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# ETP CRUDE LLC

LOCAL TARIFF

CONTAINING  
RULES AND REGULATIONS  
GOVERNING THE TRANSPORTATION OF  
**CRUDE OIL**

BY PIPELINE  
GENERAL APPLICATION

Carrier will accept and transport Crude Oil offered for transportation through Carrier's facilities only as provided in this Rules and Regulations Tariff, except, to the extent that specific rules and regulations published in other tariffs conflict with the general rules and regulations in this Tariff, such specific rules and regulations shall supersede these general rules and regulations.

This Tariff shall apply only to those tariffs that specifically incorporate this Tariff by reference; such reference includes supplements to this Tariff and successive issues thereof.

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### Special Permission Requested

Issued on one day's notice under authority of 18 C.F.R § 341.14 (Special Permission). This tariff publication is conditionally accepted subject to refund pending a 30-day review period.

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

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**EFFECTIVE: June 3, 2016**

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**TABLE OF CONTENTS**

<u>Item No.</u>	<u>Subject</u>	<u>Page No.</u>
Rule 1	Explanation of Terms and Abbreviations	3
Rule 2	Basic Sediment, How Determined – Temperature	6
Rule 3	Common Stream Contamination	6
Rule 4	Specifications and Restrictions	6
Rule 5	Storage	7
Rule 6	Comingling and Liability	7
Rule 7	Notice of Arrival, Delivery at Destination, Demurrage	7
Rule 8	Gathering Charges	8
Rule 9	Interconnections for Receipts and Deliveries	8
Rule 10	Nominations and Scheduling	8
Rule 11	Measurement and Adjustment	9
Rule 12	Liability of Parties	10
Rule 13	Proration	10
Rule 14	Payment of Transportation and Other Charges	11
Rule 15	Charge for Spill Compensation	12
Rule 16	Shipper's Tanks, Etc.—Inspection	12
Rule 17	Volumetric Adjustment	12
Rule 18	Inventory Requirements	12
Rule 19	Transportation Contracts	12
Rule 20	Force Majeure	13
Rule 21	Claims for Loss or Damage	13
Rule 22	Material Transfers	13
Rule 23	Application of Rates from and to Intermediate Points	14
Rule 24	Risk of Loss	14
Rule 25	Common Stream Crude	14
Rule 26	Additives	14
Rule 27	Origin Facilities Required for Automatic Custody Transfer	14

## RULES AND REGULATIONS

### Rule 1: Explanation of Terms and Abbreviations

“API” as herein used means American Petroleum Institute.

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

“Barrel (Bbl)” as herein used means a barrel consisting of 42 U.S. gallons measured in accordance with API Manual of Petroleum Measurement Standards and converted to Gross Standard Volume at 60°F in accordance with the appropriate Table 6A of ASTM D-1250 in its latest version. The term “Gross Standard Volume” is as defined in API Standards, Manual of Petroleum Measurement Chapter 1, “Vocabulary” of such standards.

“Base Period” as herein used means the twelve consecutive full months prior to the applicable Proration Month.

“Business Day” as herein used means any day other than Saturday, Sunday and any other day when banks are closed for business in Houston, Texas.

“Central Production Facility” or “CPF” as herein used means the common point(s) to which the Producer will gather, in its full well stream state, its Crude Oil for the purpose of (i) separating the oil, gas and produced water and (ii) facilitating deliveries of Crude Oil to the Carrier hereunder at the Receipt Point.

“Carrier” as herein used means ETP Crude LLC.

“Commitment Quantity” as herein used means the production from specified interests dedicated by a Committed Shipper in Exhibit A of its Transportation Service Agreement. The sum of all Commitment Quantities for all Committed Shippers will not exceed ninety percent (90%) of Pipeline Capacity.

“Committed Shipper” as herein used means a Shipper that has executed a Transportation Service Agreement with Carrier pursuant to an open season held by Carrier with such Transportation Service Agreement having a primary term of at least ten (10) years and under which the Committed Shipper has committed to Carrier a minimum of 80,000 net mineral acres and the production from such interests for transportation on Carrier’s Pipeline in accordance with the terms of such agreement.

“Common Stream” as herein used means Crude Oil moved through the Pipeline and Pipeline facilities which is commingled or intermixed with other Crude Oil.

“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.

