

Stakeholder Midstream Crude Oil Pipeline, LLC

LOCAL TARIFF

CONTAINING

RULES, REGULATIONS AND RATES

GOVERNING THE GATHERING AND TRANSPORTATION

OF

CRUDE OIL

BY PIPELINE

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

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

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SECTION I
RULES AND REGULATIONS OF RAILROAD COMMISSION OF TEXAS
RULE 71. PIPELINE TARIFFS

Carrier, as defined in Section II, incorporates by reference in this tariff the rules and regulations set forth in Title 16, Rule § 3.71 of the Texas Administrative Code.

SECTION II RULES AND REGULATIONS

The requirements of Section II will be in addition to the requirement set forth in Section I. In case of discrepancies in the requirements between the Sections, the requirements in Section II will take precedence and govern over the requirements in Section I, to the extent permitted by Applicable Law.

1. DEFINITIONS

“Affiliate” means, as to any Person, any other Person, whether of a similar or dissimilar nature, which (a) controls, either directly or indirectly, such Person, (b) is controlled, either directly or indirectly, by such Person, or (c) is controlled, either directly or indirectly, by a person or entity which directly or indirectly controls such Person. As used in this definition, “control” means the ownership of (or the right to exercise or direct) fifty percent (50%) or more of the voting rights in the appointment of directors of such entity, or fifty percent (50%) or more of the interests in such entity.

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

“A.P.I. Gravity” means gravity determined in accordance with the ASTM set out in Item 3(A).

“Applicable Law” means all applicable: laws, statutes, directives, codes, ordinances, rules (including the rules of any securities exchange), regulations and municipal by-laws; and judicial, arbitral, administrative, ministerial, departmental or regulatory judgments, orders, decisions, rulings or awards, consent orders, consent decrees and policies of any Governmental Authority.

“ASTM” means the American Society for Testing Materials.

“Barrel” means forty-two (42) United States gallons (each 231 cubic inches) at a temperature corrected to 60 degrees Fahrenheit.

“Carrier” means Stakeholder Midstream Crude Oil Pipeline, LLC.

“Committed Rate” means the rate identified as the “Committed Rate” in Section III of this tariff.

“Committed Shipper” means a Shipper with which Carrier has executed a TSA for priority transportation service on the System pursuant to an Open Season held by Carrier prior to the In-Service Date.

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

“Consignor” means the Person from whom a Shipper has ordered the receipt of Crude Oil.

“Crude Oil” means liquid hydrocarbons that meet the Quality Specifications set forth in Item 3(A).

“Deficiency Payment” means the payment due by a Committed Shipper, in accordance with the Committed Shipper’s TSA, for such Committed Shipper’s Monthly Deficient Barrels.

“Destination Point” means the delivery points(s) on Carrier’s System where Crude Oil is delivered to Shipper, as such points are specified in Section III of this tariff.

“Encumbered Crude Oil” has the meaning set forth in Item 14(B).

“Excess Line Fill” has the meaning set forth in Item 13(B).

“Force Majeure” means any cause or causes not reasonably within the control of either Carrier or Shipper (each a “Party” for purposes of this definition) and which, by the exercise of reasonable diligence, the affected Party is unable to prevent or overcome. Examples of Force Majeure may include, but are not be limited to: Acts of God; acts, omissions to act and/or delays in action of federal, state or local government or any agency thereof; strikes, lockouts, work stoppages or other industrial disturbances; acts of the public enemy; acts of terrorism; wars; blockades; insurrections; sabotage; riots; epidemics; landslides; lightning; earthquakes; fires; storms; floods; washouts; arrests or restraint of governments, rulers or peoples; civil or criminal disturbances; interruptions by governmental or court orders; present and future valid orders of any regulatory body having jurisdiction; explosions; mechanical failures; breakage or accident to equipment, machinery or lines of pipe, compressors or plants (not due to the negligence or willful misconduct of the Party) and subsequent repairs; freezing or blockage of lines of pipe, partial or entire failure of production facilities or equipment, treating plants, or transportation facilities or separation facilities; governmental regulations; curtailment of, or other inability to obtain equipment, labor, materials or supplies and/or services and/or electric power used in making and/or receiving deliveries hereunder; the inability of either Party to acquire, or the delays on the part of a Party in acquiring, at reasonable cost and after the exercise of reasonable diligence, approvals, permits, consents, easements and/or rights-of-way; and compliance with Applicable Law. Notwithstanding anything to the contrary set forth in this tariff or the TSA, as applicable, none of the following shall, under any circumstance, constitute a Force Majeure event: (i) the lack of financial resources, or the inability of a Party to secure funds or make payments as required by a TSA or this tariff, as applicable, (ii) adverse market, financial or other economic conditions including changes in market conditions that either directly or indirectly affect the demand for or price of Crude Oil, or (iii) availability of more attractive markets for Crude Oil.

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

“Incremental Barrels” has the meaning set forth in Item 7(C)(2).

“Incremental Capacity” means the difference between ninety percent (90%) of the available capacity on the System, or a line segment thereof, in a Proration Month, less the aggregate amount of capacity allocated to all Committed Shippers under Item No. 7(C) of this tariff.

“In-Service Date” means the first day of the month following the date on which Carrier’s System is available to accept Shipper’s Crude Oil for transportation services in accordance with the terms of this tariff and the TSA, if applicable.

