

**ENTERPRISE INTERSTATE CRUDE LLC**

**LOCAL TARIFF**

**Containing**

**RATES, RULES AND REGULATIONS**

**for**

**THE LOVING COUNTY PIPELINE SYSTEM**

**Governing**

**THE TRANSPORTATION**

**of**

**CRUDE PETROLEUM**

**by**

**PIPELINE**

**WITHIN THE STATE OF TEXAS**

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**Operated by Enterprise Crude Pipeline LLC (P-5 #253136) Under T-4 Permit No. 08420.**

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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 JULY 1, 2020**

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**SECTION 1**  
**RULES AND REGULATIONS OF RAILROAD COMMISSION OF TEXAS**  
**OIL AND GAS RULE §3.71, PIPELINE TARIFFS**  
**(The provisions of this §3.71 adopted to be effective August 25, 2003, 28 TexReg 6816)**

**TITLE 16 OF THE TEXAS ADMINISTRATIVE CODE (TAC) Rule § 3.71, PARAGRAPHS (1) – (19)**

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."

(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 1.0% 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 3,000 barrels of petroleum in any one day; and, if the oil tendered for transportation differs materially in character from that usually produced in the field and being transported therefrom by the pipeline, then it shall be transported under such terms as the shipper and the owner of the pipeline may agree or the commission may require.

*\*This deviates from TAC Rule § 3.71, Paragraph (1) in that the limit for basic sediment, water, and other impurities is 1.0 % rather than 2.0% as provided in the 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.

(3) **"Barrel" defined.** For the purpose of these sections, a "barrel" of crude petroleum is declared to be 42 gallons of 231 cubic inches per gallon at 60 degrees Fahrenheit.

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

(5) **Storage.** Each pipeline shall provide, without additional charge, sufficient storage, such as is incident and necessary to the transportation of oil, including storage at destination or so near thereto as to be available for prompt delivery to destination point, for five days from the date of order of delivery at destination.

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

(7) **Minimum quantity to be received.** A pipeline shall not be required to receive less than one 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.

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

(9) **Measuring, testing, and deductions (reference Special Order Number 20-63,098 effective June 18, 1973).**

(A) Except as provided in subparagraph (B) of this paragraph, all crude oil tendered to a pipeline shall be gauged and tested by a representative of the pipeline prior to its receipt by the pipeline. The shipper may be present

or represented at the gauging or testing. Quantities shall be computed from correctly compiled tank tables showing 100% of the full capacity of the tanks.

- (B) As an alternative to the method of measurement provided in subparagraph (A) of this paragraph, crude oil and condensate may be measured and tested, before transfer of custody to the initial transporter, by:
- (i) lease automatic custody transfer (LACT) equipment, provided such equipment is installed and operated in accordance with the latest revision of American Petroleum Institute (API) Manual of Petroleum Measurement Standards, Chapter 6.1, or;
  - (ii) any device or method, approved by the commission or its delegate, which yields accurate measurements of crude oil or condensate.
- (C) Adjustments to the quantities determined by the methods described in subparagraphs (A) or (B) of this paragraph shall be made for temperature from the nearest whole number degree to the basis of 60 degrees Fahrenheit and to the nearest 5/10 API degree gravity in accordance with the volume correction Tables 5A and 6A contained in API Standard 2540, American Society for Testing Materials 01250, Institute of Petroleum 200, first edition, August 1980. A pipeline may deduct the basic sediment, water, and other impurities as shown by the centrifugal or other test agreed upon by the shipper and pipeline; and 1.0% for evaporation and loss during transportation. The net balance shall be the quantity deliverable by the pipeline. In allowing the deductions, it is not the intention of the commission to affect any tax or royalty obligations imposed by the laws of Texas on any producer or shipper of crude oil.
- (D) A transfer of custody of crude between transporters is subject to measurement as agreed upon by the transporters.

(10) **Delivery and demurrage.** Each pipeline shall transport oil with reasonable diligence, considering the quality of the oil, the distance of transportation, and other material elements, but at any time after receipt of a consignment of oil, upon 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.

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

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

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

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

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

(16) **Offers in excess of facilities.** If oil is offered to any pipeline for transportation in excess of the amount that can be immediately transported, the transportation furnished by the pipeline shall be apportioned among all shippers in

proportion to the amounts offered by each; but no offer for transportation shall be considered beyond the amount which the person requesting the shipment then has ready for shipment by the pipeline. The pipeline shall be considered as a shipper of oil produced or purchased by itself and held for shipment through its line, and its oil shall be entitled to participate in such apportionment.

