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Gas Services Department  
Railroad Commission of Texas

## ENERCOAST MIDSTREAM LLC ♦

### RULES AND REGULATIONS

### FOR THE INTRASTATE TRANSPORTATION OF CRUDE PETROLEUM

#### GENERAL APPLICATION

The rules and regulations published herein apply only under tariffs making specific reference by Texas R.R.C number in this tariff; such reference will include supplements hereto and successive issues hereof. Specific rules and regulations published in individual tariffs will take precedence over rules and regulations published herein.

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

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**EFFECTIVE: October 1, 2021**

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## **RULES AND REGULATIONS**

Every person owning, operating, or managing any pipeline, or any part of any pipeline, for the gathering, receiving, loading, transporting, storing, or delivering of Crude Petroleum as a common carrier shall be subject to and governed by the following provisions. Common carriers specified in this section shall be referred to as “pipelines” and the owners or Shippers of Crude Petroleum by pipelines shall be referred to as “Shippers.”

### **SECTION 1**

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

#### **Rule 1. All Marketable Oil to be Received for Transportation.**

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

#### **Rule 2. Basic Sediment, How Determined—Temperature.**

In determining the amount of sediment, water or other impurities, a pipeline is authorized to make a test of the oil offered for transportation from an average sample from each such tank, by the use of centrifugal machine, or by the use of any other appliance agreed upon by the pipeline and the Shipper. The same method of ascertaining the amount of the sediment, water or other impurities shall be used in the delivery as in the receipt of oil. A pipeline shall not be required to receive for transportation, nor shall Consignee be required to accept as a delivery, any oil of a higher temperature than 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. (Amended by Rule 24)

#### **Rule 3. “Barrel” Defined.**

For the purpose of these rules, a “barrel” of Crude Petroleum is declared to be 42 gallons of 231 cubic inches per gallon at 60 degrees Fahrenheit.

#### **Rule 4. Oil Involved in Litigation, Etc.-- Indemnity Against Loss.**

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

#### **Rule 5. Storage.**

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. (Amended by Rule 20)

**Rule 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.

**Rule 7. Minimum Quantity to be Received.**

A pipeline shall not be required to receive less than one tank car-load of oil when oil is offered for loading into tank cars at destination of the pipeline. When oil is offered for transportation for other than tank car delivery, a pipeline shall not be required to receive less than 500 barrels. (Amended by Rule 25)

**Rule 8. Gathering Charges.**

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

**Rule 9. Measuring, Testing, and Deductions (Reference Special Order Number 20-63,098 Effective June 18, 1973) (Superseded by Rule 26)**

- 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 tank.
- B. As an alternative to the method of measurement provided in subparagraph (A) of this paragraph, crude oil and, if included in the then-effective Local Tariff, 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 if included in the then-effective Local Tariff, 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.

**Rule 10. Delivery and Demurrage.**

Each pipeline shall transport oil with reasonable diligence, considering the quality of the oil, the distance of transportation, and other material elements, but at any time after receipt of a consignment of oil, upon twenty-four (24) hours notice to the Consignee, may offer oil for delivery from its common stock at the point of destination, conformable to paragraph (6) of this Section, at a rate not exceeding 10,000 barrels per day of 24 hours. Computation of time of storage (as provided for in paragraph (5) of this Section) shall begin at the expiration of such notice. At the expiration of the time allowed in paragraph (5) of this Section for storage at destination, a pipeline may assess a demurrage charge on oil offered for Delivery and remaining undelivered, at a rate for the first 10 days of \$.001 per Barrel; and thereafter at a rate of \$.0075 per Barrel, for each day of 24 hours or fractional part thereof. (Superseded by Rule 21)

**Rule 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. (Amended by Rule 29)

**Rule 12. Notice of Claim.**

Notice of claims for loss, damage, or delay in connection with the shipment of oil must be made in writing to the pipeline within 91 days after the damage, loss or delay occurred. If the claim is for failure to make delivery, the claim must be made within 91 days after a reasonable time for delivery has elapsed. (Amended by Rule 32)

