

**Seahawk Pipeline, LLC**  
LOCAL TARIFF  
CONTAINING  
**RULES AND REGULATIONS**  
APPLYING ON THE TRANSPORTATION OF  
**CRUDE OIL**  
BY PIPELINE

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Carrier will accept and transport Crude Petroleum offered for transportation through Carrier's facilities only as provided in this Rules and Regulations Tariff. To the extent that specific rules and regulations published in other tariffs conflict with this Rules and Regulations Tariff, such specific rules and regulations shall prevail.

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T-4 Permit No. 09560

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

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**ISSUED DATE: March 1, 2023**

ISSUED BY:

Keith Taylor

Seahawk Pipeline, LLC

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**EFFECTIVE DATE: April 1, 2023**

COMPILED BY:

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## SECTION I RULES AND REGULATIONS

### 1.0 DEFINITIONS

"Affiliate" as herein used means any entity that directly or indirectly (i) controls a Shipper; (ii) is controlled by another Shipper; (iii) is controlled by the same entity that controls another Shipper; or, (iv) is controlled by and through one or more intermediaries that controls another Shipper. For the purposes of this definition the term "controls" and "controlled by" shall mean the use of shared mailing or business addresses; the use of shared business telephone numbers; the use of common bank account(s) with regards to the payment of transportation charges; substantially the same management or general partner; one Shipper directing or conducting business on behalf of another Shipper as it relates to tendering and accepting quantities of Crude Petroleum; the power to direct or cause the direction of the management or any other means, either directly or indirectly, that results in control in fact, but notwithstanding the foregoing includes with respect to the control of or by a corporation the ownership of shares or equity interests carrying not less than 10% of the voting rights regardless of whether such ownership occurs directly or indirectly.

"API" as herein used means American Petroleum Institute.

"Barrel" as herein used means forty-two (42) United States gallons at sixty degrees (60°) Fahrenheit.

"Business Day" as herein used means a day of the year, excluding all weekends and Carrier Holidays, when Carrier's office is open during normal business hours.

"Carrier" as herein used means Seahawk Pipeline, LLC.

"Carrier Holiday" as herein used means a day on which Carrier's office is closed for business.

"Common Stream" or "Common Stream Grade" as herein used means Crude Petroleum of an equivalent type that meets the specific quality requirements for the various common streams that Carrier may accept at various Origins as posted on Carrier's Website and/or Carrier's tariff, subject also to compliance with the general quality requirements and other terms and conditions set forth in Carrier's Tariff.

"Consignor" as herein used means the party from whom a Shipper has ordered the receipt of Crude Petroleum.

"Consignee" as herein used means the party to whom a Shipper has ordered the delivery of Crude Petroleum.

"Crude Petroleum" as herein used means the direct liquid products of oil wells, or a mixture of the direct liquid products of oil wells with the indirect liquid products of oil and gas wells.

"Destination" means the custody transfer delivery point(s) on Carrier's System, as described in Carrier's published tariff(s), at which Shipper's Crude Petroleum, after being transported by Carrier, is delivered into the custody of a downstream party pursuant to Shipper's confirmed Nomination.

"Nomination" as herein used means an offer by a Shipper to the Carrier of a stated quantity of Crude Petroleum for transportation from a specified origin or origins to a specified destination or destinations over a period of one operating month in accordance with these rules and regulations.

“Origin” means custody transfer receipt point(s) connected to Carrier’s System, as described in Carrier’s published tariff(s), at which Crude Petroleum is received into Carrier’s custody pursuant to a confirmed Nomination.

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

“System” as used herein means the pipeline(s) and terminal(s) that Carrier owns or controls or leases an interest in and to which the rules and regulations stated herein apply.

“Transferor” as used herein means the entity transferring volumes pursuant to an intrasystem transfer of title to Crude Petroleum as described in Item No. 14.5 to these rules and regulations.