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

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

(19) **Reports of loss from fires, 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 section shall not apply if the loss occurs because of negligence of the pipeline.
- (C) Common carrier pipelines shall mail (return receipt requested) or hand deliver to landowners (persons who have legal title to the property in question) and residents (persons whose mailing address is the property in question) of land upon which a spill or leak has occurred, all spill or leak reports required by the commission for that particular spill or leak within 30 days of filing the required reports with the commission. Registration with the commission by landowners and residents for the purpose of receiving spill or leak reports shall be required every five years, with renewal registration starting January 1, 1999. If a landowner or resident is not registered with the commission, the common carrier is not required to furnish such reports to the resident or landowner.

## SECTION 2 RULES AND REGULATIONS

Unless otherwise addressed in a TSA, the provisions of this Section 2 apply to all transportation on Carrier's Loving County Pipeline System.

### ITEM 1 – ABBREVIATIONS AND DEFINITIONS

“Affiliate” means any person or entity that, directly or indirectly: (i) controls Shipper; (ii) is controlled by Shipper; or (iii) is under common control with Shipper. As used in this definition the terms “control,” “controls,” and “controlled by” mean the power to direct or cause the direction of the management and policies of another person or entity whether through the ownership of shares, a contract, trust arrangement, or any other means, either directly or indirectly, which results in control in fact, but notwithstanding the foregoing includes the ownership of shares or equity interests carrying not less than 50% of the voting rights regardless of whether such ownership occurs directly or indirectly, as contemplated above. Affiliates are also persons or entities with common mailing or business addresses, business telephone numbers, or bank accounts.

“API” means American Petroleum Institute.

“ASTM” means American Society for Testing and Material.

“Barrel” means 42 United States gallons at 60° Fahrenheit and equilibrium vapor pressure of the liquid.

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

“Carrier” means Enterprise Interstate Crude LLC.

“Committed Shipper” means a Shipper that has committed to transport a Committed Volume or otherwise pay the applicable shortfall payment, pursuant to the terms of a TSA executed by Shipper.

“Committed Volume” means, with respect to a Committed Shipper, the then-current daily number of Barrels of Product set out in Schedule A to the Committed Shipper's TSA.

“Crude Petroleum” means the direct liquid product of oil wells, oil processing plants, the indirect liquid petroleum products of oil or gas wells, oil sands, or a mixture of such products.

“Destination Point” means the outlet flange of the Pipeline at Enterprise Crude Pipeline LLC's Midland Terminal located in Midland County, Texas.

“Financial Assurances” has the meaning set forth in Item 20.b.

“Financial Obligations” has the meaning set forth in Item 20.a.

“Governmental Authority” means any government, any governmental, administrative, or regulatory entity, authority, commission, board, agency, instrumentality, bureau, or political subdivision, and any court, tribunal, or judicial or arbitral body (federal, state, or local or, in the case of an arbitral body, whether governmental, public, or private).

“Gravity Shrinkage Deduction” has the meaning set forth in Item 9.g.

“Loving County Pipeline System” means the Pipeline, truck terminals, storage facilities, injection points, and any other facilities that originate in Texas that deliver Product from the Pipeline to the Destination Point.

“Make-Up Volumes” means Barrels: (i) for which a shortfall payment has been paid under the applicable TSA and a Committed Shipper is entitled to transportation credits for such shortfall payment; and (ii) that are included in a Committed Shipper's Nomination accepted for transportation in a subsequent month.

“Minimum Volume” means a minimum continuous volume of 15,000 Barrels of Product received or delivered at one time, as modified by Item 4.a.3.

“Monthly Volume” means the Committed Volume multiplied by the number of days in the relevant month (or partial month).

“Nomination” means a written communication from a Shipper to Carrier requesting that Carrier transport for Shipper in a given month a stated quantity and type of Product from an Origin Point to the Destination Point under the terms and conditions of this tariff.

“Origin Point” means the inlet flange of the Pipeline at Carrier’s (i) Conan Station in Loving County, Texas, or (ii) Loving Terminal in Loving County, Texas.

“Pipeline” means the Loving County Pipeline System that extends from Carrier’s Conan Station in Loving County, Texas to Enterprise Crude Pipeline LLC’s Midland Terminal in Midland County, Texas.

“Pipeline Loss Allowance” or “PLA” has the meaning set forth in Item 9.f.

“Product” means Crude Petroleum.

“Reid Vapor Pressure” means the vapor pressure of Product at 100 degrees Fahrenheit as determined by the latest edition of ASTM D6377 (RVPE): Standard Test Method for Determination of Vapor Pressure of Crude Oil.

“Services” means the transportation of Product for a Shipper’s account on the Pipeline from an Origin Point and the delivery of such Product to the Destination Point.

“Shipper” means a party, including a Committed Shipper and/or an Uncommitted Shipper, who ships on the Pipeline pursuant to a Nomination accepted by Carrier under the terms of this tariff.

“Standard Conditions” means 60° degrees Fahrenheit and 14.696 pounds per square inch absolute, which are the standardized temperature and pressure measured Product volumes are corrected to, as if the Product were at those conditions.

