
ALPHA CRUDE CONNECTOR, LLC

LOCAL TARIFF

Containing

RULES AND REGULATIONS APPLYING ON

THE TRANSPORTATION OF

CRUDE PETROLEUM
(AS DEFINED HEREIN)

ON THE ALPHA CRUDE CONNECTOR PIPELINE

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

ISSUED: October 1, 2015

EFFECTIVE: November 1, 2015

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

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5. DEFINITIONS

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

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

“Average Daily Volume” shall mean, for purposes of Item No. 130(b), with respect to any new Receipt Point, the average daily volume (in Barrels per Day calculated on an 8/8ths basis) over any consecutive thirty (30) Day period.

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

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

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

“Carrier Group” shall mean Carrier, Carrier’s affiliates (including after acquired companies), any manager of Carrier and such manager’s affiliates, and the officers, directors, employees, agents and invitees of each of the foregoing; provided no Shipper nor any affiliate of a Shipper shall be part of the Carrier Group.

“Change in Law” shall mean any Law or amendment or modification to any existing Law that is promulgated or adopted and implemented subsequent to the date hereof that requires Carrier to incur additional expenses (a) to make additions or modifications to the System in order to comply with such Law, (b) to change methods of operation in order to comply with such Law, (c) to implement increased training, testing or verification programs with respect to the operation of the System in order to comply with such Law or (d) to comply with the conditions of any permit necessary to operate the System.

“Change in Law Event” shall mean the occurrence of a Change in Law that requires the expenditure of Compliance Costs by Carrier, irrespective of whether such Compliance Costs are to be incurred as a one-time expenditure or periodically for an extended period.

“Committed Shipper” as herein used, has the meaning set forth in Note 2 of the Rate Tariff.

“Compliance Costs” as herein used means all actual documented incremental expenses and costs, including capital expenditures, incurred and paid by Carrier as a result of any Change in Law, but excluding any and all costs or expenses (including fines or penalties) that are levied against or incurred by Carrier specifically as a result of Carrier’s violation or non-compliance with applicable Law.

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

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

“Crude Petroleum” as herein used means the direct liquid products of oil wells, or a mixture of the direct liquid products of oil wells with the indirect liquid products of oil and gas wells including gasoline and liquefied petroleum gases, as described in Item 40 to these rules and regulations, MIXTURES.

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

“Dedication and Transportation Agreement” means a written agreement by which a Shipper or Shipper’s supplier has committed to Carrier that its production from specified interests will be tendered for shipment on Carrier’s system.

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

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

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

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

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

“Net Acres” shall mean the total number of acres owned by the applicable Shipper and its affiliates in the Development Area equal to the aggregate number (calculated on a tract by tract basis) of, as to any parcel, tract or aggregate thereof, the product of (a) the number of surface acres of land that are described in such parcel, tract or aggregate thereof (i.e. gross acres), multiplied by (b) the undivided interest in the fee minerals, non-executives interests and other mineral fee interests in such lands burdened by the applicable oil and gas lease(s), multiplied by (c) such Shipper’s and its affiliates’ aggregate working interest in such lease(s).

“New Taxes” shall mean all new or incremental taxes, assessments, fees, levies, charges or costs imposed by any Change in Law that are incurred and paid by Carrier with respect to Carrier’s operation of the System or its performance under this Agreement, including any such taxes, assessments, fees, levies, charges or costs arising from any carbon tax or cap and trade Laws adopted after the date hereof but excluding (a) any income taxes, margin tax, franchise tax or any other similar tax that is measured or assessed based on any income received by Carrier (b) any real or personal property, transfer or other ad valorem taxes imposed on Carrier or the System or (c) any fines, penalties, interests or late charges imposed or attributable to any failure of Carrier to timely or validly pay any incremental taxes, assessments, fees, levies, charges or costs imposed on Carrier or the System.

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

“Rate Tariff” as herein used means Carrier’s rate tariff for the System, on file and in effect with the U.S. Federal Energy Regulatory Commission, as such rate tariff may be amended or supplemented by Carrier from time to time or at any time.

“Receipt” as herein used means the receipt by Carrier at the Receipt Point of a volume of Crude Petroleum from Shipper or Consignor.

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

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

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

“Shipper Group” shall mean Shipper, the Shipper’s affiliates (including after acquired companies), any manager of Shipper and such manager’s affiliates and the officers, directors, employees, agents and invitees of each of the foregoing.

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

“Throughput and Deficiency Agreement” means a written agreement by which Shipper has committed to tender for shipment by Carrier a minimum volume of Crude Petroleum during successive twelve-Accounting Month periods, failing which Shipper shall remit to Carrier a deficiency payment in respect of the shortfall.

“Transferor” as used herein means the entity transferring volumes pursuant to an intrasystem transfer of title to Crude Petroleum as described in Item No. 120 to these rules and regulations, INTRASYSTEM TRANSFERS.

“Transferee” as used herein means the entity accepting volumes pursuant to an intrasystem transfer of title to Crude Petroleum as described in Item No. 120 to these rules and regulations, INTRASYSTEM TRANSFERS.

10. NOMINATION, MINIMUM QUANTITY, DISPATCH

(a) Unless otherwise stated in a tariff making reference to these rules and regulations, Nominations for the transportation of Crude Petroleum for which Carrier has facilities will be accepted into Carriers System under these rules and regulations in quantities of not less than one thousand (1,000) Barrels per Day aggregate from one or more Receipt Points as operations permit, except that Carrier reserves the right to accept any quantity of Crude Petroleum from lease tanks or other facilities to which Carrier’s facilities are connected if such quantity can be consolidated with other Crude Petroleum such that Carrier can make a single delivery of not less than one thousand (1,000) Barrels per Day, and Carrier will not be obligated to make any single delivery of less than one thousand (1,000) Barrels per Day, unless Carrier’s operations dictate otherwise. The term “single delivery” as used herein means a Delivery of Crude Petroleum in one continuous operation to one or more Consignees into a single facility, furnished by such Consignee or Consignees, to which Carrier is connected.