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

“Crude Oil” 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 Carrier to Shipper or Shipper’s Consignee at a Delivery Point.

“Delivery Point” as herein used means the destination points at which Carrier will re-deliver Shipper’s Crude Oil to Shipper or Shipper’s Consignee.

“FERC” as herein used means the Federal Energy Regulatory Commission or any successor entity having jurisdiction over the gathering and/or transportation of Crude Oil hereunder.

“Force Majeure” as herein used shall have the meaning set forth in Rule 20.

“Governmental Authority” as herein used means (i) the United States of America or any state or political subdivision thereof within the United States of America and (ii) any court or any governmental or administrative department, commission, board, bureau or agency of the United States of America or of any state or political subdivision thereof within the United States of America.

“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.

“LACT” as herein used means Lease Automatic Custody Transfer units downstream of each CPF that allow for the delivery of Crude Oil to Carrier at a Receipt Point.

“Legal Requirement” as herein used means any applicable law, statute, code, ordinance, order, rule, regulation, judgment, decree, injunction, franchise, permit, certificate, license, authorization, or other directional requirement of any Governmental Authority.

“New Shipper” as herein used means any Shipper who is not a Committed Shipper or a Regular Shipper.

“Nomination” as herein used means written designation by a Shipper to the Carrier of an approximate quantity of Crude Oil for transportation from one or more Receipt Points to one or more Delivery Points over a period of one calendar month in accordance with Rule 10.

“Nomination Date” as herein used means the twenty-fifth (25th) day of the month preceding the movement; provided that if the twenty-fifth (25th) day of such month falls on a weekend, the date shall be the preceding workday, and further provided that if the twenty-fifth (25th) day of such month falls on a holiday the date shall be two (2) workdays prior to the holiday.

“Non-Conforming Crude Oil” as herein used means Crude Oil that does not meet the quality specifications of Carrier set forth in Rule 4.

“Party” as herein used means either Shipper or Carrier, individually, and “Parties” means Shipper and Carrier, collectively.

“Person” as herein used means any natural person, corporation, company, partnership (general or limited), limited liability company, trust, joint venture, joint stock company, unincorporated organization, or other entity or association, including any that is a Governmental Authority.

“Pipeline” as herein used means the pipeline and all facilities owned and operated by Carrier for transportation of Crude Oil from the Receipt Points to the Delivery Points under another tariff of Carrier that specifically incorporates this R&R Tariff by reference.

“Pipeline Capacity” as herein used means the volume of Crude Oil throughput capacity of the Pipeline, as reasonably determined by Carrier.

“Priority Service” as herein used means the right of a Committed Shipper to pay a Priority Service Rate in order to receive service that is not subject to prorating under normal operating conditions, as provided in Rule 13.A.1.

“Priority Service Rate” as herein used shall mean a rate that is one cent (\$0.01) more per Barrel than the otherwise applicable rate in Carrier’s FERC No. 2.0.0, supplements thereto and successive issues thereof.

“Priority Service Volumes” as herein used means the volume of Crude Oil in a Proration Month that is equal to a Committed Shipper’s Nomination up to the Commitment Quantity set forth in such Committed Shipper’s Transportation Services Agreement.

“Proration Month” as herein used shall mean any month in which Nominations of all Shippers on the Pipeline exceed the Pipeline Capacity.

“R&R Tariff” or “Rules and Regulations Tariff” as herein used means this Local Tariff of Carrier on file with the FERC containing Rules and Regulations governing the transportation of Crude Oil on and through the Pipeline.

“Receipt” as herein used means transfer from Shipper at a Receipt Point to Carrier for transportation.

“Receipt Point” as herein used means each point of origin at which Carrier will receive Shipper’s Crude Oil hereunder into the Pipeline from the CPFs.

“Reference Rate” as herein used means the rate per annum equal to the lesser of (i) three (3) percentage points above the prime rate of Citibank, N.A., New York, New York (or any successor thereof) and (ii) the maximum rate permitted under applicable Legal Requirements.

“Regular Shipper” as herein used means any Shipper having a record of movements of Crude Oil in the Pipeline for the twelve (12) months prior to the Proration Month.

“Shipper” as herein used means a Party who tenders Crude Oil for transportation by Carrier under the terms of this R&R Tariff.

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

“Summer” as herein used means the months of May through September.