“TSA” means a transportation services agreement executed by a Shipper and Carrier with respect to the Pipeline.

“Uncommitted Shipper” means any Shipper to the extent it is not a Committed Shipper. A Committed Shipper will not be an Uncommitted Shipper to the extent of its Monthly Volume or Make-Up Volumes, but it will be an Uncommitted Shipper to the extent of the Uncommitted Volumes included in such Shipper’s Nomination.

“Uncommitted Volumes” means volume of Product included in a Nomination by a Shipper for transportation on the Pipeline that is not subject to a committed rate under a TSA.

“West Texas Intermediate” means the Product meeting the specifications set forth in Item 4.a.3.

“West Texas Light Sweet” means the Product meeting the specifications set forth in Item 4.a.3.

“Working Stock” means the volume and grade of product required by Carrier for pipeline line fill and, at an Origin Point, locations along the Pipeline, or at the Destination Point where Carrier owns tankage, to float tank roofs to working levels and to maintain such levels and for terminal piping.

## **ITEM 2 – COMMODITY**

This tariff applies only to the transportation of Product by Carrier, and no commodity other than Product will be transported under this tariff unless Carrier provides its consent in writing.

## **ITEM 3 – ACCEPTANCE OF PRODUCT**

- a. Subject to the further provisions of this tariff, Carrier will only accept Product for transportation on the Pipeline:
  1. that originates on the Pipeline at an Origin Point; and
  2. when the party taking delivery of the Product has been specified in writing to Carrier.
- b. Except where Carrier provides such facilities, Carrier will only accept Product for transportation when Shipper has provided evidence satisfactory to Carrier that Shipper has the necessary facilities to deliver Product to an Origin Point and accept delivery of such Product promptly on arrival at the Destination Point at pressures and volumetric flow levels required by Carrier.
- c. Carrier reserves the right to reject any and all Product where Shipper has failed to comply with all applicable laws, items, and regulations made by any Governmental Authority regulating shipments of Product.

#### ITEM 4 – SPECIFICATIONS AS TO QUALITY

a. Unless the specifications as to quality of a connecting carrier at the Destination Point are less than those of Carrier and are imposed upon Carrier, in which case the limitations of the connecting carrier will be applied to Shipper, a Shipper shall not deliver to Carrier, and Carrier is not obligated to accept Product where, as determined by Carrier on receipt:

1. the Reid Vapor Pressure of the Product exceeds 9.0 pounds per square inch absolute, or might result in Carrier's noncompliance with federal, state, or local requirements regarding hydrocarbon emissions;
2. the kinematic viscosity exceeds 350 millimeters squared per second;
3. the Product is not in accordance with the following:
  - (i) for the Conan Station Origin Point:

Grade	Minimum API Gravity (at 60°F or above)	Maximum API Gravity (at 60°F or above)	Maximum Sulfur (%)
West Texas Intermediate	38.0	44.0	0.4
West Texas Light Sweet <sup>1</sup>	44.1	49.9	0.4

<sup>1</sup> The Minimum Volume required by Carrier for transportation of West Texas Light Sweet will vary based upon the operational conditions of the Pipeline or an applicable Pipeline segment as determined by Carrier

- (ii) for the Loving Terminal Origin Point:

Grade	Minimum API Gravity (at 60°F or above)	Maximum API Gravity (at 60°F or above)	Maximum Sulfur (%)
West Texas Intermediate	38.0	44.0	0.4

4. the Product contains basic or foreign sediment and water and other impurities exceeding 1% by volume or in which the volume of water exceeds 0.5% of the volume offered for transportation;
5. the surface of settled sediment and water and other impurities in tanks is less than four inches below the bottom of the pipeline connection from which it enters Carrier's facilities;
6. the nickel and vanadium in the Product, taken together, exceed three parts per million, as tested by ASTM Standard D5708-15, Test Method B, or its latest revision;
7. the micro method carbon residue in the Product exceeds 0.85% by mass, as tested by ASTM Standard D4530-15, or its latest revision;
8. the organic chlorides in the Product exceeds three parts per million (naphtha cut) as tested by Microcoulometry or Sodium Biphenyl methods;
9. the Product contains any other excessive metals, chemicals, salts, refinery or chemical plant process or by-product materials, or any other material that may adversely affect downstream markets or pipelines, as determined by Carrier; or
10. the Product does not meet specifications of connecting carriers.

b. Carrier may, from time to time at its sole discretion, on a not unduly discriminatory basis, undertake to transport other or additional grades of Product and will determine what additional facilities, if any, will be required to be supplied by Shipper to accommodate its shipment of such different grade. Carrier will maintain separate streams for Product accepted by Carrier outside of the quality specifications in Item 4.a.3.

c. A Shipper shall, as required by Carrier, provide to Carrier a certificate with respect to the specifications of Product to be received by Carrier from Shipper. If a Shipper fails to provide Carrier with such certificate, then Carrier is not obligated to accept Shipper's Product. Carrier reserves the right to sample and/or test any such shipment prior to acceptance or during receipt, and in the event of variance between Shipper's certificate and Carrier's test, the latter will prevail.