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

“Monthly Deficient Volumes” means the number of Barrels by which (i) a Committed Shipper’s Monthly Throughput fails to meet (ii) the Committed Shipper’s Monthly Volume Commitment.

“Monthly Throughput” means the actual number of Barrels of Crude Oil received by Carrier from a Committed Shipper for transportation on the System in a month.

“Monthly Volume Commitment” means a Committed Shipper’s Volume Commitment multiplied by the number of days in the applicable month.

“Nomination,” “Nominate,” or “Nominated” means a written communication (in form and context specified by Carrier) made by a Shipper to Carrier of a quantity of Crude Oil for transportation on the System from a specified Origin Point to a specified Destination Point in accordance with the terms of this tariff.

“Notification” has the meaning set forth in Item 13(C)(3).

“Non-Priority Capacity” means the System Capacity available for allocation to Uncommitted Shippers each Proration Month following the allocation of System Capacity to Committed Shippers under Item 7(C), which shall be a quantity of up to ten percent (10%) of the System Capacity, assuming Carrier receives sufficient Nominations from Uncommitted Shippers.

“Off-Spec Crude Oil” has the meaning set forth in Item 3(E).

“Open Season” means that open season held by Carrier beginning December 1, 2016, to obtain volume commitments on the System, and any supplemental open season held by Carrier to obtain additional volume commitments on the System prior to the In-Service Date.

“Origin Point” means the receipt/inception point(s) where Crude Oil is received into the System, as such points are specified in Section III of this tariff.

“Person” means any individual, corporation, limited liability company, partnership, trust or other entity, or any Governmental Authority.

“Prime Rate” has the meaning set forth in Item 17(C).

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

“Quality Specifications” has the meaning set forth in Item 3(A).

“Shipper” means a Person that contracts with Carrier for transportation of Crude Oil in accordance with this tariff and any other applicable tariffs of Carrier, and shall include Committed Shippers and Uncommitted Shippers.

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

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

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

“TSA” means a transportation services agreement for the transportation of Crude Oil on Carrier’s System entered into between a Committed Shipper and Carrier pursuant to the Open Season.

“Third Party Shipper” has the meaning set forth in Item 7(I).

“Uncommitted Rate” means the rate identified as the “Uncommitted Rate” in Section III of this tariff.

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

“Unremoved Crude Oil” means Crude Oil that Shipper fails to arrange for receipt of, or refuses to receive, upon Carrier’s delivery at the Nominated Destination Point.

“Volume Commitment” means the volume of Crude Oil that a Committed Shipper agrees to ship on the System each day during the term of the TSA, as such amount is set forth in each Committed Shipper’s TSA.

2. COMMODITY

Carrier is engaged in the transportation on the System of Crude Oil meeting the Quality Specifications set forth in Item 3 and will not accept any other commodity for transportation under this tariff.

3. QUALITY SPECIFICATIONS

A. Quality Specifications.

- (1) The specifications set forth in this Item 3(A)(1) shall apply to each Barrel of Shipper’s Tender and shall not be limited to the composite sample of the Crude Oil received. Carrier reserves the right to reject Crude Oil:
 - i. containing more than one percent (1.0%) of basic sediment, water, and other impurities;
 - ii. containing hazardous waste as defined in the Resources Conservation and Recovery Act of 1976, as such act may be amended from time to time;

- iii. with a temperature exceeding 120 degrees Fahrenheit;
 - iv. with a wax appearance temperature (WAT), or cloud point, at or above 60 degrees Fahrenheit; or
 - v. is 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.
- (2) Carrier reserves the right to reject Shipper's Crude Oil where the average quality of the Crude Oil Tendered by Shipper at all applicable Origin Points on the System:
- i. contains more than three percent (3.0%) sulfur by weight;
 - ii. has an API Gravity of less than twenty-seven (27) degrees or more than thirty-seven (37) degrees.

For purposes of this tariff, the term "**Quality Specifications**" means collectively, the specifications listed in Item 3(A)(1) and 3(A)(2) above.

- B. Carrier shall have the right to change or modify the Quality Specifications provided in Item 3(A) in order to conform Carrier's Quality Specifications to those of upstream or downstream connecting facilities. Carrier shall not be required to accept Crude Oil at an Origin Point that does not meet the quality specifications of a connecting facility.
- C. Shipper shall perform applicable tests to ensure that the Crude Oil it Tenders to Carrier for transportation on the System conforms to the Quality Specifications. Carrier may also require Shipper to furnish a certificate setting forth in detail the specifications of each shipment of Crude Oil offered for transportation hereunder, and Shipper shall be liable for any contamination or damage to other Crude Oil in Carrier's custody or to Carrier's System or other facilities caused by failure of the Crude Oil Tendered by Shipper to meet the specifications stated in Shipper's certification.
- D. Carrier or its representative may test all Crude Oil Tendered for transportation on Carrier's System for compliance with the Quality Specifications. All such tests shall be performed by Carrier, but Shipper, Consignor, or Consignee may be present or represented at the testing provided such witnessing does not unreasonably interfere with Carrier's operation of the System. Carrier shall provide reasonable advance notice of any such testing (other than the continuous monitoring of the System) to Shipper. Quantities shall be tested in accordance with applicable A.P.I./ASTM standards and pipeline industry practice or such other tests as may be agreed upon by Carrier and Shipper. All tests performed by Carrier shall be determinative unless Shipper, Consignor, or Consignee submits to

Carrier, within 60 days of the date of the test, appropriate documentation contesting the test. In the event of variance between Carrier's test results and Shipper's test results or the specifications contained in a certificate provided by Shipper pursuant to Item 3(C), Carrier's test results shall prevail (absent error demonstrated by Shipper or fraud).

