

Rangeland RIO Pipeline, LLC

LOCAL PROPORTIONAL TARIFF
CONTAINING
RULES AND REGULATIONS
GOVERNING
TRANSPORTATION
OF CRUDE OIL
BY PIPELINE

GENERAL APPLICATION

The rules and regulations published herein apply only under tariffs making specific reference by F.E.R.C. number to this tariff; supplements hereto and successive issues hereof. Specific rules and regulations published in individual tariffs will take precedence over rules and regulations published herein.

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

1. DEFINITIONS:

“A.P.I. Gravity,” as used herein, means gravity determined in accordance with American Society for Testing Materials Designation D-287.

“Barrel,” as used herein, means 42 United States gallons of Crude Oil at a temperature of 60 degrees Fahrenheit.

“Carrier,” as used herein, means Rangeland RIO Pipeline, LLC and other pipeline companies which may, by proper concurrence, be parties to joint tariffs incorporating these regulations by specific reference.

“Committed Rate” means the rate established for the shipment of Committed Volumes by the Committed Shipper’s Transportation Services Agreement.

“Committed Shipper” means a Shipper that has entered into a Transportation Services Agreement with Carrier for a Committed Volume.

“Committed Volume” means that the Shipper shall ship, or otherwise pay for the shipment of Crude Oil from a receipt point to a delivery point on the Carrier’s system as specified in the Shipper’s Transportation Services Agreement.

“Consignee,” as used herein, means the party to whom a Shipper has ordered delivery of Crude Oil.

“Crude Oil,” as used herein, means the grade or grades of the direct liquid product of oil or gas wells, or mixtures thereof, which Carrier has undertaken to gather or transport.

“High Gravity Sweet” means Crude Oil having an A.P.I. Gravity in excess of 44.9 degrees.

“Nomination,” as used herein, means a written offer (in form and context specified by Carrier) made by a Shipper to Carrier of a stated quantity of Crude Oil for transportation from a specified origin to a specified destination in accordance with Carrier’s applicable tariff or tariffs.

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

“Uncommitted Rate” means the rate established for the shipment of non-Committed Volumes by Carrier’s tariff rates on file with the TRRC and/or FERC, as applicable.

“WTI” means West Texas Intermediate Crude Oil.

2. SPECIFICATIONS AS TO QUALITY AND LEGALITY OF SHIPMENTS:

A. Carrier reserves the right to reject any or all of the following shipments:

1. Crude Oil containing water, sediment and other impurities totaling in excess of 1% as determined by centrifugal tests, or by such other tests as may be agreed upon by the Shipper and Carrier.
2. The Reid Vapor Pressure of the Crude Oil exceeds 9 psia.
3. The lead in the Crude Oil exceeds 0.05 ppm (naphtha cut) as tested by EPA Method 3040.
4. The organic chlorides in the Crude Oil exceed 3 ppm (naphtha cut) using test method D4929.

5. The H₂S in the Crude Oil exceeds 5 ppm (vapor phase) using test method ASTM D5705.
 6. The iron in the Crude Oil exceeds 75 ppm (whole crude) as tested by EPA Method 3040.
 7. Crude Oil where the Shipper or Consignee has failed to comply with all applicable laws, rules and regulations made by any governmental authorities regulating shipments of Crude Oil.
 8. Crude Oil having an A.P.I. Gravity in excess of 55 degrees.
 9. Crude Oil that does not meet specifications of connecting carriers.
- B. Carrier will not accept Crude Oil containing any of the following: waste oils, lube oils, crankcase oils, PCB's and/or dioxins.
- C. Carrier will establish the grades of Crude Oil it will regularly transport as a common stream between particular origin point or points and destination point or points of Carrier. Carrier may from time to time after reasonable notice to persons who may be affected, cease to transport particular grades of Crude Oil. Carrier will accept for shipment the following specific grades to be transported as a common stream from the Origin Point to the Destination Point.

