

QEPM Gathering I, LLC

RULES AND REGULATIONS TARIFF Governing the Interstate Transportation of

CRUDE PETROLEUM (As Defined Herein)

BY PIPELINE

GENERAL APPLICATION

Crude Petroleum will be transported through Carrier's facilities only as provided in this rules and regulations tariff, except that specific rules and regulations published in individual tariffs will take precedence over rules and regulations published herein.

Rules and regulations published herein apply only under tariffs which make specific reference by F.E.R.C. number or State Commission number to this tariff; such reference will include supplements hereto and successive issue hereof.

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

Issued on 27 days' notice under authority of 18 CFR 341.14. This tariff publication is conditionally accepted subject to refund pending a 30-day review period.

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Explanations of Technical Terms and Abbreviations

| <u>Terms and Abbreviations</u> | <u>Explanation</u> |
|---------------------------------------|---|
| a.m. | A time of day after midnight and before noon. |
| Assessments..... | All imbalances, scheduling, cash-out or other charges, whether calculated on a daily, monthly, or some other basis, required to be paid or borne by Carrier or Shipper pursuant to a contract or operational balancing agreement with any downstream pipeline, insofar as such charges apply to a Shipper’s crude transported hereunder. Assessments shall include, but shall not be limited to, all excise, gross production, severance, sales, occupation and all other taxes, charges or impositions of every kind and character required by statute or by order of governmental authorities with respect to Crude Petroleum and the handling thereof prior to receipt thereof by Carrier and with respect to products recovered therefrom by Carrier for shippers’ account. |
| Available Capacity..... | The total capacity of the pipeline segment or segments. |
| Barrel..... | Forty-two United States gallons measured at sixty (60) degrees Fahrenheit and at a pressure of zero (0) pounds per square inch gauge (PSIG). |
| Carrier..... | QEPM Gathering I, LLC |
| Crude Petroleum..... | Either the direct liquid products of oil wells, or a mixture of all direct liquid products of oil wells with the indirect liquid products of oil or gas wells that are liquid at atmospheric pressure and sixty (60) degrees Fahrenheit, which have not been separated or processed in any way, or that is representative of that product produced from native sources in the Bakken or Three Forks formations, including gasoline and liquefied petroleum gases, as provided in Item 15 of this tariff. |
| F.E.R.C. | Federal Energy Regulatory Commission |

Force Majeure..... Acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, war, blockades, military action, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms or storm warnings, crevasses, floods, washouts, arrests and restraints of governments and people, civil disturbances, explosions, breakage or failure of or accident to machinery, mechanical equipment, or lines of pipe, the necessity for testing or making repairs or alterations to machinery or lines of pipe, freezing of wells or lines of pipe, impairment of Carrier’s gathering system due to contamination by or composition of a shipper’s Crude Petroleum, inability to obtain easements and/or rights-of-way, inability of any party to obtain necessary materials, or supplies, inability to obtain permits, including drilling permits due to existing or future rules, regulations, orders, laws or proclamation of governmental authorities (both Federal, State and Tribal), including both civil and military, and any other causes, whether of the kind herein enumerated or otherwise, and whether caused or occasioned by or happening on account of the act or omission of the Carrier or a shipper or some other persons or concern , not within the control of the party claiming suspension, and which by the exercise of due diligence such party is unable to prevent or overcome.

No.Number

p.m. A time of day after noon and before midnight.

Tender..... An offer by a shipper to the Carrier of a stated quantity of Crude Petroleum for transportation from a specified origin or origins to a specified destination or destinations in accordance with these Rules and Regulations.

RULES, REGULATIONS AND CONDITIONS

Rule 10 Commodity

The Carrier is engaged in the transportation of Crude Petroleum by pipeline and will not accept any other commodity for transportation.

