

NuStar Logistics, L.P.

Rules and Regulations
Governing the Intrastate Transportation by Pipeline of

CRUDE PETROLEUM

West Leg – South Texas Crude

Rules and Regulations published herein apply only under tariffs which make specific reference by number to this tariff; such reference will include successive issues hereof. Specific rules and regulations published in individual tariffs will take precedence over rules and regulations published herein.

The matter published herein will have no adverse effect on the quality of the human environment.

NuStar Logistics, L.P. P5 ID No, 616747; Operator T-4 Permit Numbers are 04851,08596,09152 and 09153.

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Section I

Rules and Regulations

The following nineteen (1-19) rules are reprinted here pursuant to the requirements of the Texas Railroad Commission Title 16 Part 1 Chapter 3 Rule § 3.71

Carrier (herein generally referred to as "the pipeline", in this tariff) will accept Crude Petroleum (referred to variously in this tariff as "crude oil", "crude", "oil", and "marketable oil", and defined in Rule 1 below) for intrastate transportation by pipeline from the point of origin to the point of destination named in this tariff, subject to the following rules and regulations:

Rule 1 All Marketable Oil To Be Received For Transportation

By the term "marketable oil" is meant any crude petroleum adopted for refining or fuel purposes, properly settled and containing not more than two percent of basic sediment, water, or other impurities above a point six inches below the pipeline connection with the tank. Pipelines shall receive for transportation all such "marketable oil" tendered; but the pipeline shall not be required to receive for shipment from any one person an amount exceeding 3,000 barrels of petroleum in any one day; and, if the oil tendered for transportation differs materially in character from that usually produced in the field and being transported therefrom by the pipeline, then it shall be transported under such terms as the shipper and the owner of the pipeline may agree or the Railroad Commission of Texas ("Commission") may require.

Rule 2 Basic Sediment, How Determined - Temperature

In determining the amount of sediment, water, or other impurities, the pipeline is authorized to make a test of the oil 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 the pipeline and the 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 oil. The pipeline shall not be required to receive for transportation, nor shall consignee be required to accept as a delivery, any oil of a higher temperature than 90 degrees Fahrenheit, except that during the summer oil shall be received at any atmospheric temperature, and may be delivered at like temperature. Consignee shall have the same right to test the oil upon delivery at destination that the pipeline has to test before receiving from the shipper.

Rule 3 "Barrel" Defined

For the purpose of these rules, a "barrel" of crude petroleum is declared to be 42 gallons of 231 cubic inches per gallon at sixty degrees Fahrenheit (60°F).

Rule 4 Oil Involved in Litigation, Etc. – Indemnity Against Loss

When any oil offered for transportation is involved in litigation, or the ownership is in dispute, or when the oil appears to be encumbered by lien or charge of any kind, the pipeline may require of shippers an indemnity bond to protect it against all loss.

Rule 5 Storage

The pipeline shall provide, without additional charge, sufficient storage, such as is incident and necessary to the transportation of oil, including storage at destination or so near thereto as to be available for prompt delivery to destination point, for five days from the date of order of delivery at destination.

Rule 6 Identity of Oil, Maintenance of Oil

The pipeline may deliver to consignee, either the identical oil received for transportation, subject to such consequences of mixing with other oil as are incident to the usual pipeline transportation, or it may make delivery from its common stock at destination; provided, if this last be done, the delivery shall be of substantially like kind and market value.

Rule 7 Minimum Quantity To Be Received

The pipeline shall not be required to receive less than one tank carload of oil when oil is offered for loading into tank cars at destination of the pipeline. When oil is offered for transportation for other than tank car delivery, a pipeline shall not be required to receive less than 500 barrels.

Rule 8 Gathering Charges

Tariffs to be filed by a pipeline shall specify separately the charges for gathering of the oil, for transportation, and for delivery.

Rule 9 Gauging, Testing and Deductions

(Reference Commission Special Order No. 20-63, 098, Effective June 18, 1973).

- (A) All crude oil tendered to the pipeline shall be gauged and tested by a representative of the pipeline prior to its receipt by the pipeline. The shipper may be present or represented at the gauging and testing. Quantities shall be computed from correctly compiled tank tables showing 100% of the full capacity of the tanks.
- (B) Adjustments shall be made for temperature from the nearest whole number degree to the basis of 60°F and to the nearest 5/10 API degree gravity in accordance with the volume correction Tables 5A and 6A contained in API Standard 2540, American Society for Testing Materials 01250, Institute of Petroleum 200, first edition, August 1980. The pipeline may deduct the basic sediment, water, and other impurities as shown by the centrifugal or other test agreed upon; and 1% for evaporation and loss during transportation. The net balance shall be the quantity deliverable by the pipeline. In allowing the deductions, it is not the intention of the commission to affect any tax or royalty obligations imposed by the laws of Texas on any producer or shipper of crude oil.