“Transferee” as used herein means the entity accepting volumes pursuant to an intrasystem transfer of title to Crude Petroleum as described in Item No. 14.5 to these rules and regulations.

“TxRRC” as herein used means Texas Railroad Commission.

## 2.0 NOMINATION, MINIMUM QUANTITY

(a) Unless otherwise stated on a tariff making reference to these rules and regulations, Nominations for the transportation of Crude Petroleum for which Carrier has facilities will be accepted into Carrier's System under these rules and regulations in quantities of not less than ten thousand (10,000) Barrels aggregate from one or more Shippers as operations permit and provided such Crude Petroleum is of similar quality and characteristics as is being transported from origin point to destination point; except that Carrier reserves the right to accept any quantity of Crude Petroleum from lease tanks or other facilities to which Carrier's facilities are connected if such quantity can be consolidated with other Crude Petroleum such that Carrier can make a single delivery of not less than ten thousand (10,000) Barrels, and Carrier will not be obligated to make any single delivery of less than ten thousand (10,000) Barrels, unless Carrier’s operations dictate otherwise. The term "single delivery" as used herein means a delivery of Crude Petroleum in one continuous operation to one or more Consignees into a single facility, furnished by such Consignee or Consignees, to which Carrier is connected.

(b) Crude Petroleum will be transported only under a Nomination accepted by the Carrier from Origins to Destinations when a tariff covering the movement is lawfully in effect and on file with the TxRRC as to the appropriate state commission covering intrastate traffic.

(c) Any Shipper desiring to tender Crude Petroleum for transportation shall make a Nomination to the Carrier before 12:00 noon Central Standard Time/Central Daylight-Saving Time, whichever is applicable, on the fifteenth (15th) of the month preceding the movement. When the fifteenth (15th) of the month falls on a weekend, Nominations will be required prior to 12:00 noon Central Standard Time/Central Daylight-Saving Time, whichever is applicable, on the preceding Business Day. When the fifteenth (15th) of the month falls on a Carrier Holiday, Nominations will be required prior to 12:00 NOON Central Standard Time/Central Daylight-Saving Time, whichever is applicable, three (3) Business Days prior to the Carrier Holiday.

(d) When Nominations submitted by Shippers to Carrier on or before fifteenth (15th) day of the month preceding the operating month do not exceed the capacity of the System or any line segment thereof, additional Nominations may be accepted by the Carrier to fill capacity. These additional Nominations

will be accepted only if they do not impair the movement of Crude Petroleum nominated before the fifteenth (15th) day of the preceding month.

### 3.0 LINE FILL AND TANK BOTTOM INVENTORY REQUIREMENTS

Prior to delivering Barrels out of Carrier's System, each Shipper will be required to supply a pro rata share of Crude Petroleum necessary for pipeline and tankage fill to ensure efficient operation of Carrier's System. Crude Petroleum provided by Shippers for this purpose may be withdrawn only after: (1) shipments have ceased and the Shipper has notified Carrier in writing of its intention to discontinue shipments in Carrier's System, and (2) Shipper balances have been reconciled between Shipper and Carrier. Carrier may require advance payment of transportation charges on the volumes to be cleared from Carrier's System, and any unpaid accounts receivable, before final delivery will be made. Carrier shall have a reasonable period of time from the receipt of said notice, not to exceed six months, to complete administrative and operational requirements incidental to Shipper withdrawal.

### 3.5 TITLE

The 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 the Shipper satisfactory evidence of its perfected and unencumbered title or satisfactory indemnity bond to protect Carrier. By nominating Crude Petroleum, the Shipper warrants and guarantees that the 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 the Carrier as to title.