**Rule 13. Telephone-Telegraph Line--Shipper to Use.**

If a pipeline maintains a private telegraph or telephone line, a Shipper may use it without extra charge, for messages incident to shipments. However, a pipeline shall not be held liable for failure to deliver any messages away from its office or for delay in transmission or for interruption of service. (Clarified by Rule 22)

**Rule 14. Contracts of Transportation.**

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

**Rule 15. Shipper's Tanks, Etc—Inspection.**

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

**Rule 16. Offers in Excess of Facilities.**

If oil is offered to any pipeline for transportation in excess of the amount that can be immediately transported, the transportation furnished by the pipeline shall be apportioned among all Shippers in proportion to the amounts offered by each; but no offer for transportation shall be considered beyond the amount which the person requesting the shipment then has ready for shipment by the pipeline. The pipeline shall be considered as a Shipper of oil produced or purchased by itself and held for shipment through its line, and its oil shall be entitled to participate in such apportionment. (Amended by Rule 28)

**Rule 17. Interchange of Tonnage.**

Pipelines shall provide the necessary connections and facilities for the exchange of tonnage at every locality reached by two or more pipelines, when the Commission finds that a necessity exists for connection, and under such regulations as said Commission may determine in each case. (Amended by Rule 23)

**Rule 18. Receipt and Delivery—Necessary Facilities For.**

Each Pipeline shall install and maintain facilities for the receipt and delivery of marketable Crude Petroleum of Shippers at any point on its line if the Commission finds that a necessity exists therefor, and under regulations by the Commission. (Amended by Rule 23)

**Rule 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 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 rule shall not apply if the loss occurs because of negligence of the pipeline. (Supplemented by Rule 27 and Rule 35)
- 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 2**

### **Explanation of Terms and Abbreviations:**

“API” as herein used means American Petroleum Institute.

“ASTM” as herein used means American Society for Testing Materials.

“Affiliate” as herein used means any entity that is under direct or indirect common control, or directly or indirectly (i) controls a Shipper; (ii) is controlled by another Shipper; (iii) is controlled by the same entity that controls a Shipper; or (iv) is controlled by and through one or more intermediaries that controls another Shipper. For the purposes of this definition the term “controls” and “controlled by” shall mean the use of shared mailing or business addresses; the use of shared business telephone numbers; the use of common bank account(s) with regards to the payment of transportation charges; substantially the same management or general partner; one Shipper directing or conducting business on behalf of another Shipper as it relates to tendering and accepting quantities of Crude Petroleum; the power to direct or cause the direction of the management or any other means, either directly or indirectly, that results in control in fact, but notwithstanding the foregoing includes with respect to the control of or by a corporation the ownership of shares or equity interests carrying not less than 10% of the voting rights regardless of whether such ownership occurs directly or indirectly.

“Authorizations” as herein used means all rights-of-way (whether from private parties or any governmental authority), easements, licenses, permits, property rights of ingress and egress, certificates, servitudes, judgments, orders, rulings, patents or patent licenses, operating agreements, and other authorizations as may be required for the purpose of providing, leasing, developing, modifying, constructing, operating and maintaining the Pipeline.

“Barrel (Bbl)” as herein used shall have the meaning set forth in Rule 3 (“BARREL” DEFINED).

“Business Day” as herein used means any day that is not a Saturday, a Sunday or a day on which banks are required to be closed in the State of Texas.

“Carrier Holiday” as herein used means a day on which Carrier’s office is closed for business.

“Committed Shipper” as herein used means any shipper that has entered into a TSA on or before December 31, 2021.

“Consignee” as herein used means a party, including a connecting pipeline system, to whom Shipper has ordered Delivery of Crude Petroleum.

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

“Condensate” as herein used means liquid products of oil wells and gas wells resulting from condensation of petroleum hydrocarbons existing initially in gaseous phase in an underground reservoir that are recovered at the surface without resorting to processing.

“Crude Petroleum” as herein used means direct liquid products of oil wells, Condensate or a mixture thereof.

“ ° ” as herein used means degrees Fahrenheit.

“Delivery” as herein used means transfer from Pipeline Operator at destination to Shipper or Consignee.

