

ET-S PERMIAN PIPELINE COMPANY LLC

LOCAL TARIFF

CONTAINING

RATES, RULES AND REGULATIONS

APPLYING ON THE TRANSPORTATION OF

CRUDE PETROLEUM

(AS DEFINED HEREIN)

BY PIPELINE

Filed in compliance with 18 C.F.R. § [W] 342.2(b) (Initial Rates) ~~342.3 (Indexing)~~.

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

[N] Request for Special Permission

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TABLE OF CONTENTS

Subject	Rule No.	Page No.
Definitions	1	3
Commodity	2	4
Application of Rates from and to Intermediate Points	3	4
Specifications as to Quality and Legality of Shipments	4	4
Application of Rates	5	5
Nominations Required	6	5
Line Fill and Tank Bottom Inventory	7	5
Unloading or Transfer Charges	8	6
Deductions and Quantities Deliverable	9	6
Gathering Charges	10	6
Common Stream Crude Petroleum – Connecting Carriers	11	6
Charge for Fund Compensation	12	7
Offers in Excess of Facilities	13	7
Crude Petroleum Involved in Litigation, etc. – Indemnity Against Loss	14	8
Storage of Crude Petroleum in Transit	15	8
Identity of Crude Petroleum, Maintenance of	16	8
Gauging, Testing, and Deductions	17	8
Notice of Arrival, Delivery at Destination	18	8
Payment of Transportation and Other Charges	19	9
Claims, Suits, and Time for Filing	20	9
Liability of Carrier	21	10
Destination Facilities	22	10
Evidence of Receipts and Deliveries	23	10
Origin Facilities Required for Automatic Custody Transfer	24	10
Origination Facilities	25	10
Connection Policy	26	10
Separate Pipeline Agreements	27	10
Rate Indexing	28	11
Transfers Within System	29	11
[N] <u>2029 Local Rates Adjustment</u>	<u>30</u>	<u>11</u>

RULES AND REGULATIONS**Rule 1 Definitions**

“A.P.I. Gravity” means gravity determined in accordance with American Society for Testing Materials Designation D-287 and with the American Petroleum Institute MPMS Chapter 9 or updates thereto.

“Affiliate” shall mean any Person which (a) controls either directly or indirectly a Shipper, or (b) is controlled directly or indirectly by such Shipper, or (c) is directly or indirectly controlled by a Person which directly or indirectly controls such Shipper, for which purpose “control” shall mean the right to exercise fifty percent (50%) or more of the voting rights in the appointment of the directors or similar representation of a Person.

“Applicable Law” shall mean all applicable laws, statutes, directives, codes, ordinances, rules, regulations, municipal by-laws, judicial, administrative, ministerial, departmental, or regulatory judgments, orders, decisions, rulings, or awards, consent orders, consent decrees, and policies of any Governmental Authority as they may exist from time to time.

“Barrel” means a barrel of 42 gallons, United States measurement at 60 degrees Fahrenheit and zero pounds per square inch gauge pressure.

“Base Period” means the 12-calendar month period immediately preceding the Calculation Month.

“Base Shipment Percentage” for each Regular Shipper means the total deliveries of Crude Petroleum by the Regular Shipper during the Base Period on Carrier’s System divided by the total deliveries on Carrier’s System during the Base Period.

“Calculation Month” means the calendar month immediately preceding the Proration Month.

“Carrier” means ET-S Permian Pipeline Company LLC.

“Common Stream(s)” means Crude Petroleum moved through Carrier’s System and associated facilities which is commingled or intermixed with other Crude Petroleum in said System.

“Confirmed Capacity” has the meaning set forth in Rule 13 of this tariff.

“Cooperating Shipper” means any Shipper or prospective Shipper that is (i) an Affiliate or (ii) acts in concert with, pursuant to the direction of, or in coordination with, another Shipper, whether written or verbal.