### 4.0 SPECIFICATIONS AS TO QUALITY RECEIVED

(a) Shipper shall not deliver to Carrier and Carrier shall not be obligated to accept Crude Petroleum for transportation except merchantable Crude Petroleum which is properly settled and contains not more than one percent (1%) of basic sediment, water, and other impurities, and has a temperature not in excess of one hundred and twenty degrees (120°) Fahrenheit and its gravity, viscosity, pour point, and other characteristics are such that it will be readily susceptible to transportation through the Carrier's existing facilities, and will not materially affect the quality of other shipments or cause disadvantage to other Shippers and/or the Carrier. Notwithstanding the preceding sentence, Carrier may at its discretion accept Crude Petroleum from Shipper that does not meet the foregoing specifications due to unusual circumstances, emergencies, or events of force majeure (such as sea storms or shut-in platforms). In such case, however, Shipper must notify Carrier fully in writing of the characteristics of such Crude Petroleum and Shipper shall then secure from the producer or connecting carrier or shall provide itself, in writing, to Carrier an assumption of all liability and agree to hold Carrier harmless from and against any loss, cost or disadvantage to other Shippers, and other pipelines, or to Carrier arising from such transportation. In addition, Carrier reserves the right to reject (any and all of, but not limited to) the following shipments: (1) Crude Petroleum having a Reid Vapor Pressure in excess of ten (10.0) pounds per square inch absolute and/or an API gravity in excess of 75°; and (2) Crude Petroleum where the Shipper or Consignee has failed to comply with applicable laws, rules, and regulations made by government authorities regulating shipment of Crude Petroleum. If Crude Petroleum is accepted from

tankage, settled bottoms in such tanks must not be above a point four inches (4") below the bottom of the pipeline connection with the tank from which it enters Carrier's facilities.

(b) Quality specifications of a connecting carrier may be imposed upon Carrier when such limits are less than that of Carrier, in which case the limitations of the connecting carrier will be applied.

(c) Carrier may, from time to time, undertake to transport other or additional grades of Crude Petroleum and if, in the opinion of Carrier, sufficient quantities are not nominated or facilities are not available to justify continued transportation of other or additional grades, Carrier may, after giving reasonable notice to Shippers who may be affected, cease transporting particular grades of Crude Petroleum.

(d) Carrier may monitor, but is not responsible for monitoring, receipts or deliveries for contaminants. If, upon investigation, Carrier determines that a Shipper has delivered to Carrier's System, 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, such Shipper will be excluded from further entry into applicable segments of the System until such time as quality specifications are met to the satisfaction of Carrier. Further, Carrier reserves the right to dispose of any contaminated Crude Petroleum blocking its System. Disposal thereof, if necessary, may be made in any reasonable commercial manner, and any liability associated with the contamination or disposal of any Crude Petroleum shall be borne by the Shipper introducing the contaminated Crude Petroleum into Carrier's System.

(e) Carrier will from time to time determine which additional grades of Crude Petroleum it will regularly transport as a Common Stream between particular receipt points and destination points on its System. Carrier will inform all subscribers to tariffs for the System affected by such determination and this will constitute the sole holding out of the Carrier in regard to the additional grades of Crude Petroleum transported. Crude Petroleum quality and general characteristics include, but are not limited to, whole crude properties such as A.P.I. gravity, sulfur, S. & W., Reid Vapor Pressure, pour point, viscosity, hydrogen sulfide, metals, nitrogen, chlorinated and/or oxygenated hydrocarbons, salt content, and product yields.

(f) Carrier will provide the following Common Streams ("Quality Specifications"):

<b>Product</b>	<b>API Gravity</b>	<b>Sulfur Limit, % weight</b>
Condensate	50-70	0.50
Light Crude	45-49.99	0.50
Crude	37-44.9	0.50
*Heavy Crude	25-36.99	1.3

\* truck carrier receipts into Carrier's Edna Terminal only.

