial evidence of meter malfunctions in a custody transfer measurement, the Parties involved in the custody transfer shall negotiate an appropriate adjustment on the basis of the most reliable and accurate information available. Such adjustments may only be claimed for a period of

ninety (90) days after the malfunction occurred. Should the Parties be unable to agree to the date such malfunction occurred, such adjustments will be limited to a period of ninety (90) days from the date the malfunction was confirmed through appropriate measurements or tests. Parties must present appropriate documentation to contest such measurements.

9. ORIGATION FACILITIES

Carrier will receive Crude Oil from Shippers at the Origin Points on Carrier's System. Crude Oil will be received only from pipelines, tanks or other facilities that are provided by Shipper or Consignee, or a connecting carrier. Carrier will not accept a Nomination unless such facilities have been provided and conform to the operating requirements of Carrier, in Carrier's sole discretion, to be exercised in a manner that is not unduly discriminatory or unduly preferential. The cost of such facilities, including but not limited to custody transfer and measurement facilities, shall be provided at the sole cost of Shipper seeking access to Carrier's System.

10. STORAGE OF CRUDE OIL IN TRANSIT

Carrier does not provide storage for Crude Oil, except storage incidental to transportation on Carrier's System. Any additional storage must be provided by Shipper or Shipper's designee at the sole cost of Shipper. Carrier has the right to coordinate with downstream connecting facilities to ensure that Shipper has arranged for receipt of its Crude Oil at the Nominated Destination Point. By Nominating Crude Oil for transportation on the System, Shipper agrees to permit such coordination, including release of confidential shipper information as may be necessary for this purpose.

11. DESTINATION FACILITIES

Carrier will accept Crude Oil for transportation only when Shipper or Consignee has provided the necessary facilities for taking delivery of the shipment as it arrives at the Destination Point. Carrier will not accept a Nomination unless such facilities have been provided and conform to the operating requirements of Carrier, in Carrier's sole discretion, to be exercised in a manner that is not unduly discriminatory or unduly preferential. The cost of such facilities shall be provided at the sole cost of Shipper seeking access to Carrier's System.

12. NOTICE OF ARRIVAL, DELIVERY AT DESTINATION POINT

After a shipment has had time to arrive at the Destination Point and on twenty-four (24) hours' notice to Shipper or Consignee, Carrier may begin delivery of such shipment from its Common Stream to Shipper or Consignee at Carrier's current rate of pumping. If Shipper or Consignee is unable or refuses to receive said shipment, a demurrage charge of sixty seven and forty-nine hundredths cents (67.49¢) per Barrel per 24 hours shall accrue from the time said notice expires on that part of such shipment which is not received by Shipper or Consignee ("Unremoved Crude Oil"). Carrier reserves the right, if deemed necessary to clear Carrier's System, to make whatever arrangements for disposition of the Unremoved Crude Oil that are appropriate, which includes selling the Unremoved Crude Oil to the first available purchaser at the best price reasonably obtainable. Carrier may be a purchaser at such sale. The proceeds of any sale shall be applied in the following order: (i) to the reasonable expenses of holding, preparing for sale, selling, and transporting the Unremoved Crude Oil, and to the extent allowed by applicable Law reasonable attorneys' fees and legal expenses incurred by Carrier; and (ii) to the satisfaction of Shipper's

indebtedness including interest herein provided from the date payment is due. The balance of the proceeds of the sale remaining, if any, shall be paid to Shipper or, if there is a dispute or claim as to entitlement, held for whoever may be lawfully entitled thereto. Carrier will have a claim for and against Shipper with respect to any deficiency arising from the debt due to Carrier from Shipper and the proceeds of any sale after reduction as set forth above. Shipper shall indemnify Carrier for all losses associated with Unremoved Crude Oil and Carrier's disposition of the Unremoved Crude Oil. Carrier shall have no liability to Shipper associated with Shipper's Unremoved Crude Oil or Carrier's disposition of Unremoved Crude Oil except as set forth herein.