- E. Carrier reserves the right to reject all Tenders of Crude Oil and refuse transportation if Carrier determines that Shipper has delivered Crude Oil that (i) does not conform to the Quality Specifications, (ii) is not merchantable, (iii) is not readily acceptable for transportation through Carrier's System, (iv) would otherwise adversely affect the System or other Crude Oil on the System and/or (v) would expose any Person or property (including the System) to an undue risk of harm or property damage ("**Off-Spec Crude Oil**"), all of which shall be determined by Carrier, in Carrier's reasonable discretion.
- F. In the event Shipper tenders Off-Spec Crude Oil to the System: (i) Carrier may accept such Shipper's delivery if Carrier determines, in its sole discretion, that the quality of the Off-Spec Crude Oil, when commingled as a common stream, will nonetheless meet the Quality Specifications; or (ii) if Carrier does not accept such Off-Spec Crude Oil as provided in (i) of this Item 3(F), Carrier may exclude such Shipper from further entry into Carrier's System until such time as Shipper returns the quality of its Crude Oil to a level satisfactory to Carrier in accordance with this tariff. Nothing contained in this tariff, any other tariff filing, any pipeage contract or transportation services agreement or any other document, nor any receipt by Carrier of Off-Spec Crude Oil (either unknowingly, as a temporary accommodation, or in its sole discretion), shall be construed to affect Carrier's right, at any time and from time to time, to reject Tenders of Off-Spec Crude Oil and to refuse or suspend receipt of such Off-Spec Crude Oil until it is established to Carrier's reasonable satisfaction that subsequent deliveries of Crude Oil will conform to the applicable Quality Specifications.
- G. Carrier may monitor, but is not responsible for monitoring, receipts or deliveries for contaminants. Further, Carrier reserves the right to dispose of any Off-Spec Crude Oil. Disposal thereof may be made in any reasonable manner, including, but not limited to, commercial sales. Shipper shall be liable for and shall defend, indemnify and hold Carrier harmless from and against any and all claims, actions, suits, losses, demands, costs and expenses (including attorney's fees and costs of repairing, inspecting, cleaning and decontaminating Carrier's System or the facilities of third parties) of every kind, nature or description to the extent caused by Off-Spec Crude Oil that Shipper has delivered into Carrier's System.
- H. In addition to any other remedies available to Carrier, if Crude Oil received by Carrier into Carrier's System does not meet the Quality Specifications, Carrier reserves the right to charge the Shipper the actual costs and expenses incurred by Carrier to treat, handle, or otherwise dispose of all such Off-Spec Crude Oil. In the event that, based upon Carrier's own testing, it is determined that Shippers are or have been delivering Crude Oil into Carrier's System at the Origin Point that

does not meet Carrier's Quality Specifications, then (i) Carrier may add an off-spec penalty provision to this tariff in order to discourage deliveries of Crude Oil to Carrier's System that violate Carrier's Quality Specifications and (ii) for the avoidance of doubt, any Shipper who has delivered Off-Spec Crude Oil that, when commingled as a common stream, results in the common stream not meeting the Quality Specifications, shall be liable for damages caused to other Shippers' Crude Oil to the extent that such Shipper's delivery of Off-Spec Crude Oil results in other Shippers receiving Crude Oil that does not meet the Quality Specifications.

4. VARIATIONS IN QUALITY AND GRAVITY

- A. Carrier shall not be liable to Shipper for changes in gravity or quality of Shipper's Crude Oil which may occur from commingling or intermixing Shipper's Crude Oil with other Crude Oil in the same common stream while in transit. Carrier is not obligated to deliver to Shipper the identical Crude Oil Nominated and Tendered by Shipper; Carrier will deliver the grade of Crude Oil it is regularly transporting as a common stream.
- B. Carrier shall have no responsibility in, or for, any revaluation or settlements which may be deemed appropriate by Shippers and/or Consignees because of the mixing or commingling of Crude Oil shipments between the receipt and delivery of such shipments by Carrier within the same common stream.
- C. Carrier shall not be required to transport Crude Oil except with reasonable diligence, considering the quality of the Crude Oil, the distance of transportation and other material elements. Carrier cannot commit to delivering Crude Oil to a particular destination, at a particular time.

5. MINIMUM TENDER

Crude Oil must be Nominated and Tendered for transportation in quantities of not less than 200 Barrels per day at the applicable Origin Point. However, Carrier may, in its sole discretion, decide to accept Nominations below the minimum requirements set forth in this Item 5, provided that space is available and operating conditions permit such acceptance.

6. NOMINATIONS REQUIRED

- A. Crude Oil for shipment through the System will be received only on a properly executed Nomination from Shipper identifying the month for which transportation is desired, the Origin Point at which the Crude Oil is to be received by Carrier, the Destination Point of the shipment, Consignee (if any), and the amount of Crude Oil to be transported. Carrier may refuse to accept Crude Oil for transportation unless satisfactory evidence is furnished that Shipper or Consignor has made adequate provisions for prompt receipt of all volumes at the Destination Point.
- B. Any Shipper desiring to Nominate Crude Oil for transportation shall make such Nomination to Carrier in writing on or before the 15th day of the calendar month

preceding the month during which the transportation of Crude Oil under the Nomination is to begin; provided, however, that if operating conditions permit, Carrier, in its sole discretion, may consider and accept Nominations submitted after the date specified above.