Rule 10 Delivery and Demurrage

The pipeline shall transport oil with reasonable diligence, considering the quality of the oil, the distance of transportation and other material elements, but at any time after receipt of a consignment of oil, upon 24 hours' notice to the consignee, may offer oil for delivery from its common stock at the point of destination, conformable to Rule 6 of this tariff, at a rate not exceeding 10,000 barrels per day of 24 hours. Computation of time of storage (as provided for in Rule 5 of this tariff) shall begin at the expiration of such notice. At the expiration of the time allowed in Rule 5 of this tariff for storage at destination, the pipeline may assess a demurrage charge on oil offered for delivery and remaining undelivered, at a rate for the first 10 days of \$.001 per barrel and thereafter at a rate of \$.0075 per barrel, for each day of 24 hours or fractional part thereof.

Rule 11 Unpaid Charges, Lien For And Sale To Cover

The pipeline shall have a lien on all oil to cover charges for transportation, including demurrage, and it may withhold delivery of oil until the charges are paid. If the charges shall remain unpaid for more than 5 days after notice of readiness to deliver, the pipeline may sell the oil at public auction at the general office of the pipeline on any day not a legal holiday. The date for the sale shall be not less than 48 hours after publication of notice in a daily newspaper of general circulation published in San Antonio, Texas, the city

where the general office of the pipeline is located. The notice shall give the time and place of the sale, and the quantity of the oil to be sold. From the proceeds of the sale, the pipeline may deduct all charges lawfully accruing, including demurrage, and all expenses of the sale. The net balance shall be paid to the person lawfully entitled thereto.

Rule 12 Notice Of Claims

Notice of claim for loss, damage or delay in connection with the shipment of oil must be made in writing to the pipeline within 91 days after the damage, loss, or delay occurred. If the claim is for failure to make delivery, the claim must be made within 91 days after a reasonable time for delivery has elapsed.

Rule 13 Telephone - Telegraph Line - Shipper To Use

If the pipeline maintains a private telegraph or telephone line, a shipper may use it without extra charge, for messages incident to shipments. However, the pipeline shall not be held liable for failure to deliver any messages away from its office or for delay in transmission or for interruption of service.

Rule 14 Contracts Of Transportation

When a consignment of oil is accepted, the pipeline shall give the shipper a run ticket, and shall give the shipper a statement that shows the amount of oil received for transportation, the points of origin and destination, corrections made for temperature, deductions made for impurities, and the rate for such transportation.

Rule 15 Shipper's Tanks, Etc. - Inspection

When a shipment of oil has been offered for transportation, the pipeline shall have the right to go upon the premises where the oil is produced or stored, and have access to any and all tanks or storage receptacles for the purpose of making any examination, inspection, or test authorized by these Rules and Regulations.

Rule 16 Offers In Excess Of Facilities

If oil is offered to the pipeline for transportation in excess of the amount that can be immediately transported, the transportation furnished by the pipeline shall be apportioned among all shippers in proportion to the amounts offered by each; but no offer for transportation shall be considered beyond the amount which the person requesting the shipment then has ready for shipment by the pipeline. The pipeline shall be considered as a shipper of oil produced or purchased by itself and hold for shipment through its line, and its oil shall be entitled to participate in such apportionment.

Rule 17 Interchange of Tonnage

Pipelines shall provide the necessary connections and facilities for the exchange of tonnage at every locality reached by two or more pipelines, when the Commission finds that a necessity exists for connection, and under such regulations as said Commission may determine in each case.

Rule 18 Receipt and Delivery - Necessary Facilities For

The pipeline shall install and maintain facilities for the receipt and delivery of marketable crude petroleum of shippers at any point on its line if the Commission finds that a necessity exists therefor, and under regulations by the Commission.