“Current Nomination Basis” means that the portion of capacity available to New Shippers will be allocated among all New Shippers in proportion to each New Shipper’s Nomination received by Carrier for the Proration Month.

“Crude Petroleum” means crude oil and condensate that meets the quality specifications in this tariff.

“Governmental Authority” shall mean any governmental, administrative or regulatory entity, authority, commission, board, agency, instrumentality, bureau or political subdivision, and any court, tribunal or judicial body (whether national, federal, state or local), having jurisdiction over Carrier and Shipper.

“Indexing Methodology” has the meaning set forth in Rule 28 of this tariff.

“Line Fill” has the meaning set forth in Rule 7(A) of this tariff.

“New Shipper” means any Shipper that is not a Regular Shipper.

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

“Notification” has the meaning set forth in Rule 7(C) of this tariff.

“Person” means any individual, firm, partnership, corporation, limited liability company, association, joint stock company, or any other legal entity.

“Proration Month” means the calendar month for which capacity is being prorated.

“Regular Shipper” means a Shipper that has shipped Crude Petroleum through Carrier’s System during each consecutive month of the Base Period.

“Shipper” means a party who contracts with Carrier for transportation of Crude Petroleum under the terms of this tariff or a Gathering Services and Volume Dedication Agreement.

“System” means Carrier’s pipeline system and all related facilities, including tankage.

Rule 2 Commodity

Carrier is engaged in the transportation of Crude Petroleum only and therefore will not accept any other commodity for transportation under this tariff.

Rule 3 Application of Rates from and to Intermediate Points

For shipments accepted for transportation service from any point not named in tariffs making reference hereto which is intermediate to a point from which rates are published in said tariffs, the gathering charge at the next more distant origin point shall apply. 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.

Rule 4 Specifications as to Quality and Legality of Shipments

No Crude Petroleum will be accepted unless its gravity, viscosity, and other properties are such that it will be readily susceptible to transportation through Carrier’s System, and it will not adversely affect the quality of Crude Petroleum from other Shippers or damage the Common Stream or Carrier’s System. Carrier reserves the right to reject all Nominations or any part thereof, if Carrier determines, in its discretion, reasonably exercised, that Shipper has delivered:

- A. Based on a daily weighted-average volume of all of Shipper’s deliveries into all receipt points, Crude Petroleum having a (1) Reid Vapor Pressure (RVP) in excess of nine pounds per square inch absolute vapor pressure exerted by a liquid at a temperature of 100 degrees Fahrenheit in accordance with ASTM D-323-08, (2) A.P.I. Gravity of less than 38 degrees, (3) A.P.I. Gravity in excess of 52 degrees, (4) oil temperature in excess of 120 degrees Fahrenheit, (5) true vapor pressure which will result in Carrier’s noncompliance with applicable Federal, State and local requirements regarding hydrocarbon emissions, or (6) maximum sulfur content in excess of 0.2 percent.
- B. Crude Petroleum received from tanks containing basic sediment, water, or other impurities in excess of 1% average in suspension above a point 4 inches below the pipeline connection with the tank. Where Crude Petroleum is delivered to System through automatic custody transfer measurement facilities, Carrier may require use of a monitor which rejects Crude Petroleum containing in excess of 1% basic sediment and water.
- C. Crude Petroleum that has been contaminated by the existence of and/or excess amounts of impure substances, including but not limited to chlorinated and/or oxygenated hydrocarbons, arsenic, lead and/or other metals which results in harm to other Shippers, carriers, or users of the contaminated Crude Petroleum or Carrier. Such Shipper’s tender of Crude Petroleum will be excluded from further entry into applicable segments of Carrier’s System until such time as the quality of the Crude Petroleum is to the satisfaction of Carrier. Carrier is not responsible for monitoring receipts or deliveries for contaminants. Further, Carrier reserves the right to dispose of any contaminated Crude Petroleum. Disposal thereof may be made in any reasonable manner including but not limited to commercial sales, and Shipper shall be liable for any costs incurred by Carrier and which are associated with the contamination or disposal of any Crude Petroleum tendered by Shipper.