(b) Crude Petroleum will be transported only under a Nomination accepted by the Carrier from Receipt Points to Delivery Points when a tariff covering the movement is lawfully in effect and on file with the FERC as to interstate traffic and with the appropriate state commission covering intrastate traffic, and provided there is a corresponding nomination accepted by the receiving pipeline or other receiving entity at the applicable Delivery Point.

(c) Any Shipper desiring to tender Crude Petroleum for transportation shall make a Nomination to the Carrier electronically in writing before 12:00 noon Central Standard Time/Central Daylight Saving Time, whichever is applicable, on the twenty-fifth (25th) day of the Accounting Month preceding the movement. When the twenty-fifth (25th) day of the Accounting Month falls on a day that is not a Business Day and is not a legal holiday in which financial institutions are closed in Houston, Texas, Nominations will be required prior to 12:00 noon Central Standard Time/Central Daylight Saving Time, whichever is applicable, on the immediately preceding Business Day. When the twenty-fifth (25th) day of the Accounting Month falls on a day that is legal holiday in which financial institutions are closed in Houston, Texas, Nominations will be required prior to 12:00 NOON Central Standard Time/Central Daylight Saving Time, whichever is applicable, two (2) Business Days prior to the holiday. Unless such notification is made, the Carrier will be under no obligation to accept Crude Petroleum for transportation.

(d) When Nominations submitted by Shippers to Carrier on or before the twenty-fifth (25th) day of the Accounting Month, or such earlier day as required under Item 10(c) above, preceding the Accounting Month do not exceed the capacity of the System or any line segment thereof, additional Nominations may be accepted by the Carrier to fill capacity. These additional Nominations will be accepted only if they do not impair the movement of Crude Petroleum nominated before the twenty-fifth (25th) day of the preceding Accounting Month, or such earlier day as required under Item 10(c) above.

(e) For each Accounting Month, Carrier will establish a sequence for pumping Crude Petroleum through its trunk lines and will schedule the approximate time when Crude Petroleum offered for shipment will be received by Carrier at Receipt Points and Delivered by Carrier at Delivery Points.

15. LINE FILL REQUIREMENTS

Prior to receiving Barrels into Carrier's System, each Shipper will be required to supply a pro rata share of the Line Fill required to meet Carrier's System's operational requirements. Crude Petroleum provided by Shippers for this purpose shall be reflected in a Shipper-specific inventory account and may be withdrawn only after: (1) shipments have ceased and the Shipper has notified Carrier in writing of its intention to discontinue shipments in Carrier's System, and (2) Shipper balances have been reconciled between Shipper and Carrier. Carrier may require advance payment of transportation charges on the volumes to be cleared from Carrier's System (other than Line Fill), and any unpaid accounts receivable, before final delivery will be made. Carrier shall have a reasonable period of time from the receipt of said notice, not to exceed six (6) Accounting Months, to complete administrative and operational requirements incidental to Shipper withdrawal. Title to such Line Fill provided by Shipper shall remain with Shipper, and upon compliance with the requirements of items (1) and (2) above and, as applicable, upon the expiration or termination of this tariff, such Line Fill provided by Shipper shall be returned to Shipper at the Delivery Point designated by Shipper. For the avoidance of doubt, transportation rates or fees shall be charged for such volumes of Crude Petroleum provided by Shipper to Carrier as Line Fill when it is received into the System.

20. TITLE

The Carrier shall have the right to reject any Crude Petroleum, when Nominated for transportation, if Carrier has a good faith reasonable basis to believe that such Crude Petroleum is the subject of any litigation, or the title of which may be in dispute, or which may be encumbered by a lien or charge of any kind, 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 Petroleum, the Shipper warrants and guarantees that the Shipper has good title thereto. Shipper agrees to hold Carrier harmless for any and all loss, cost, liability, damage and/or expense resulting from failure of title thereto; provided, that acceptance for transportation shall not be deemed a representation by the Carrier as to title.

25. SPECIFICATIONS AS TO QUALITY RECEIVED

(a) No Crude Petroleum will be accepted for transportation except merchantable Crude Petroleum which is properly settled and contains not more than one percent (1%) of basic sediment, water, and other impurities, and has a temperature not in excess of one hundred and twenty degrees Fahrenheit (120° F) and its gravity, viscosity, pour point, and other characteristics are such that it will be readily susceptible to transportation through the Carrier's existing facilities, and will not materially affect the

quality of other shipments or cause disadvantage to other Shippers and/or the Carrier. Notwithstanding the preceding sentence, Carrier may at its discretion accept Crude Petroleum from Shipper that does not meet the foregoing specifications (i) due to unusual circumstances, emergencies, or events of force majeure, or, (ii) solely with respect to gravity and/or sulphur, as applicable, for which a Quality Bank is established pursuant to Item 35(b). In such case (except with respect to gravity and/or sulphur, as applicable, for which a Quality Bank is established pursuant to Item 35(b)), however, Shipper must notify Carrier fully in writing of the characteristics of such Crude Petroleum and Shipper shall then secure from the producer or connecting carrier or shall provide itself, in writing, to Carrier an assumption of all liability and agree to hold Carrier harmless from and against any loss, cost or disadvantage to other Shippers, and other pipelines, or to Carrier arising from such transportation. In addition, Carrier may reject (any and all of) the following shipments: (1) Crude Petroleum having a Reid Vapor Pressure in excess of nine (9) pounds per square inch absolute and/or an API gravity of less than thirty degrees (30.0°) or in excess of fifty degrees (50.0°); and (2) Crude Petroleum having a sulphur content by weight equal to or greater than four tenths of one percent (0.4%). Carrier shall reject Crude Petroleum where the Shipper or Consignee has failed to comply with applicable Laws regulating shipment of Crude Petroleum. If Crude Petroleum is accepted from tanks, settled bottoms in such tanks must not be above a point four inches (4") below the bottom of the pipeline connection with the tank from which it enters Carrier's facilities.