“Transportation Service Agreement” means a written agreement executed by Carrier and a Shipper pursuant to an open season held by Carrier.

“Uncommitted Pipeline Capacity” as herein used means the ten percent (10%) of Pipeline Capacity during a Proration Month that is reserved for Uncommitted Shippers.

“Uncommitted Shipper” as herein used means a Shipper that has not executed a Transportation Service Agreement with Carrier pursuant to an open season held by Carrier with such Transportation Service Agreement having a primary term of at least ten (10) years and under which the Committed Shipper has committed to Carrier a minimum of 80,000 net mineral acres and the production from such interests for transportation on Carrier’s Pipeline in accordance with the terms of such agreement.

**Rule 2: Basic Sediment, How Determined—Temperature**

In determining the amount of sediment, water or other impurities, Carrier is authorized to make a test of the Crude Oil offered for transportation from an average sample from each tank, by the use of centrifugal machine, or by the use of any other appliance agreed upon by the Carrier 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 Crude Oil. Carrier shall not be required to receive for transportation, nor shall Consignee be required to accept as a delivery, any Crude Oil of a higher temperature than 90 degrees Fahrenheit, except that during the Summer, Crude Oil shall be received at any atmospheric temperature, and may be delivered at like temperature. Consignee shall have the same right to test the Crude Oil upon delivery at destination that the Carrier has to test before receiving from the Shipper.

**Rule 3: Reserved****Rule 4: Specifications and Restrictions**

- A. Carrier will from time to time determine the quality, grade(s) and general characteristics of Crude Oil it will regularly transport as a Common Stream between particular Receipt Points and Delivery Points on the Pipeline. Carrier will inform all interested Persons of such Crude Oil quality, grade(s) and general characteristics upon request by them. Changes in Crude Oil quality standards will be made by new tariff filings. Crude Oil quality, grade(s) and general characteristics include, but are not limited to, whole crude properties such as A.P.I. gravity, sulfur, sediment and water, Reid Vapor Pressure, pour point, viscosity, hydrogen sulfide, metals, nitrogen, chlorinated and/or oxygenated hydrocarbons, salt content, and product yields.
- B. Carrier may, from time to time, undertake to transport other or additional grades of Crude Oil if, in the opinion of Carrier, sufficient quantities are nominated and facilities are available to justify transportation of such other or additional grades. Further, Carrier may, after giving reasonable notice to Shippers who may be affected, cease transporting particular grades of Crude Oil. In addition, Carrier may from time to time refuse to accept Crude Oil for transportation if it is reasonably likely to materially adversely affect the quality of other shipments or cause disadvantage to other Shippers and/or Carrier.
- C. Any Crude Oil that does not meet the following specifications shall be considered Non-Conforming Crude Oil:
  - i. Crude Oil must be properly settled and contain not more than one percent (1%) of basic sediment and water, and
  - ii. have a temperature not in excess of ninety degrees (90°) Fahrenheit, except during the Summer, and
  - iii. its gravity, viscosity, pour point, and other characteristics must be such that it will be readily susceptible to transportation through Carrier's existing facilities, and
  - iv. must not have a Reid Vapor Pressure in excess of nine (9) pounds per square inch absolute and/or an API gravity in excess of 84.9°, and
  - v. must not be tendered by Shipper that has failed to comply with applicable laws, rules, and regulations made by Government Authorities regulating shipment of Crude Oil on the Pipeline, and
  - vi. if Crude Oil is tendered from tankage, settled bottoms in such tanks must not be above a point four inches (4") below the bottom of the pipeline connection with the tank from which it enters the Pipeline, and
  - vii. must not contain impure substances, including but not limited to chlorinated and/or oxygenated hydrocarbons, arsenic, lead and/or other metals.
- D. If a Shipper has delivered to the Pipeline Non-Conforming Crude Oil at a Receipt Point, Carrier may reject any further deliveries of Crude Oil from such Shipper at such Receipt Point until such time as

such Shipper has demonstrated to Carrier's reasonable satisfaction that future deliveries from Shipper at such Receipt Point will meet the quality specifications of this Rule 4. Further, Carrier reserves the right to dispose of any Non-Conforming Crude Oil that is adversely affecting its Pipeline. Disposal thereof, if necessary, may be made in any reasonable commercial manner, and any liability associated with such Non-Conforming Crude Oil shall be borne by the Shipper introducing the Non-Conforming Crude Oil into the Pipeline, except to the extent any such liability is caused by the negligence, gross negligence or willful misconduct of Carrier.