	WTI	High Gravity Sweet
API Gravity, °API	36 – 44	45 – 55
Sulfur Content, Weight %	<=0.45	<=0.45
Max Reid Vapor Pressure, psi	9.0	9.0
BS& W	<=1.0%	<=1.0%

- D. If Carrier determines that a Shipper has delivered to Carrier's facilities Crude Oil that has been contaminated by any amounts of impure substances in excess of the specifications set forth in this Item No. 2, including but not limited to chlorinated and/or oxygenated hydrocarbons, arsenic, lead and/or other metals which causes harm to other shippers, carriers, users of the contaminated Crude Oil or Carrier, such Shipper will be excluded from further entry into applicable segments of the pipeline system until such time as the quality of the Crude Oil is to the satisfaction of the Carrier. Carrier is not responsible for monitoring receipts or deliveries for contaminants. Further, Carrier reserves the right to dispose of any contaminated Crude Oil contained within its pipeline system. Disposal thereof may be made in any reasonable manner including but not limited to commercial sales, and any liability associated with the contamination or disposal of any Crude Oil shall be borne by the Shipper introducing the contaminated Crude Oil into Carrier's system. Shipper liability includes, but is not limited to, claims from other shippers, carriers, or users of the contaminated Crude Oil and the costs of any regulatory or judicial proceeding.
- E. [N] Carrier may impose the quality specifications of a directly interconnected downstream carrier when, in Carrier's sole discretion, Crude Oil delivered by Shipper to Carrier would not meet the tariff quality specifications of the directly interconnected downstream pipelines listed in Carrier's currently-effective FERC Rates Tariff (including the requirements of the connection agreements entered with such carriers).**

3. NOMINATIONS:

- A. Applications for the transportation of Crude Oil shall be submitted in writing on Carrier's prescribed Nomination form and shall be for a quantity of not less than 10,000 Barrels from one Shipper to one Consignee destination.
- B. Any Shipper desiring to nominate Crude Oil for transportation shall make such Nomination to Carrier in writing on or before the 25th day of the month preceding the month during which the transportation under the Nomination is to begin; except that, if space is available for current movement, a Shipper

may nominate Crude Oil for transportation after the 25th day of the month preceding the month during which the transportation under the Nomination is to begin. Nominations shall include the point at which Crude Oil is to be received, point or points of delivery, Consignee (if any), the Crude Oil specific grade (WTI or High Gravity Sweet) and the amount of Crude Oil to be transported.

4. **LINE FILL AND TANK BOTTOM INVENTORY:** Either prior to or after the acceptance of Crude Oil for transportation through the System, Carrier will require each Shipper to provide a pro rata part of the volume of Crude Oil necessary for pipeline fill, unavailable stocks below tank connections, and reasonable additional minimum quantities required for the efficient operation of the System. In the event Shipper fails to supply such volumes as requested by Carrier in this paragraph, Carrier will halt all deliveries to Shipper until such time as such volumes are provided. Crude Oil provided by Shipper for this purpose may be withdrawn from Carrier's system only with the prior approval of Carrier or after reasonable notice of Shipper's intention to discontinue shipment in Carrier's system pursuant to Carrier's applicable tariff or tariffs.
5. **RECEIPT, DELIVERY AND IDENTITY OF SHIPMENTS:** Crude Oil offered for transportation will be received into the pipelines of Carrier only on the condition that:
 - A. A minimum quantity of 10,000 Barrels consigned to the same destination, is available from each Shipper at the point of reception, either immediately on the date of Nomination, or within a subsequent period of time which Carrier considers necessary in view of pipeline facilities available for handling the Crude Oil as it is received;
 - B. If the Crude Oil offered for shipment is of such kind or quality as would damage the quality of other shipments then being transported to the same or different destinations through the same line through which the Crude Oil would move, it will be received only if Carrier has facilities for transporting it without damaging the quality of other shipments;
 - C. Carrier will be under no obligation to deliver the identical Crude Oil received and reserves the right to make deliveries out of its common stock; and
 - D. Carrier will receive Crude Oil from Shippers at origins on its trunk lines or its RIO Midland Delivery Facility in Midland County, Texas. Crude Oil will be received only from pipelines, tanks, trucks or other facilities that are provided by Shipper or Shipper's designee, or a connecting carrier. Carrier will determine and advise Shippers of the size and capacity of pipelines and tanks to be provided at the point of a receipt to meet the operating conditions of Carrier's facilities at such point. Carrier will not accept Crude Oil for transportation, unless such facilities have been provided.
6. **PRORATIONING OF PIPELINE CAPACITY:** When total volume nominated for shipment in accordance with Item No. 3 is greater than can be transported within the period covered by such Nominations, Carrier will proration pipeline capacity in accordance with Appendix A.
7. **APPLICATION OF RATES:** Crude Oil accepted for transportation shall be subject to the rates in effect on the date of receipt by Carrier, irrespective of the date of the Nomination.
8. **LIABILITY OF CARRIER:** Carrier in possession of Crude Oil herein described, shall not be liable for any loss thereof, damage thereto, or delay caused by fire, storm, flood, epidemics, Act of God, riots, 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 or default of Shipper or Carrier. In case of loss of any Crude Oil from any such causes, after it has been received for transportation and before the same has been delivered to Consignee, Shipper shall suffer a loss in such proportion as the amount of its shipment already delivered to Carrier bears to all of the Crude Oil then in the custody of Carrier for shipment via the lines or other facilities in which the loss or damage occurs. Moreover, Shipper shall be entitled to have delivered only such portion of its shipment as may remain after deduction of its due