Rule 15 Mixtures

- (a) The indirect liquid products of oil or gas wells, including gasoline and liquefied petroleum gases, hereinafter referred to as indirect products, will be accepted and transported as a mixture with the direct liquid products of oil wells, hereinafter referred to as direct products, provided the vapor pressure of the resulting mixture does not exceed that permitted by Carrier's facilities and operating conditions.
- (b) Mixtures will be transported and delivered as Crude Petroleum. Nothing in this item is to be construed to waive provisions of Item 30 of this tariff or to require the Carrier to receive, transport and deliver unmixed indirect products, except that unmixed indirect products will be gathered for subsequent mixing with direct products in accordance with this rule where facilities exist for performing a gathering service for such products.

Rule 20 Tenders

- (a) Any shipper desiring to tender Crude Petroleum for transportation shall make such Tender to the Carrier in writing or e-mail for the daily volume in barrels, preceding the month during which the transportation under the tender is to begin. Tenders shall be done in a manner consistent with the requirements of the downstream pipeline.
- (b) Tender of Crude Petroleum confers no reservation of downstream capacity in any downstream pipeline or other system. Disposition of Crude Petroleum downstream of the specified destination is the sole responsibility of the shipper.
- (c) Tender of Crude Petroleum shall be made at pressure(s) sufficient to enter into Carrier's gathering system. Such pressure(s) shall not exceed the maximum allowable operating pressure of Carrier's gathering system. Carrier is not obligated to modify the pressure(s) of its gathering system to cause the entry of Crude Petroleum.
- (d) Tenders shall be at reasonable uniform hourly and daily rates of flow and shipper shall notify Carrier if the actual daily Tender varies appreciably from nominated daily Tenders.
- (e) Carrier and shippers shall immediately notify one another of any notice received from a downstream pipeline that indicates an imbalance exists or is occurring which may give rise to an assessment. Shippers agree to cooperate immediately to adjust their Tenders or deliveries as necessary to bring Tenders and deliveries into balance to the extent that an assessment can be avoided or minimized.

- (f) Carrier agrees to use reasonable efforts to deliver Crude Petroleum in accordance with nominations. However, in the event of operational limitations, Carrier may deliver Crude Petroleum in a manner other than on a routine daily basis, in which event Carrier will notify shippers as soon as reasonably possible prior to said change, and in which event Carrier shall not cause shipper to miss or lose a nomination with or incur any penalties on the downstream pipeline.

Rule 25 Quantities

- (a) A Tender will be accepted only when the total quantity covered by such Tender will be made available for transportation within the month when the Tender is to begin.
- (b) Any quantity of Crude Petroleum will be accepted from lease tanks or other facilities to which the Carrier is connected, if such quantity can be so consolidated with other Crude Petroleum that Carrier can make a single delivery consistent with the requirements of the downstream pipeline accepting such delivery. 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.

Rule 30 Segregation and Variations In Quality And Gravity

The following Rules and Regulations covering Crude Petroleum quality apply to Carrier's Crude Petroleum system as a whole. Any geographic area to which specific quality requirements apply in addition to these rules and regulations is so identified below.

- (a) As part of its common stream transportation, Carrier will not accept any Crude Petroleum that:
- (1) does not meet the quality criteria of the common stream;
 - (2) is not native, virgin petroleum oil of a type and kind indicative of the Bakken and Three Forks formations; or
 - (3) does not fit the general merchantability of oil from the area; or
 - (4) does not meet all requirements of downstream pipelines.

Accordingly, Carrier will monitor the quality of its common streams and shall investigate suspected abuses of common stream criteria violations. Monitoring of common streams will include gravity and sulfur testing and could include simulated distillation and other testing to determine quality.

- (b) If abuses of the common stream quality are determined, the shipper causing such abuses shall be advised to cease and desist all such actions. Failure to desist or failure to cooperate in ending such practices shall result in that shipper being barred from shipping in the common stream where such abuses occurred. Before such shipper is allowed to

regain its shipper status in the common stream where the abuses occurred, the shipper will be required to provide Carrier with assurances that such abuses will not recur.

- (c) Carrier will work with connecting carriers regarding Carrier's quality issues and will advise such connecting carriers that any Crude Petroleum found to be a detriment to Carrier's common stream will be rejected for further transportation on Carrier's system.
- (d) Since variations in gravity and/or quality of common stream Crude Petroleum are inherent in common stream operations, Carrier will not be liable for such variations occurring while Crude Petroleum is in its custody, nor is Carrier under any obligation to deliver the identical Crude Petroleum received, but will make delivery out of such common stream.