Shippers are required to furnish Crude Oil assays upon the request of Carrier so that quality determinations can be made. If the Crude Oil tendered for transportation is Non-Conforming Crude Oil Carrier may reject any or all of such Crude Oil.

Crude Oil accepted by Carrier for transportation and destined for Delivery to a connecting common carrier must meet all applicable requirements of such connecting common carrier.

**Rule 5: Storage**

The Carrier has working tanks required in the process of transporting Crude Oil but no other available tankage and therefore, unless otherwise specifically stated in a separate tariff making reference to this R&R Tariff, Carrier does not have facilities for rendering, nor does it offer, a storage service. Provisions for storage in transit in facilities furnished by Shipper at points on the Pipeline will be permitted to the extent authorized under Carrier's tariffs.

**Rule 6: Comingling and Liability**

- A. Carrier may deliver to Consignee either the identical Crude Oil received for transportation, subject to such consequences of mixing with other Crude Oil as are incident to the usual pipeline transportation, or it may make delivery from its Common Stream at the Delivery Point(s), provided that any delivery shall be of Crude Oil of substantially like kind and market value as that tendered by Shipper, and shall comply with the quality specifications set forth herein.
- 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 mixing or commingling of Crude Oil shipments between the Receipt and Delivery of such shipments by Carrier within the same Common Stream.

**Rule 7: Notice of Arrival, Delivery at Destination, Demurrage**

- A. Carrier shall transport Crude Oil with reasonable diligence, considering the quality of the Crude Oil, the distance of transportation, and other material elements. Carrier shall not be required to deliver Crude Oil at a particular time. At any time after Receipt of a consignment of Crude Oil, upon twenty-four (24) hours' notice to the Consignee, Carrier may offer Crude Oil for Delivery at the nominated Delivery Point. Shipper or Consignee shall accept and receive said Crude Oil with reasonable 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 Oil, then, commencing after the first seven o'clock a.m. after expiration of said twenty-four (24) hour notice, Carrier shall assess a demurrage charge on any part of said Crude Oil shipment offered for Delivery at the nominated Delivery Point and not taken by Shipper or Consignee; the demurrage charge will be 1.05 cents per Barrel per day for each day of twenty-four (24) hours or fractional part thereof. After seven o'clock a.m. deadline, Carrier's liability for loss, damage or delay with respect to Crude Oil 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 Oil as it arrives at the nominated Delivery Point, Carrier reserves the right to make whatever arrangements for

disposition of the Crude Oil it deems appropriate in order to clear its Pipeline. Any additional expenses incurred by Carrier in making such arrangements shall be borne by the Shipper.

**Rule 8: Charges**

Tariffs to be filed by Carrier shall specify all the charges for gathering, transportation, and delivery of the Crude Oil, as well as any material transfer charges for truck receipt locations.

**Rule 9: Interconnections for Receipts and Deliveries**

Carrier will accept Crude Oil for transportation only when the Shipper or Consignee has provided the necessary facilities for delivering Crude Oil into the Pipeline at the Receipt Point and have made the necessary arrangements for shipment beyond or has provided the necessary facilities for receiving said Crude Oil as it arrives at the Delivery Point.

Carrier shall not be obligated to provide connections or facilities for the exchange of Crude Oil unless the Shipper requesting such connection can demonstrate the connections or facilities meet Carrier's connection and delivery requirements.

Carrier will determine and advise each Shipper of the size and capacity requirements for Shipper's facilities (including but not limited to pipelines, tanks and/or metering facilities) to be installed by Shipper at the Receipt Point. Carrier will not accept Crude Oil for transportation unless Shipper's facilities conform to Carrier's standard connection and delivery requirements and meet industry standards.

The Carrier may refuse to accept Crude Oil for transportation unless satisfactory written evidence is furnished that the Shipper or Consignee have provided the necessary facilities for the prompt receiving of said Crude Oil at the Delivery Point.