13. LINE FILL REQUIREMENTS

- A. Shipper shall supply a pro rata share of the Crude Oil Carrier determines is necessary for efficient operation of Carrier's System, including tank bottom inventory ("Line Fill"). Carrier shall not be obligated to accept Shipper's Nominations or Tenders until Shipper has met its Line Fill obligations pursuant to this Item 13. A Committed Shipper shall maintain Line Fill equal to the greater of (i) its Proportionate Share of the total Line Fill on the System based on its Volume Commitment or (ii) its pro rata share of the total Line Fill according to the proportion of the total throughput on the System that its shipments comprise.
- B. In the event Shipper's Line Fill balance drops below its pro rata share of the volume of Crude Oil Carrier determines is necessary for efficient operation of Carrier's System, Carrier will notify Shipper of the amount of Line Fill that Shipper owes, and Shipper shall supply such amount of Line Fill to Carrier before Carrier is obligated to accept Shipper's Nominations or Tenders or make deliveries or shipments on behalf of Shipper.
- C. Line Fill furnished by a Shipper may be withdrawn from Carrier's System under two circumstances: (i) if Shipper intends to discontinue shipments on Carrier's System for the foreseeable future and/or (ii) if Shipper is "no longer shipping" on Carrier's System, as described in Item 13(C)(2) below. Line Fill furnished by a Shipper may be withdrawn from Carrier's System only pursuant to the terms of this Item 13(C). The provisions of this Item 13(C) allowing for Shipper's withdrawal of Line Fill shall not apply to a Committed Shipper during the term of its T&D.
 - (1) If Shipper intends to discontinue shipments on Carrier's System for the foreseeable future, Shipper shall provide written notification to Carrier that it intends to discontinue shipments on the System and must submit to Carrier a written request to have its Line Fill returned. If Shipper does not request to have its Line Fill returned within thirty (30) days of submitting its written notice to Carrier that it intends to discontinue shipments on the System, then title to Shipper's Line Fill will be transferred to Carrier, free and clear of any and all liens, claims or encumbrances, and Shipper agrees and consents to the transfer of title to Carrier as set forth herein.
 - (2) A Shipper that makes no shipments on the System over a continuous six (6)-month period shall be deemed to be "no longer shipping." When Carrier identifies that a Shipper is "no longer shipping," Carrier will provide written notice to Shipper that it is considered to be "no longer

shipping” on Carrier’s System. If Shipper does not submit to Carrier a written request to have its Line Fill returned within thirty (30) days of receiving such notice from Carrier, then title to Shipper’s Line Fill will be transferred to Carrier, free and clear of any and all liens, claims or encumbrances, and Shipper agrees and consents to the transfer of title to Carrier as set forth herein.

- (3) Carrier’s return of Line Fill is contingent upon Shipper’s inventory balances and all outstanding amounts due having been reconciled between Shipper and Carrier and Shipper having paid in full any amounts owed to Carrier following such reconciliation. Line Fill shall be returned to Shipper only after a reasonable period of time has occurred to allow for administrative and operational requirements associated with the withdrawal of such Line Fill.

14. TITLE

- A. Carrier may require of Shipper satisfactory evidence of its perfected and unencumbered title of any Crude Oil Tendered for shipment on the System. Carrier shall have the right to reject any Crude Oil, when Tendered for transportation, that constitutes Encumbered Crude Oil (as defined below).
- B. At the time of Nomination, Shipper shall inform Carrier if any Crude Oil Nominated and/or to be Tendered to Carrier for transportation (i) may be involved in litigation, (ii) may be subject to a title dispute, or (iii) may be encumbered by a lien or charge of any kind at the time of delivery of such Crude Oil to Carrier at an Origin Point (other than any Shipper’s Permitted Liens and the lien created hereunder in favor of Carrier) (“Encumbered Crude Oil”). In the event Carrier receives such Shipper notice of Encumbered Crude Oil or otherwise learns that Shipper has or will Nominate or Tender Encumbered Crude Oil, Carrier, in its reasonable discretion, may require Shipper to provide one or more of the following: (i) satisfactory evidence of its perfected and unencumbered title, (ii) satisfactory indemnity bond to protect Carrier against any and all loss, (iii) prepayment of transportation charges, or (iv) subordination agreement from the applicable lienholder.
- C. By Nominating Crude Oil, Shipper, or a Third Party Shipper, as applicable, warrants and guarantees that Shipper has good title (or right to ship or control) thereto and agrees to hold Carrier harmless for any and all loss, cost, liability, damage, and/or expense resulting from failure of title (or right to ship or control) thereto. Carrier’s acceptance of Crude Oil for transportation shall not be deemed a representation by Carrier as to title (or right to ship or control). Shipper or Third Party Shipper, as applicable, shall not cause or permit any lien, security interest, or other form of burden to be filed or created with respect to Crude Oil in Carrier’s possession, except for the lien created hereunder in favor of Carrier.

15. RATES APPLICABLE & DEFICIENCY PAYMENTS

- A. Rates. Crude Oil accepted for transportation shall be subject to the rates in effect on the date of receipt by Carrier that are applicable to Shipper’s shipments,

irrespective of the date of the Nomination. The applicable rates are set forth in Section III herein. Transportation and all other lawful charges shall be collected on the basis of the quantities of Crude Oil delivered to Destination Points, and said quantities will be determined in the manner provided in Item 8 of this Section II.