“Force Majeure” as herein used means acts of God or any omission or circumstance occasioned by or in consequence of any such acts; strikes, lockouts, and other industrial disturbances; inability to obtain and delay in obtaining appropriate Authorizations, materials, supplies, or labor; acts of a public enemy, terrorism, wars, blockades, insurrections, and riots; epidemics, landslides, lightning, earthquakes, fires, storms, floods, and washouts; arrests and restraints of governments and people; civil disturbances; explosions, breakage of, and accidents to machinery, equipment, and lines of pipe; freezing of lines of pipe; valid rules, regulations, and orders of governments or governmental agencies; and other causes, whether of the same kind herein enumerated or otherwise, beyond the reasonable control of the Party claiming such event of Force Majeure and that by the exercise of reasonable diligence such Party is unable to prevent or overcome.

“Gross Standard Volume” as herein used means volume corrected to a temperature of sixty degrees (60°) Fahrenheit, in accordance with the latest API/ASTM measurement standards, and at equilibrium vapor pressure.

“Month” as herein used means a calendar month, commencing at 12:01 a.m. Central Time on the first day of each month and ending at 12:00 a.m. Central Time on the first day of the following month.

“New Shipper” shall mean any Shipper who is not a Regular Shipper or a Committed Shipper.

“Nomination” as herein used means written designation by a Shipper to the Pipeline Operator of an approximate quantity of Crude Petroleum for transportation from a specified origin point(s) to a specified destination point(s) over a period of one calendar Month in accordance with these rules and regulations.

“Pipeline” as used herein means the pipeline that extends from and to the points set forth in this tariff.

“Pipeline Operator” or “Carrier” as herein used means Enercoast Midstream LLC.

“Receipt” as herein used means transfer from Shipper at an origin point to Pipeline Operator for transportation.

“Shipper” as herein used means a Party who contracts with Pipeline Operator for the transportation of Crude Petroleum under the terms of this tariff.

“Single Delivery” as used herein 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 the Pipeline is connected.

“TRRC” as used herein means the Texas Railroad Commission.

“TSA” as herein used means a transportation services agreement entered into by Carrier and a Committed Shipper providing for a Volume Commitment.

“Volume Commitment” as herein used means, with respect to a Committed Shipper, the daily volume commitment of Crude Petroleum set forth in such Committed Shipper’s TSA.

**Rule 20. Storage- Rule 5 contained herein shall be amended as follows:**

Unless otherwise specifically stated in a tariff making reference to these rules and regulations, Pipeline Operator does not have facilities for rendering, nor does it offer, a storage service.



**Rule 21. Notice of Arrival, Delivery at Destination, Demurrage- Rule 10 contained herein shall be superseded as follows:**

- A. Pipeline Operator shall transport Crude Petroleum with reasonable diligence, considering the quality of the Crude Petroleum, the distance of transportation, and other material elements. Pipeline Operator shall not be required to deliver Crude Petroleum to a particular destination, at a particular time. At any time after Receipt of a consignment of Crude Petroleum, upon eight (8) hours' notice to the Consignee, Pipeline Operator may offer Crude Petroleum for Delivery at the point of destination. Shipper or Consignee shall accept and receive said Crude Petroleum with all possible dispatch into tanks or receptacles arranged for or provided by the Shipper or Consignee.
- B. If Shipper or Consignee does not timely receive said Crude Petroleum, then commencing eight hours after the first seven o'clock a.m., after expiration of the Delivery notice described above, Carrier may 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 on oil offered for Delivery and remaining undelivered will be at a rate of \$.001 per Barrel for the first 10 days; and thereafter at a rate of \$.0075 per Barrel, for each day of 24 hours or fractional part thereof. After expiration of said eight-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 destination then, upon expiration of the notices set forth above, Pipeline Operator reserves the right to make whatever arrangements for disposition of the Crude Petroleum it deems appropriate in order to clear its pipeline. Any additional expenses incurred by Pipeline Operator in making such arrangements shall be borne by the Shipper or Consignee.

**Rule 22. Telecommunications-Rule 13 contained herein is not applicable to the pipelines or facilities operated under this tariff.**

**Rule 23. Interconnections for Receipts and Deliveries- Rules 17 and 18 contained herein shall be amended as follows:**

Pipeline Operator will accept Crude Petroleum for transportation only when the Shipper or Consignee has provided the necessary facilities for delivering Crude Petroleum into the Pipeline at the point of origin 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 destination.