- D. Crude Petroleum where Shipper has failed to comply with all Applicable Laws made by any Governmental Authorities regulating shipments of Crude Petroleum.

Quality specifications of a connecting facility may be imposed upon Carrier. When such limitations of the connecting facility vary from that of Carrier, the limitations of the connection facility may be enforced.

Carrier will from time to time determine the quality and general characteristics of Crude Petroleum it will regularly transport as a Common Stream between particular origin and destination points on its System. Changes in Crude Petroleum quality and characteristics will be made by new tariff filings. For clarity, Carrier reserves the right, in its sole discretion, to designate an additional grade or grades of Crude Petroleum for transportation on Carrier's System that otherwise does not meet the specifications set forth in this Rule 4.

Rule 5 Application of Rates

Crude Petroleum accepted for gathering shall be subject to the rates in effect on the date of receipt by Carrier, irrespective of the date of the Nomination.

Rule 6 Nominations Required

- A. Crude Petroleum for shipment through lines of Carrier will be received only on properly executed Nominations from Shipper showing the point at which the Crude Petroleum is to be received, point of delivery, and amount of Crude Petroleum transported. Carrier may refuse to accept Crude Petroleum for transportation unless satisfactory evidence is furnished that Shipper has made provision for prompt receipt thereof at destination.
- B. Any Shipper desiring to nominate Crude Petroleum for transportation shall make such Nomination to Carrier in writing on or before the earlier of: (1) the 15th day of the month preceding the month during which the transportation under the Nomination is to begin, or (2) 24 hours in advance of any downstream connecting carrier's nomination deadline; except that, if space is available for current movement, a Shipper may nominate Crude Petroleum for transportation after the 15th day of the month preceding the month during which the transportation under the Nomination is to begin.
- C. Carrier may refuse to accept Crude Petroleum for transportation if Shipper is not in compliance with other provisions of this Tariff.

Rule 7 Line Fill and Tank Bottom Inventory

- A. Carrier shall require Shipper to supply a pro rata share of Crude Petroleum ("Line Fill") and inventory necessary for efficient operation of Carrier's System.

Crude Petroleum, Line Fill and/or inventory furnished by a Shipper may be withdrawn from Carrier's System only after:

- (1) Shipper has ceased shipments and Shipper has notified Carrier in writing to discontinue shipments in Carrier's System and/or that it is "no longer shipping" (as described below). Carrier shall have a reasonable period of time after the receipt of said notice to complete administrative and operational requirements incident to Shipper's withdrawal of the Crude Petroleum, Line Fill and/or inventory; and
- (2) Shipper inventory balances and all outstanding amounts due have been reconciled between Shipper and Carrier.

Carrier may require advance payment of gathering charges on the volumes to be delivered from Carrier's System, and satisfactory payment of any unpaid accounts receivable, before final delivery will be made of any Crude Petroleum, Line Fill and/or inventory belonging to Shipper. Carrier shall have a self-executing lien on any and all Crude Petroleum, Line Fill and/or inventory in its possession which shall serve as security for and shall extend to debts due from Shipper to Carrier beginning with Shipper's first receipt of gathering services from Carrier.

- B. In the event a Shipper's inventory balance drops below its pro rata part of the volume of Crude Petroleum necessary for Line Fill or reasonable additional minimum quantities are required for the efficient operation of Carrier's System, then Carrier will require such Shipper to provide the necessary volume to meet its pro rata part

of such volume of Crude Petroleum before Carrier is obligated to make deliveries or shipments on behalf of Shipper.

- C. A company that has issued a formal notification to Carrier that it will no longer be a Shipper on Carrier's System or a company that is considered "no longer shipping" based on a lack of nominations in the name of Shipper over a continuous 6-month time period shall be deemed to be "no longer shipping."