- d. Carrier reserves the right to refuse to accept any Product (or other product) for transportation that does not meet Carrier's specifications in Item 4.a. or that is not good, merchantable Product readily acceptable for transportation through the Pipeline.
- e. If Carrier determines that a Shipper does not comply with the provisions of paragraph a of this Item 4, then such Shipper shall remove its Product from the facilities of Carrier as directed by Carrier, and if Shipper fails to do so by the date and time directed by Carrier, then Carrier will have the right, at its sole discretion, to any remedy available, including the right without notice of liability to return, divert, sell, or dispose of such Product. Shipper shall reimburse Carrier for all costs and expenses incurred by Carrier in returning or otherwise disposing of such non-conforming Product.
- f. If, upon investigation, Carrier determines that Shipper has delivered to Carrier's facilities Product that has contaminated a common stream, rendering all or a portion of the Product in such common stream undeliverable, Carrier reserves the right to treat or otherwise dispose of all contaminated Product in any reasonable commercial manner at Shipper's sole expense.
- g. On Product received by Carrier that does not meet Carrier's deliverability requirements, Carrier reserves the right to charge an additional [U]100 cents per Barrel treating and handling charge.

#### **ITEM 5 – CHANGES IN QUALITY**

- a. Carrier shall operate the Pipeline as a batch system strictly on a transit time basis, separating Product in the Pipeline in accordance with the quality and grade described in Item 4.a.3, and segregating and maintaining the integrity of each batch to the extent reasonably possible.
- b. Carrier shall endeavor to deliver substantially the same type of Product as that received from a Shipper; provided, however, Carrier is not obligated to make delivery of the identical Product received by Carrier.
- c. Product tendered to Carrier for transportation will be received by Carrier on the condition that it will be subject to such changes in density or quality while in transit as may result from the transportation, commingling, or intermixing thereof, including the mixing of a Shipper's Product with other Product in the facilities of Carrier. Carrier is not liable for any damage, loss, or consequential loss resulting from a change in the density or other quality of a Shipper's Product as a result of Carrier's transportation, commingling, or intermixing of such Product, as long as such actions are done in accordance with Items 4 and 5.

#### **ITEM 6 – NOMINATIONS AND QUANTITIES ACCEPTED**

- a. All Shippers desiring to ship Product through the lines of Carrier shall promptly provide Carrier a Nomination with all information needed by Carrier to schedule and dispatch each shipment of Product Shipper offers to make, to satisfy Carrier that offers to ship are in good faith, and to satisfy Carrier that shipments can be transported in conformance with Carrier's tariffs. Carrier may refuse to receive Product for transportation until Shipper has provided Carrier with such information. Notwithstanding the foregoing, Carrier will carefully examine all Shipper Nominations to ensure they are accurate and genuine. Carrier may reject Nominations to the extent Carrier believes they may be unrealistic or unrepresentative.
- b. Carrier is not obligated to accept Product for transportation during any calendar month unless Shipper has provided to Carrier, on or before the 15th day of the preceding calendar month, its Nomination for the following month. If the 15th day of the preceding calendar month is a non-Business Day, then such notification will be due on the last Business Day immediately prior to the 15th day of the preceding calendar month.
- c. A Shipper shall, upon notice from Carrier, provide written third-party verification as required by Carrier in support of such Shipper's Nomination to satisfy Carrier that offers to ship are in good faith, and to satisfy Carrier that shipments can be transported in conformance with Carrier's tariffs. Carrier is not obligated to accept a Shipper's Product where such verification is, in the sole discretion of Carrier, unacceptable to Carrier.
- d. Carrier is not be obligated to accept a Nomination or Shipper's Product if the volume of such Product is less than the Minimum Volume or if the receipt flow rate at which such Product is received by Carrier is less than or greater than the receipt flow rates specified from time to time by Carrier for the applicable Origin Point.
- e. Carrier is not obligated to make a delivery of a Shipper's Product of less than the Minimum Volume or at a delivery flow rate less than or greater than the delivery flow rates specified from time to time by Carrier for the Destination Point.
- f. Any applicant that is not currently shipping on the Pipeline system and is seeking approved Shipper status with Carrier in order to become a new Shipper is required, as a condition to such approved status, to certify to Carrier that the applicant is not an Affiliate of any existing Shipper on the pipeline system.

## **ITEM 7 – RULES AND RATES APPLICABLE**

The rates for transportation of Product are the rates in effect on the date Product is received by Carrier for transportation. Likewise, the rules and regulations governing the transportation of Product are the rules and regulations in effect on the date Product is received by Carrier for transportation.