Pipeline Operator shall not be obligated to provide connections or facilities for the exchange of Crude Petroleum unless the Shipper or producer requesting such connection can demonstrate compliance with Pipeline Operator's connection and Delivery specifications.

Pipeline Operator will determine and advise Shippers of the size and capacity of pipelines, tanks and/or metering facilities to be provided by Shipper at the point of Receipt to meet the operating conditions of Pipeline Operator's facilities at such point. Pipeline Operator will not accept Crude Petroleum for transportation unless such facilities have been provided to meet industry standards.

The Pipeline Operator may refuse to accept Crude Petroleum for transportation unless satisfactory written evidence is furnished that the Shipper or Consignee has provided the necessary facilities for the prompt receiving of said Crude Petroleum at its destination.

Connections to the Pipeline will only be considered if made by formal written notification to Pipeline Operator. All connections will be subject to design requirements necessary to protect the safety, security,

integrity and efficient operation of the Pipeline in accordance with generally accepted industry standards. Acceptance of any request for connection will be subject to compliance with governmental regulations.

**Rule 24. Specifications and Restrictions. Rule 2 contained herein shall be amended as follows:**

- A. Changes in Crude Petroleum quality specifications will be made by new tariff filings. Crude Petroleum quality specifications and general characteristics include, but are not limited to, whole crude properties such as A.P.I. gravity, sulfur, S. & W., Reid Vapor Pressure, pour point, viscosity, hydrogen sulfide, metals, nitrogen, chlorinated and/or oxygenated hydrocarbons, salt content, and product yields.
- B. Pipeline Operator may, from time to time, undertake to transport other or additional grades of Crude Petroleum if, in the opinion of Pipeline Operator, sufficient quantities are nominated and facilities are available to justify transportation of such other or additional grades. Further, Pipeline Operator may, after giving reasonable notice to Shippers who may be affected, cease transporting particular grades of Crude Petroleum.
- C. Shipper shall not deliver to Carrier and Carrier shall not be obligated to accept Crude Petroleum for transportation except merchantable Crude Petroleum which is properly settled and contains not more than one percent (1%) of basic sediment, water, and other impurities, and has a temperature not in excess of one hundred twenty degrees (120°), and its gravity, viscosity, pour point, and other characteristics are such that it will be readily susceptible to transportation through Pipeline Operator's existing facilities, and will not materially affect the quality of other shipments or cause disadvantage to other Shippers and/or Pipeline Operator. In addition, Pipeline Operator reserves the right to reject (any and all of, but not limited to,) the following shipments: (1) Crude Petroleum having a Reid Vapor Pressure in excess of ten (10) pounds per square inch absolute and/or an API gravity in excess of 120.9°; and (2) Crude Petroleum where the Shipper or Consignee has failed to comply with applicable laws, rules, and regulations made by government authorities regulating shipment of Crude Petroleum.
- D. Carrier may monitor, but is not responsible for monitoring, receipts or deliveries for contaminants. If, upon investigation, Pipeline Operator determines that a Shipper has delivered to the Pipeline 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 the Pipeline until such time as quality specifications are met to the satisfaction of Pipeline Operator. Further, Pipeline Operator reserves the right to dispose of any contaminated Crude Petroleum blocking its Pipeline. Disposal thereof, if necessary, may be made in any reasonable commercial manner, and any liability associated with the contamination or disposal of any Crude Petroleum shall be borne by the Shipper introducing the contaminated Crude Petroleum into the Pipeline.

Shippers are required to furnish Crude Petroleum assays upon the request of Pipeline Operator so that quality determinations can be made. If Pipeline Operator determines that the Crude Petroleum tendered for transportation does not meet the specifications contained herein or, in the opinion of Pipeline Operator, differs materially in character from Crude Petroleum being transported by Pipeline Operator, transportation may be either refused or only offered under such terms and conditions agreed to by Pipeline Operator and Shipper and consistent with this tariff.

- E. Quality specifications of a connecting carrier may be imposed upon Shipper when such limits are more stringent than those of Carrier, in which case the limitations of the connecting carrier shall be applied.