proportion of such loss, provided that, in such event Shipper shall be required to pay charges only upon the quantity delivered.

- 9. CREDITWORTHINESS:** Shipper shall at all times, satisfy at least one of the creditworthiness standards set forth in this Item No. 9. Carrier shall have the right, on a nondiscriminatory basis, to (i) require prospective Shippers to demonstrate their satisfaction of at least one of these creditworthiness standards prior to submitting Nominations and (ii) request Shippers to demonstrate their continued satisfaction of at least one of the following creditworthiness standards in order to continue receiving service.
- A. Shipper shall have a long-term senior unsecured debt rating no lower than BB if rated by Standard & Poor's Rating Services, a division of The McGraw-Hill companies, Inc., or any successor rating agency ("S&P"), no lower than Ba2, if rated by Moody's Investors Service, Inc or any successor rating agency ("Moody's"), and no lower than BB if rated by Fitch Ratings or any successor rating agency ("Fitch"). If Shipper does not have a long-term senior unsecured debt rating, Shipper may provide information to Carrier demonstrating that its creditworthiness is comparable to that of an entity rated as provided above, which Carrier shall consider and accept or reject on a nondiscriminatory basis.
 - B. Shipper shall maintain in place a guarantee in favor of Carrier from a guarantor that satisfies the ratings criteria set forth in Item No. 9A above and that is a direct or indirect parent of Shipper. In the case of Shippers that pay the Committed Rate under a Transportation Services Agreement with Carrier, the amount of any guarantee shall be equal to 60 times the daily volume commitment under such agreement times the applicable Committed Rate. In the case of Shippers that pay the Uncommitted Rate, and to the extent a Shipper that pays the Committed Rate under a Transportation Services Agreement with Carrier ships additional volumes under the Uncommitted Rate, the amount of any guarantee shall be equal to an amount necessary, in Carrier's sole discretion, to secure Shipper's payment obligations hereunder.
 - C. Shipper shall provide adequate assurance of performance satisfactory to Carrier in the form of prepayment, a letter of credit or a non-parent guarantee. In the case of Shippers that pay the Committed Rate under a Transportation Services Agreement with Carrier, the amount of any performance assurance shall be equal to 60 times the daily volume commitment under such agreement times the applicable Committed Rate. In the case of Shippers that pay the Uncommitted Rate, and to the extent a Shipper that pays the Committed Rate under a Transportation Services Agreement with Carrier ships additional volumes under the Uncommitted Rate, the amount of any performance assurance shall be equal to an amount necessary, in Carrier's sole discretion, to secure Shipper's payment obligations hereunder.
- 10. DESTINATION FACILITIES:** Carrier will accept Crude Oil for transportation only when the Shipper or Consignee has provided the necessary facilities for receiving the shipment as it arrives at its delivery destination.
- 11. NOTICE OF ARRIVAL, DELIVERY AT DESTINATION:** After a shipment has had time to arrive at its delivery destination and on 24 hours' notice to Shipper or Consignee, Carrier may begin delivery of such shipment from its common stock to Consignee at Carrier's current rate of pumping. ~~[C] If Shipper or Consignee is unable or refuses to receive said shipment, a demurrage charge of \$0.025 per Barrel per 24 hours shall accrue from the time said notice expires, on that part of such shipment which is not received by Consignee.~~ **[N] If Shipper or Consignee is unable or refuses to receive all of said shipment by the end of the applicable delivery month, Shipper shall pay a demurrage charge of [N] \$1.00 per Barrel on the undelivered barrels, and at the end of each month thereafter on the remaining balance.**