## **ITEM 8 – PAYMENT OF RATES AND LIEN FOR UNPAID CHARGES**

- a. A Shipper shall pay all rates, charges, and costs as provided for in this tariff or otherwise lawfully due to Carrier relating to the transportation of Shipper's Product by Carrier. Shipper shall pay such charges and costs by no later than 10 days following Shipper's receipt of Carrier's invoice respecting such charges and costs. Shipper shall pay such charges and costs based on receipts into the Pipeline, or before acceptance by Carrier of Shipper's Product at an Origin Point.
- b. Carrier shall have a lien on all of Shipper's Product in the custody of Carrier to secure the payment of all rates, charges, and costs as provided for in this tariff due or otherwise lawfully due to Carrier relating to the transportation of Shipper's Product by Carrier. Carrier may withhold Shipper's Product from delivery and may exercise any other rights and remedies provided at law or by contract, until all such charges and costs have been paid.
- c. If charges for the transportation of a Shipper's Product remain unpaid for more than 10 days following Shipper's receipt of Carrier's invoice, then Carrier will have the right to (i) assess a late charge at an annual interest rate equivalent to 125% of the prime rate of interest charged by Citibank N.A. of New York, New York (the maximum on 90-day loans to substantial and responsible commercial borrowers or any lesser maximum interest rate permitted under Texas law) as of the due date; provided, however, that Shipper may withhold payment of disputed amounts subject to: (1) the incurrence of carrying charges thereon as specified above; and (2) Carrier's right to demand reasonable surety for such payment, and/or (ii) remove and sell any or all of such Shipper's Product that is in the possession of Carrier in such lawful manner as deemed appropriate by Carrier.
- d. Carrier shall pay from the proceeds of any sale pursuant to Item 8.c.(ii) all charges and costs accruing or due relating to the transportation of such Shipper's Product by Carrier and all costs incurred by Carrier with respect to the storage, removal, and sale of such Shipper's Product. The remainder of such proceeds, if any, will be held by Carrier for Shipper and any other party lawfully entitled to such proceeds.
- e. Carrier may require that all payments to Carrier for Services be wire transferred in accordance with the instructions on Carrier's invoice to Shipper.
- f. When required, Carrier shall, with or without notice to Shipper, appoint agents to retain possession of Shipper's Product on behalf of Carrier for the purpose of enforcing the lien described in this Item 8.

## **ITEM 9 – MEASURING, TESTING, AND DEDUCTIONS**

- a. All Product received at an Origin Point into Carrier's facilities will be tested for basic or foreign sediment and water and other impurities and gauged or metered by Carrier's representative. Shipper may witness all proving of meters used in such measurement. Carrier reserves the right to test and measure and/or witness the testing and measurement of all deliveries from its facilities.
- b. Where the measurement is determined by tank gauge, such measurement will be based upon tanks strapped and tables compiled in accordance with Chapter 2, "Tank Calibration", API Manual of Petroleum Measurement Standards, Latest Edition, indicating 100% full capacity. Volume measurements by temperature compensated meters will be further corrected for meter factor and pressure in accordance with the API Manual of Petroleum Liquid Hydrocarbons by Pipeline Displacement Meters.
- c. Where the tank or meter of Shipper is used for volume determination for deliveries into or from Carrier's facilities, Carrier reserves the right to require restrapping or check-strapping of any such tank, the recalculation of any tank table utilized by Shipper in relation to any such tank and the proving or check-proving of any such meter.
- d. Carrier shall deduct from the volume of Product received into Carrier's facilities the actual amount of suspended basic or foreign sediment, water, and other impurities as ascertained by centrifuge or other tests agreed upon.
- e. The net calculated quantity under Standard Conditions less sediment and water and other impurities volume percentage will be the quantity received or delivered by Carrier.

f. 0.2% of the volumes of Product received into Carrier's facilities will be allocated to Carrier to cover loss due to shrinkage and evaporation incident to transportation on Carrier's facilities ("Pipeline Loss Allowance" or "PLA"). PLA is settled financially pursuant to Carrier's then-effective Policy and Procedures Applicable to Shipper Over/Short Balancing and Pipeline Loss Allowance Settlement, which is available upon request. This policy will also be used to settle any over/short balances of Shipper each month.

g. In addition to the Pipeline Loss Allowance set forth above, all Product included in a Nomination for shipment on the Pipeline will be subject to a further deduction of 0.3% starting at 44.0° API at 60 degrees Fahrenheit for West Texas Intermediate and 49.9° API at 60 degrees Fahrenheit for West Texas Light Sweet, with additional deductions of 0.03% made for every 0.1 degree API thereafter (the "Gravity Shrinkage Deduction"). For example, Product accepted as West Texas Intermediate with a 47.2° API will result in a 1.26% Gravity Shrinkage Deduction.

h. Except for manifest errors, all measurement and testing by Carrier will be conclusive if a representative of Shipper or its consignee was not present during such measuring and testing.

