

WHITE CLIFFS PIPELINE, L.L.C.
RULES AND REGULATIONS
GOVERNING THE INTERSTATE TRANSPORTATION OF
CRUDE PETROLEUM
BY
PIPELINE

Filed in compliance with 18 C.F.R. §341.3 (Form of Tariff).

GENERAL APPLICATION

The Rules and Regulations published herein apply only under tariffs making specific reference by FERC number to this tariff: such references will include supplements hereto and successive issues hereof. Specific rules and regulations published in individual tariffs will take precedence over Rules and Regulations published herein.

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

ISSUED: DECEMBER 30, 2021

EFFECTIVE: FEBRUARY 1, 2022

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ITEM 5 DEFINITIONS

- API – American Petroleum Institute.
- Barrel – forty-two (42) United States gallons at sixty degrees (60°) Fahrenheit.
- Carrier – White Cliffs Pipeline, L.L.C.
- Crude Petroleum – the direct liquid product of oil wells, or the indirect liquid petroleum products of oil or gas wells, or a mixture of such products.
- FERC – Federal Energy Regulatory Commission.
- Force Majeure – an event, which is unforeseen, and beyond the control of the Shipper, that either prevents the Shipper from delivering the affected volume to Carrier or prevents the Shipper from accepting delivery of the affected volume from Carrier. The following are some examples of Force Majeure events: earthquakes, floods, sabotage, war, acts of public enemies, blockades, riots; inability to obtain electric power, mechanical breakdowns, pipe failure, contamination, etc. A lack of funds, availability of a more attractive market, Shipper's inability to purchase Crude Petroleum, or inefficiencies in operations, does not constitute events of Force Majeure.
- Nomination – a written designation by a Shipper to a Carrier of a stated quantity of Crude Petroleum for transportation from a specified origin point or points of Carrier to a specified destination point or points of Carrier over a period of one Operating Month in accordance with these Rules and Regulations.
- Operating Month – the month shall be deemed to begin the first day of such month at 0700 hours until the first day of the succeeding month at 0659 hours (Central Standard or Central Daylight Savings Time).
- Shipper – a party who contracts with Carrier for transportation of Crude petroleum, as defined under the terms of these rules and regulations.
- System – the pipeline that Carrier owns an interest in and to which these rules and regulations are applicable.

ITEM 10 NOMINATIONS

Shippers desiring to tender Crude Petroleum shall provide Carrier with written notice of its Nomination. Crude Petroleum will be accepted for transportation under this tariff as operations permit provided such Crude Petroleum is of similar quality and characteristics as is being transported from receipt point to destination point.

Any Shipper desiring to tender Crude Petroleum for transportation shall make a Nomination to the Carrier in writing by 5:00 p.m. (Central Time) on or before the 15th day on the month proceeding the month during which the transportation under the Nomination is to begin.

ITEM 15 TITLE

The Carrier shall have the right to reject any Crude Petroleum, when tendered 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 the Shipper to provide satisfactory evidence of its perfect and unencumbered title or satisfactory indemnity bond to protect Carrier. By tendering Crude Petroleum, the Shipper warrants and guarantees that the Shipper has good title thereto and agrees to hold Carrier

harmless of any and all loss, cost, liability, damage and/or expense resulting from failure of title thereto; provided, that acceptance for transportation shall not be deemed a representation by the Carrier as to title.

ITEM 20 CONNECTION REQUIREMENTS

All proposed receiving or delivery connections must meet tender, tankage, hourly flow rate conditions, and metering requirements as they exist at the time of requested connection and must also have provision which will allow for increases to maximum line flow rate and pressure conditions. All proposed connection designs must be approved in advance in writing by Carrier, and all costs of connections shall be paid by the connecting party.

ITEM 25 LINE FILL REQUIREMENTS

Shippers shall furnish required inventory prior to delivering barrels out of Carrier's System. Each Shipper will be required to supply a pro rata share of Crude Petroleum (adjusted quarterly based on each Shipper's prior three months' throughput) for efficient operation of Carrier's pipeline. Shipper may withdraw its required line inventory of Crude Petroleum only after Shipper's shipments have ceased and the Shipper has notified Carrier in writing at least two months prior to the effective date of Shipper's intention to discontinue shipments in Carrier's System.