Carrier reserves the right, if it deems necessary, to clear its pipeline system, to make whatever arrangements for disposition of the shipment that are appropriate, which includes selling the shipment to the first available purchaser at the best price attainable. Any expenses incurred by the Carrier in making such arrangements shall be borne by the Shipper or Consignee, in addition to any demurrage charges.

- 12. CRUDE OIL INVOLVED IN LITIGATION:** Crude Oil which is in any way involved in litigation, or which is encumbered by a lien or charge of any kind, will not be accepted for shipment, unless and until the Shipper or Consignee shall furnish a bond or other form of indemnity satisfactory to Carrier, protecting it against any liability or loss arising as a result of such litigation, lien, or charge.
- 13. PAYMENT OF TRANSPORTATION AND OTHER CHARGES:** The Shipper or Consignee shall pay all applicable transportation and all other lawful charges accruing on Crude Oil delivered to and accepted by Carrier for shipment, and, if required, shall prepay or guarantee the same before acceptance by the Carrier, or pay the same before delivery. Carrier shall have a lien on all Crude Oil in its possession belonging to Shipper or Consignee to secure the payment of any and all unpaid transportation or any lawful charges that are due Carrier that are unpaid by Shipper or Consignee, and may withhold such Crude Oil from delivery until all past due charges have been paid. If any charge remains unpaid after the due date specified in Carrier's invoice, then such amount due shall bear interest from the day after the due date until paid, calculated at an annual rate equivalent to 125% of the prime rate of interest, as of the date of Carrier's invoice, charged by the Citibank N.A. of New York, New York, for 90 day loans made to substantial and responsible commercial borrowers or the maximum rate allowed by law, whichever is the lesser. If the invoice is not paid within 30 days from the due date, Carrier shall have the right, either directly or through an agent, at any time after such 30 day period to sell any Crude Oil of such Shipper in its custody 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 disposition shall be applied to the following order: (A) To the reasonable expenses of holding, preparing for sale, selling, and to the extent allowed by law, reasonable attorney's fees and legal expenses incurred by Carrier; and (B) To the satisfaction of the indebtedness secured hereby including interest herein provided from due date of invoice to date of sale. The balance of the proceeds of the sale remaining, if any, shall be held for whosoever may be lawfully entitled thereto.
- 14. WARRANTIES:** Shipper warrants that the Crude Oil tendered to Carrier will conform with specifications stated in Item No. 2, and will be merchantable. Shipper will be liable to Carrier, other Shippers and/or Consignees for any damage, arising from a breach of this warranty. The transportation of the Crude Oil may be refused or canceled if Carrier determines or is advised that the Crude Oil does not meet the requirements of these rules and regulations. In addition, if Carrier samples the Crude Oil prior to or after tendered by Shipper and if contracted laboratory test results determine that the Crude Oil is non-merchantable, Shipper will be liable to Carrier for the cost of such tests for non-merchantable or contaminated Crude Oil.
- 15. CLAIMS, SUITS AND TIME FOR FILING:** As a condition precedent to recovery, claims must be filed in writing with Carrier within 9 months after delivery of shipment, or, in case of failure to make delivery, then within 9 months after a reasonable time for delivery has elapsed; and suits shall be instituted against Carrier only within 2 years and 1 day from the day when notice in writing is given by Carrier to the claimant that Carrier has disallowed the claim or any part or parts thereof specified in the notice. Where claims are not filed or suits are not instituted thereon, in accordance with the foregoing provisions, Carrier shall not be liable and such claims will not be paid.
- 16. APPLICATION OF RATES FROM AND TO INTERMEDIATE POINTS:** For shipments accepted for transportation from any point not named in tariffs making reference hereto which is intermediate to a point from which rates are published in said tariffs, through such unnamed point, the rate published therein from the next more distant origin point specified in the tariff will apply from such unnamed point. For shipments accepted for transportation to any point not named in tariffs making reference hereto which is intermediate to a point to which rates are published in said tariffs, through such unnamed point, the rate published therein to the next more distant destination point specified in the tariff will apply. Continuous use of intermediate point rate application for more than 30 days requires establishment of a rate for the transportation service. A pumpover fee of \$0.10 per Barrel shall be assessed for volumes redelivered to a pipeline interconnected at an intermediate point.