(b) If, upon investigation, Carrier determines that a Shipper has delivered to Carrier's facilities Crude Petroleum that has been contaminated by the existence of and/or excess amounts of impure substances, including but not limited to, chlorinated and/or oxygenated hydrocarbons, arsenic, lead and/or other metals, such Shipper will be excluded from further entry into applicable segments of the System until such time as quality specifications are met to the reasonable satisfaction of Carrier. Further, Carrier reserves the right at its sole discretion to dispose of any contaminated Crude Petroleum in its System. Disposal thereof, if necessary, may be made in any reasonable commercial manner. Any and all loss, liability and costs associated with the contamination or disposal of any Crude Petroleum, including but not limited to damage to Carrier's System or third party facilities downstream from Carrier's System, and any resulting losses, liabilities and costs, shall be borne by the Shipper or Shippers introducing the contaminated Crude Petroleum into Carrier's System.

(c) Carrier will from time to time determine which grades of Crude Petroleum it will regularly transport as a common stream between particular Receipt Points and Delivery Points on its pipeline Systems. Carrier will inform all subscribers to tariffs for the System affected by such determination and this will constitute the sole holding out of the Carrier in regard to the grades of Crude Petroleum transported.

(d) Unless stated otherwise in written notice provided by Carrier to all subscribers to tariffs for the System affected, Carrier will not segregate Crude Petroleum of a kind and/or quality through Carrier's facilities.

30. COMMON STREAM CRUDE PETROLEUM - CONNECTING CARRIERS

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

35. SHIPMENTS, MAINTENANCE OF IDENTITY; QUALITY BANK

(a) Carrier shall not be liable to Shipper for changes in gravity or quality of Shipper's Crude Petroleum which may occur from commingling or intermixing Shipper's Crude Petroleum with other Crude Petroleum in the same common stream while in transit. Carrier is not obligated to Deliver to Shipper the identical Crude Petroleum nominated by Shipper; Carrier will Deliver the grade of Crude Petroleum it is regularly transporting as a common stream.

(b) Carrier shall have no responsibility in, or for, any revaluation, administration or settlements which may be deemed appropriate by Shippers and/or Consignees because of mixing or commingling of Crude Petroleum shipments between the Receipt and Delivery of such shipments by Carrier within the same common stream. However, Carrier shall establish a Quality Bank with respect to Crude Petroleum transported within the same common stream. Such Quality Bank shall initially apply only to the API gravity of Crude Petroleum transported within the same common stream. Carrier shall have the right to expand such Quality Bank to also apply to the sulphur content of Crude Petroleum transported within the same common stream. All Shippers shall be required to participate in the Quality Bank. The Quality Bank (i) shall be administered by an entity to be designated by Carrier, which may be Carrier, ("Administrator"), and such Administrator shall calculate, collect, and remit monetary adjustments among all Shippers tendering within the common streams from changes in specified constituents (i.e., API gravity and/or sulphur, as applicable) for which such Quality Bank is established and which result from common stream operations, and (ii) each Shipper agrees to pay the Administrator the computed quality adjustments due from such Shipper in accordance with the Quality Bank Policy. An explanation of the Quality Bank is provided in the *Quality Bank Policy* (dated November 1, 2015) on file with FERC, a copy of which is available upon request to the person listed on the title page as being responsible for compiling and issuing this Tariff.

40. MIXTURES

The indirect liquid products of oil and gas wells, including gasoline and liquefied petroleum gases, hereinafter referred to as indirect products, may be accepted by Carrier,

as determined in the sole opinion of Carrier. Should Carrier accept indirect liquids, the indirect liquids must be blended with direct liquid products of oil wells before entering Carrier's System and the resulting mixture will have a Reid Vapor Pressure of nine (9) psia or less. Mixtures will be Received, transported and Delivered as Crude Petroleum only. Nothing in this rule is to be construed to waive provisions of Item 35 (SHIPMENTS, MAINTENANCE OF IDENTITY) of these rules and regulations or to require the Carrier to Receive, transport, and Deliver unmixed indirect products.

45. ADDITIVES

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

50. DUTY OF CARRIER

Carrier shall not be required to transport Crude Petroleum except with reasonable diligence, considering the quality of the Crude Petroleum, the distance of transportation and other material elements. Carrier cannot commit to Receive Crude Petroleum at any particular time, nor can Carrier commit to Delivering Crude Petroleum to a particular Delivery Point, at a particular time, and Carrier will not be responsible for any loss of revenue or demurrage charges related to delays in Receiving or Delivering Crude Petroleum.

55. RECEIPT POINT AND DELIVERY POINT FACILITIES REQUIRED

(a) The Carrier will accept Crude Petroleum for transportation only when the Shipper or Consignee has provided the necessary facilities for delivering Crude Petroleum into the System at full line flow rates at the Receipt Point and has made the necessary arrangements for shipment beyond or has provided the necessary facilities for receiving said Crude Petroleum as it arrives at the Delivery Point at full line flow rates.