Connections to the Pipeline will only be considered if made by formal written notification to Carrier. 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 10: Nominations and Scheduling**

All Shippers and Consignees desiring to ship or receive Crude Oil through the Pipelines of Carrier shall provide Carrier, in writing, a Nomination containing the following information, and any other such information reasonably requested by Carrier to schedule and dispatch each shipment of Crude Oil: the kind, quantity, Receipt Point, sequence of Delivery, Delivery Point and Shipper of each proposed shipment of Crude Oil. The following shall also apply to Nominations:

- A. Unless otherwise stated on a tariff making reference to this R&R Tariff, Nominations for the transportation of Crude Oil for which Carrier has facilities will be accepted into the Pipeline under this R&R Tariff in quantities of not less than five thousand (5,000) Barrels aggregate from one or more Shippers as operations permit, except that Carrier reserves the right to accept any quantity of Crude Oil from lease tanks or other facilities to which the Pipeline is connected if such quantity can be consolidated with other Crude Oil such that Carrier can make a Single Delivery of not less than five thousand (5,000) Barrels, and Carrier will not be obligated to make any Single Delivery of less than five thousand (5,000) Barrels.
- B. Unless such Nomination is made timely, Carrier will be under no obligation to accept Crude Oil for transportation. Nominations shall only include Receipt Points and Delivery Points set forth in an effective Carrier's tariff. Nominations must be received in writing before 12:00 noon Central Standard Time/Central Daylight Saving Time, whichever is applicable, on the Nomination Date. Carrier will inform Shippers of Carrier holidays at the time they become Shippers and thereafter on January 15 of each year in the event the holidays are changed.



- C. Nominations or changes in Nominations received after the Nomination Date will not be accepted from the Nomination Date to the first day of the following month. After the first of the month, changes will be accepted on a non-discriminatory basis, only in writing and only if space is available and the additional or changed Nominations do not impair, in Carrier's sole discretion, the movement of Crude Oil nominated prior to the Nomination Date.
- D. In the event the total Nominations submitted for shipment in the Pipeline exceed the Pipeline Capacity, such Pipeline Capacity shall be prorated among all shipments according to the proration procedure set forth in Rule 13, below.

**Rule 11: Measurements and Adjustments**

- A. Crude Oil shipped hereunder shall be measured and tested by representatives of Carrier or by automatic equipment approved by Carrier. 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. When, in Carrier's reasonable opinion, a lease operator or connecting carrier's tanks are unsafe or unsuitable for use in custody transfer because of improper connections, high bottom accumulations of any extraneous matter, incrustations on the inside of the tank walls, or any other conditions creating safety issues or adversely affecting Pipeline operations, Carrier may reject the use of such tank until such conditions have been corrected. Alternatively, in the case of incrustation inside any tank, Carrier may determine and apply a correction factor to ascertain the correct tank capacity.
- C. Corrections will be made for temperature from observed degrees Fahrenheit to 60 degrees Fahrenheit and for pressure to 14.696 psia. Carrier will deduct the full amount of sediment, water and other impurities as the centrifugal or other test may show.
- D. Unless otherwise indicated on a tariff making reference to this R&R Tariff, a deduction of one-tenth of one percent (0.1%) will be made to cover evaporation, interface losses, and other normal losses during transportation.
- E. All Receipts of Crude Oil having an A.P.I. gravity at 55 degrees or above shall also be subject to a deduction to cover shrinkage and incremental evaporation.

Such deduction shall be determined in accordance with the following table:

API Gravity, Degrees	Deduction for Incremental Evaporation & Shrinkage
55° through 59.9°	1%
60° through 74.9°	3%
75° through 84.9°	5%
85° and above	20%

- F. After consideration of all of the factors set forth in this Rule 11, a net balance will be determined as the quantity deliverable by Carrier, and transportation charges will be assessed on this net balance.

**Rule 12: Liability of Parties**

- A. Carrier shall have the right to reject any Crude Oil, when nominated for transportation, which may be involved in litigation, or the title of which may be in dispute, or which may be encumbered by a lien or charge of any kind, and it may require of the Shipper satisfactory evidence of its perfected and unencumbered title or satisfactory indemnity bond to protect Carrier. By nominating Crude Oil, the Shipper warrants and guarantees that the Shipper has good title thereto or the right to receive and deliver such Crude Oil and agrees to hold Carrier harmless for any and all loss, cost, liability, damage and/or expense resulting from failure of title thereto or the right to receive and deliver; provided, that acceptance for transportation shall not be deemed a representation by Carrier as to acceptance of Shipper's good title or right.
- B. As a condition to Carrier's acceptance of Crude Oil under this R&R Tariff, each Shipper agrees to defend, indemnify and hold harmless 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 1) any breach of or failure to adhere to any provision of this R&R Tariff by Shipper, Consignee, their agents, employees or representatives and 2) the negligent act(s), or failure(s) to act of Shipper, Shipper's Consignee, their agents, employees or representatives in connection with Delivery or Receipt of Crude Oil.