- C. Carrier may refuse to accept Crude Oil for transportation under this tariff (i) where Shipper, Consignor, or Consignee is (1) not in compliance with this tariff or (2) in material breach of a TSA, if applicable, or (ii) where Shipper, Consignor, and/or Consignee is not in material compliance with all Applicable Law regulating shipments of Crude Oil.
- D. All Crude Oil accepted for transportation will be transported at such time and in such quantity as scheduled by Carrier.

7. PRORATIONING PROCEDURES

- A. When System Capacity will be prorated. When Carrier receives more Nominations in a month for transportation of Crude Oil on Carrier's System than Carrier is able to transport, Carrier shall allocate the System Capacity under the provisions of this Item 7.
- B. Division of System Capacity between Shipper classes. System Capacity will be allocated among Committed Shippers as a class and Uncommitted Shippers as a class; any remaining System Capacity will be allocated in accordance with the provisions of Item 7(E).
- C. Allocation to Committed Shippers.
 - (1) Under normal operating conditions, Carrier will first allocate each Committed Shipper an amount of System Capacity equal to the lesser of: (i) its Nomination for the Proration Month, or (ii) its Monthly Volume Commitment. If an event of Force Majeure or other operational issue causes System Capacity to be reduced for the Proration Month, the allocation of System Capacity to each Committed Shipper under this Item 7(C)(1) shall be reduced by the same percentage as the reduction in System Capacity that is caused by the Force Majeure event or operational issue.
 - (2) Each Committed Shipper will also be allocated capacity equal to any volumes Nominated by the Committed Shipper in excess of its Monthly Volume Commitment ("**Incremental Barrels**"), provided that the allocation of Incremental Barrels to one or more Committed Shipper does not cause the percentage of capacity allocated to Committed Shippers for the Proration Month to exceed 90 percent of the System Capacity for the Proration Month. If that were to occur, Carrier shall allocate the Incremental Capacity among all Committed Shippers that Nominated Incremental Barrels, with such allocation being done on pro-rata basis

according to each Committed Shipper's Monthly Volume Commitment. Any portion of a Committed Shipper's Nomination that is not met under Item 7(C)(1) or this 7(C)(2) shall be subject to proration under Item 7(E) below.

- (3) If an event of Force Majeure or other operational issue causes a service disruption on only a portion of Carrier's System or at a particular Origin Point or Destination Point, Carrier shall continue to provide full operational service with respect to the unaffected portions of Carrier's System and to the unaffected Origin Points and Destination Points. Carrier will reduce the allocations of System Capacity to each Committed Shipper affected by such Force Majeure event by the same percentage as the reduction in System Capacity of the affected portion of the System or the reduction in receipt or delivery capability of the affected Origin Point or Destination Point.

D. Allocation to Uncommitted Shippers.

- (1) Following the allocation of System Capacity set forth in Item 7(C) above, Carrier shall next allocate the Non-Priority Capacity on Carrier's System among all Uncommitted Shippers in the following manner:
 - i. Each Uncommitted Shipper shall be allocated an amount of Non-Priority Capacity in the Proration Month that is equal to:
 - a. its Nomination, if the total volume Nominated by all Uncommitted Shippers is less than or equal to the Non-Priority Capacity; or
 - b. its pro rata share, in accordance with its Nomination, of the Non-Priority Capacity, if the total volume Nominated by all Uncommitted Shippers is greater than the Non-Priority Capacity.

E. Remaining System Capacity. Any remaining System Capacity not allocated through the application of Items 7(C) or 7(D) shall be allocated first, pro rata, among all Committed Shippers having remaining unmet Nominations according to the level of each Committed Shipper's Monthly Volume Commitment. If an allocation to any Shipper pursuant to this Item 7(E) exceeds such Shipper's remaining Nomination or there remains unallocated System Capacity following this additional allocation to Committed Shippers, then the excess capacity will be allocated among all other Shippers having unmet Nominations until the remaining System Capacity is fully allocated or all of the remaining Nominations have been fulfilled.