(b) Where Crude Petroleum is received at Receipt Points where custody transfer is determined by hand-gauged tank levels ("Tankage"), Shipper will be subject to a Tankage surcharge of \$50 per gauging (billed monthly) in addition to all other applicable tariff fees.

(c) Subject to Item 130(b) of this tariff for Shippers that have executed a Dedication and Transportation Agreement, where Shipper (or Consignor) elects to deliver Crude Petroleum to the Carrier at a Receipt Point through automatic custody transfer facilities (in lieu of Tankage), the Shipper (or Consignor) shall be responsible for and bear the cost of the required automatic measuring and sampling facilities. The design, construction, and calibration of such facilities must be approved by the Carrier, and the facilities shall become the property of the Carrier. The Shipper (or Consignor) shall also furnish whatever pumping service is necessary to insure that the crude petroleum being delivered to the automatic measuring and sampling facilities is at a pressure in excess of the bubble point of the liquid.

(d) The Crude Petroleum to be delivered to Carrier hereunder shall be delivered by Shipper at the Receipt Points utilizing only the hydrostatic head of the Crude Petroleum in the lease tank batteries for tank gauged Receipt Points or an inlet pump at lease automated custody transfer unit measurement Receipt Points both at a pressure sufficient to enable such Crude Petroleum to enter Carrier's pump at or near the applicable Receipt Point at the suction rate for such pump; provided, however, the pressure required under this Item 55(d) shall in no event exceed twenty five (25) psig.

60. NOTICE OF ARRIVAL, DELIVERY AT DESTINATION, DEMURRAGE

(a) The obligation of the Carrier is to Deliver the quantity of Crude Petroleum to be transported, less PLA and any other permitted deductions, at the specified Delivery Point. Such Delivery may be made upon twenty-four (24) hours notice to the Shipper or Consignee who shall accept and receive said Crude Petroleum from the Carrier with all possible dispatch into tanks or receptacles arranged for or provided by the Shipper or Consignee.

(b) Commencing after the first nine o'clock a.m. Central Standard Time/Central Daylight Time, whichever is applicable, after expiration of said 24-hour notice, Carrier shall assess a demurrage charge on any part of said Crude Petroleum shipment offered for Delivery and not taken by Shipper or Consignee; the demurrage charge will be ten cents (\$0.10) per Barrel per Day for each Day of 24 hours or fractional part thereof. After expiration of said 24-hour notice, Carrier's liability for loss, damage or delay with respect to Crude Petroleum offered for delivery but not taken by Shipper or Consignee shall be that of a warehouseman only.

(c) If the Shipper, or Consignee, is unable or refuses to receive said Crude Petroleum as it arrives at the specified Delivery Point, the Carrier reserves the right to make whatever arrangements for disposition of the Crude Petroleum it deems appropriate in order to clear its System, including, but not limited to, the sale of such crude petroleum pursuant to Item 90 of this Tariff.

65. MEASUREMENT, TESTING AND DEDUCTIONS

(a) Crude Petroleum shipped hereunder shall be measured and tested by representatives of the Carrier or by automatic equipment installed or approved by the Carrier. Quantities shall be determined by dynamic or static measurement methods in accordance with appropriate American Petroleum Institute (API) standards, latest revision, and adjusted to base (reference or standard) conditions. At Carrier's option, measurements and tests may be made on composite samples. Crude Petroleum Received from Shipper and Crude Petroleum Delivered to Consignee shall, in each instance, be evidenced by statements or run tickets of Carrier and/or the party owning or operating the facilities receiving Crude Petroleum at the applicable Delivery Point, showing volume, temperature, basic sediment and water, and any other data with respect to such Crude Petroleum as may be specified from time to time by Carrier. The results of such gauging, metering or testing shall be considered final.

(b) The Shipper or Consignor, as to receipts, and Shipper or Consignee, as to deliveries, shall at all times have the privilege of being present or represented during the testing, gauging, or metering of the Crude Petroleum, and for meter proving; however, failure of a Shipper, Consignor or Consignee to have a representative present will constitute a waiver, and the Shipper, Consignor and Consignee shall be bound by the information and data on the run tickets and proving reports.

(c) Shipper or its Consignor may, at its sole option and expense, install, maintain, and operate check meters at the Receipt Points of a suitable type and other equipment to check Carrier's meters; provided, however, that such check meters and other equipment shall be installed so as not to interfere with the operation of any of Carrier's facilities. Shipper or its Consignor shall also have the right to access, for monitoring purposes, data at Carrier's Receipt Point meters for the Crude Petroleum by way of a Supervisory Control and Data Acquisition system, so long as the same does not interfere with Carrier's meters or other portions of the Transportation System. At least once a month, Carrier shall provide an electronic monthly volume statement of all gross volumes by Receipt Point meter for each Receipt Point at which a Shipper delivers Crude Petroleum during the applicable month. The reading, calibrating, and adjustment of Carrier's measurement equipment shall be done only by the employees or agents of Carrier. Shipper and Consignor shall each have the right to be present at the time of any installing, reading, cleaning, changing, repairing, inspecting, calibrating or adjusting done in connection with the equipment used in measuring Crude Petroleum delivered by Shipper or its Consignor at the Receipt Points. The original records from such measuring equipment shall remain the property of Carrier, but, upon request, Carrier shall provide to Shipper, at Shipper's cost, copies of such records.

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

(e) When, in Carrier's opinion, a lease operator or connecting carrier's tanks are unsafe or unsuitable for use in custody transfer because of improper connections, high bottom accumulations of any extraneous matter, incrustations on the inside of the tank walls, or any other conditions unacceptable to Carrier, Carrier may reject the use of such tank until the unacceptable conditions have been corrected. Alternatively, in the case of incrustation inside any tank, Carrier may determine and apply a correction factor to ascertain the correct tank capacity.