Rule 35 Segregation and Variations Due to Downstream Delivery Acceptance

No duty to transport will arise until evidence satisfactory to the Carrier has been furnished that consignee has provided necessary facilities to which Carrier is connected and has made necessary arrangements for accepting delivery of shipments promptly on arrival at destination, as provided in these rules and regulations.

Rule 40 Gauging, Deductions and Adjustments

- (a) Quantities for receiving, delivering, assessing charges and all other purposes will be corrected to a temperature of sixty (60) degrees Fahrenheit, after deduction of impurities shown by tests made by the Carrier prior to receipt and upon delivery. Quantities may be computed from tank tables compiled or accepted by the Carrier.
- (b) Pursuant to Item 70, Crude Petroleum quantities transported may be adjusted to allow for inherent losses, including but not limited to shrinkage, evaporation, interface losses and normal "over and short" losses.
- (c) The net quantities as determined under paragraphs (a) and (b) of this item will be the amounts accountable at destination.

Rule 45 Accounting, Reporting and Payment of Charges

- (a) The Shipper shall be responsible for payment for transportation and all other charges applicable to the shipment according to the provisions of this Tariff or any applicable transportation service agreement, and if required, shall prepay such charges or furnish guaranty of payment satisfactory to Carrier. Carrier shall not be required to perform any gathering services for a Shipper which is or becomes insolvent, bankrupt or is placed in receivership or fails within a reasonable period to demonstrate creditworthiness, unless such shipper provides adequate prepayment or other payment guaranty sufficient to secure its payment obligations for shipment.

- (b) Shipper agrees to bear and pay all Assessments which may be charged by any downstream pipeline(s) against shipper, Carrier, or Carrier's designee if such Assessment is reasonably attributable to shipper's Crude Petroleum.
- (c) On or before the twenty-fifth (25th) of each month after deliveries of Crude Petroleum, Carrier shall render to shippers a statement for the preceding month identified as to Receipt Points, showing the volumes of Crude Petroleum delivered, the amount due therefrom and information sufficient to explain and support any adjustments in volumes or amounts made by Carrier. Payments due Carrier shall be made within fifteen (15) days from the date on the statement.
- (d) Carrier and shippers shall have the right at any and all reasonable times to examine the books and records relevant to Tenders to the extent necessary to verify the accuracy of any statement or charge, computation or demand.

Rule 50 Linefill

Each shipper will furnish crude oil into inventory for their proportionate share of the line fill in such amount in proportion to their flowed volume or as deemed necessary by Carrier.

Rule 55 Delivery and Demurrage

Carrier will transport and deliver Crude Petroleum with reasonable diligence and dispatch, to avoid causing a shipper to miss or lose a nomination or incur penalties on the downstream pipelines receiving such Crude Petroleum from Carrier.

Rule 60 Rates Applicable

Crude Petroleum transported shall be subject to the rates in effect on dates such Crude Petroleum is received by the Carrier.

Rule 70 Liability of Carrier and Shippers

- (a) The Carrier, while in possession of any Crude Petroleum, will not be liable for any loss thereof, or damage thereto, or delay, caused by the wrongful act or default of the shipper consignee.
- (b) After Carrier's delivery of Crude Petroleum at the Delivery Point, Carrier shall have no control and shall have no responsibility with respect to such Crude Petroleum on account of anything that may occur or arise with respect thereto.
- (c) Shippers shall be in control and possession of shipper's Crude Petroleum until Tendered to Carrier at the Receipt Point(s), and shall be fully responsible and liable for any and all damages, claims, actions, expenses penalties and liabilities, including attorney's fees, arising from personal injury, death, property damage, environmental damage, pollution, or contamination relating to shipper's Crude Petroleum while in shipper's control and

possession, and shipper agrees to release, indemnify and defend Carrier from and against any and all damages, claims, actions, expenses, penalties and liabilities, including attorney's fees, arising from personal injury, death, property damage, environmental damage, pollution or contamination relating to shipper's ownership and/or operation of the facilities delivering Crude Petroleum to the Receipt Point(s) and/or shipper's performance or nonperformance.