The Common Streams shall adhere to the following:

- Not to exceed 10 ppm H<sub>2</sub>S in the vapor space as determined by ASTM 5705
- Not to exceed 3 ppm of Organic Chloride as determined by ASTM D4929
- Sulfur % by weight as determined by ASTM D4294, D2662
- Mercaptans: < 0.05% by weight or less as determined by UOP 163
- Metals (V, Ni, Fe) not to exceed: 5 ppm as determined by ASTM 5708

In addition to having the other rights set forth in this section, if Crude Petroleum received by Carrier does not meet the Quality Specifications and Carrier has not approved the transportation of such Crude Petroleum in advance, Carrier reserves the right to charge Shipper (i) the actual costs and expenses incurred by Carrier to treat, handle, or otherwise dispose of all such contaminated Crude Petroleum, and (ii) a one-hundred (100) cents per Barrel charge for the volume of contaminated Crude Petroleum transported by Carrier ("Off-Spec Penalty"). The Off-Spec Penalty is a penalty intended to discourage deliveries of Crude Petroleum to Carrier's System that violate Carrier's Quality Specifications.

Carrier may also agree to accept segregated batches in such minimum quantities as Carrier may reasonably determine. In such case Carrier will, using reasonable commercial efforts, make Delivery of such Crude Petroleum, at the destination, which is substantially the same Crude Petroleum as that received by Carrier at the origin. Carrier shall not be liable for failure to deliver the identical Crude Petroleum or for any variations in the gravity and/or quality of Crude Petroleum occurring while such segregated Crude Petroleum is in Carrier's custody.

Shippers are required to furnish Crude Petroleum assays upon the nominations to Carrier so that quality determinations can be made. If Carrier determines that the Crude Petroleum tendered for transportation does not meet the specifications contained herein or, in the opinion of Carrier, differs materially in character from Crude Petroleum being transported by Carrier, transportation may be either refused or only offered under such terms and conditions agreed to by Carrier and Shipper and consistent with this tariff.

#### 5.0 SHIPMENTS, MAINTENANCE OF IDENTITY

(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 and/or Consignees because of mixing or commingling of Crude Petroleum shipments between the receipt and delivery of such shipments by Carrier within the same Common Stream.

#### 5.5 ADDITIVES

Any additives including but not limited to corrosion inhibitors, viscosity depressants, pour point depressants, drag reducing additives, paraffin or emulsion breakers or other such additives in the Crude Petroleum to be delivered to Carrier shall require written approval by Carrier thirty (30) days prior to tender and acceptance into Carrier's System of such Crude Oil by Carrier.

#### 6.0 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.

#### 6.5 ORIGIN FACILITIES REQUIRED FOR AUTOMATIC CUSTODY TRANSFER

Where Consignor (or Shipper) elects to deliver Crude Petroleum to the Carrier at point of origin through automatic custody transfer facilities (in lieu of tankage), the Consignor (or 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, the Consignor (or 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.

#### 7.0 RECEIPT AND DESTINATION FACILITIES REQUIRED

The Carrier will accept Crude Petroleum for transportation only when the Shipper or Consignee has provided the necessary facilities for delivering Crude Petroleum into the System at the point of origin and 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.

#### 7.5 NOTICE OF ARRIVAL, DELIVERY AT DESTINATION, DEMURRAGE

(a) The obligation of the Carrier is to deliver the quantity of Crude Petroleum to be transported, less deductions, at the specified destination. Such delivery may be made upon twenty-four (24) hours' notice to the Shipper or Consignee who shall accept and receive said Crude Petroleum from the Carrier with all possible dispatch into tanks or receptacles arranged for or provided by the Shipper or Consignee.

(b) If Shipper or Consignee does not timely receive said Crude Petroleum, then commencing twenty-four hours after the first seven o'clock a.m., after expiration of the delivery notice described above, Carrier may assess a demurrage charge on any part of said Crude Petroleum shipment offered for delivery and not taken by Shipper or Consignee; the demurrage charge will be 1.00 cents per Barrel per day for each day of 24 hours or fractional part thereof. After expiration of said 24-hour notice, Carrier's liability for loss, damage or delay with respect to Crude Petroleum offered for delivery but not taken by Shipper or Consignee shall be that of a warehouseman only.