#### **ITEM 10 – EVIDENCE OF RECEIPTS AND DELIVERIES**

Carrier shall evidence the receipt and delivery of Product by tickets showing the volume, crude type, temperature, gravity, sediment and water, and any other data with respect to such Product as may be specified from time to time by Carrier.

#### **ITEM 11 – WORKING STOCK**

a. Each Shipper shall supply its quantity of Working Stock as determined from time to time by Carrier.

b. If Shipper fails to supply the Working Stock volumes as requested by Carrier in Item 11.a., then Carrier will obtain the deficient Working Stock volumes on such Shipper's behalf, and such Shipper shall pay for all charges incurred by Carrier to obtain the deficient Working Stock volumes upon receipt of Carrier's invoice therefor.

c. Subject to Carrier's operating conditions, Working Stock provided by a Shipper of Uncommitted Volumes may be withdrawn after not less than 60 days' advance written notice to Carrier of Shipper's intention to discontinue shipments of Uncommitted Volumes through the Pipeline pursuant to this tariff. Working Stock provided by a Committed Shipper may be withdrawn after the expiration of the term of the TSA by providing not less than 60 days' advance written notice to Carrier of Shipper's intention to discontinue shipments through the Pipeline pursuant to this tariff, with the redelivery period for such Working Stock to be subject to Carrier's reasonable operating conditions.

d. Unless otherwise set forth in a TSA, Carrier may require advance payment of transportation charges on the Working Stock volumes to be delivered from Carrier's pipeline system, and any unpaid accounts receivable, before final delivery will be made. Carrier will have a reasonable period of time after the receipt of said notice to complete administrative and operational requirements incident to Shipper's withdrawal of the Working Stock.

#### **ITEM 12 – DELIVERY AND ACCEPTANCE**

a. Carrier shall transport and deliver Product with reasonable diligence and dispatch, but is not required to transport Product in time for any particular market.

b. A Shipper, or its designee, shall accept and remove such Shipper's Product upon arrival at the Destination Point.

c. After a shipment has had time to arrive at the Destination Point and on 24 hours' notice to Shipper, Carrier may begin delivery of such shipment to Shipper at its current rate of pumping. If all of such shipment cannot be received by Shipper by the end of such applicable 24-hour period, Shipper shall pay a demurrage charge of [U] 150.00 cents per Barrel on the undelivered barrels, and at the end of each 24-hour period thereafter on the remaining balance.

d. If a Shipper fails to accept and remove its Product from the facilities of Carrier in accordance with the provisions of Item 12.b., then Carrier will have the right to remove and sell such Product in such lawful manner as deemed appropriate by Carrier. Carrier shall pay from the proceeds of such sale all costs incurred by Carrier with respect to the storage, removal, and sale of such Product. The remainder of such proceeds, if any, will be held by Carrier for Shipper and any other party lawfully entitled to such proceeds.

#### **ITEM 13 – LIABILITY OF CARRIER**

a. Except where caused by the negligence, gross negligence, or willful misconduct of Carrier, Carrier is not liable to a Shipper for any delay, damage, loss, or consequential loss resulting from any cause while Carrier is in possession or control of such Shipper's Product, including the breakdown of the facilities of Carrier.

b. If damage or loss to Product results from any cause other than the negligence, gross negligence, or willful misconduct of Carrier while Carrier is in possession or control of such Product, then Carrier may apportion the cost of such damage or loss on a pro-rata basis among all Shippers. Each Shipper's share of such cost will be determined by Carrier based on the proportion of the volume of Shipper's Product in the possession of Carrier on the date of such loss to the total volume of Product in the possession of Carrier on the date of such loss. Carrier will be obligated to deliver only that portion of the Product remaining after such deduction.

c. If Product is lost in transit while in the custody of Carrier due to the negligence, gross negligence, or willful misconduct of Carrier, then Carrier, shall, as full compensation therefor, either obtain and deliver to Shipper thereof other Product of the same quantity and grades as that which was lost, or compensate Shipper for such loss in money.

#### **ITEM 14 – INDEMNIFICATION BY SHIPPER**

A Shipper shall indemnify Carrier for any damages, losses, costs, or consequential losses incurred by Carrier or any other party as a result of such Shipper's failure to comply with any provision of this tariff. This indemnification by Shipper excludes any damage, loss, cost, or consequential loss caused by the negligence, gross negligence, or willful misconduct of Carrier.

#### **ITEM 15 – PRORATIONING**

If Shippers offer to ship more Product on the Pipeline or a segment thereof during any period of time than can be pumped through the Pipeline or the applicable segment thereof during such period, then Carrier shall allocate available transportation capacity pursuant to Carrier's then-current prorating policy. A copy of this document is available upon request.