(f) Corrections will be made for temperature from observed degrees Fahrenheit to sixty degrees (60°) Fahrenheit and for pressure to 14.696 psia. Carrier will deduct the full amount of sediment, water and other impurities as the centrifugal or other test may show.

(g) A pipeline loss allowance (“PLA”), calculated in accordance with Carrier’s applicable Rates Tariff(s), will be deducted from the quantity of Crude Petroleum received to cover actual shrinkage and evaporation, interface losses, measurement inaccuracies, and other normal losses during transportation.

(h) In addition to the PLA described in Item 65(g), all receipts of Crude Petroleum and indirect liquid products shall not be subject to an incremental deduction to cover shrinkage and evaporation.

(i) After consideration of all of the factors set forth in this Item No. 65, a net balance will be determined as the quantity to be Delivered by Carrier.

70. APPORTIONMENT WHEN NOMINATIONS ARE IN EXCESS OF FACILITIES

(a) When there shall be Nominated to Carrier, for transportation, more Crude Petroleum than can be immediately transported on a line segment, the transportation furnished by Carrier shall be apportioned among Shippers as set forth below. Line segments will be prorated separately if necessary.

(b) Space in each segment will be allocated among “Regular Shippers” and any “New Shippers” as follows:

1. The capacity of the line segment being prorated shall be divided by the total of all volumes Nominated by Regular Shippers and New Shippers on the line segment. The resultant fraction will be the “proration factor”.
2. Each New Shipper shall be allocated space equal to its Nominated volumes on the line segment multiplied by the proration factor, except that in any Accounting Month for which Carrier is allocating capacity on a line segment, the capacity allocated to a Regular Shipper shall not be reduced by more than 10% of the Regular Shipper’s daily average of base period shipments on the line segment. If the application of the proration factor calculated in Item 1 results in an allocation to New Shippers greater than 10% of the line segment being prorated, then each New Shipper shall be allocated space equal to 10% of segment capacity multiplied by the fraction derived by dividing its Nomination on the line segment by the total of all volumes Nominated by New Shippers on the line segment.
3. The remaining capacity shall be allocated among Regular Shippers in proportion to their base period shipments on the line segment.

(c) The “base period” is a period of 12 Accounting Months beginning 13 Accounting Months prior to the Accounting Month of allocation and

excluding the Accounting Month preceding the Accounting Month of allocation. A “Regular Shipper” is (i) any Shipper having a record of movements in all Accounting Months during the base period on the applicable line segment; and/or (ii) any shipper that is subject to, or that is purchasing from a producer that is subject to, a Dedication and Transportation Agreement, with respect to production covered by such Dedication and Transportation Agreement on the applicable line segment; and/or (iii) any shipper that is subject to a Throughput and Deficiency Agreement pertaining to the applicable line segment and/or (iv) any shipper receiving an assignment of Regular Shipper history on the applicable line segment in connection with an assignment of rights under either a Dedication and Transportation Agreement or a Throughput and Deficiency Agreement in the line segment being prorated. If the segment being prorated has been in service less than 13 Accounting Months, a Regular Shipper is any Shipper having a record of movements on the line segment in all Accounting Months during which the segment has been active. A “New Shipper” is a Shipper on the line segment who is not a Regular Shipper on such line segment. In no event will any portion of allocated capacity to a New Shipper be used in such a manner that it will increase the allocated capacity of another Shipper beyond the allocated capacity that Shipper is entitled to under the provisions stated in this Item No. 70. Carrier may require written assurances from responsible officials of Shippers regarding use of allocated capacity stating that this requirement has not been violated. In the event any New Shipper shall, by any device, scheme or arrangement whatsoever, make its allocated capacity available to another Shipper, or in the event any Shipper shall receive and use any allocated capacity from a New Shipper, then, in the Accounting Month following discovery of such violation, the allocated capacity of such New Shipper will be reduced to the extent of the excess capacity made available and the allocated capacity of such Shipper will be reduced to the extent of excess capacity used.

(d) No Nominations shall be considered beyond the amount that the nominating party has readily accessible for shipment. During a period of segment allocation, if a Shipper is unable to tender Crude Petroleum equal to ninety-five percent (95%) of the space allocated to it for the allocated segment, that Shipper will be liable for and will pay transportation charges on the amount of allocated throughput not utilized, in addition to the payment due for volumes actually transported. In addition, Carrier will reduce that Shipper’s volumes for the succeeding Accounting Month by the amount of allocated throughput not utilized during the preceding Accounting Month if apportionment is necessary. Carrier shall provide Shipper electronic written notice when the System, or the applicable portion thereof, is no longer under proration.

75. APPLICATION OF RATES & CHARGES

Crude Petroleum accepted for transportation shall be subject to the rates and charges in effect on the date of receipt of such Crude Petroleum by the Carrier, irrespective of the date of Nomination. Unless otherwise stated in an individual tariff making reference to these rules and regulations, transportation and all other lawful charges will be collected on the basis of the quantities of Crude Petroleum Received by Carrier for the account of Shipper or its Consignor.

80. CHARGE FOR COMPENSATION FUND FEES INCURRED BY CARRIER; NEW TAXES AND COMPLIANCE COSTS

(a) In addition to all other permitted charges accruing on Crude Petroleum accepted for transportation through Carrier's facilities, and subject to Carrier's compliance with applicable Tariff filing requirements, a per Barrel charge will be assessed and collected in the amount of any tax, fee, or other charge levied against Carrier by any Federal, State or local agency for the purpose of creating a fund for the reimbursement of parties who sustain costs or losses resulting from oil pipeline industry operations. Carrier shall not be under any obligation to contest or protest on behalf of Shipper or Consignee the legality of such tax, fee or other charge. If a per Barrel charge is assessed, the amount of such charge will be stated in a FERC tariff.