**Rule 25. Nomination, Minimum Quantity - Rule 7 contained herein shall be amended as follows:**

- A. Unless otherwise stated on a tariff making reference to these rules and regulations, Nominations for the transportation of Crude Petroleum for which Carrier has facilities will be accepted into Carrier's System under these rules and regulations in quantities of one thousand (1,000) Barrels per day or greater. Quantities of less than one thousand (1,000) Barrels per day may be accepted by Carrier for transportation if operating conditions permit and if such Crude Petroleum is of like quality and characteristics of that currently being transported, all at Carrier's sole discretion. Carrier will not be obligated to make any Single Delivery of less than one thousand (1,000) Barrels per day, unless Carrier's operations dictate otherwise.
- B. Crude Petroleum will be transported only under a Nomination accepted by the Carrier from origins to destinations when a tariff covering the movement is lawfully in effect with the appropriate state commission covering intrastate traffic.
- C. It is the responsibility of a New Shipper to confirm the Delivery Market prior to submitting a Nomination. A New Shipper shall, upon notice from the Carrier, provide written third party verification, as required by the Carrier, in support of such New Shipper's Nomination. The Carrier shall not be obligated to accept a New Shipper's Nomination where such verification is not provided or, in the sole discretion of the Carrier, is unacceptable to the Carrier. For purposes of this Rule 25(c), New Shipper shall have the meaning set forth in Section 2, Explanation of Terms and Abbreviations, contained herein; and "Delivery Market" shall mean the connecting pipeline or facility to which a Shipper has ordered Delivery of Crude Petroleum at a specified Destination.
- D. Any Shipper desiring to tender Crude Petroleum for transportation shall make a Nomination to the Carrier before 12:00 noon Central Standard Time/Central Daylight Saving Time, whichever is applicable, on the fifteenth (15<sup>th</sup>) of the Month preceding the movement. When the fifteenth (15<sup>th</sup>) of the Month falls on a weekend, Nominations will be required prior to 12:00 noon Central Standard Time/Central Daylight Saving Time, whichever is applicable, on the preceding Business Day. When the fifteenth (15<sup>th</sup>) of the Month falls on a Carrier Holiday, Nominations will be required prior to 12:00 NOON Central Standard Time/Central Daylight Saving Time, whichever is applicable, three (3) Business Days prior to the Carrier Holiday. The Nomination must be submitted in writing and must, based on Shipper's reasonable belief at the time, accurately represent the Crude Petroleum that Shipper expects to have available to tender for shipment on the Pipeline. Unless such Nomination is timely made, and subject to Rule 34, the Carrier will be under no obligation to accept the nominated Crude Petroleum for transportation. Carrier's Monthly nomination schedule will be posted on Carrier's website on or before January 15 of each year.
- E. When Nominations submitted by Shippers to Carrier on or before the fifteenth (15<sup>th</sup>) day of the Month preceding the operating Month are less than the then-available capacity of the System or any line segment thereof, as determined by the Carrier, 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 fifteenth (15<sup>th</sup>) day of the preceding Month.

**Rule 26. Measurements and Adjustments- The following modifies and supersedes Rule 9 hereof as follows:**

- A. Crude Petroleum shipped hereunder shall be measured and tested by representatives of Pipeline Operator or by automatic equipment approved by Pipeline Operator. Quantities shall be determined by dynamic or static measurement methods in accordance with appropriate API standards, latest revision, and adjusted to base (reference or standard) conditions.

- B. Corrections will be made for temperature from observed degrees Fahrenheit to 60 degrees Fahrenheit and for pressure to 14.696 psia. Pipeline Operator will deduct the full amount of sediment, water and other impurities as the centrifugal or other test may show.
- C. Unless otherwise indicated on a tariff making reference to these rules and regulations, a deduction of five-hundredths of one percent (0.05%) will be made to cover evaporation, interface losses, and other normal losses during transportation.
- D. All receipts of Crude Petroleum having an A.P.I. gravity at 50° or above shall also be subject to a deduction to cover shrinkage and evaporation.