(c) If the Shipper, or Consignee, is unable or refuses to receive said Crude Petroleum as it arrives at the specified destination, the Carrier reserves the right to make whatever arrangements for disposition of the Crude Petroleum it deems appropriate in order to clear its System. Any additional expenses incurred by the Carrier in making such arrangements shall be borne by the Shipper or Consignee.

#### 8.0 GAUGING, TESTING AND DEDUCTIONS

(a) Crude Petroleum shipped hereunder shall be measured and tested by representatives 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.

(b) When, in Carrier's opinion, a lease operator or connecting carrier's tanks are unsafe or unsuitable for use in custody transfer because of improper connections, high bottom accumulations of any extraneous matter, incrustations on the inside of the tank walls, or any other conditions unacceptable to Carrier, Carrier may reject the use of such tank until the unacceptable conditions have been corrected.



Alternatively, in the case of incrustation inside any tank, Carrier may determine and apply a correction factor to ascertain the correct tank capacity.

(c) Corrections will be made for temperature from observed degrees Fahrenheit to 60 degrees Fahrenheit and for pressure to 14.696 psia. Carrier will deduct the full amount of sediment, water and other impurities as the centrifugal or other test may show.

(d) Unless otherwise indicated on a tariff, a deduction two-tenths of one percent (0.2%) will be made to cover evaporation, interface losses, and other normal losses during transportation (“Carrier Loss Allowance”).

(e) All receipts of Crude Petroleum having an API gravity of 60 degrees or above shall also be subject to a deduction to cover shrinkage and evaporation. Such deduction shall be determined in accordance with the following table:

API Gravity, Degrees	Deduction For Incremental Evaporation & Shrinkage
70.1 – 74.9	1.50%
75 and above	2.00%

(f) After consideration of all of the factors set forth in this Item No. 8.0, a net balance will be determined as the quantity deliverable by Carrier, and transportation charges will be assessed on this net balance.

#### 8.5 APPORTIONMENT WHEN NOMINATIONS ARE IN EXCESS OF FACILITIES

When, pursuant to Item 2.0, Nominations, herein, there will be offered to Carrier more Crude Petroleum than can be immediately transported on Carrier’s System, the available capacity will be apportioned by Carrier. Such apportionment of available capacity will be determined in a manner that optimizes the operational capacity of Carrier’s System and is fair and equitable to all Shippers pursuant to Carrier’s proration policy. Carrier’s proration policy dated March 1, 2021, is available at Carrier’s website.

#### 9.0 REQUIRED SHIPPER INFORMATION

(a) At any time, upon written request of the Carrier, on a non-discriminatory basis, any prospective or existing Shipper shall provide to the Carrier information that will enable the Carrier to enforce the terms of this tariff. Such information may include, but is not limited to, the names of any Affiliates of the Shipper or prospective Shipper, the legal business name of the Shipper or prospective Shipper and the registered business address of the Shipper or prospective Shipper.

(b) The Carrier shall not be obliged to accept Crude Petroleum for transportation from an existing or prospective Shipper if the Shipper or prospective Shipper fails to provide to the Carrier any information requested in accordance with item (a) of this section within ten (10) days of the Carrier’s written request, or if the Carrier reasonably determines that any of the information provided pursuant to item (a) of this section is false.

#### 9.5 APPLICATION OF RATES & 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 the Carrier, irrespective of the date of Nomination. Unless otherwise stated in an individual tariff making reference to these rules and regulations, trunk line transportation and all other lawful charges will be collected on the basis of the net quantities of Crude Petroleum delivered and gathering charges will be collected on the basis of net quantities of Crude Petroleum received. All net quantities will be determined in the manner provided in Item No. 8.0.

#### 10.0 APPLICATION OF RATES FROM AND TO INTERMEDIATE POINTS

(a) For Crude Petroleum accepted for transportation from any point on Carrier's lines not named in a particular tariff, which is intermediate to a point from which rates are published in said tariff, through such unnamed point, the rate published from the next more distant point specified in such tariff will apply.