The procedure to notify a Shipper who has been designated as "no longer shipping" is as follows:

Carrier will issue a letter (the "Notification") to Shipper that according to the Carrier's books, Carrier is holding a certain volume of Crude Petroleum 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 letter to provide written direction regarding the disposal of Shipper's Crude Petroleum. If at the end of this 30-day period, Carrier has received no written direction, Carrier will assume title to the Crude Petroleum being held on its books in Shipper's name, free and clear of any and all liens, claims or encumbrances, and Shipper agrees and consents to transfer title to Carrier as set forth herein.

If Carrier has been contacted by Shipper within 30 days of Notification, Carrier will grant Shipper an additional 30 days without charge to facilitate the disposal of Shipper's inventory Crude Petroleum. If at the end of this 60-day period, Shipper has not disposed of this Crude Petroleum, Carrier retains the right to charge a liquidated damage fee of \$0.10 per Barrel, per month, retroactive to the date of Notification, plus any other fees as allowed in accordance with this tariff; such fees will be required to be paid before the Crude Petroleum will be released. Instead of charging the foregoing fee, if Shipper has not disposed of such Crude Petroleum within 60 days from the date of Notification, Carrier will have the option to assume title to such Crude Petroleum free and clear of any and all liens, claims or encumbrances upon written notice to Shipper, and Shipper agrees and consents to transfer title to Carrier as set forth herein. If Shipper provides a written request to Carrier after title to Crude Petroleum has been assumed by Carrier but before Carrier has otherwise disposed of Crude Petroleum, Carrier agrees to transfer title back to Shipper for a fee of \$5 per barrel. Such fees will be required to be paid before the Crude Petroleum will be released. Upon transfer of title back to Shipper, Shipper will then be responsible for disposing of Crude Petroleum within 30 days. Failure of Shipper to dispose of said Crude Petroleum within 30 days of the transfer of title back to Shipper will result in title being vested back in Carrier without recourse.

Rule 8 Unloading or Transfer Charges

All shipments received from tank truck unloading facilities into Carrier's gathering facilities will be subject to the applicable gathering charge for the particular gathering facility but will not be subject to a truck unloading or transfer charge.

Rule 9 Deductions and Quantities Deliverable

- A. As set forth in Rule 17(A), the quantity deliverable shall be reduced by 0.1% for losses on the System related to sediment, water, other impurities, evaporation, and shrinkage.
- B. Where the tank or meter of Shipper is used for volume determination for deliveries into or from Carrier's facilities, Carrier reserves the right to require re-strapping or check-strapping of any such tank, the recalculation of any tank table utilized by Shipper in relation to any such tank and the proving or check-proving of any such meter.
- C. Except for arithmetic errors, all measurement and testing by Carrier shall be conclusive whether or not a representative of Shipper was present during such measuring and testing, provided Shipper received notice of measurement or testing.

Rule 10 Gathering Charges

Gathering charges will be assessed on the volume received by Carrier on its System at receipt points identified in this Tariff.

Rule 11 Common Stream Crude Petroleum – Connecting Carriers

- A. When deliveries to a connecting carrier of substantially the same grade of Crude Petroleum 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 Petroleum 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 Shipper involved from its Common Stream Crude Petroleum.

- B. Sediment, water and quality limitations of a connecting carrier may be imposed upon Carrier. When such limitations of the connecting carrier vary from that of Carrier, the limitations of the connecting carrier will be enforced.

Rule 12 Charge for Fund Compensation

In addition to all other charges accruing on Crude Petroleum accepted for gathering, 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. Such charge will be included in this tariff.