- B. Deficiency Payment. Deficiency payments for each Committed Shipper shall be calculated based on the difference between the Committed Shipper's Nominated Monthly Committed Volume and the Committed Shipper's Monthly Throughput for such month, multiplied by the then-effective Committed Rate applicable to the Nominated volumes for such month. Subject to the foregoing, The terms of a Committed Shipper's T&D shall govern the rights of a Committed Shipper and Carrier with respect to the payment or nonpayment of deficiency payments, which may be due Carrier if a Committed Shipper fails to ship its Annual Volume Commitment in a particular Contract Year. In the event Carrier refuses to accept Barrels of Crude Oil Tendered by a Committed Shipper for transportation under this tariff or a T&D because such Shipper has been (i) in violation of this tariff, or (ii) in material breach of a T&D at the time the Barrels are Tendered to Carrier, then no reduction shall be made to the applicable deficiency payment set forth in such Shipper's T&D if, as a result of such refusal, such Committed Shipper fails to ship its Annual Volume Commitment for such Contract Year.

16. PAYMENT OF CHARGES

- A. Shipper or Consignee shall pay, as provided below, all applicable transportation and other charges accruing on Crude Oil handled by Carrier.
- B. Carrier will invoice Shipper for transportation rates, fees, and charges, and any other amounts accruing on Crude Oil transported by Carrier in accordance with Carrier's then current invoicing and payment policies and procedures. Carrier shall calculate and assess any payments a Committed Shipper owes to Carrier under a T&D, including but not limited to deficiency payments, in accordance with the provisions of the T&D. On or before the 15th day of the month but not later than three (3) Business Days before the payment due date as provided in Item 16(C) below, Carrier shall issue an invoice to Shipper setting forth such amounts owed.
- C. Shipper will make payment within ten (10) days of the date of the invoice but in no event later than the 20th day of the month. If the 20th day falls on a Saturday, Sunday, or a day observed as a Texas bank holiday, Shipper will make payment on the next succeeding Business Day.
- D. If any charge remains unpaid after the due date, then such amount due shall accrue interest at the rate of 1.5% per month, or if such interest rate exceeds the maximum rate allowed by Law, then the maximum rate allowed by Law will be used. Payments received by Carrier from Shipper shall be attributed to the earliest unpaid invoice issued to Shipper. In addition to any interest paid, Shipper shall pay all documented costs incurred by Carrier to collect any unpaid amounts, including reasonable attorney's fees and costs incurred by Carrier.

- E. In the event Shipper fails to pay any such charges when due, Carrier shall not be obligated to provide Shipper access to the System or provide services pursuant to this tariff until such time as payment is received by Carrier and Shipper meets the requirements of the following paragraph. In addition, in the event Shipper fails to pay any such charges when due, Carrier shall have the right to set off such amounts owed and future amounts owed against any amounts Carrier owes Shipper.
- F. Carrier shall have a self-executing lien on all Crude Oil delivered to Carrier to secure the payment of any and all charges that are owed to Carrier. Such lien shall survive delivery of Crude Oil to Shipper. Such lien shall extend to all Crude Oil in Carrier's possession beginning with Shipper's first receipt of transportation or other services from Carrier. The lien provided herein shall be in addition to any lien or security interest provided by this tariff, statute, or Law. Carrier may withhold delivery to Shipper of any of Shipper's Crude Oil in its possession and exercise any other rights and remedies granted under the applicable tariffs or existing under applicable Law until all such charges have been paid as provided above.
- G. If Shipper fails to pay an invoice by the due date, Carrier will notify Shipper of the failure, and if Shipper has not remedied the failure within thirty (30) days following receipt of notice from Carrier, in addition to any other remedies under this tariff or under applicable Law, Carrier shall have the right, either directly or through an agent, to sell any Crude Oil of such Shipper in Carrier's custody at public auction, on any day not a legal holiday, not less than forty-eight (48) hours after publication of notice of such sale in a daily newspaper of general circulation published in the town, city, or general area where the sale is to be held, stating the time and place of sale and the quantity and location of the Crude Oil to be sold. At said sale, Carrier shall have the right to bid, and, if it is the highest bidder, to become the purchaser. The proceeds of any sale shall be applied in the following order: (1) To the reasonable expenses of holding, preparing for sale, and selling; transportation; and to the extent allowed by Law, reasonable attorney's fees and legal expenses incurred by Carrier; and (2) To the satisfaction of Shipper's indebtedness including interest herein provided from the date payment is due. The balance of the proceeds of the sale remaining, if any, shall be paid to Shipper or, if there is a dispute or claim as to entitlement, held for whoever may be lawfully entitled thereto. Carrier will have a claim for and against Shipper with respect to any deficiency arising from the debt due to Carrier from Shipper and the proceeds of any sale after reduction as set forth above.