(b) If an intermediate point is to be used on a continuous basis for more than 30 days, Carrier will file a tariff applicable to the transportation movement within 30 days of the start of the service

#### 10.5 CHARGE FOR COMPENSATION FUND FEES INCURRED BY CARRIER

In addition to all other charges accruing on Crude Petroleum accepted for transportation through Carrier's facilities, 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 agency for the purpose of creating a fund for the reimbursement of parties who sustain costs or losses resulting from oil pipeline industry operations. If a per Barrel charge is assessed, the amount of such charge will be stated in a TxRRC rate.

#### 11.0 TRUCK, TANKER AND BARGE LOADING AND UNLOADING

(a) Shipments unloaded from tank trucks into Carrier's facilities may be subject to a per-Barrel charge, as identified in Carrier's terminaling agreement and will be in addition to all other charges.

(b) Carrier may receive or deliver Crude Petroleum across its dock facilities from both tankers or barges where dock facilities are equipped to handle tankers or barges. Shippers shall indemnify and hold Carrier harmless against any and all claims (whether made by the vessel owner or any other party) for demurrage or any other charges arising out of any delay of such vessel not caused by Carrier's negligence. Such a per-Barrel charge, as identified in Carrier's terminaling agreement, will be in addition to all other charges.

#### 11.5 PAYMENT OF TRANSPORTATION AND OTHER CHARGES; LIENS

Shipper shall be responsible for payment of transportation and all other charges applicable to the shipment and may be required to prepay such charges or furnish guaranty of payment satisfactory to Carrier pursuant to the provisions stated in Item No. 16.0 contained herein. Payments not received by Carrier in accordance with invoice terms shall be subject to an interest charge equal to the lesser of: (i) U.S. composite prime rate as published in the Wall Street Journal (or successor publication) on the date such payment was due or if such rate is not published on the due date, on such immediately preceding Business Day, in either case plus one and a half percent (1.5%) per annum; or (ii) the highest rate allowed by law. The interest shall be calculated based on actual days elapsed divided by Three Hundred and Sixty-five (365). Carrier shall have a lien on all Crude Petroleum accepted for transportation to cover payment of all charges, including demurrage and late charges and may refuse to make delivery of

the Crude Petroleum until all charges have been paid. Such lien shall extend to all Crude Petroleum, including Shipper's linefill, in Carrier's possession beginning with Shipper's first receipt of transportation or other services from Carrier. Shipper authorizes Carrier to file, and agrees to execute, if required, such financing statements and additional documents as may be reasonably necessary to perfect or evidence such lien. If a bill of lading is required under applicable law for such a lien to arise, acceptance of the Nomination will be deemed to be the bill of lading for all Crude Petroleum, including Shipper's line fill, subject to such Nomination. The lien provided herein shall be in addition to any lien or security interest provided by this tariff or applicable law. If said charges, or any part thereof, shall remain unpaid for thirty days after notice of readiness to deliver, in addition to any other rights Carrier has under this tariff or existing law, Carrier shall also have the right to (i) refuse to provide Shipper access to Carrier's system or provides services pursuant to this Tariff, and/or (ii) sell Shipper's Crude Petroleum at public auction. Carrier shall have a lien on Crude Petroleum when there shall be failure to take the Crude Petroleum at the point of destination as provided in Item No. 7.5. Carrier shall have the right to sell said Crude Petroleum at public auction, for cash. The auction will be held between the hours of ten o'clock a.m. and four o'clock p.m. on any day not a weekend or legal holiday, and not less than twenty-four hours after the Shipper has been officially notified of the time and place of such sale and the quantity, general description, and location of the Crude Petroleum to be sold. Carrier may be a bidder and purchaser at such sale. Out of the proceeds of said sale, Carrier shall pay itself for all transportation, demurrage, and other lawful charges, expenses of notice, advertisement, sale and other necessary expenses, and expenses of caring for and maintaining the Crude Petroleum, and the balance shall be held for whomsoever may be lawfully entitled thereto after the auction. If the proceeds of said sale do not cover all expenses incurred by Carrier, the Shipper and/or Consignee are liable to Carrier for any deficiency.