Rule 13 Offers in Excess of Facilities

If Crude Petroleum is nominated to Carrier for transportation in excess of the amount that can be immediately transported, Carrier shall apportion capacity among all Shippers equitably as follows:

- A. Up to 10% of the total available capacity shall be made available to New Shippers. Each New Shipper will be allocated an amount of capacity equal to the lesser of: (a) the New Shipper's Nomination; (b) 2% of the total available capacity of the System; or (c) if the total Nominations submitted by all New Shippers exceed 10% of the total available capacity of the System, the New Shipper's pro-rata share based on a Current Nomination Basis.
- B. Following the allocation of capacity to New Shippers under Rule 13(A) above, any remaining portion of System capacity shall be allocated among Regular Shippers in proportion to their Base Shipment Percentages. In the event the capacity that would be allocated to a Regular Shipper on the basis of its Base Shipment Percentage is greater than the quantity stated in its Nomination, the Regular Shipper will be allocated a portion of capacity equal to its Nomination, and the difference between the capacity allocation calculated on the basis of its Base Shipment Percentage and the quantity nominated will be reallocated among all other Regular Shippers having unmet Nominations in proportion to their Base Shipment Percentages.
- C. Any remaining capacity not allocated through the application of subsections (A) and (B) above shall be allocated to all Shippers having remaining unmet Nominations in proportion to each Shipper's unmet Nomination.
- D. After Carrier completes this proration procedure, Carrier will notify each Shipper of its confirmed allocated capacity ("Confirmed Capacity"). Carrier will only accept good faith Nominations from Shippers, and Carrier shall use whatever reasonable means necessary to determine whether Nominations are made in good faith. No nomination shall be considered beyond the amount which the person requesting the shipment has ready for shipment. Carrier will not recognize for apportionment purposes any Nomination by a Shipper which exceeds Carrier's System capacity.
- E. Neither a Shipper's Base Shipment Percentage nor Confirmed Capacity volumes allocated to it during the Proration Month shall be assigned, conveyed, loaned, or transferred to another Shipper. However, a Shipper's Base Shipment Percentage or its Confirmed Capacity allocation may be transferred as an incident of the bona fide transfer of the Shipper's business or to a successor to the Shipper's business by operation of law, such as an executor or trustee in bankruptcy. A Shipper may not use an Affiliate or Cooperating Shipper to increase its Base Shipment Percentage or its Confirmed Capacity. All transfers made pursuant to this paragraph shall be irrevocable.

In no event will an allocation to a Shipper be used in such a manner that will enhance the allocation of another Shipper beyond the allocation that such Shipper would be entitled to under this Rule 13.

Shippers shall have the burden of demonstrating that they are not in violation of this Rule 13. Carrier may require written assurances from a responsible office of Shipper, through the submission of a notarized affidavit or similar document, regarding its use of its allocated portion of capacity stating that Shipper has not violated this Rule 13.

In the event any Shipper is in violation of the requirements and prohibitions set forth in this Rule 13, Carrier will enforce the following penalties, as applicable: (1) deny requested New Shipper status to a Cooperating Shipper;

(2) void the Nomination of a Cooperating Shipper for the applicable Proration Month; and (3) upon the second finding by Carrier of a violation by any Shipper of the requirements and prohibitions herein, Carrier shall reject such Shipper's Nomination during the next Proration Month.

Rule 14 Crude Petroleum Involved in Litigation, etc. – Indemnity Against Loss

Carrier shall have the right to reject any Crude Petroleum, when nominated for transportation, which may be involved in litigation, or the title of which may be in dispute, or which may be encumbered by a lien or charge of any kind, and it may require of Shipper satisfactory evidence of its perfected and unencumbered title or satisfactory indemnity bond to protect Carrier. By nominating Crude Petroleum, Shipper warrants and guarantees that Shipper has good title thereto and agrees to hold Carrier harmless for any and all loss, cost, liability, damage and/or expense resulting from failure of title thereto; provided that acceptance for transportation shall not be deemed a representation by Carrier as to title.