(b) Subject to Carrier's compliance with applicable Tariff filing requirements, Shipper shall reimburse Carrier for any New Taxes implemented or imposed after the date hereof that are levied on or paid by Carrier with respect to Carrier's performance under this tariff or on any part of the System. Each Shipper's allocable share of any such New Taxes shall be based on the ratio that such Shipper's Crude Petroleum received at the Receipt Points in the State or States, to which such amounts bears to the total volume of Crude Petroleum received at all System Receipts Points in such State or States, in each case during the applicable period for which such New Taxes, are incurred or imposed, as the case may be.

(c) Subject to Carrier's compliance with applicable Tariff filing requirements, Shipper shall reimburse Carrier for any Compliance Costs (other than any New Taxes) incurred and paid by Carrier after the date hereof with respect to Carrier's performance under this Tariff or on any part of the System. Each Shipper's allocable share of any such Compliance Costs shall be based on the ratio that such Shipper's Crude Petroleum received at the Receipt Points in the State or States, to which such amounts bears to the total volume of Crude Petroleum received at all System Receipts Points in such State or States, in each case during the applicable period for which such Compliance Costs are incurred and paid.

(d) To the extent that any of Carrier's activities pursuant to this tariff produce or result in the generation of or otherwise qualify for any emission reduction credits or emission offset credits or bonus emission allowances (collectively, "Greenhouse Gas Credits") and Shipper has paid for an allocable share of the costs of such activities pursuant to Section 80(b), then Shipper shall be entitled to receive, and Carrier shall obtain and convey to each Shipper, its allocable share of any such Greenhouse Gas Credits, to the extent permitted by applicable Law. Carrier shall, as soon as practicable, notify each Shipper following Carrier obtaining knowledge of any New Tax applicable to such Shipper hereunder in order to afford such Shipper the opportunity to contest any such charges and Carrier shall cooperate with Shipper in the event Shipper elects to do so.

(e) Carrier may agree in writing to cap the amount of charges or Compliance Costs a Committed Shipper is required to pay under this Item 80; provided that, the amount of such charges or Compliance Costs which a Committed Shipper would otherwise have paid but for such cap (i.e. the amount in excess of such cap) is borne by Carrier and not other Shippers.

85. TRUCK UNLOADING

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

90. PAYMENT OF TRANSPORTATION AND OTHER CHARGES

(a) Shipper shall be responsible for payment of transportation and all other charges hereunder. Invoices shall be issued by Carrier by the tenth (10th) Day of the Accounting Month, for service provided during the immediately preceding Accounting Month. Payment of invoiced amounts shall be made by wire transfer on the later of the twenty-fifth (25th) Day of the Accounting Month in which the invoice is issued, or fifteen (15) Days after the date upon which the invoice is received. If such due date is not a Business Day, payment is due on the next Business Day following such date. Payments not received by Carrier in accordance with invoice terms shall be subject to a late charge equivalent to 125% of the prime rate as quoted by a major New York bank, or the maximum rate allowed by Law, whichever is less. Carrier shall have a lien and security interest on all Crude Petroleum (including Line Fill) accepted for transportation to cover payment of all charges, including demurrage and late charges, permitted hereunder and may refuse to make delivery of the Crude Petroleum until all charges have been paid. If said charges, or any part thereof, shall remain unpaid for thirty (30) Days after notice of readiness to deliver, the Carrier may, unless such charges, or a portion of such charges, are disputed in good faith by Shipper and all undisputed charges have been paid by Shipper, sell the Crude Petroleum (including Line Fill) at public auction, for cash. Carrier shall have a lien and security interest on Crude Petroleum (including Line Fill) when there shall be failure to take the Crude Petroleum at the point of destination as provided in Item No. 60 (NOTICE OF ARRIVAL, DELIVERY AT DESTINATION, DEMURRAGE). Carrier shall have the right to sell said Crude Petroleum at public auction or in a private sale, as Carrier may, in its reasonable judgment, elect, for cash. Out of the proceeds of said sale, Carrier shall pay itself for all transportation, demurrage, and other lawful charges, interest, attorney fees, expenses of notice, advertisement, sale and other reasonably necessary expenses, and expenses of caring for and maintaining the Crude Petroleum, and the balance shall be held for whomsoever may be lawfully entitled thereto after the auction. If the proceeds of said sale do not cover all such charges and expenses incurred by Carrier, the Shipper and/or Consignee are liable to Carrier for any deficiency. Carrier's rights under this item are not exclusive but shall be in addition to any other rights or remedies available hereunder or under applicable Law.

(b) In the event Carrier determines in its sole good faith judgment that the financial condition of a Shipper, or the guarantor (if any) of such Shipper, is or has

become impaired or unsatisfactory or Carrier determines it is necessary to obtain security from such Shipper, Carrier, upon notice to such Shipper, will require any of the following prior to Carrier's delivery of Shipper's Petroleum in Carrier's possession or prior to Carrier's acceptance of such Shipper's Crude Petroleum: (1) prepayment of all charges by wire transfer and Shipper's Crude Petroleum shall be held by the Carrier without interest accruing thereon until credited to the Shipper, (2) a letter of credit at Shipper's expense in favor of Carrier in an amount sufficient to ensure payment of all such charges and, in a form, and from an institution acceptable to Carrier, or (3) a guaranty in an amount sufficient to ensure payment of all such charges, and in a form, and from a third party acceptable to Carrier. In the event any applicable Shipper fails to comply with any such requirement on or before the date supplied in Carrier's notice to such Shipper, Carrier shall not be obligated to provide such Shipper access to Carrier's facilities or provide services pursuant to this tariff until such requirement is fully met.