17. MEASUREMENT AND TESTING: Crude Oil offered to Carrier for transportation shall be measured and tested by a representative of Carrier prior to its receipt from Shipper. Shipper shall have the privilege of being present or represented at the measurement and testing. Quantities shall be measured by meters and calculated in accordance with applicable current A.P.I. Manual of Petroleum Measurement Standards. All shipments of required specifications will be received and delivered as net standard volume, as the total volume excluding water, sediment and other impurities, corrected by the appropriate volume correction factor for the observed temperature and A.P.I. gravity, relative density, or density to a standard temperature of 60 degrees Fahrenheit and also corrected by the applicable pressure correction factor and meter factor. The centrifuge method, Karl Fischer-method, or other methods agreed upon, shall be used for ascertaining the percentage of water, sediment and other impurities.

18. DEDUCTIONS AND QUANTITIES DELIVERABLE:

A. All Crude Oil tendered for shipment at 55 degrees API Gravity or above at 65 degrees Fahrenheit shall be subject to a volume shrinkage deduction as set forth below:

API GRAVITY	% DEDUCTION
55 degrees through 65 degrees	2%

Carrier will not accept any Crude Oil for shipment above 65 degrees API Gravity at 60 degrees Fahrenheit.

B. Crude Oil 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. Adjustments will be made on the basis of total quantities transported for each crude segregation and shall be based on actual historical experience.

19. GRAVITY BANK POLICY FOR RIO PIPELINE SYSTEM: Shippers tendering High Gravity Sweet will be required, as a condition of tendering, to participate in a gravity bank ("Gravity Bank"). For Gravity Bank details applicable to shipments pursuant to this tariff, see the Rangeland RIO Pipeline Gravity Bank Policy.

20. EVIDENCE OF RECEIPTS AND DELIVERIES: Crude Oil received from the Shipper and Crude Oil delivered to the Consignee shall, in each instance, be evidenced by tickets, showing opening and closing meter readings or tank gauges, as applicable, temperature, pressure, basic sediment and water, and any other data essential to the determination of quantity. Such tickets shall be jointly signed by representatives of Carrier and the Shipper or Consignee, as appropriate, and shall constitute full receipt for: (A) the Crude Oil received; and (B) Crude Oil delivered.

21. UNLOADING OR TRANSFER CHARGES AND REQUIREMENTS:

A. All shipments received from tank truck unloading facilities provided by Carrier or others, which deliver into Carrier's trunkline facilities, will be subject to a charge of ~~\$0.45~~ **15.03 cents** per Barrel.

B. Such charges will be in addition to all other transportation charges.

C. Carrier may refuse entry to Carrier's terminal and unloading facilities to any tank truck or other truck shipments by Shippers without a previously executed Truck Access Agreement with Carrier.

D. Carrier may deny use of Carrier's storage and similar facilities appurtenant to the trunkline by any Shipper without a previously executed Facilities Use Agreement with Shipper.

22. COMMON STREAM CRUDE OIL - CONNECTING CARRIERS: When receipts from and/or deliveries to a connecting Carrier of substantially the same grade of Crude Oil are scheduled at the same interconnection or at interconnections along the same pipeline system, Carrier reserves the right, with cooperation of the connecting Carrier, to offset like volumes of such common stream Crude Oil in order

to avoid capacity constraints or 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 its common stream Crude Oil.