ITEM 30 QUALITY SPECIFICATIONS AND CRUDE GRADES

Carrier will transport [W] ~~three~~ ~~two~~ separate grades of Crude Petroleum. "DJ Common Grade Crude Petroleum" shall mean Crude Petroleum with a gravity of no less than thirty-five degrees (35°) API and no greater than fifty-seven degrees (57°) API. "Niobrara Crude Petroleum" shall mean Crude Petroleum with a gravity of no less than thirty-five degrees (35°) API and no greater than [W] ~~forty-two~~ ~~forty-four~~ degrees ([W] 42° 44°) API. [N] "White Cliffs Intermediate Crude Petroleum" shall mean Crude Petroleum with a gravity of greater than forty-two degrees (42°) API and less than forty-six degrees (46°) API. Any shipper desiring to ship White Cliffs Intermediate Crude Petroleum must make independent arrangements for storage at the origin point of the pipeline.

Carrier will reject all tenders when: (1) the vapor pressure of the Crude Petroleum exceeds twelve pounds (12 lbs.) at one hundred degrees Fahrenheit (100°F); (2) the true vapor pressure of the Crude Petroleum might result in Carrier's non-compliance with federal, state, or local regulations; (3) the gravity of the Crude Petroleum tendered does not meet the specification of the grade of Crude Petroleum set forth in the applicable Nomination to Carrier as set forth above in this Item 30; (4) the sulfur content of the Crude Petroleum exceeds four-tenths (0.40%) of one percent; (5) the Crude Petroleum contains impurities exceeding one percent (1%) including not more than three-tenths percent (0.3% water); and/or (6) if Carrier determines that a Shipper has delivered to Carrier's facilities Crude Petroleum that has been contaminated by the presence of any excessive metals including but not limited to chlorinated and/or oxygenated hydrocarbons and salt, such Shipper will be excluded from further entry into the System until such time as quality specifications have been demonstrated by Shipper to be met. Any liability associated with the contamination or disposal of any Crude Petroleum shall be borne by responsible Shipper.

No Crude Petroleum will be accepted unless its gravity, viscosity, and other characteristics are such that it will be readily susceptible to transportation through Carrier's existing facilities, and it will not materially and adversely affect the quality of Crude Petroleum from other Shippers or cause disadvantage to other Shippers or Carrier.

ITEM 35 GAUGING, TESTING AND DEDUCTIONS

Crude Petroleum shipped hereunder shall be measured and tested by a representative of the Carrier or by automatic equipment approved by the Carrier. Quantities shall be determined by dynamic or static measurement methods in accordance with appropriate American Petroleum Institute (API) standards, latest revision, and adjusted to base (reference or standard) conditions. Corrections will be made for temperature from observed degrees Fahrenheit to 60 degrees Fahrenheit and the full percentage of water or other impurities as ascertained by a centrifuge machine or other tests will be deducted from the corrected volume.

Shipper or its representative shall have the privilege of being present or represented during the gauging or metering and testing performed by Carrier. Shipper shall grant access to Shipper's facility to Carrier's representative and to any connecting carrier's representative for witnessing meter or gauge readings or meter proving and for any other required inspection incidental to measurement and transportation of Crude Petroleum.

All receipts of Crude Petroleum shall be subject to a deduction of two-tenths of one percent (0.2%) to cover line loss due to shrinkage and evaporation.

ITEM 40 DESTINATION FACILITIES REQUIRED

Carrier will accept Crude Petroleum for transportation only when the Shipper has made the necessary arrangements for shipment beyond or has provided the necessary facilities for receiving said Crude Petroleum as it arrives at the destination.

ITEM 45 DELIVERIES AND DEMURRAGE

The obligation of the Carrier is to deliver the quantity of Crude Petroleum to be transported, less deductions noted in Item No. 35 above, at the specified destination. Such delivery may be made upon twenty-four (24) hours' notice to Shipper who shall accept and receive said Crude Petroleum from the Carrier with all possible dispatch into tanks arranged for by Shipper. After the first seven o'clock a.m. notice after expiration of said 24-hour notice, Carrier shall assess a demurrage charge on any part of said Crude Petroleum tendered for Delivery and remaining undelivered, at the rate for each day of twenty-four (24) hours, or fractional part thereof, at [U] 50.0 cents per barrel per day.