Rule 15 Storage of Crude Petroleum in Transit

Carrier will provide working tankage that is incident and necessary to the transportation of Crude Petroleum but does not provide or offer storage service. Upon delivery of Crude Petroleum into Carrier's working tankage, title to such Crude Petroleum in Carrier's working tankage shall remain with Shipper and not with Carrier. Carrier shall continue to have the right to gauge and examine such Crude Petroleum from time to time as desired while it is in said tanks.

Rule 16 Identity of Crude Petroleum, Maintenance of

- A. Carrier shall not be liable to Shipper for changes in gravity or quality of Shipper's Crude Petroleum which may occur from commingling or intermixing Shipper's Crude Petroleum with other Crude Petroleum in the same Common Stream while in transit. Carrier is not obligated to deliver to Shipper the identical Crude Petroleum nominated by Shipper; Carrier will deliver the grade of Crude Petroleum it is regularly transporting as a Common Stream.
- B. Carrier shall have no responsibility in, or for, any revaluation or settlements which may be deemed appropriate by Shippers because of mixing or commingling of Crude Petroleum 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 Petroleum except with reasonable diligence, considering the quality of the Crude Petroleum, the distance of transportation and other material elements. Carrier cannot commit to delivering Crude Petroleum to a particular destination, at a particular time.

Rule 17 Gauging, Testing, and Deductions

- A. Carrier or its representative may measure and/or test all Crude Petroleum tendered for transportation and may measure and test such Crude Petroleum at any time thereafter. Shipper may be present or represented at the gauging and testing. Quantities shall be determined in accordance with applicable A.P.I. Manual of Petroleum Measurement Standards. Carrier shall deduct 0.1% for sediment, water, other impurities, evaporation and loss during gathering. The net balance shall be the quantity deliverable by Carrier.
- B. In determining the amount of sediment, water or other impurities, Carrier is authorized to make a test of the Crude Petroleum offered for transportation from an average sample from each such tank, by the use of centrifugal machine, or by the use of any other appliance agreed upon by Carrier and Shipper. The same method of ascertaining the amount of the sediment, water or other impurities shall be used in the delivery as in the receipt of Crude Petroleum.

Rule 18 Notice of Arrival, Delivery at Destination

After a shipment has arrived at the destination, Carrier may begin delivery of such shipment from its common stock to Shipper at Carrier's current rate of pumping. If Shipper is unable or refuses to receive said shipment, a demurrage charge of 2.5¢ per Barrel per 24 hours shall accrue from the time on that part of such shipment which is not received by Shipper. Carrier reserves the right, if deemed necessary to clear Carrier's 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 obtainable. Any expenses incurred by Carrier in making such arrangements shall be borne by Shipper, in addition to any demurrage charges.