- (d) Carrier shall be in control and possession of shippers' Crude Petroleum upon shippers' Tender to Carrier at the Receipt Point(s) until it is delivered by Carrier at the Delivery Point(s), and shall be fully responsible and liable for any and all damages, claims, action, expenses, penalties and liabilities including attorneys' fees, arising from personal injury, death, property damage, environmental damage, pollution or contamination relating to shippers' Crude Petroleum while in Carrier's control and possession, and Carrier agrees to release, indemnify and defend shippers with respect thereto, provided, however, that Carrier shall not be responsible for any damages, claims, actions, expenses, penalties or liabilities, including attorneys' fees, resulting from the shippers' failure to Tender Crude Petroleum conforming to the quality specifications set forth in this tariff. Carrier further agrees to release, indemnify and defend shipper from and against any and all damages, claims, actions, expenses, penalties and liabilities, including attorneys' fee, arising from personal injury, death, property damage, environmental damage, pollution or contamination relating to Carrier's ownership and/or operation of Carrier's gathering system and/or Carrier's performance or nonperformance of its obligations under this tariff. Notwithstanding anything to the contrary herein, in no event will Carrier be liable for any lost profits, loss of business, special, incidental or consequential damages of any nature arising out of any breach of its obligations or performance under this tariff.
- (e) In the event Carrier or a shipper is unable, wholly or in part, by Force Majeure to carry out its obligations under this tariff, it is agreed that such party giving notice of full particulars of such Force Majeure event in writing or by facsimile to the other party as soon as practical after the occurrence of the cause relied on, then the obligations of the Party giving such notice, except for payment due, so far as they are affected by such Force Majeure, shall be suspended during the continuance of any inability so caused, but for no longer period, and such cause shall, to the extent possible, be remedied with all reasonable dispatch. Payment due does not include the penalties and payments related to nominations that would otherwise be due during the Force Majeure event. The settlement of strikes or lockouts shall be entirely within the discretion of the Party having the difficulty, and the above requirement that any Force Majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of the opposing party when such course is inadvisable in the discretion of the party having the difficulty.

Rule 75 Title

A Tender of Crude Petroleum shall be deemed a warranty of title or the right to Tender and use by the shipper, but acceptance shall not be deemed a representation by the Carrier as to title. A

Tender of Crude Petroleum further warrants that the Crude Petroleum is free and clear of all liens and adverse claims whatsoever, including tax liens.

Shippers agree to indemnify Carrier and save it harmless from all suits, actions, claims, debts, accounts, damages, costs (including attorney's fees), losses, liens, license fees, and expenses that arise from shippers' obligations under this Rule 75.

Rule 80 Communication Facilities

Shippers may use Carrier's private communication facilities without additional charge for messages incident to their shipments. The Carrier will not be liable for non-delivery of messages, or for errors or delays in transmission or interruption of the service.

Rule 85 Prorationing

When there shall be tendered to the Carrier for transportation on the Carrier's pipeline system or any part thereof under applicable tariffs more Crude Petroleum than can be currently transported, the transportation furnished by the Carrier shall be apportioned among shippers in a fair and equitable manner that reflects the prorationing apportionment of downstream interconnected pipeline(s) so as to avoid discrimination among shippers.

Delivery of Crude Petroleum at the Delivery Point confers no reservation of downstream capacity in any other pipeline or system. Movement of Crude Petroleum downstream of the Delivery Point is the sole responsibility of shipper, and failure of shipper to arrange for movement of Crude Petroleum downstream of the Delivery Point may result in shipper's Crude Petroleum Tender being reduced.

Acceptance of Crude Petroleum for shipment will be consistent with downstream pipeline requirements. Inability of downstream transporter to accept delivery of Crude Petroleum may result in reduction in the amount of the Tender to be transported by Carrier.