95. INTENTIONALLY LEFT BLANK.

100. LIABILITY OF CARRIER

(a) The Carrier while in possession of any of the Crude Petroleum herein described shall not be liable for any loss thereof, damage thereto, or delay, caused by: fire, storm, flood, epidemics, Act of God, accident, riots, civil disorder, strikes, insurrection, rebellion, war, act of the public enemy, quarantine, the authority of Law, requisition or necessity of the Government of the United States in time of war, default of Shipper, earthquakes, sinkholes, or from any other cause not due to the negligence of Carrier. In case of loss of Crude Petroleum each Shipper of the grade of Crude Petroleum so lost via the System in which the loss occurs shall share such loss in the proportion that the amount of such grade of Crude Petroleum then in the custody of Carrier for the account of such Shipper in such System bears to the total amount of such grade of Crude Petroleum then in the custody of Carrier in such System. Statements of quantities ascertained and computed from records in the usual manner by Carrier shall be accepted as prima facie correct in the distribution of losses under this item.

(b) Carrier will be obligated to Deliver only that portion of a Crude Petroleum shipment remaining after deducting such loss and after any other deductions provided for in these rules and regulations (e.g. See Item 65(f) and (g)).

(c) If Crude Petroleum is lost in transit, while in the custody of Carrier, due to causes other than those described in the first paragraph of this Item 100, Carrier may obtain and Deliver to Shipper other Crude Petroleum of the same quantity and grade as that which was lost, but Carrier shall not be obligated to do so. In the alternative, Carrier may compensate Shipper for such loss in money. If Carrier compensates Shipper for such loss in money, the price per Barrel shall be determined as of the date of the loss based on the value of the lost Crude Petroleum. Carrier's liability to Shipper, Consignor and Consignee for the failure to deliver at any Delivery Points any Crude Petroleum delivered and accepted by Carrier at any Receipt Point hereunder due to causes other than those described in the first paragraph of Item 100, and after deductions provided for in these

rules and regulations (e.g., See Item 65 (f) and (g)), shall be limited to (i) the market value of such Crude Petroleum and (ii) any transportation fees or other amounts paid hereunder by Shipper chargeable based on such volumes of Crude Petroleum.

(d) Subject to Item 100 (c) above, any volumetric difference between receipts from Shipper and delivery to Shipper or Consignee during a current month will be credited or debited to Shipper's inventory account and will be settled in the following month, or as soon thereafter as may be reasonably accommodated by Carrier, without any further liability to Carrier, taking into consideration all prior deduction allowed pursuant to the rules and regulations contained herein.

(e) Each of Carrier, Shipper, Consignor and Consignee or their respective designated representative(s) shall have the right, at its/their own expense, upon reasonable notice and at reasonable times, to examine and audit and to obtain copies of the relevant portion of the books and records (including electronic measurement data or records and other similar information supporting relevant calculations) of the other party to the extent reasonably necessary to verify the accuracy of any statement, charge, payment, or computation made or compliance with any other obligation, under this tariff. This right to examine, audit, and to obtain copies shall not be available with respect to information not directly relevant to transactions under this tariff or to the extent such materials are protected by the attorney-client privilege, work product doctrine, other applicable privilege or are subject to any confidentiality or similar obligations arising pursuant to the terms of any contract or at Law. If any audit conducted pursuant to the terms hereof reveals that there was an inaccuracy or omission in an invoice submitted under this tariff, the parties shall, within ten (10) days of a request by any party thereto, meet to discuss the adjustments and/or payments that would be necessary to correct such inaccuracy or omission. All invoices and billings, adjusted as contemplated herein, shall be conclusively presumed final and accurate and all associated claims for underpayments or overpayments shall be deemed waived unless such invoices or billings are objected to in writing, with adequate explanation and/or documentation, within twenty-four (24) months after the expiration of the applicable calendar year in which the transportation services are provided hereunder; provided, however, any objection associated with any billing or invoice associated with any measurement inaccuracies as to the transportation of Crude Petroleum from the System to a downstream pipeline at a Delivery Point, where such downstream pipeline has a different time limitation to object to any billing or invoice with respect to such Crude Petroleum movement than the foregoing twenty-four months, must be brought within the time limitation provided for in the tariff of such downstream pipeline. Any retroactive adjustment made in response to information furnished under an audit under this tariff shall be paid in full by the party owing payment within thirty (30) Days of notice and substantiation of such inaccuracy.

(f) NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, IN NO EVENT SHALL ANY MEMBER OF THE CARRIER GROUP OR OF THE SHIPPER GROUP BE LIABLE FOR ANY (a) PUNITIVE OR EXEMPLARY DAMAGES OR (b) ANY LOST PROFITS OR CONSEQUENTIAL, SPECIAL OR INDIRECT DAMAGES EXCEPT, THAT CARRIER OR SHIPPER, AS

APPLICABLE, IN THE CASE OF SUBPART (b) MAY BE LIABLE TO THE EXTENT SUCH LOST PROFITS OR DAMAGES ARE (x) NOT BASED ON ANY SPECIAL CIRCUMSTANCES OF THE OTHER PARTY (i.e. SHIPPER OR CARRIER, AS APPLICABLE) OR ANY OF ITS AFFILIATES AND (y) THE NATURAL, PROBABLE AND REASONABLY FORESEEABLE RESULT OF THE EVENT THAT GAVE RISE THERETO, PROVIDED, HOWEVER, EACH PARTY (THE "LIABLE PARTY") SHALL BE LIABLE TO ANY MEMBER OF THE OTHER PARTY'S GROUP (I.E. THE CARRIER GROUP OR THE SHIPPER GROUP, AS APPLICABLE) FOR ANY OF THE FOREGOING DAMAGES PAID TO A THIRD PARTY NOT IN THE CARRIER GROUP OR THE SHIPPER GROUP BY A MEMBER OF SUCH OTHER PARTY'S GROUP WHERE SUCH DAMAGES ARE A RESULT OF A BREACH BY THE LIABLE PARTY OF ITS OBLIGATIONS UNDER THIS TARIFF.