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

- (i) Carrier shall allocate System Capacity on a monthly basis; and
 - (ii) Carrier will use reasonable efforts to notify each Shipper of its allocation not later than the first working day of the Proration Month.
- G. Reallocation of Unused Allocated System Capacity. If a Shipper does not use the portion of System Capacity allocated to it under this Item 7 at the times and in the amounts designated by Carrier, Carrier shall have the right to use Shipper's unused portion of System Capacity to fulfill the unmet Nominations of other Shippers.
- H. Failure of Uncommitted Shipper to Use Allocated System Capacity.
 - (i) Except as provided in Item 7(H)(ii) below, an Uncommitted Shipper that fails to use all of its allocated System Capacity during a Proration Month shall have its allocation of System Capacity reduced in each subsequent Proration Month until the total reductions equal the amount of the deficiency. The amount of any such reduction shall be treated as unused allocated System Capacity and shall be reallocated among other Shippers in accordance with Item 7(G).
 - (ii) Reduction of an Uncommitted Shipper's allocation for failure to use its allocated System Capacity during a Proration Month may be waived, in whole or in part, if Carrier determines that Shipper's failure to use all or some of its allocated System Capacity was due to a Force Majeure.
- I. Transfer of Allocated System Capacity; Third Party Shippers. Shipper's allocation of System Capacity may be transferred as an incident of the bona fide sale of the Shipper's business or to a successor to the Shipper's business by the operation of law, such as an executor or trustee in bankruptcy. In addition, a Committed Shipper may use a third party to deliver Barrels of Crude Oil for transportation on Carrier's System ("**Third Party Shipper**") and the transportation of such volumes by a Third Party Shipper shall count towards fulfillment of the Committed Shipper's Volume Commitment under its TSA. The Third Party Shipper will receive the same allocation priority that is applicable to the Committed Shipper on whose behalf the Third Party Shipper is transporting Crude Oil on Carrier's System. A Committed Shipper must provide Carrier with 30 days' written notice of its intent to designate a Third Party Shipper, with such requirement applying to each Third Party Shipper designated by the Committed Shipper and including the address, contact person and telephone number for each such Third Party Shipper. A Committed Shipper will be prohibited from utilizing a Third Party Shipper until such time as the Third Party Shipper has executed a "Third Party Agreement," as defined and described in the Committed Shipper's TSA. A Committed Shipper's use of a Third Party Shipper shall be governed by the provisions set forth in such Committed Shipper's TSA. The intent of this Third Party Shipper provision is to give a Committed Shipper the flexibility to use such Third Party Shipper in order to, among other things, fully utilize the

Committed Shipper's contractual rights under the TSA, as well as meet its contractual obligations with Carrier. Accordingly, Uncommitted Shippers will not have the right to use a Third Party Shipper.

8. MEASUREMENT

Crude Oil received on Carrier's System under this tariff shall be measured in accordance with Carrier's Measurement Manual, dated January 1, 2017. A copy of the Measurement Manual is available to Shippers upon written request.

9. ORINATION FACILITIES

Carrier will receive Crude Oil from Shippers at the Origin Points on Carrier's System. Crude Oil will be received only from pipelines, tanks or other facilities that are provided by Shipper or Consignor, or a connecting carrier. Carrier will not accept a Nomination unless such facilities have been provided and conform to the operating requirements of Carrier, in Carrier's sole discretion.

10. STORAGE OF CRUDE PETROLEUM

Carrier does not provide storage for Crude Oil, except storage incidental to transportation on Carrier's System. Carrier has the right to coordinate with downstream connecting facilities to ensure that Shipper has arranged for receipt of its Crude Oil at the Nominated Destination Point. By Nominating Crude Oil for transportation on the System, Shipper agrees to permit such coordination.

11. DESTINATION FACILITIES

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

12. NOTICE OF ARRIVAL, DELIVERY AT DESTINATION

- A. After a shipment of Crude Oil has had time to arrive at Shipper's Nominated Destination Point and on 24 hours' notice to Shipper or Consignee, Carrier may begin delivery of such Crude Oil to Shipper or Consignee at Carrier's current rate of pumping. Carrier will have minimal tankage available at the Destination Point and therefore Shipper shall timely remove its Crude Oil, or cause such Crude Oil to be removed, from the System following transportation to a Nominated Destination Point. If Shipper or Consignee is unable or refuses to receive said shipment, Carrier will assess a demurrage charge of 100.00 cents per Barrel for each day (or fractional part thereof) commencing 24 hours following Carrier's notification described above and Shipper's failure to promptly accept such Unremoved Crude Oil. In addition to such demurrage charge, Carrier shall also

have the right to curtail the amount of Crude Oil it will accept from Shipper until such Unremoved Crude Oil is removed.

- B. In addition to such demurrage charge, Carrier also reserves the right if deemed necessary to clear Carrier's System to make whatever arrangements for disposition of the Unremoved Crude Oil that are appropriate, which includes selling the Unremoved Crude Oil at a private sale for the best price reasonably obtainable. Carrier may be a purchaser at such sale. The proceeds of any sale shall be applied in the following order: (i) to the reasonable expenses of holding, preparing for sale, selling, and transporting the Unremoved Crude Oil, and to the extent allowed by Applicable Law reasonable attorneys' fees and legal expenses incurred by Carrier; and (ii) to the satisfaction of Shipper's indebtedness including interest herein provided from the date payment is due. The balance of the proceeds of the sale remaining, if any, shall be paid to Shipper or, if there is a dispute or claim as to entitlement, held for whoever may be lawfully entitled thereto. Carrier will have a claim for and against Shipper with respect to any deficiency arising from the debt due to Carrier from Shipper and the proceeds of any sale after reduction as set forth above. Shipper shall indemnify Carrier for all losses associated with Unremoved Crude Oil and Carrier's disposition of the Unremoved Crude Oil. Carrier shall have no liability to Shipper associated with Shipper's Unremoved Crude Oil or Carrier's disposition of Unremoved Crude Oil except as set forth herein.