**Rule 13: Proration**

- A. During any month for which more Crude Oil is nominated to Carrier for transportation on the Pipeline than can be immediately transported by Carrier on the Pipeline, Carrier will allocate Pipeline Capacity among Shippers as follows for such Proration Month:
- i. Except during events of Force Majeure, each Committed Shipper shall be allocated an amount of Pipeline Capacity equal to its Priority Service Volumes for such Proration Month. In the event capacity is reduced on the Pipeline due to an event of Force Majeure, the allocation to each Committed Shipper under this paragraph shall be reduced by the same percentage as the reduction in capacity on Carrier's Pipeline that is caused by such event. The amount of Pipeline Capacity allocated to Committed Shippers in a Proration Month will not exceed ninety percent (90%) of the total Pipeline Capacity.
  - ii. At least ten percent (10%) of the Pipeline Capacity shall be made available to interstate Uncommitted Shippers in the Proration Month ("Uncommitted Pipeline Capacity"). Each interstate Uncommitted Shipper that is also a Regular Shipper shall be allocated an amount of the Uncommitted Pipeline Capacity in the Proration Month that is equal to: (1) its Nomination, if the total volume nominated by all interstate Regular Shippers is less than or equal to ninety percent (90%) of the Uncommitted Pipeline Capacity; or (2) the lesser of (i) its Nomination, or (ii) its *pro rata* share of ninety percent (90%) of the Uncommitted Pipeline Capacity, if the total volume nominated by all Regular Shippers is greater than ninety percent (90%) of the Uncommitted Pipeline Capacity. A Regular Shipper's *pro rata* share shall be equal to a fraction where the numerator of such fraction shall equal the number of Barrels shipped by such Regular Shipper on the Pipeline during the Base Period and the denominator of such fraction shall equal the total number of Barrels shipped by all interstate Regular Shippers during the Base Period.
  - iii. Each interstate Uncommitted Shipper that is also a New Shipper shall be allocated an amount of the Uncommitted Pipeline Capacity in the Proration Month that is equal to: (1) its Nomination, if the total volume nominated by all interstate New Shippers is less than or equal to ten percent (10%) of the Uncommitted Pipeline Capacity; or (2) its *pro rata* share, in accordance with its Nomination, of ten percent (10%) of the Uncommitted

Pipeline Capacity, if the total volume Nominated by all interstate New Shippers is greater than ten percent (10%) of the Uncommitted Pipeline Capacity.

- iv. To the extent that, during a Proration Month, a Committed Shipper nominates Barrels in excess of its Commitment Quantity, Barrels so nominated shall be scheduled as if they were nominated by an Uncommitted Shipper who is also a Regular Shipper.
  - v. Any Pipeline Capacity not allocated through the application of Paragraphs (i) to (iv) of this Rule 13.A shall be allocated among all Shippers having unmet Nominations until the remaining capacity is fully allocated or all of the remaining Nominations have been fulfilled.
- B. In no event shall any portion of capacity allocated to any 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 13.
- C. Carrier may require written assurances from responsible officials of Shippers regarding use of allocated capacity stating that the requirement in Rule 13.B 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.
- D. No Nominations shall be considered beyond the amount that the nominating party has readily accessible for shipment. Once Carrier has determined the capacity allocated to each Shipper for a given Proration Month under the provisions stated in this Rule 13, it shall provide notice to each Shipper of its allocated capacity for the Proration Month. If, in any Proration Month, a Shipper is unable to tender Crude Oil equal to the capacity allocated to it, and pro ration is necessary in the succeeding month, Carrier will reduce that Shipper's allocated capacity for the succeeding month by the amount of allocated capacity not utilized during the preceding month, except that this sentence will not apply to the Commitment Quantity of a Committed Shipper. If any Shipper fails to tender Crude Oil during a Proration Month equal to at least ninety percent (90%) of the capacity allocated to it for that Proration Month, such Shipper shall be nonetheless obligated to pay to Carrier, in the aggregate, the tariff charge due for shipment of a quantity equal to ninety percent (90%) of its allocated capacity, except that this sentence will not apply to the Commitment Quantity of a Committed Shipper.