ITEM 50 MIXING IN TRANSIT

Crude Petroleum will be accepted for transportation only on condition that it shall be subject to normal changes in general characteristics while in transit as may result from the mixture of such Crude Petroleum with other similar Crude Petroleum in the pipeline and/or tanks of Carrier or connecting carrier. Carrier will not be liable for variations of gravity or quality of Crude Petroleum occurring while in its custody and is under no obligation to deliver the identical Crude Petroleum as received. There shall be no adjustment for downgrading or upgrading of Crude Petroleum tendered for transportation as a result of mixing in transit.

ITEM 55 APPLICATION OF RATES AND CHARGES

Crude petroleum accepted for transportation shall be subject to the rates and charges in effect on the date of receipt of such Crude Petroleum by Carrier. Transportation and all other lawful charges will be collected on the basis of net quantities of Crude Petroleum delivered as determined in the manner provided in Item No. 45.

ITEM 60 PAYMENT OF TRANSPORTATION AND OTHER CHARGES

Shipper shall be responsible for payment of transportation and all other charges applicable to the shipment and, at the discretion of the Carrier, may be required to pre-pay such charges or furnish guaranty of payment satisfactory to Carrier. Payments not received by Carrier within 15 days of date of invoice terms shall be subject to a late charge equivalent to 125% of the prime rate as quoted in The Wall Street Journal.

Carrier shall have a lien on all Crude Petroleum accepted for transportation to cover payment of all charges, including demurrage, legal fees, and late charges and may refuse to make delivery of Crude Petroleum until all charges have been paid. If the Crude Petroleum remains in the custody of the Carrier for more than thirty (30) days after the tender of delivery by Carrier, Carrier shall have the right to sell the Crude Petroleum at a public or private sale in a commercially reasonable manner to collect such charges. Carrier reserves the right to set-off any charges against any monies owed to Shipper by Carrier, or any Crude Petroleum of Shipper in Carrier's custody.

ITEM 65 LIABILITY OF CARRIER

The Carrier, while in possession of Crude Petroleum herein described, shall not be liable for any loss of Crude Petroleum; damage thereto; or delay because of any act of God, the public enemy, civil disorder, quarantine, the authority of the laws, strikes, riots, fire, floods or the acts of default of Shipper, or from any other causes not due to the sole negligence of Carrier. In case of loss of Crude Petroleum for which Carrier is not responsible, the Shipper shall bear all costs. When such loss occurs in the System which is the property of more than one Shipper (tank or line batch) each Shipper shall bear the loss in such proportion as its volume in said tank or batch bears to the total volume in said tank or batch. Carrier will be obligated to deliver only that portion of a Crude Petroleum shipment remaining after deducting such loss. Transportation charges shall only be applied on quantities of Crude Petroleum delivered.

ITEM 70 WARRANTIES

Shipper warrants that the Crude Petroleum tendered to Carrier will conform to the specifications stated in Item No. 30, will be merchantable, and will not be contaminated. Shipper will be liable to Carrier and/or other Shippers for any damage, including special, incidental, and consequential, arising from a breach of this warranty. The transportation of the Crude Petroleum will be refused or canceled if Carrier determines or is advised that the Crude Petroleum does not meet the requirements of these Rules and Regulations.

ITEM 75 DUTY OF CARRIER

Carrier shall not be required to transport Crude Petroleum except with reasonable diligence, considering the quality of the Crude Petroleum, the distance of transportation and other material elements. Carrier cannot commit to delivering Crude Petroleum to a particular destination, at a particular time.