#### **ITEM 16 – REQUESTED CHANGE BY SHIPPER**

Subject to the operating conditions of the facilities of Carrier, Carrier may upon the written request of a Shipper, allow a Shipper to change:

- i. the designated volume of its Product that will originate on the Pipeline at an Origin Point; or
- ii. the designated volume of its Product to be delivered to the Destination Point.

#### **ITEM 17 – INLINE CHANGE IN OWNERSHIP**

a. Carrier will recognize and record notice of change in ownership of Product only where such Product entered Carrier's system and only on a monthly basis. Statements denoting ownership transactions will be provided to the applicable transferors and transferees. Carrier shall not provide any information as to the quality of the Product subject to changes in ownership except for gravity on current receipts when requested. Each transferor shall be charged [U] \$0.0075 per Barrel (which will be applied on a separate invoice) for recognizing and recording the change in ownership and, if required, shall pay said charge prior to the recognizing and recording of such change. The transferor, at Carrier's option, shall provide an irrevocable letter of credit satisfactory to Carrier prior to such recognizing and recording. The recognition by Carrier of a change in ownership of Product requires the recording thereof, and Carrier is entitled to a lien for all such charges and fees.

b. Carrier is not obligated to recognize and record changes in ownership of Product during any operating month unless the transferor and transferee requesting Carrier to recognize and record the change in ownership have, each, on or before the 15th day of the preceding calendar month provided written notice to Carrier containing like data relative to the kind quantity, source, location, transferor, and transferee of the Product. Carrier is not obligated to accept any modification in said notice unless confirmed in writing by the transferor and transferee on or before the last day of the calendar month preceding the operating month.

c. When the quantity of the Product received during the operating month is not equivalent to the quantity of the Product subject to the notice of change in ownership, Carrier is not required to recognize and record the change in ownership beyond the extent of the quantity received.

d. A notice of change in ownership of Product will be deemed: (1) a warranty that the transferor has unencumbered title to the Product identified in its notice at the time of change in ownership, and (2) a representation that the change in ownership is effective as of 7:00 o'clock a.m. (Mountain Standard Time) on the first day of the operating month.

e. Carrier may, in the absence of adequate security, decline to recognize and record any change in ownership of Product.

f. A transfer of a Shipper's rights and obligations under this Item 17 respecting its Product will not be binding or effective on Carrier until Carrier has provided a notice of acceptance to the transferor and transferee. Carrier will not provide a notice

of acceptance of a transfer until such time as the transferee has satisfied Carrier of its capacity to undertake the transferor's obligations and has provided any Financial Assurances requested by Carrier in accordance with Item 20.

### **ITEM 18 – ADVERSE CLAIMS AGAINST PRODUCT**

- a. A Shipper shall not issue a Nomination or deliver to Carrier Product that is involved in litigation, the ownership of which may be in dispute, or that is encumbered by a lien (other than a lien that is subordinated to Carrier's lien described in Item 8.b.) or charge of any kind unless Shipper provides written notification to Carrier of such litigation, dispute, lien, or charge not less than 20 days before such Nomination is made to Carrier.
- b. Carrier is not obligated to accept Product that is involved in litigation, the ownership of which may be in dispute, or that is encumbered by a lien (other than a lien that is subordinated to Carrier's lien described in Item 8.b.) or charge of any kind.
- c. A Shipper shall promptly advise Carrier in writing if, at any time while Shipper's Product is in the possession of Carrier, such Product becomes involved in litigation, the ownership of such Product becomes in dispute, or such Product becomes encumbered by a lien (other than a lien that is subordinated to Carrier's lien described in Item 8.b.) or charge of any kind.
- d. A Shipper shall, upon demand from Carrier, provide a bond or other form of indemnity satisfactory to Carrier protecting Carrier against any liability or loss that may arise as a result of such Shipper's Product that is involved in litigation, the ownership of which may be in dispute, or that is encumbered by a lien (other than a lien that is subordinated to Carrier's lien described in Item 8.b.) or charge of any kind. If Shipper fails to provide such bond or other form of indemnity acceptable to Carrier, then Carrier is not obligated to accept such Shipper's Product for transportation.

### **ITEM 19 – CLAIMS, SUITS, AND TIME FOR FILING**

- a. As a condition precedent to recovery for loss, damage, injury, or delay, a Shipper shall advise Carrier in writing of any claim for delay, damage, injury, or loss resulting from the transportation of such Shipper's Product by Carrier within 91 days of delivery of such Product by Carrier or, in the case of a failure to make delivery, within 91 days after a reasonable time for delivery has elapsed.
- b. A Shipper shall institute any action arising out of any claim against Carrier within two years from the date that written notice is given by Carrier to such Shipper that Carrier has disallowed such claim or any part of such claim specified in the notice.
- c. If a Shipper fails to comply with the provisions of Item 19.a. or Item 19.b., then such Shipper waives all rights it has to bring an action against Carrier with respect to such claim.