13. LINE FILL REQUIREMENTS

- A. Each Shipper will supply its share of Crude Oil for line fill as Carrier determines is necessary to maintain effective operations of Carrier's System ("**Line Fill**").
- B. In the event a Shipper's Line Fill balance drops below its proportionate share of the volume of Crude Oil necessary for operation of Carrier's System, Carrier will notify Shipper of the amount of Line Fill that Shipper owes and Shipper shall supply such Line Fill to Carrier before Carrier is obligated to accept Shipper's Nominations or Tenders or make deliveries or shipments on behalf of Shipper. Any notice to Shipper of additional Line Fill requirements under this Item 13(B) shall provide adequate time for Shipper to make the required Nominations under Item 6. Subject to the provisions of Item 17, in the event Shipper's Line Fill balance is above its proportionate share of the volume of Crude Oil necessary for Line Fill ("**Excess Line Fill**"), then Carrier shall notify Shipper of such Excess Line Fill amount and will return such Excess Line Fill to Shipper upon written request by Shipper to Carrier and following a reasonable period of time to allow for administrative and operational requirements associated with the withdrawal of such Excess Line Fill.
- C. Line Fill furnished by a Shipper may be withdrawn from Carrier's System only pursuant to the terms of this Item 13(C). Subject to the provisions of Item 17, Line Fill furnished by Shipper may be withdrawn from Carrier's System if

Shipper intends to discontinue shipments on Carrier's System for the foreseeable future.

- (1) If Shipper intends to discontinue shipments on Carrier's System for the foreseeable future, Shipper shall provide written notification to Carrier that it intends to discontinue shipments on the System. Carrier will then provide written notice to Shipper as provided for in Item 13(C)(2).

- (2) If a Shipper makes no shipments on the System over a continuous six-month period, Carrier will issue written notice (the "Notification") to Shipper that according to Carrier's books, Carrier is holding a certain volume of Crude Oil on its books in Shipper's name. Shipper will be advised in such letter that Shipper will have 30 days effective with the date of the Notification to provide written direction regarding the disposal of Shipper's Crude Oil. If at the end of this 30-day period, Carrier has received no written direction, Carrier will assume title to the Crude Oil being held on its books in Shipper's name, free and clear of any and all liens, claims or encumbrances, and Shipper expressly agrees and consents to transfer title to Carrier as set forth herein.
 - (i) If Carrier has been contacted by Shipper within 30 days of the Notification described in Item 13(C)(2), Carrier will grant Shipper an additional 30 days without charge to facilitate the disposal of Shipper's inventory Crude Oil. If at the end of this 60-day period, Shipper has not disposed of this Crude Oil, Carrier retains the right to charge a liquidated damage fee of \$0.10 per Barrel, per month, retroactive to the date of the Notification, plus any other fees as allowed in accordance with this tariff; such fees will be required to be paid before the Crude Oil will be released. In addition, if Shipper has not disposed of such Crude Oil within 60 days from the date of Notification, Carrier will assume title to such Crude Oil free and clear of any and all liens, claims or encumbrances, and Shipper expressly agrees and consents to transfer title to Carrier as set forth herein. If Shipper provides a written request to Carrier after title to Crude Oil has been assumed by Carrier but before Carrier has otherwise disposed of the Crude Oil, Carrier agrees to transfer title back to Shipper for a fee of \$5.00 per Barrel. Such fees will be required to be paid before the Crude Oil will be released. Upon transfer of title back to Shipper, Shipper will then be responsible for disposing of Crude Oil within 30 days therefrom. Failure of Shipper to dispose of said Crude Oil within 30 days of the transfer of title back to Shipper will result in title being vested back in Carrier without recourse.

- (3) Carrier's return of Line Fill is contingent upon Shipper's inventory balances and all outstanding amounts due having been reconciled between

Shipper and Carrier and Shipper having paid in full any amounts owed to Carrier following such reconciliation. Carrier shall have a reasonable period of time to complete administrative and operational requirements incident to Shipper's withdrawal of Line Fill.

- (4) Subpart (C) of this Item 13 shall not apply to a Committed Shipper during the term of such Committed Shipper's TSA. However, following the expiration of a Committed Shipper's TSA, such Committed Shipper's Line Fill shall be returned to Committed Shipper pursuant to the provisions set forth in subpart (C) of this Item 13.

14. TITLE

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

15. RATES APPLICABLE

- A. **Rates.** Crude Oil accepted for transportation shall be subject to the rates and charges in effect on the date of receipt by Carrier that are applicable to Shipper's shipments, irrespective of the date of the Nomination. The applicable rates are set

forth in Section III herein. Transportation and all other lawful charges shall be collected on the basis of the gross Barrels of Crude Oil received at an Origin Point, and said quantities will be determined in the manner provided in Item 8.

- B. **Deficiency Payment.** The terms of a TSA shall govern the rights of a Committed Shipper and Carrier with respect to the payment or nonpayment of Deficiency Payments or other charges set forth in a TSA. In the event Carrier refuses to accept Barrels of Crude Oil Tendered by a Committed Shipper for transportation under this tariff or a TSA because such Shipper has been (i) in violation of this tariff, or (ii) in material breach of a TSA at the time the Barrels are Nominated or Tendered to Carrier, then no reduction shall be made to a Deficiency Payment if, as a result of such refusal, such Committed Shipper fails to ship its Monthly Volume Commitment.

16. RATES APPLICABLE FROM INTERMEDIATE POINTS

Shipments accepted for transportation from or to any point on Carrier's System not named in this tariff, but which is intermediate to a point for which a rate is published, will be assessed the rate in effect from or to the next more distant point published in this tariff. Continuous use of intermediate point rate application under this Item 16 for more than 30 days requires establishment of a rate for the transportation service.