## 12.0 DIVERSION

Subject to Item No. 2.0, change in destination or routing will be permitted without additional charge, on written request from the Shipper, provided an applicable tariff is in effect for any requested destination or routing, and provided that no back-haul is required.

## 12.5 LIABILITY OF PARTIES

(a) As a condition to Carrier's acceptance of Crude Petroleum under this tariff, each Shipper agrees to defend, indemnify and hold harmless Carrier against claims or actions for injury and/or death of any and all persons whomever and for damage to property of or any other loss sustained by Carrier, Shipper, Consignee and/or any third party resulting from or arising out of 1) any breach of or failure to adhere to any provision of this tariff by Shipper, Consignee, their agents, employees or representatives and 2) the negligent act(s), or failure(s) to act of Shipper, Consignee, their agents, employees or representatives in connection with Delivery or Receipt of Crude Petroleum. Shipper shall not be liable to Carrier for consequential, incidental, indirect or exemplary damages and actual damages will be the sole remedy of Carrier, except for third party claims that arise as a direct consequence of the Shipper's negligence or breach of this tariff.

(b) The Shipper and Consignee shall be jointly and severally liable for the payment of gathering and transportation charges, fees, and other lawful charges accruing to or due Carrier by Shipper or Consignee, including but not limited to, penalties, interest and late payment charges on Crude Petroleum delivered by Carrier to Consignee. All accrued charges are due on delivery of Crude Petroleum by Carrier to Consignee. Carrier may, at its option, require Shipper or Consignee to pay all

such charges and fees in advance or to provide an irrevocable letter of credit satisfactory to Carrier pursuant to the provisions stated in Item No. 16.0.

(c) The Carrier while in possession of any of the 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, terrorism, vandalism, criminal acts, landslides, land collapses, riots, civil disorder, 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, default of Shipper or Owner, earthquakes, sinkholes, or from any other cause not due to the negligence of Carrier and in no event shall Carrier be liable to Shipper for consequential, incidental or exemplary damages to Shipper. In case of loss of Crude Petroleum in a segregated shipment, then the Shipper and Consignee thereof shall bear the entire loss, damage, or delay that occurs. In case of loss of Crude Petroleum that is not in a segregated shipment, then each Shipper of the grade of Crude Petroleum so lost via the System in which the loss occurs shall share such loss in the proportion that the amount of such grade of Crude Petroleum then in the custody of Carrier for the account of such Shipper in such System bears to the total amount of such grade of Crude Petroleum then in the custody of Carrier in such System.

(d) Carrier will be obligated to deliver only that portion of a Crude Petroleum shipment remaining after deducting such loss. Transportation charges will be made only on quantities of Crude Petroleum delivered.

(e) If Crude Petroleum is lost in transit, while in the custody of Carrier, due to causes other than those described in the first paragraph of this Item, Carrier may obtain and deliver to Shipper other Crude Petroleum of the same quantity and grade as that which was lost, but Carrier shall not be obligated to do so. In the alternative, Carrier may compensate Shipper for such loss in money. If Carrier compensates Shipper for such loss in money, the price per Barrel shall be determined as of the date of the loss based on the value of the lost Crude Petroleum.

### 13.0 CLAIMS, SUITS, AND TIME FOR FILING

As a condition precedent to recovery for loss, damage, or delay to shipments, claims must be filed in writing with the Carrier within nine (9) months after 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; and suits arising out of such claims shall be instituted against the Carrier only within two (2) years and one (1) day from the day when notice in writing is given by the Carrier to the claimant that the 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 will not be liable and such claims will not be paid.