ITEM 80 CLAIMS AND TIME FOR FILING

As a condition precedent to recovery for loss, damage, or delay of shipments, claims must be filed in writing with the Carrier within nine (9) months after the delivery of the Crude Petroleum, or, in case of failure to make delivery, then within nine (9) months after a reasonable time for delivery has elapsed. Suits arising out of such claims must be instituted against Carrier only within two (2) years from the time when the Carrier delivers, or tenders delivery of the Crude Petroleum or, in case of failure to make or tender delivery, then within two (2) years after a reasonable time for delivery has elapsed. Where claims are not filed or suits are not instituted thereon in accordance with the foregoing provisions, Carrier will not be liable and such claims will not be paid.

ITEM 85 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 Petroleum to be transported.

ITEM 90 PIPEAGE OR OTHER CONTRACTS

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

ITEM 95 PRORATION OF PIPELINE CAPACITY

Definitions utilized for this Item are as follows:

Average Monthly Volume: the average of a Regular Shipper's monthly volumes of Crude Petroleum transported during the Base Period.

Base Period: a period of 12 consecutive months, excluding the month prior to System proration.

Committed Shipper: a Shipper that has signed a Throughput and Deficiency Agreement with Carrier and has thereby committed to transport and/or paying for the transportation of a specified minimum volume per day of Crude Petroleum.

New Shipper: a Shipper that is not a Regular Shipper.

Regular Shipper: a Shipper that has shipments in at least 6 months in the Base Period. The Average Monthly Volume of a Regular Shipper will be calculated over the entire Base Period including any months for which no movements occurred.

Committed Volume: the volume committed by a Committed Shipper for transportation on Carrier's System.

Priority Capacity: for any month in which prorationing applies, up to 90% of System capacity.

If the total volume of Crude Petroleum nominated is in excess of the System Capacity, Crude Petroleum will be apportioned for acceptance and transportation per the following manner:

1. Up to 10% of System capacity will be allocated among all New Shippers. When the nominations made by New Shippers exceed ten percent (10%) of the available System capacity on Carrier's System, each New Shipper will receive a pro rata portion of the ten percent (10 %) allocated to New Shippers.
2. The Priority Capacity will be allocated to Committed Shippers so that each Committed Shipper is allocated capacity in an amount equal to its Committed Volume. A Committed Shipper that nominates Crude Petroleum in excess of its Committed Volume will be a Regular Shipper with respect to such excess volumes.
3. System capacity shall be divided by the total of all volumes nominated (Regular and New Shippers) to determine proration factor.
4. Any remaining System capacity following the application of the steps described above, will be allocated proportionately among all Regular Shippers based on each Regular Shipper's average monthly volume during the Base Period or nominated volume, whichever is less. Remaining unallocated System capacity shall continue to be reallocated to all Regular Shippers until all System capacity is allocated or Regular Shippers' Nominations have been fulfilled.
5. Remaining System capacity will be allocated on a pro rata basis among remaining Regular Shippers and New Shippers that have unallocated Nominations.

No Nominations shall be accepted beyond the amount that the nominating party has readily accessible for shipment. To penalize inflation of Shippers' Nominations, a Shipper's space allocation for the next proration month will be reduced by the amount of allocated throughput not shipped in the calendar month under proration.

ITEM 100 INTRASYSTEM TRANSFERS

Line transfers or ownership transfers of Crude Petroleum from one Shipper (transferor) to another Shipper (transferee) will be permitted provided:

1. Once a Shipper (transferee) has received Barrels of Crude Petroleum through a line transfer or ownership transfer from another Shipper (transferor) pursuant to this Item 100, no additional line transfers or ownership transfers will be permitted for these Barrels of Crude Petroleum.
2. Each transferor will be charged [U] \$0.0065 per barrel for each line transfer or ownership transfer of Crude Petroleum.
3. All intrasystem transfer requests to Carrier must be made in accordance with these rules and regulations. 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 last day of the month during which ownership transfer is requested. Transferee will be considered the shipper of Crude Petroleum that is subject to an intrasystem transfer for all purposes under Item 95, Proration of Pipeline Capacity, unless both transferor and transferee state otherwise in their respective notices to Carrier.
4. Any party involved in an intrasystem transfer hereunder shall be subject to any and all applicable provisions or requirements contained in these rules and regulations.

EXPLANATION OF REFERENCE MARKS:

- [N] NEW
- [U] UNCHANGED
- [W] CHANGE IN WORDING ONLY