17. PAYMENT OF CHARGES

- A. Carrier will invoice Shipper or Third Party Shipper, as applicable, for transportation rates, fees, and charges, and any other amounts accruing on Crude Oil transported by Carrier in accordance with Carrier's then-current invoicing and payment policies and procedures. Carrier shall include on the invoice any amounts Shipper owes under its TSA with Carrier.
- B. All payments are due by the date specified in Shipper's invoice. If Shipper, in good faith, disputes the amount of any such invoice or any part thereof, Shipper shall pay such amount as it concedes to be correct. If Shipper disputes the amount due, it must provide supporting documentation to support the amount disputed within 10 days of the date of such invoice.
- C. If any charge remains unpaid after the due date, then interest shall accrue at a per annum rate of interest equal to the lower of (i) the Prime Rate plus five percent (5%) or (ii) the maximum legal rate. "**Prime Rate**" means the prime rate on corporate loans at large U.S. money center commercial banks as set forth in the Wall Street Journal "Money Rates" table under the heading "Prime Rate," or any successor thereto, on the first date of publication for the month in which payment is due.
- D. If Shipper fails to pay any undisputed charges owed to Carrier, whether under this tariff, a TSA, or any other agreement, when due, Carrier shall have the right, until such payments, including interest thereon, are paid in full, to: (i) refuse to provide Shipper access to the System or provide services pursuant to this tariff, including

delivery of any of Shipper's Crude Oil in Carrier's possession to Shipper, (ii) offset the current and future amounts owed by Shipper under this tariff or a TSA against any amounts Carrier owes to Shipper or against any of Shipper's Crude Oil in the System, and (iii) exercise any other rights and remedies granted under this tariff or existing under Applicable Law.

- E. Carrier shall have a lien on all Crude Oil delivered to and in the possession of Carrier to secure the payment of any and all charges and fees owed to Carrier by Shipper, whether under this tariff, a TSA if applicable, or any other agreement, including but not limited to, transportation fees, penalties, interest and late payment charges. Such lien shall extend to all Crude Oil in Carrier's possession beginning with Shipper's first receipt of transportation or other services from Carrier. Shipper agrees to execute such additional documents as may be reasonably necessary to perfect or evidence such lien. If a bill of lading is required under Applicable Law for such a lien to arise, acceptance of the Nomination will be deemed to be the bill of lading for all Crude Oil subject to such Nomination. The lien provided herein shall be in addition to any lien or security interest provided by this tariff or Applicable Law.
- F. If Shipper fails to pay an invoice by the due date, Carrier will notify Shipper of the failure, and if Shipper has not remedied the failure within 10 days following receipt of notice from Carrier, in addition to any other remedies under this tariff or under Applicable Law, Carrier shall have the right, either directly or through an agent, to sell any Crude Oil of such Shipper in Carrier's custody, including Shipper's Line Fill, at public auction, on any day not a legal holiday, not less than 48 hours after publication of notice of such sale in a daily newspaper of general circulation published in the town, city, or general area where the sale is to be held, stating the time and place of sale and the quantity and location of the Crude Oil to be sold. At said sale, Carrier shall have the right to bid, and, if it is the highest bidder, to become the purchaser. The proceeds of any sale shall be applied in the following order: (i) to the reasonable expenses of holding, preparing for sale, selling, and transporting the Crude Oil and to the extent allowed by Applicable Law reasonable attorneys' fees and legal expenses incurred by Carrier; and (ii) to the satisfaction of Shipper's indebtedness including interest herein provided from the date payment is due. The balance of the proceeds of the sale remaining, if any, shall be paid to Shipper or, if there is a dispute or claim as to entitlement, held for whoever may be lawfully entitled thereto. Carrier will have a claim for and against Shipper with respect to any deficiency arising from the debt due to Carrier from Shipper and the proceeds of any sale after reduction as set forth above.

18. FINANCIAL ASSURANCES

- A. Thirty days prior to making its first Nomination, each prospective Uncommitted Shipper shall provide information to Carrier that will allow Carrier to determine the prospective Uncommitted Shipper's ability to pay any financial obligations that could arise from the transportation of the prospective Uncommitted Shipper's

Crude Oil under the terms of this tariff. The type of information Carrier may request from a prospective Uncommitted Shipper includes, but is not limited to, most recent year-end financials, Form 10-K reports or other filings with regulatory agencies, and bank references. If, in the reasonable opinion of Carrier, such prospective Uncommitted Shipper is not creditworthy, Carrier shall require such Uncommitted Shipper to prepay all transportation and other fees and lawful charges accruing on Crude Oil delivered and accepted by Carrier or supply an irrevocable letter of credit from a bank acceptable to Carrier, with terms in a form acceptable to Carrier and such prepayment must be received within five days of the Uncommitted Shipper's first Nomination.

- B. If Carrier determines that a Shipper's creditworthiness is at any time unsatisfactory, Carrier may require Shipper to provide adequate assurance of performance. As adequate assurance, Carrier may require Shipper to provide one of the following (at Carrier's election): (i) cash (in U.S. dollars), as collateral held for security, (ii) a guaranty from a creditworthy person reasonably acceptable to Carrier and otherwise in form and substance reasonably acceptable to Carrier, (iii) a prepayment, and/or (iv) an irrevocable standby letter of credit issued by a banking institution reasonably acceptable to Carrier, in an amount equal to the amount estimated by Carrier in good faith to be owed by Shipper to Carrier hereunder for the following three months, and otherwise in form and substance reasonably acceptable to Carrier. In the event Carrier requests that a Shipper to provide adequate assurance of performance pursuant to this Item 18(B), Shipper shall provide such assurance within 10 business days following Carrier's written demand.
- C. If a prospective Uncommitted Shipper fails to comply with any obligation in Item 18(A) or a Shipper fails to comply with any obligation in Item 18(B), Carrier shall not be obligated to provide such prospective Uncommitted Shipper or Shipper, as applicable, with access to Carrier's System or to provide transportation services pursuant to this tariff or a TSA, as applicable, until such requirement is fully met.