### **ITEM 20 – FINANCIAL ASSURANCES**

- a. At any time, upon the request of Carrier, any prospective or existing Shipper shall provide information to Carrier that will allow Carrier to determine the prospective or existing Shipper's capacity to perform any financial obligations that could arise under the terms of this tariff, including the payment of all rates, charges, and costs as provided for in this tariff or otherwise lawfully due to Carrier (collectively, "Financial Obligations"). Carrier is not obligated to accept Product for transportation from an existing or prospective Shipper if such Shipper fails to provide the requested information to Carrier within five Business Days of Carrier's written request, or if Carrier's review of the requested information reveals that the existing or prospective Shipper does not have the capacity to perform the Financial Obligations.
- b. Carrier, upon notice to Shipper, may require one or more of the following financial assurances ("Financial Assurances") for the payment of the Financial Obligations, to be provided at the expense of Shipper:
  1. prepayment;
  2. a letter of credit in favor of Carrier in an amount sufficient to ensure payment of all Financial Obligations that could reasonably accrue due to Carrier, in a form and from a financial institution acceptable to Carrier;
  3. a guaranty in an amount sufficient to ensure payment of all Financial Obligations that could reasonably accrue due to Carrier, in a form and from a third party acceptable to Carrier; or
  4. other enforceable collateral security, including security agreements over assets of Shipper, in form and substance acceptable to Carrier.
- c. If Carrier reasonably determines that:
  1. the existing or prospective Shipper's financial condition is or has become impaired or unsatisfactory;

2. any Financial Assurances previously provided by a Shipper no longer provide adequate security for the performance of all Financial Obligations that could reasonably accrue due to Carrier; or
3. Carrier otherwise determines that it is necessary to obtain additional Financial Assurances from Shipper, then

Shipper shall provide Financial Assurances for the payment of all Shipper's Financial Obligations. Carrier is not obligated to accept Product for transportation from an existing or prospective Shipper if such Shipper fails to deliver the Financial Assurances to Carrier within five Business Days of Shipper's receipt of Carrier's written request for such Financial Assurances.

#### **ITEM 21 – DUTY OF CARRIER**

Carrier shall transport Product with reasonable diligence, considering the quantity of Product, the distance of transportation, the safety of operation, and other material factors.

#### **ITEM 22 – ADDITIVES**

Carrier reserves the right to inject corrosion inhibitors, viscosity or pour point depressants, drag reducing agents, or other such additives to facilitate Product transportation and/or Pipeline operations.

#### **ITEM 23 – STORAGE IN TRANSIT**

Carrier has working tanks that are needed by Carrier to transport Product, but has no other tanks and, therefore, does not have facilities for rendering, nor does it offer, a storage service.

#### **ITEM 24 – SEPARATE PIPELINE AGREEMENTS**

Separate agreements, if applicable, in association with pipeline connections or other facilities ancillary to Carrier's pipeline system and in accordance with this tariff will be required of any Shipper or consignee before any obligation to provide transportation will arise.

#### **ITEM 25 – TITLE OF PRODUCT**

The act of delivering Product to Carrier for transportation will constitute a warranty by Shipper that Shipper has unencumbered title thereto and that the same was produced in accordance with law. Carrier will be deemed to be in control and possession of the Product from the time the Product is delivered to Carrier at an Origin Point until the Product is delivered to Shipper or consignee at the Destination Point.

#### **ITEM 26 – INTERPRETATION**

- a. Unless otherwise expressly specified herein: (i) defined terms in the singular also include the plural and vice versa; (ii) defined terms also include syntactical variants of such defined term, (iii) the words "hereof," "herein," "hereunder," and other similar words refer to this tariff as a whole; and (iv) references to Items are to the Items in Section 2 of this tariff.
- b. The captions in this tariff are for convenience only and will not in any way affect the meaning or construction of any provision of this tariff.
- c. Unless the context otherwise requires, "including" means "including without limitation".

**SECTION 3  
LOCAL UNCOMMITTED RATE**

FROM	TO	RATE IN CENTS PER BARREL
Conan Station (Loving County), Texas	Midland Terminal (Midland County), Texas	[I] 138.33 <sup>(1)</sup>
Loving Terminal (Loving County), Texas	Midland Terminal (Midland County), Texas	[I] 131.95 <sup>(1)</sup>

(1) The rate will be charged on the greater of: (i) the accepted Nominations of an Uncommitted Shipper for the month; or (ii) actual deliveries by the applicable Uncommitted Shipper during the month.

**EXPLANATION OF REFERENCE MARKS**

[I] Increase [U] Unchanged rate

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