17. FINANCIAL ASSURANCES

- A. All prospective shippers shall, twenty-five (25) days prior to making their first Nomination, provide information to Carrier that will allow Carrier to determine the prospective shipper's capacity to perform any financial obligations that could arise from the transportation of that prospective shipper's Crude Oil under the terms of this tariff. At any time, upon the request of Carrier, Shipper shall, within three (3) days of such request, provide information to Carrier that will allow Carrier to determine Shipper's capacity to perform any financial obligations that could arise from the transportation of that Shipper's Crude Oil under the terms of

this tariff. Carrier shall not be obligated to accept Crude Oil for transportation from any Shipper or prospective shipper if such Shipper or prospective shipper fails to provide the requested information to Carrier within the time periods set forth herein, or if Carrier's review of the requested information reveals that such Shipper or prospective shipper does not have the capacity to perform any financial obligations that could arise from the transportation of its Crude Oil under the terms of this tariff.

- B. Subject to the provisions of Item 17(C) below, Carrier upon notice to Shipper or prospective shipper, may require one or more of the following financial assurances for the payment of all charges and costs as provided for in this tariff, or otherwise lawfully due to Carrier to be provided at the expense of such Shipper or prospective shipper:
- (1) payment security by wire transfer in an amount equal to three (3) months of transportation charges based on Shipper's or prospective shipper's Nomination; or
 - (2) a letter of credit in favor of Carrier in an amount equal to three (3) months of transportation charges in a form and from an institution acceptable to Carrier in Carrier's sole discretion, to be exercised in a manner that is not unduly discriminatory or unduly preferential;
- C. In the event that Carrier reasonably determines that: (i) any Shipper's financial condition is or has become impaired or unsatisfactory; (ii) any financial assurances previously provided by Shipper no longer provide adequate security for the performance of such Shipper's obligations that could arise from the transportation of its Crude Oil under the terms of this tariff; or (iii) Carrier otherwise determines that it is necessary to obtain financial assurances from any Shipper or prospective shipper, then such Shipper or prospective shipper shall provide financial assurances for the payment of the charges and costs as provided for in this tariff or otherwise lawfully due to Carrier relating to the transportation of such Shipper's or prospective shipper's Crude Oil by Carrier.
- D. Any financial assurances received by Carrier in accordance with Item 17(B)(1) of this Section II shall be retained by Carrier until such time as Carrier determines that the Shipper or prospective shipper that provided such financial assurance is capable of performing its financial obligations to Carrier. Within ten (10) business days of such a determination by Carrier, the financial assurance provided in accordance with Item 17(B)(1) shall be returned to such Shipper or prospective shipper.

18. CHARGE FOR FUND COMPENSATION

In addition to all other charges to Shipper accruing on Crude Oil accepted for transportation, a per Barrel charge will be assessed and collected by Carrier in the amount of any tax, fee, or other charge levied against Carrier in connection with such Crude Oil by any Federal, State or local act, regulation or agency for the purpose of creating a fund for the prevention, containment, clean up, and/or removal of spills and/or the reimbursement of persons sustaining a loss therefrom or any program where Carrier is acting as a collecting agent. Such charge will

be included in the appropriate tariff filed with the Federal Energy Regulatory Commission.

19. LOSS ALLOWANCE AND DEDUCTIONS

Any overage or shortage in Crude Oil delivered at the Destination Point(s) not covered pursuant to Item 21 of this Section II, including losses resulting from shrinkage, evaporation, and other physical Crude Oil loss in any month, will be allocated on a monthly accrual basis among Shippers in the proportion that each Shipper's Monthly Throughput bears to the total number of Barrels delivered from the entire System for all Shippers during the applicable month.

20. SHIPPER LIABILITY

Shipper shall be solely responsible for any loss or damage to Crude Oil that occurs prior to the delivery of Shipper's Crude Oil to Carrier at an Origin Point and after delivery of such Crude Oil to Shipper at a Destination Point. As a condition to Carrier's acceptance of Crude Oil for transportation on Carrier's System, each Shipper agrees to protect and indemnify Carrier against claims or actions for injury and/or death of any and all Persons whomever and for damage to property of or any other loss sustained by Carrier, Shipper, Consignee and/or any third party, resulting from or arising out of (a) any breach of or failure to adhere to any provision of Carrier's tariff(s) by such Shipper or any of its Consignees, or any of their agents, employees or representatives and (b) the negligent act(s) or failure(s) to act of such Shipper or any of its Consignees, or any of their agents, employees or representatives in connection with delivery or receipt of Crude Oil.