19. CHARGE FOR FUND COMPENSATION

In addition to all other charges to Shipper accruing on Crude Oil accepted for transportation, a per Barrel charge will be assessed and collected by Carrier in the amount of any tax, fee, or other charge levied against Carrier in connection with such Crude Oil by any Governmental Authority for the purpose of creating a fund for the prevention, containment, clean up, and/or removal of spills and/or the reimbursement of Persons sustaining a loss therefrom or for any program where Carrier is acting as a collecting agent. Such charge will be included in the appropriate tariff filed with the Federal Energy Regulatory Commission.

20. LIABILITY OF SHIPPER

Shipper shall be solely responsible for any loss or damage to Crude Oil that occurs prior to the delivery of Shipper's Crude Oil to Carrier at an Origin Point and after delivery of such Crude Oil to Shipper at a Destination Point. As a condition to Carrier's acceptance of Crude Oil for

transportation on Carrier's System, each Shipper agrees to protect and indemnify Carrier against claims or actions for injury and/or death of any and all Persons whomever and for damage to property of or any other loss sustained by Carrier, Shipper, Consignor, Consignee and/or any third party, resulting from or arising out of (a) any breach of or failure to adhere to any provision of Carrier's tariff(s) by such Shipper or any of its Consignors, Consignees, or any of their agents, employees or representatives and (b) the negligent act(s) or failure(s) to act of such Shipper or any of its Consignors, Consignees, or any of their agents, employees or representatives in connection with delivery or receipt of Crude Oil.

21. LIABILITY OF CARRIER

- A. Carrier, while in possession of Crude Oil herein described, shall not be liable for, and Shipper hereby waives any claims against Carrier for, any loss thereof, damage thereto, or delay caused by Force Majeure, the act of Shipper itself, a Governmental Authority, the nature of the goods, or resulting from any other causes, unless such loss, damage, or delay is due to the negligence or willful misconduct of Carrier. Carrier shall not be liable for, and Shipper hereby waives any claims against Carrier for, any loss or damage to Crude Oil prior to the delivery of Crude Oil to Carrier at an Origin Point and after delivery of Crude Oil at a Destination Point.
- B. In case of loss or damage of any Crude Oil from any such causes that are not due to the negligence or willful misconduct of Carrier, after it has been received for transportation at the Origin Point and before the same has been delivered to Shipper at the Destination Point, such loss will be charged proportionately to each Shipper in the ratio that its Crude Oil, or portion thereof, received and undelivered at the time the loss occurs, bears to the total of all Crude Oil then in the custody of Carrier for transportation via the lines or other facilities in which the loss occurs. Carrier will be obligated to deliver only that portion of such Crude Oil remaining after deducting Shipper's portion of such loss determined as aforesaid.
- C. Carrier will not be liable for discoloration, contamination, or deterioration of the Crude Oil transported hereunder unless and to the extent such discoloration, contamination, or deterioration of Crude Oil transported results from the negligence or willful misconduct of Carrier. Carrier's liability to Shipper, Consignor, or Consignee for any claim of negligence, willful misconduct or other loss shall be limited to the value of the Crude Oil transported and related transportation charges.
- D. Carrier operates under this tariff solely as a common carrier and not as an owner, manufacturer, or seller of the Crude Oil transported or stored hereunder, and Carrier expressly disclaims any liability for any express or implied warranty for Crude Oil transported hereunder including any warranties of merchantability or fitness for intended use.

22. CLAIMS, SUITS, AND TIME FOR FILING

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

23. CONNECTIONS

Connections to Carrier's System will only be considered if made by formal written application to Carrier in accordance with Carrier's connection policy. All connections will be subject to design requirements necessary to protect the safety, security, integrity and efficient operation of Carrier's System in accordance with generally accepted industry standards and Carrier's connection policies. Acceptance of any application for connection will be within the sole discretion of Carrier and will be subject to compliance with Governmental Authorities and industry regulations.

24. CARRIER DISCRETION

Carrier will operate its System and implement the rules and regulations contained in this tariff, including those provisions providing for Carrier's discretion, in a manner that is not unduly discriminatory or unduly preferential.

25. LOSS ALLOWANCE

Carrier shall deduct 0.20 percent of the net Barrels of Crude Oil received into Carrier's System to cover losses inherent in the transportation of Shipper's Crude Oil on Carrier's System. The volumes delivered to Shipper from Carrier's facilities shall be net of such deduction.

**SECTION III
TABLE OF RATES**

Rates in cents per Barrel

| Origin Point | Destination Point | Uncommitted Rate | Committed Rate¹ |
|--|--|-------------------------|-----------------------------------|
| Interconnection Points near Yoakum County, Texas | Interconnection Points near Denver City, Texas | 140.00 | 150.00 |

Notes

1. In order to qualify for the Committed Rate, a Shipper must have entered into a TSA with Carrier during the Open Season.