<u>A.P.I. Gravity</u>	<u>% Deduction</u>
50° through 59.9°	1
60° through 74.9°	2
75° through 84.9°	3
85° through 94.9°	4
95° through 104.9°	5
105° through 120.9°	6

- E. After consideration of all of the factors set forth in this Rule 26, a net balance will be determined as the quantity deliverable by Pipeline Operator, and transportation charges will be assessed on this net balance.

**Rule 27. Liability of Parties-Rule 19 contained herein shall be supplemented, as follows:**

Carrier will not be liable for any loss of Crude Petroleum, or damage thereto, or delay, because of an event of Force Majeure or the acts of default of the Shipper or Consignee, or from any other cause not due to the negligence of Carrier. In case of losses from such causes, other than the negligence of Carrier, losses shall be charged proportionately to each shipment in the ratio that such shipment, or portion thereof, received and undelivered at the time the loss or damage occurs, bears to the total of all shipments, or portions thereof, then in custody of Carrier for shipment via the lines or other facilities in which the loss or damage occurs; the Shipper or Consignee shall be entitled to receive only that portion of his shipment remaining after deducting his proportion of such loss or damage, determined as aforesaid, and shall be required to pay transportation charges only on the quantity delivered.

**Rule 28. Proration- The following modifies and supersedes Rule 16 hereof as follows:**

- 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 as set forth in this Rule 28 or in a tariff making reference to these rules and regulations. Line segments will be prorated separately if necessary. Capacity leased from Carrier to another carrier and Nominations to Carrier for transportation on any line segment pursuant to a Federal Energy Regulatory Commission tariff for interstate service, shall be fulfilled prior to nominations for transportation under a tariff making reference to these rules and regulations.
- B. When it is determined that insufficient capacity is available to accommodate all valid timely and properly submitted Nominations, Carrier will notify via electronic mail, telephone, facsimile, electronic bulletin posting or other appropriate method as selected by the Carrier, each Shipper that has tendered a Nomination ("Initial Nomination") for the allocated line segment or facility. Each allocated Shipper will have an opportunity to submit a revised Nomination for the Month, which revised Nomination must be equal to or less than the Shipper's Initial Nomination ("Revised Nomination"). A Shipper must submit a Revised Nomination to Carrier within 24 hours of Carrier notifying the Shipper

of the opportunity to submit a Revised Nomination. If a Shipper does not submit a Revised Nomination within such 24-hour time period, the Shipper's Initial Nomination shall be deemed to be its Revised Nomination.

- C. Space in each segment will be allocated among "Regular Shippers" and any "New Shippers" as follows:
1. New Shippers shall be allocated up to a total of five percent of the available line segment capacity. If the aggregate Revised Nominations of New Shippers exceed five percent of the available line capacity, each New Shipper shall be allocated a portion of such five percent of available capacity equal to the ratio that its Revised Nomination bears to the aggregate Revised Nominations of all new Shippers. To the extent nominations by New Shippers are less than five percent of the available line capacity, New Shippers' unallocated capacity will be allocated to Regular Shippers in accordance with the provisions contained herein.
  2. The remaining capacity after step 1 shall be allocated among Regular Shippers in proportion to their Base Period Shipments.
  3. Any remaining capacity after steps 1 and 2 shall be allocated among New Shippers whose Nominations were not fully satisfied in step 1. above, and each such New Shipper shall be allocated a portion of such remaining available capacity equal to the ratio that its outstanding unmet Revised Nomination bears to the aggregate outstanding unmet Revised Nominations of all such New Shippers.
- D. The "Base Period" is a period of 12 Months beginning 13 Months prior to the Month of allocation and excluding the Month preceding the Month of allocation, except that a New Shipper must ship on a particular line segment for twelve (12) consecutive calendar Months before it will become eligible to be classified as a Regular Shipper on such line segment. A "Regular Shipper" is (i) any Committed Shipper during the term of its TSA or (ii) any other Shipper having a record of movements in the line segment being prorated, during the applicable Base Period. During the term of a Committed Shipper's TSA, the Base Period Shipments of a Committed Shipper for any proration Month shall be deemed equal to the greater of the following: (1) the Monthly average of actual shipments by such Committed Shipper during the applicable Base Period; and (2) one hundred percent of such Committed Shipper's Monthly Volume Commitment. Thereafter, the Base Period Shipments for a former Committed Shipper for any proration Month shall be deemed equal to the Monthly average of actual shipments by such Committed Shipper during the applicable Base Period. Any other Regular Shipper's Base Period shipments for any proration Month shall be equal to the Monthly average of all shipments by such Shipper during the applicable Base Period. 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 Rule 28. 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 Month following discovery of such violation, the allocated capacity of a New Shipper will be reduced to the extent of the excess capacity made available and the allocated capacity of a Shipper will be reduced to the extent of excess capacity used.
- E. No Nominations shall be considered beyond the amount that the nominating party has readily accessible for shipment.