Rule 19 Payment of Transportation and Other Charges

- A. Shipper shall pay, as provided below, all applicable gathering and all other charges accruing on Crude Petroleum handled by Carrier.
- B. All payments are due within 10 days of receipt of the applicable invoice.
- C. If any charge remains unpaid after the due date, then such amount due may bear interest from the day after the due date until paid, calculated at an annual rate equivalent to the lesser of (1) 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 (2) the maximum rate allowed by law. In addition, Shipper shall pay all documented costs incurred by Carrier to collect any unpaid amounts, including reasonable attorney fees and costs incurred by Carrier.
- D. In the event Shipper fails to pay any such charges when due, Carrier shall not be obligated to provide Shipper access to Carrier's facilities or provide services pursuant to Carrier's tariff until such time as payment is received by Carrier and Shipper meets the requirements of the following paragraph. In addition, in the event Shipper fails to pay any such charges when due, Carrier shall have the right to set off such amounts owed and future amounts owed against those amounts Carrier owes Shipper.
- E. In the event Carrier determines in a manner not unreasonably discriminatory that the financial condition of Shipper or Shipper's guarantor (if any) is or has become impaired or unsatisfactory or Carrier determines in a manner not unreasonably discriminatory it is necessary to obtain security from Shipper, Carrier, upon notice to Shipper, may require any of the following, at Shipper's election, prior to Carrier's delivery of Shipper's Crude Petroleum in Carrier's possession or prior to Carrier's acceptance of Shipper's Crude Petroleum: (1) prepayment of all charges, (2) a letter of credit at Shipper's expense in favor of Carrier in an amount sufficient to ensure payment of all such charges and, in a form, and from an institution reasonably acceptable to Carrier, or (3) a guaranty in an amount sufficient to ensure payment of all such charges and in a form and from a third party reasonably acceptable to Carrier. In the event Shipper fails to comply with any such requirement on or before the date supplied in Carrier's notice to Shipper, Carrier shall not be obligated to provide Shipper access to Carrier's facilities or provide gathering services pursuant to this tariff until such requirement is fully met.
- F. Carrier shall have a self-executing lien on all Crude Petroleum delivered to Carrier to secure the payment of any and all gathering or any other charges that are owed Carrier. Such lien shall survive delivery of Crude Petroleum to Shipper. Such lien shall extend to all Crude Petroleum tendered by Shipper and in Carrier's possession. The lien provided herein shall be in addition to any lien or security interest provided by this tariff, statute, or Applicable Law. Carrier may withhold delivery to Shipper of any of Shipper's Crude Petroleum in its possession and exercise any other rights and remedies granted under this tariff or existing under Applicable Law until all amounts due Carrier have been paid in full.
- G. If Shipper fails to pay an invoice by the due date, 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 Petroleum of such Shipper in Carrier's 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 Petroleum 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: (1) to the reasonable expenses of holding, preparing for sale, selling, and to the extent allowed by law, reasonable attorney fees and legal expenses incurred by Carrier; and (2) 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.

Rule 20 Claims, Suits, and Time for Filing

Any Shipper claims for loss, damage, or delay to shipments must be submitted in writing to Carrier within nine months after delivery of shipment, or, in case of failure to make delivery, then within nine months after a reasonable time for

delivery has elapsed; and suits shall be instituted against Carrier only within two years and one 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.

Rule 21 Liability of Carrier

Except to the extent caused by Carrier's own negligence, Carrier in possession of Crude Petroleum herein described, shall not be liable for any loss thereof, damage thereto, or delay caused by fire, storm, flood, epidemics, Act of God, riots, strikes, insurrection, rebellion, war, terrorist act or threat, 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 owner. In case of loss of any Crude Petroleum from any such causes, after it has been received for gathering and before the same has been delivered to Shipper, Shipper shall bear a loss in such proportion as the amount of its shipment, already delivered to Carrier, bears to all of the Crude Petroleum then in the custody of Carrier, for shipment via the lines or other facilities in which the loss or damage occurs, and 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, but in such event Shipper shall be required to pay charges only for the quantity delivered.

Rule 22 Destination Facilities

Carrier will accept Crude Petroleum for gathering only when Shipper has provided the necessary facilities for receiving the shipment as it arrives at destination.

Rule 23 Evidence of Receipts and Deliveries

Crude Petroleum received from Shipper and Crude Petroleum delivered to Shipper 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 Shipper, as appropriate, and shall constitute full receipt for: (A) the Crude Petroleum received and (B) Crude Petroleum delivered.

Rule 24 Origin Facilities Required for Automatic Custody Transfer

Where Shipper elects to deliver Crude Petroleum to the Carrier at point of origin through automatic custody transfer facilities (in lieu of tankage), Shipper shall furnish the required automatic measuring and sampling facilities and the design, construction, and calibration of such facilities must be approved by the Carrier and any appropriate regulatory body. In the event automatic custody transfer is made by meters, Shipper shall also furnish whatever pumping service is necessary to ensure that the Crude Petroleum being delivered to the meter is at a pressure in excess of the bubble point of the liquid.