- 23. ADDITIVES:** Carrier reserves the right to require, approve or reject the injection of corrosion inhibitors, viscosity or pour point depressants, drag reducing agent, or other such additives in Crude Oil to be transported.
- 24. CHARGE FOR FUND COMPENSATION:** In addition to all other charges accruing on Crude Oil accepted for transportation, a per Barrel charge will be assessed and collected in the amount of any tax, fee, or other charge levied against Carrier by any Federal, State or local act, regulation or agency for the purpose of providing a fund for the reimbursement of parties who sustain costs or losses resulting from oil pipeline industry operations. Any such charge will be included in an amendment to Carrier's tariff and filed with the FERC.
- 25. INTRASYSTEM TRANSFER FEE:** An intrasystem transfer of title to Crude Oil will be allowed on Carrier's system for a fee of \$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 mainline transportation charges 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 by Carrier, shall be confirmed in writing by both the transferor and the transferee within 72 hours after the request. Such request shall indicate the party to which the transfer is to be made, the amount of Crude Oil 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.
- 26. CONNECTION POLICY:** Connections to Carrier's system will only be considered if made by formal written request to Carrier. 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. Acceptance of any request for connection will be determined in Carrier's sole discretion and subject to compliance with governmental regulations.

SECTION II STORAGE OF CRUDE OIL IN TRANSIT

- 27. GENERAL APPLICATION:** Carrier will provide working tankage that is incident and necessary to the transportation of Crude Oil, but does not provide or offer storage service under this Tariff. Shipper or Consignee may, by request on the original Nomination or shipping order or by order of diversion or reconsignment enroute, have Crude Oil nominated for shipment stored in tanks furnished by the Shipper or Consignee at points on the lines of Carrier when intermediate to the destination shown on the Nomination, subject to the conditions provided in this section.
- 28. RATES APPLICABLE:**
- A. All lawful transportation charges from point of origin to the storage point published in tariffs lawfully on file with the TRRC or FERC, as applicable, shall be paid upon delivery of Crude Oil or may be required in advance of such transportation at the option of Carrier.
 - B. In the absence of a through rate from point of origin to the storage point, the rate to the next point beyond shall be applied.
 - C. If shipments are placed in in-transit storage at request of Shipper, and such stop-over causes an additional pumping by Carrier upon reshipment from the in-transit point which would not otherwise

have been required for delivery to final destination on Carrier's system, then such shipments shall be subject to a charge for stop-over service of \$0.045 per Barrel. The stop-over charge shall be in addition to all other transportation charges and shall be payable when shipment is reshipped from the in-transit point.

- D. Transportation charges on Crude Oil stopped, stored, and subsequently forwarded to destination within a period not exceeding two years from date of original shipment shall be assessed at the balance of the through rate from the original point of origin to final destination, via the storage point in effect on the date of original shipment, provided for in tariffs of Carrier lawfully on file with the TRRC or the FERC, as applicable.
- E. Crude Oil disposed of locally will be subject to the local rate into the storage point and Crude Oil not forwarded from storage point within the specified time will be subject to the local rate into, and out of the storage point published in Carrier's tariffs lawfully on file with the TRRC or the Federal FERC, as applicable.

29. DELIVERY INTO STORAGE TANKS: Upon delivery of Crude Oil into storage tanks furnished by the Shipper or Consignee, its custody and possession shall be that of the Shipper or Consignee and not that of Carrier, and Carrier shall not be liable for loss of or damage to such Crude Oil while in storage. However, Carrier reserves the right to gauge and examine such Crude Oil from time to time as desired while it is in said tanks.

30. NOMINATION AT STORAGE TANKS: When the Crude Oil is nominated for forwarding to destination while located in storage tanks, a new Nomination must be issued making proper reference by number and date to the original Nomination or shipping order for shipment.

EXPLANATION OF REFERENCE MARKS AND ABBREVIATIONS

- A.P.I. American Petroleum Institute
- FERC Federal Energy Regulatory Commission
- TRRC Texas Railroad Commission
- [C] Cancelled
- [I] Increased
- [N] New

Appendix A

Prorating Procedures

Definitions

“Base Period” means the 12 calendar month period beginning 13 months prior to the Proration Month and excluding the month preceding the Proration Month.