**Rule 29. Payment of Transportation and Other Charges- Supersedes the provisions of Rule 11 hereof.**

- A. Crude Petroleum accepted for transportation shall be subject to the rates in effect on the day of receipt of such Crude Petroleum by the Pipeline Operator, irrespective of the date of the Nomination. Unless otherwise stated in an individual tariff making reference to these rules and regulations, all other lawful charges will be collected on the basis of the net quantities of Crude Petroleum delivered. All net quantities will be determined in the manner provided in Rule 31 (MEASUREMENT AND ADJUSTMENTS).
- B. Unless otherwise stated in a tariff making referenced to these rules and regulations or on an invoice, payments shall be due and payable within ten (10) Business Days following the receipt of an invoice. Payments not received by Pipeline Operator in accordance with this tariff shall be subject to a late charge equivalent to one hundred and twenty-five percent (125%) of the prime rate as quoted by a major New York bank selected by Pipeline Operator, or the maximum rate allowed by law, whichever is less.
- C. Carrier shall have a lien on all Crude Petroleum accepted for transportation to cover payment of all charges, including demurrage and late charges and may refuse to make delivery of the Crude Petroleum until all charges have been paid. Such lien shall extend to all Crude Petroleum, including Shipper's linefill, in Carrier's possession beginning with Shipper's first receipt of transportation or other services from Carrier. Shipper agrees to execute such additional documents as may be reasonably necessary to perfect or evidence such lien. If a bill of lading is required under applicable law for such a lien to arise, acceptance of the Nomination will be deemed to be the bill of lading for all Crude Petroleum, including Shipper's line fill, subject to such Nomination. The lien provided herein shall be in addition to any lien or security interest provided by this tariff or applicable law. Carrier shall have a lien on Crude Petroleum when there shall be failure to take the Crude Petroleum at the point of destination as provided in Rule 24 (NOTICE OF ARRIVAL, DELIVERY AT DESTINATION, DEMURRAGE). Carrier shall have the right to sell said Crude Petroleum at public auction, for cash. The auction will be held between the hours of ten o'clock a.m. and four o'clock p.m. on any day not a weekend or legal holiday, and not less than twenty-four hours after the Shipper has been officially notified of the time and place of such sale and the quantity, general description, and location of the Crude Petroleum to be sold. Carrier may be a bidder and purchaser at such sale. Out of the proceeds of said sale, Carrier shall pay itself for all transportation, demurrage, and other lawful charges, expenses of notice, advertisement, sale and other 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.

**Rule 30. Charge for Spill Compensation.**

In addition to the transportation charges and all other charges accruing on Crude Petroleum accepted for transportation, a per Barrel charge will be assessed and collected in the amount of any tax, fee, or other charge levied against Pipeline Operator in connection with such a commodity, pursuant to any Federal, State or local act or regulation which levies a tax, fee, or other charge, on the Receipt, Delivery, transfer or transportation of such commodities within their jurisdiction for the purpose of creating a fund for the prevention, containment, cleanup and/or removal of spills and/or the reimbursement of persons sustaining loss therefrom. If such taxes, fees or other charges are levied against Pipeline Operator pursuant to this Rule 30, Pipeline Operator shall file a tariff with the TRRC.