Rule 25 Origination Facilities

Carrier will receive Crude Petroleum from Shippers at truck unloading stations on its gathering lines and at leases to which its gathering lines connect. Crude Petroleum will be received only from Carrier's truck unloading stations, or from pipelines, tanks or other facilities that are provided by Shipper, 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 Petroleum for transportation unless such facilities have been provided.

Rule 26 Connection Policy

Connections to Carrier's System will only be considered if made by formal written notification 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 subject to compliance with Applicable Law.

Rule 27 Separate Pipeline Agreements

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

Rule 28 Rate Indexing

Carrier shall have the right, beginning on July 1, 2018, and on each July 1 annually thereafter for so long as this tariff is in effect, to increase the Local Rates by the positive annual change (if any) determined pursuant to the indexing methodology set forth in Federal Energy Regulatory Commission (or any successor agency having jurisdiction over the interstate transportation services that are the subject of this tariff) regulations contained in 18 CFR 342.3, as such regulation may be amended from time to time ("Indexing Methodology"); provided, however, beginning on July 1, 2019, the Local Rates will not be increased by more than three percent (3%) for any single year as a result of the Indexing Methodology. Any yearly indexing adjustments that would otherwise be greater than 3% shall be banked and applied in subsequent years when calculating the applicable annual adjustments for such subsequent years provided that any such banked adjustments will be applied in subsequent years without duplication and subject to the 3% cap, as applicable. Carrier shall not be required to apply any negative index adjustments to reduce the Local Rates lower than the Local Rates currently in effect. Any negative index adjustments shall be banked and applied in subsequent years when calculating the applicable annual adjustments for such subsequent years provided that any such banked adjustments will be applied in subsequent years without duplication and subject to the floor and 3% cap.

Rule 29 Transfers Within System

Line transfers or ownership transfers of Crude Petroleum in custody of Carrier within its System from one Shipper (transferor) to another Shipper (transferee) will be permitted provided:

- A. Each transferor will be charged one-half cent (0.5¢) per Barrel for each line transfer or ownership transfer of Crude Petroleum in custody of Carrier within its System.
- B. All intrasystem transfer requests to Carrier must be made in accordance with the requirements stipulated in Rule 6 (Nominations Required) of this tariff. Both transferor and transferee shall provide written notice to Carrier containing like data relative to the kind, quantity, source, location, transferor and transferee of the Crude Petroleum and the month during which transfer is to occur. Verbal transfer requests will be recognized provided written confirmation is received by the first day of the month during which ownership transfer is requested.
- C. Any party involved in an intrasystem transfer hereunder shall be subject to any and all applicable provisions or requirements contained in this tariff.

[N]

Rule 30 2029 Local Rates Adjustment

Beginning on September 1, 2029, Carrier will amend the Local Rates to \$0.85 per barrel exclusively for Shippers that dedicate at least 5,000 acres for a term of at least seven (7) years by executing an agreement with Carrier by or before July 31, 2025. Carrier shall have the right, beginning on July 1, 2030, and on each July 1 annually thereafter to increase the Local Rates by the Indexing Methodology set forth in Rule 28 of this tariff.

LOCAL RATES

Rates in Cents per Barrel of 42 U.S. Gallons

From		To		
Points in New Mexico	County	[N] <u>Jal Origination Station,</u> <u>Lea County, New</u> <u>Mexico</u>	Pecos River Station, Eddy County, New Mexico	Plains All American Pipeline, L.P.'s Cotton Draw Station, Lea County, New Mexico
Jal [W] Origination Truck Station	Lea	[N] 96.73	[U] 96.73	[U] 96.73
Lost Tank 18 Station	Lea			
Mesa Verde Station	Lea			
Red Tank Station	Lea			
Canyon Station	Eddy			
Corral Station	Eddy			
Goodnight Station	Eddy			
Harroun Station	Eddy			
Salt Flat Station	Eddy			
Sand Dunes North Station	Eddy			
Sand Dunes South Station	Eddy			

Explanation of Reference Marks

[N] New

[U] Unchanged rate

[W] Change in Wording Only