#### **Rule 14: Payment of Transportation and Other Charges**

- A. Crude Oil accepted for transportation shall be subject to the rates in effect on the day of Receipt of such Crude Oil by the Carrier, irrespective of the date of the Nomination. Unless otherwise stated in an individual tariff making reference to this R&R Tariff, all other lawful charges will be collected on the basis of the net quantities of Crude Oil delivered. All net quantities will be determined in the manner provided in Rule 11 (Measurements and Adjustments).
- B. Shipper shall be responsible for payment of transportation and all other charges applicable to the shipment of Shipper's Crude Oil on the Pipeline (including penalties, interest and late fees), and may be required to prepay such charges or furnish an irrevocable letter of credit satisfactory to Carrier or furnish a guaranty of payment satisfactory to Carrier. Unless otherwise stated in a tariff making reference to this R&R Tariff, payments shall be due and payable within twenty (20) days following the receipt of an invoice. Payments not received by Carrier in accordance with these Rules shall be subject to a late charge equivalent to the Reference Rate.

- C. Carrier shall have a lien on all Crude Oil accepted for transportation to cover payment of all charges, including demurrage and late charges and may refuse to make Delivery of Crude Oil until all charges owed by Shipper have been paid. If said charges, or any part thereof, shall remain unpaid twenty (20) days after the due date, upon three days prior written notice to Shipper, Carrier may sell Shipper's Crude Oil at public auction in accordance with the procedures set forth below.
- D. Carrier shall have a lien on Crude Oil when there shall be failure to take the Crude Oil at the Delivery Point as provided in Rule 7 (Notice of Arrival, Delivery at Destination, Demurrage). Carrier shall have the right to sell said Crude Oil 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 (24) 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 Oil 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 Oil 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 15: Charge for Spill Compensation**

In addition to the transportation charges and all other charges accruing on Crude Oil accepted for transportation, a per Barrel charge will be assessed and collected in the amount of any tax, fee, or other charge levied against Carrier 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.

**Rule 16: Shipper's Tanks, Etc.—Inspection**

When a shipment of Crude Oil has been offered for transportation, the Carrier shall have the right to go upon the premises where the Crude 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 R&R Tariff.

**Rule 17: Volumetric Adjustment**

Any volumetric difference between Receipts from Shipper and Delivery to Shipper or Consignee during a current month as a result of scheduling will be adjusted in the following month without any further liability to Carrier, taking into consideration all prior deductions allowed pursuant to this R&R Tariff.

**Rule 18: Inventory Requirements**

Prior to delivering Barrels out of the Pipeline, each Shipper will be required to supply its pro rata share of Crude Oil necessary for the Pipeline and tankage fill to ensure efficient operation of the Pipeline. Crude Oil provided by Shippers for this purpose may be withdrawn only after: (1) shipments have ceased and the Shipper has notified Carrier in writing of its intention to discontinue shipments in the Pipeline, and (2) all volumetric adjustments pursuant to Rule 17 have been made. Carrier may require advance payment of transportation charges on the Barrels to be cleared from the Pipeline, and any unpaid accounts receivable, before final Delivery will be made. Carrier shall have a reasonable period of time from the receipt of said notice, not to exceed six (6) months, to complete administrative and operational requirements incidental to Shipper withdrawal.

**Rule 19: Reserved**

**Rule 20: Force Majeure**

If either Party is rendered unable, wholly or in part, by any of the events or occurrences listed below (each of which shall constitute an event of Force Majeure), individually or in the aggregate, to perform or comply with any obligation or condition of this R&R Tariff or a Transportation Service Agreement, such obligation or condition will be suspended during the continuance of the inability so caused, and such Party will be relieved of liability for damages stemming from any failure to perform the same during such period:

- i. Any act or omission by parties not controlled by the Party having the difficulty;
- ii. Acts of God or the public enemy, civil unrest or criminal activity;
- iii. The elements (including but not limited to rain, hurricanes, floods, earthquakes, tornados, and freezing of wells or lines of pipe), or threats thereof;
- iv. Fire, accidents, or breakdowns;
- v. Strikes and any other industrial, civil, or public disturbance;
- vi. Failure of upstream or downstream pipelines to install facilities or to take or transport Crude Oil;
- vii. Accidents, repairs, maintenance or alteration to lines of pipe or equipment;
- viii. Inability to obtain rights-of-way, easements or property rights for the construction or operation of any necessary facilities hereunder on a commercially reasonable basis;
- ix. Inability to obtain materials, supplies, permits or labor;
- x. Failure of downstream transporters to adhere to contractual commitments to either Party;
- xi. Any Legal Requirement or restraints of any Governmental Authority; or
- xii. Any other cause not reasonably within the control of the affected Party.

Notwithstanding anything herein to the contrary, the obligation to make payments due will not be suspended by an event of Force Majeure. The Party suffering an event of Force Majeure (i) shall give notice and reasonably full particulars to the other Party as soon as reasonably possible upon the occurrence of such event, (ii) shall diligently take all commercially reasonable steps to mitigate the effect of such Force Majeure as soon as reasonably possible and (iii) shall remedy the cause of such Force Majeure with all reasonable dispatch. Nothing herein shall obligate either Party to settle strikes or lockouts under terms that are unacceptable to the affected Party.

If capacity is reduced on the Pipeline, or any portion thereof, due to an event of Force Majeure under circumstances not addressed by Rule 13.A, the Pipeline Capacity will be allocated among Shippers in the same manner as provided in Rule 13.A.

**Rule 21: Claims for Loss or Damage**

As a condition precedent to recovery for loss, damage, or delay to shipments, claims must be filed in writing with Carrier within nine (9) months after Delivery of the Crude Oil, or, in case of failure to make Delivery, then within nine (9) months after a reasonable time for Delivery has elapsed; and suits arising out of such claims must be instituted against Carrier within two (2) years and one (1) day from the day when notice in writing is given by Carrier to the claimant 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 thereon in accordance with the foregoing provisions, Carrier will not be liable and such claims will not be paid.

**Rule 22: Material Transfers**

A material transfer charge may be charged for loading, unloading, metering and handling barrels received into or delivered out of Carrier's facilities by truck or third-party pipelines, if specified on individual tariffs making reference to this R&R Tariff. Such charge will be in addition to all other charges.

**Rule 23: Application of Rates from and to Intermediate Points**

For shipments accepted for transportation from any point not named in tariffs making reference hereto which is intermediate to a point from which rates are published in said tariffs, through such unnamed point, the rate published therein from the next more distant origin point specified in the tariff will apply from such unnamed point, and the gathering charge at the next more distant origin point shall apply when gathering service is performed. For shipments accepted for transportation to any point not named in tariffs making reference hereto which is intermediate to a point to which rates are published in said tariffs, through such unnamed point, the rate published therein to the next more distant destination point specified in the tariff will apply. Continuous use of intermediate point rate application for more than 30 days requires establishment of a rate for the transportation service.

**Rule 24: Risk of Loss**

If Crude Oil is lost in transit, while in the custody of Carrier, due to causes other than those described in Rule 20, Carrier may obtain and deliver to Shipper other Crude Oil of the same quantity and grade as that which was lost, but Carrier shall not be obligated to do so. In the alternative, Carrier may compensate Shipper for such loss in money. If Carrier compensates Shipper for such loss in money, the price per Barrel shall be determined as of the date of the loss based on the value of the lost Crude Oil. In no event shall Carrier be liable to Shipper for consequential, incidental or exemplary damages, nor any damages not due to Carrier's negligence, gross negligence or willful misconduct.

**Rule 25: Common Stream Crude – Connecting Carriers**

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

**Rule 26: Additives**

Carrier reserves the right to require, condition or prohibit the injection of corrosion inhibitors, viscosity or pour point depressants, drag reducing agent, or other such additives in Crude Oil to be transported.

**Rule 27: Origin Facilities Required for Automatic Custody Transfer**

When Shipper provides and/or constructs facilities (including but not limited to a LACT and/or pumping equipment) for the delivery of Crude Oil to Carrier, the design, construction, and calibration of such facilities must be approved by Carrier and any appropriate Governmental Authority having jurisdiction, if required by Legal Requirement.

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**Reference Marks**