**Rule 31. Inventory Requirements.**

Prior to Carrier delivering Barrels out of the Pipeline, each Shipper will be required to supply a pro rata share of Crude Petroleum necessary for pipeline fill to ensure efficient operation of the Pipeline. Crude Petroleum provided by Shippers for this purpose may be withdrawn only after: (1) shipments have ceased and the Shipper has notified Pipeline Operator in writing of its intention to discontinue shipments in the Pipeline, and (2) Shipper balances have been reconciled between Shipper and Pipeline Operator. Pipeline Operator may require advance payment of transportation charges on the volumes to be cleared from the Pipeline, and any unpaid accounts receivable, before final Delivery will be made. Pipeline Operator shall have a reasonable period of time from the Receipt of said notice, not to exceed six (6) Months, to complete administrative and operational requirements incidental to Shipper withdrawal.

**Rule 32. Claims for Loss or Damage – Rule 12 contained herein shall be amended as follows:**

As a condition precedent to recovery for loss, damage, or delay to shipments, claims must be filed in writing with Pipeline Operator within twelve (12) Months after Delivery of the Crude Petroleum, or, in case of failure to make Delivery, then within twelve (12) Months after a reasonable time for Delivery has elapsed. Where claims are not filed in accordance with the foregoing provisions, Pipeline Operator will not be liable and such claims will not be paid.

**Rule 33. Diversion or Reconsignment.**

Crude Petroleum in transport may be diverted to a destination on the Pipeline other than originally specified on the Nomination, provided such diversion or reconsignment is made in writing by the tendered Shipper prior to Delivery at original destination. This will be allowed subject to the rates, rules and regulations applicable from point of origin to point of final destination, upon condition that no out-of-line or backhaul movement will be made.

**Rule 34. Application of Rates from and to Intermediate Points**

For Crude Petroleum accepted for transportation from any point on Pipeline Operator's lines not named in a particular tariff, which is intermediate to a point from which rates are published in said tariff, through such unnamed point, the rate published from the next more distant point specified in such tariff will apply. For Crude Petroleum accepted for transportation to any point not named in a particular tariff which is intermediate to a point which rates are published in said tariff, through such unnamed point, the rate published therein to the next more distant point specified in the tariff will apply.

**Rule 35. Risk of Loss.**

If Crude Petroleum is lost in transit, while in the custody of Pipeline Operator, due to causes other than an event of Force Majeure or those described in Rule 19 (REPORTS OF LOSS FROM FIRES, LIGHTNING, AND LEAKAGE), Pipeline Operator may obtain and deliver to Shipper other Crude Petroleum of the same quantity and grade as that which was lost, but Pipeline Operator shall not be obligated to do so. In the alternative, Pipeline Operator may compensate Shipper for such loss in money. If Pipeline Operator 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. In no event shall Pipeline Operator be liable to Shipper for consequential, incidental or exemplary damages, nor any damages not due to Pipeline Operator's negligence. The remedies set forth above shall be a Shipper's sole remedies for loss of Crude Petroleum due to causes other than an event of Force Majeure or those causes described in Rule 19 or otherwise due to Pipeline Operator's negligence.

**Rule 36. Intentionally Left Blank.**

**Rule 37. Intentionally Left Blank.**

**Rule 38. Additives.**

Pipeline Operator reserves the right to require, approve or reject the injection of corrosion inhibitors, viscosity or pour point depressants, drag reducing agent, or other such additives to facilitate Product transportation and/or Pipeline operations.

**Rule 39. Origin Facilities Required for Automatic Custody Transfer.**

Where Consignor (or Shipper) elects to deliver Crude Petroleum to Pipeline Operator at point of origin through automatic custody transfer facilities (in lieu of tankage), the Consignor (or Shipper) shall furnish the required automatic measuring and sampling facilities and the design, construction, and calibration of such facilities are subject to approval by Pipeline Operator and any appropriate regulatory body. In the event automatic custody transfer is made by meters, the Consignor (or Shipper) shall also furnish whatever pumping service is necessary to ensure that the Crude Petroleum being delivered to the meter is at a pressure in excess of the bubble point of the liquid.

**Rule 40. Laws and Regulations.**

This tariff is subject to all present and future applicable federal, state and local laws and all applicable rules, regulations and orders of any governmental authority having jurisdiction (collectively "Law"). To the extent any rule herein, or in any tariff making reference to these rules and regulations, conflicts with any Law, the applicable rule shall be revised to comply with such Law. Pipeline Operator shall not be liable to a Shipper for the adverse consequences of a revision necessary to comply with the Law.