“Committed Rate” means the rate established for the shipment of Committed Volumes by the Committed Shipper’s Transportation Services Agreement.

“Committed Shipper” means a Shipper that has entered into a Transportation Services Agreement with Carrier for a Committed Volume.

“Committed Volume” means that the Shipper shall ship, or otherwise pay for the shipment of Crude Oil from a receipt point to a delivery point on the Carrier’s system as specified in the Shipper’s Transportation Services Agreement.

“Eligible Committed Shipper” means a Committed Shipper meeting the requirements of Part I of this Appendix B.

“In-Service Date” means the first day that Carrier is able to provide transportation service to any Shipper(s) on the Carrier’s system.

“New Shipper” means: (1) a Shipper (other than a Committed Shipper) that has not shipped Crude Oil in each month of the Base Period or (2) a Committed Shipper that has failed to ship and has failed to make payments for failure to ship pursuant to a Transportation Services Agreement, in any month of the Base Period, for the transportation of Crude Oil on the Carrier’s system.

“New Shipper Capacity” means the capacity available to New Shippers, which shall be no less than 10% of total monthly capacity on the Carrier’s system.

“Priority Service Capacity” means capacity available to an Eligible Committed Shipper that is not subject to prorating, in exchange for a premium rate. An Eligible Committed Shipper who receives Priority Service Capacity, per the Capacity Allocation Procedures below, will receive Priority Service Capacity equal to the lesser of (1) its Transportation Services Agreement volume commitment or (2) its Nomination.

“Proration Month” means any calendar month for which capacity is to be prorated.

“Proration Period” means any period of 1 or more calendar months for which capacity is to be prorated.

“Regular Shipper” means (1) a Shipper (other than a Committed Shipper) that has shipped Crude Oil on the Carrier’s system in each month of the Base Period or (2) a Committed Shipper that has shipped Crude Oil on the Carrier’s system in each month of the Base Period or made payments for failure to ship Crude Oil pursuant to its Transportation Services Agreement, provided however, that each Committed Shipper shall be deemed to be a Regular Shipper upon the In-Service Date. A Shipper which is a Regular Shipper will lose its status as a Regular Shipper if it does not ship Crude Oil on the Carrier’s system in each month of the Base Period, or, in the case of a Committed Shipper, it does not ship Crude Oil on the Carrier’s system in each month of the Base Period (beginning on the In-Service Date for each Committed Shipper that executed a Transportation Services Agreement prior to the In-Service Date) and fails to make payments for failure to ship Crude Oil pursuant to its Transportation Services Agreement.

“Regular Shipper Allocation” means a Regular Shipper’s Total Shipments divided by 12 divided by Regular Shipper Capacity.

“Regular Shipper Capacity” means the capacity available to Regular Shippers, which shall include all of the capacity remaining following the award of Priority Service Capacity minus the no less than 10% of total monthly capacity that will be set aside as New Shipper Capacity.

“Total Shipments” means the volumes of Crude Oil that: (1) a Regular Shipper that is not a Committed Shipper has shipped and paid for or (2) a Regular Shipper that is a Committed Shipper has shipped and paid for or has made payments for failure to ship, in each instance during the Base Period; provided however, that for the 13 months preceding the In-Service Date a Committed Shipper will be deemed to have shipped its monthly volume commitment set forth in its Transportation Services Agreement.

“Uncommitted Rate” means the rate established for the shipment of non-Committed Volumes by the Committed Shipper’s Transportation Services Agreement.

“Unused Allocation” has the meaning provided in II.C.(iv) below.

I. ELIGIBLE COMMITTED SHIPPER

An Eligible Committed Shipper is a Shipper that has entered into a Transportation Services Agreement with Carrier for a Committed Volume of at least 5,000 Barrels per day for an initial term of at least 5 years at a Committed Rate. The Eligible Committed Shipper will have the option to elect for Priority Service Capacity as provided in Part II of this Appendix B.