105. CLAIMS, SUITS, AND TIME FOR FILING

Except where property is alleged to have been lost or damaged in transit by carelessness or negligence of the Carrier as limited by Item 100(c) above, as a condition precedent to recovery, claims must be filed in writing with the Carrier within twenty-four (24) months after the expiration of the applicable calendar year in which such claim was incurred or accrued and suits arising out of such claims shall be instituted against the Carrier only within such period. Where claims are not filed or suits are not instituted thereon in accordance with the foregoing provisions, Carrier will not be liable and such claims will not be paid.

110. PIPEAGE OR OTHER CONTRACTS

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

115. STORAGE IN TRANSIT

The Carrier has working tanks required in the process of transporting Crude Petroleum but no other available tankage and therefore, unless otherwise specifically stated in a tariff making reference to these rules and regulations, Carrier does not have facilities for rendering, nor does it offer, a storage service. Provisions for storage in transit in facilities furnished by Shipper at points on Carrier's System will be permitted to the extent authorized under individual tariffs lawfully on file with the Federal Energy Regulatory Commission, and per an executed pipeage agreement detailing the terms and conditions for such storage.

120. INTRASYSTEM TRANSFERS

An intrasystem transfer of title to Crude Petroleum will be allowed on Carrier's System for a fee of one-half cent (\$0.005) per Barrel charged to the Transferor; provided, however, that no transfer fee shall be assessed to the Transferor if the Transferor pays the transportation and other charges due hereunder to the specified transport point. The

Transferee accepting volumes on an intrasystem transfer shall be responsible for payment of transportation charges from the transfer point to destination. Carrier shall not be obligated to recognize any intrasystem transfer and shall incur no liability with respect thereto or for any losses or damages accruing to any party involved in an intrasystem transfer. An intrasystem transfer request, if recognized, shall be confirmed in writing by both the Transferor and the Transferee within seventy-two (72) hours after the request. Such request shall indicate the party to which the transfer is to be made, the amount of Crude Petroleum to be transferred, its location, grade, and a warranty statement of unencumbered title. In addition, the Transferor and Transferee, upon the request of Carrier and at Carrier's option, shall provide an irrevocable letter of credit in terms satisfactory to Carrier and in an amount necessary to cover all charges and fees.

125. COMMODITY

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

130. CONNECTION POLICY

(a) Subject to Items 130(b) and (c) below, connections to Carrier's System will only be considered if made by formal written notification to Carrier by a Shipper or prospective Shipper. All connections, if agreed to by Carrier, will be subject to generally accepted industry standards and all regulatory standards for design and construction and will meet the hydraulic requirements necessary to protect the safety, security, integrity and efficient operation of Carrier's System. Carrier's acceptance of any request for connection will be subject to compliance with governmental regulations. Carrier may require other capital recovery arrangements as part of its agreement to accept a connection request, which Carrier will negotiate on a not unduly discriminatory basis.

(b) With respect to each Shipper that has executed a Dedication and Transportation Agreement for service on Segment 1 or Segment 3 of the System, Carrier shall, at the sole cost and expense of Carrier, (i) extend Segment 1 or Segment 3 of the System up to one (1) mile for every four hundred (400) Barrels of Average Daily Volume of Crude Petroleum produced from the wells and subject to a Dedication and Transportation Agreement that will be delivered to the applicable new Receipt Point on Segment 1 or Segment 3 of the System (as such obligation of Carrier may be more fully set forth in the applicable Dedication and Transportation Agreement) and (ii) install and maintain a Receipt Point on Segment 1 or Segment 3 of the System, including a tap, lease automatic custody transfer meter unit and interconnection point, with each Carrier-proposed Segment 1 or Segment 3 Receipt Point for which there is a reasonably projected Average Daily Volume of at least two hundred (200) Barrels of Crude Petroleum and after such installation such point of connection shall be considered to be a Receipt Point on Segment 1 or Segment 3 of the System. Notwithstanding the preceding, except for Carrier's obligation to construct and install at its expense the Segment 1 and Segment 3 Receipt Points listed in a Dedication and Transportation Agreement (as of the date of execution of such Dedication and Transportation Agreement), in no event shall Carrier be obligated to construct and install at its expense more than two (2) Segment 1

or Segment 3 Receipt Points in each section (i.e. one square mile or 640 acres) within the development area identified in such Dedication and Transportation Agreement (other than where more than two (2) Segment 1 or Segment 3 Receipt Points are listed in such Dedication and Transportation Agreement (as of the date of execution of such Dedication and Transportation Agreement) and are in the same section).

(c) If at any time the Average Daily Volume of Crude Petroleum at any Receipt Point at which a lease automatic custody transfer meter has been installed falls below two hundred (200) Barrels, Carrier shall have the right to remove the lease automatic custody transfer meter for any such Receipt Point. If at any time thereafter the Average Daily Volume of Crude Petroleum for such Receipt Point equals or exceeds two hundred (200) Barrels, Carrier shall reinstall such lease automatic custody transfer meter within thirty (30) days of receiving notice thereof.