21. CARRIER LIABILITY

- A. Carrier, while in possession of Crude Oil herein described, shall not be liable for, and Shipper hereby waives any claims against Carrier for, any loss, damage, or delay caused by an act of God, the public enemy, the public authority, the inherent vice or nature of the goods, an event of Force Majeure, an act of Shipper itself, or resulting from any other cause, unless such loss, damage, or delay is due to the gross negligence or willful misconduct of Carrier. Carrier shall not be liable for, and Shipper hereby waives any claims against Carrier for, any loss or damage to Crude Oil prior to the delivery of Crude Oil to Carrier at the Origin Points and after delivery of Crude Oil to Shipper at the Destination Points.
- B. In case of loss or damage of any Crude Oil from any such causes that are not due to the gross negligence or willful misconduct of Carrier, after it has been received for transportation at the Origin Point and before the same has been delivered to Shipper at the Destination Points, such loss will be charged proportionately to each Shipper in the ratio that its Crude Oil, or portion thereof, received and undelivered at the time the loss occurs, bears to the total of all Crude Oil then in the custody of Carrier for transportation via the lines or other facilities in which the loss occurs. Carrier will be obligated to deliver only that portion of such Crude Oil remaining after deducting Shipper's proportion of such loss determined as aforesaid. In the aforementioned instance, transportation charges will be assessed only on the quantity delivered.
- C. Carrier will not be liable for discoloration, contamination, or deterioration of the

Crude Oil transported hereunder unless and to the extent such discoloration, contamination, or deterioration of Crude Oil transported results from the gross negligence of Carrier.

- D. Carrier operates under this tariff solely as a common carrier and not as an owner, manufacturer, or seller of the Crude Oil transported or stored hereunder, and Carrier expressly disclaims any liability for any expressed or implied warranty for Crude Oil transported or stored hereunder including any warranties of merchantability or fitness for intended use.

22. CLAIMS, SUITS, AND TIME FOR FILING

As a condition precedent to recovery by Shipper for loss, damage, or delay in receipt or delivery of Shipper's Crude Oil for which Carrier may be responsible, Shipper's claim must be filed in writing with Carrier within nine (9) months after delivery of the affected Crude Oil, or, in case of Carrier's failure to make delivery of Shipper's Crude Oil, then within nine (9) months after a reasonable time for delivery has elapsed; and suits shall be instituted against Carrier only within two (2) years and one (1) day from the day when notice in writing is given by Carrier to Shipper that Carrier has disallowed the claim or any part or parts thereof specified in the notice. Where claims are not filed or suits are not instituted by Shipper on such claims in accordance with the foregoing provisions, such claims will not be paid and Carrier will not be liable.

23. CONNECTIONS

At this time, Carrier is not offering connections at points other than the Origin Points and Destination Points specified in Section III of this tariff. If Carrier elects in the future to offer connections at any other points, all such connections will be subject to design requirements necessary to protect the safety, security, integrity and efficient operation of Carrier's System in accordance with generally accepted industry standards. Carrier is only required to consider connections to Carrier's System that are made by formal written application. Acceptance of any request for connection will be within the sole discretion of Carrier and will be subject to compliance with governmental regulations and applicable Laws.

24. COMPLIANCE COSTS

If Carrier becomes obligated as a result of a Change in Law to bear Compliance Costs, Carrier may seek recovery of the Compliance Costs through rates or implementation of a surcharge. Carrier shall deliver written notice to Shippers of the Change in Law promptly upon Carrier's determination that it will seek to recover such Compliance Costs from its Shippers. Any Carrier tariff filing to incorporate the changes contemplated in this Item 24 shall become effective no earlier than thirty (30) days following the filing of such tariff.

**SECTION III
TABLE OF RATES**

List of Points from and to which rates apply and rates on Crude Oil in cents per Barrel of 42 U.S. gallons.

Origin Point	Destination Point	Uncommitted Shipper Rate
Jaimasai Connection, Upton County, Texas	Medallion Pipeline Midkiff Lateral Interconnect, Upton County, Texas	[N] <u>4.50</u>

EXPLANATION OF REFERENCE MARKS

- [C] Cancel
- [D] Decrease
- [I] Increase
- [N] New
- [U] Unchanged
- [W] Change in wording only