II. CAPACITY PRORATIONING PROCEDURES

When Carrier receives more Nominations (or pre-Nominations) in a month for transportation of Crude Oil than Carrier is able to transport, such Nominations will be subject to capacity prorationing procedures as set forth in this Appendix B (“Prorationing”). An Eligible Committed Shipper will be allowed to obtain Priority Service Capacity (that is not subject to prorationing), if, in the first Proration Month and every succeeding Proration Month in a Proration Period, the Eligible Committed Shipper elects to pay a premium of \$0.01 in excess of the Uncommitted Rate per Barrel of Crude Oil transported for such Priority Service Capacity. If an Eligible Committed Shipper fails to make such an election in the first Proration Month or any succeeding Proration Month during a Proration Period, the Eligible Committed Shipper shall forego the right to receive Priority Service Capacity for the remainder of such Proration Period.

Following the award of Priority Service Capacity, if any, Carrier shall apportion the remaining capacity for Shippers in such line segment in the following sequential manner:

A. Regular Shippers

(i) Each Regular Shipper (other than Eligible Committed Shippers who receive Priority Service Capacity) will receive an initial allocation that equals the lesser of: (1) its Regular Shipper Allocation or (2) its Nomination.

(ii) In each instance when a Regular Shipper’s Allocation is greater than its Nomination, the remainder will be allocated on a pro rata basis to other Regular Shippers whose initial Regular Shipper Allocations are less than their Nominations, up to the amount of each of their Nominations.

(iii) Nothing set out herein restricts or impairs a Regular Shipper’s ability to enter into buy-sell transactions or other similar arrangements with respect to the capacity allocated to such Regular Shipper (1) hereunder in periods of Prorationing or (2) under such Regular Shipper’s Transportation Services Agreement during other periods, in each case subject to the terms of Carrier’s tariff.

B. New Shippers

(i) Each New Shipper shall receive an initial allocation that equals the lesser of: (1) New Shipper Capacity divided by the total number of New Shippers making Nominations for the Proration Month, or (2) its Nomination.

(ii) In each instance when a New Shipper receives its Nomination instead of its higher pro rata allocation under II.B.(i) above, the remainder will be allocated equally among the remaining New Shippers receiving a pro rata allocation under II.B.(i).

(iii) The sum of capacity allocations under II.B.(i) and II.B.(ii) above shall equal each New Shipper's total allocation for the Proration Month.

(iv) Each New Shipper will be allocated no more than 2.5% of the total capacity of the line segment; provided, however, that this limitation shall not be applicable if it would result in an allocation to New Shippers of less than 10% of the total capacity of the line segment.

C. Additional Requirements and Penalties

(i) No Nominations shall be considered beyond the amount that the nominating party has readily accessible for shipment. If a Shipper is unable to tender Crude Oil equal to the space allocated to it, Carrier will reduce that Shipper's volumes for the succeeding month by the amount of allocated throughput not utilized during the preceding month if prorationing is necessary.

(ii) 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 II.B of this Appendix B. 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 that any New Shipper shall, by any device, scheme, or arrangement whatsoever, make its allocated capacity available to another Shipper, or in the event any Shipper shall receive and use any allocated capacity from a New Shipper, then, in the month following discovery of such violation, the allocated capacity of a New Shipper will be reduced to the extent of the excess capacity made available and the allocated capacity of a Shipper will be reduced to the extent of excess capacity used.

(iii) No movements will be considered above the amount that the Shipper has been allocated for shipment, nor will Carrier accept a Nomination that exceeds the Carrier's capacity.

(iv) If the allocated capacity awarded to a Shipper during a Proration Period goes unused by that Shipper ("Unused Allocation"), then that Shipper is accountable for payment of the tariff fees for the actual shipments, or 90% of the Nomination, whichever is greater. These charges will be waived when there exists Unused Allocation as a result of deliveries having been reduced at the request of the Carrier, or where Carrier operational problems prevented full receipt or delivery of barrels tendered by the Shipper. This charge only applies during a Proration Period.

(v) In the event that a Shipper releases all or any part of its allocated capacity in sufficient time prior to the Proration Month to permit Carrier to reallocate and revise the schedule, and as a result the Carrier is then able to solicit other Shippers to fully utilize that capacity, that Shipper's Nomination will be reduced without penalty.