### 13.5 PIPEAGE OR OTHER CONTRACTS

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

### 14.0 STORAGE IN TRANSIT

The Carrier has operational tanks required in the process of transporting Crude Petroleum but no other available tankage and therefore, unless otherwise specifically stated in a tariff making reference to these

rules and regulations, Carrier does not have facilities for rendering, nor does it offer, a storage service under this tariff. Provisions for storage in transit in facilities furnished by Shipper at points on Carrier's System will be permitted to the extent authorized under individual tariffs lawfully on file with the state agency.

#### 14.5 INTRASYSTEM TRANSFERS

An intrasystem transfer of title to Crude Petroleum will be allowed on Carrier's System for a fee of 0.50 cent 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, shall be confirmed in writing by both the Transferor and the Transferee within seventy-two (72) hours after the request. Such request shall indicate the party to which the transfer is to be made, the amount of Crude Petroleum to be transferred, its location, grade, and a warranty statement of unencumbered title. In addition, the Transferor and Transferee, pursuant to the provisions stated in Item No. 16.0, 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.

#### 15.0 CONNECTION POLICY

Connections to Carrier's System by a Shipper will only be considered if made by formal written notification to Carrier. All requests for connections will be subject to Carrier's judgment, and 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 governmental regulations.

#### 16.0 FINANCIAL ASSURANCES

(a) At any time, upon the request of the Carrier, any prospective or existing Shipper shall provide financial documentation and information to the Carrier that will allow the Carrier to determine the prospective or existing Shipper's capacity to perform any financial obligations that could arise from the transportation of that Shipper's Crude Petroleum under the terms of this tariff, including but not limited to the payment of transportation charges and the reasonably determined value of the Carrier Loss Allowance and negative Shipper's balance positions. The Carrier shall not be obligated to accept Crude Petroleum for transportation from an existing or prospective Shipper if the Shipper or prospective Shipper fails to provide the requested information to the Carrier or if the Carrier's review of the requested information reveals that the existing or prospective Shipper may not have the capacity to perform the financial obligations that could arise from the transportation of that Shipper's Crude Petroleum under the terms of this tariff, including but not limited to the payment of transportation charges and the reasonably determined value of the Carrier Loss Allowance and negative Shipper's balance positions.

(b) Subject to the provisions of paragraph (c) below, the Carrier upon notice to the prospective or existing Shipper, may require one or more of the following Financial Assurances for the payment of all

charges and costs as provided for in this tariff, or otherwise lawfully due to the Carrier to be provided at the expense of the Shipper:

1. prepayment; 2. a letter of credit in favor of Carrier in an amount sufficient to ensure payment of all costs and charges that could reasonably accrue due to the Carrier in a form and from an institution acceptable to Carrier; 3. a guaranty in an amount sufficient to ensure payment of all such costs and charges that could reasonably accrue due to the Carrier, in a form and from a third party acceptable to Carrier; or 4. such other enforceable collateral security including but not limited to security agreements over assets of the Shipper, in a form acceptable to the Carrier, collectively "the Financial Assurances".

(c) In the event that the Carrier reasonably determines that:

1. the existing or prospective Shipper's financial condition is or has become impaired or unsatisfactory; 2. any Financial Assurances previously provided by a Shipper no longer provide adequate security for the performance of the Shipper's obligations that could arise from the transportation of its Crude Petroleum under the terms of this tariff; or 3. the Carrier otherwise determines that it is necessary to obtain Financial Assurances from the Shipper, then the Shipper shall provide Financial Assurances for the payment of the charges and costs as provided for in this tariff or otherwise lawfully due to the Carrier relating to the transportation of the Shipper's Crude Petroleum by the Carrier.

For the purpose of this tariff, and without limiting the generality of the charges and costs lawfully due to the Carrier relating to the transportation of the Shipper's Crude Petroleum, those charges and costs shall include but are not limited to transportation charges, negative Shipper's balance positions and the Carrier Loss Allowance. The Carrier shall not be obligated to accept Crude Petroleum for transportation from an existing or prospective Shipper if the Shipper or prospective Shipper fails to deliver the Financial Assurances to Carrier.