Rule 19 Report Of Loss From Fire, Lightning and Leakage

- (A) The pipeline shall immediately notify the commission district office, electronically or by telephone, of each fire that occurs at any oil tank owned or controlled by the pipeline, or of any tank struck by lightning. The pipeline shall in like manner report each break or leak in any of its tanks or pipelines from which more than five barrels escape. The pipeline shall file the required information with the commission in accordance with the appropriate commission form within 30 days from the date of the spill or leak.
- (B) No risk of fires, storm, flood or act of God, and no risk resulting from riot, insurrection, rebellion, war, an act of the public enemy, or from quarantine or authority of law or any order, requisition or necessity of the government of the United States in time of war, shall be borne by the pipeline, nor shall any liability accrue to it from any damage thereby occasioned. If loss of any crude oil from such causes occurs after the oil has been received for transportation, and before it has been delivered to the consignee, the shipper shall bear a loss in such proportion as the amount of his shipment is to all of the oil held in transportation by the pipeline at the time of such loss, and the shipper shall be entitled to have delivered only such portion of his shipment as may remain after a deduction of his due proportion of such loss, but in such event the shipper shall be required to pay charges only on the quantity of oil delivered. This rule shall not apply if the loss occurs because of negligence of the pipeline.
- (C) Common carrier pipelines shall mail (return receipt requested) or hand deliver to landowners (persons who have legal title to the property in question) and residents (persons whose mailing address is the property in question) of land upon which a spill or leak has occurred, all spill or leak reports required by the commission for that particular spill or leak within 30 days of filing the required reports with the commission. Registration with the commission by landowners and residents for the purpose of receiving spill or leak reports shall be required every five years, with renewal registration starting January 1, 1999. If a landowner or resident is not registered with the commission, the common carrier is not required to furnish such reports to the resident or landowner.

Section II

Special Rules and Regulations

Special Rule 1: Definitions

“Affiliated Shippers” means any entity that, directly or indirectly: (a) controls a Shipper; (b) is controlled by another Shipper; or (c) is controlled by the same entity that controls a Shipper. For purposes of this definition, the terms “controls” and “controlled by” mean the power to direct or cause the direction of the management of and policies of another entity whether through the ownership of shares, a contract, trust arrangement 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, partnership or limited liability company, the ownership of shares or equity interests carrying not less than 50% or more of the voting rights regardless of whether such ownership occurs directly or indirectly. Without limitation, any one or more of the following shall conclusively evidence that entities are Affiliated Shippers of each other: (1) use of shared mailing or business addresses; (2) use of shared business telephone numbers; (3) use of common bank account(s); (4) the same or substantially the same management, general partner, or managing member; and/or (5) one Shipper directing or conducting business on behalf of another Shipper.

“API” means American Petroleum Institute.

“API Gravity” means gravity determined in accordance with ASTM designation and expressed in degrees.

“Assay” means a laboratory analysis of Crude Petroleum to include API Gravity, Reid vapor pressure, pour point, sediment and water content, sulfur content, viscosity at 60 degrees Fahrenheit, and other characteristics as may be required by Carrier.

“ASTM” means American Society for Testing Materials.

“Capacity” means the quantity of Crude Petroleum the Pipeline Segment at issue is capable of transporting under the current operating conditions.

“Carrier” means NuStar Logistics, L.P.

“Change in Law Event” means the occurrence of a Change in Law that necessitates the expenditure of Compliance Costs.

“Change in Law” means the adoption, amendment, enactment, implementation, issuance, modification, promulgation, or repeal of any Law or any material change in the interpretation of any Law by any Governmental Authority that causes Carrier to incur additional expenses in order to operate the System in compliance with such Law.

“Collateral” means: (a) all Crude Petroleum accepted by Carrier for transportation, terminalling, or otherwise while in the possession of Carrier; (b) all other property of Shipper now in the possession of and at any time and from time to time hereafter delivered to Carrier but only while

in the possession of Carrier; (c) all of Shipper's pre-payments, deposits, balances, and credits with, and any of its claims against, Carrier, at any time existing; and (d) the proceeds from any of the foregoing, excluding the proceeds from any sale by Shipper of Crude Petroleum redelivered by Carrier to Shipper at a Destination Point.

"Common Stream" means Crude Petroleum moved through the System that is commingled or intermixed with Crude Petroleum of like quality and characteristics as may be determined by Carrier based on Assays and/or other pertinent analytical data.

"Compliance Costs" means expenses incurred by Carrier as a result of a Change in Law Event, including capital expenditures, irrespective of whether such expenses are to be incurred as a one-time expenditure or periodically for an extended period.

"Connection Policy" means the policy issued by NuStar Energy L.P. and applicable to its affiliates, including Carrier, setting forth the requirements that must be met for any connections to a facility, as such policy may be amended from time-to-time.

"Consignee" means the party to whom a Shipper has ordered the delivery of Crude Petroleum at the Destination Point(s) after transportation on the System.

"Consignor" means the party from whom a Shipper has ordered the receipt of Crude Petroleum at the Origin Point(s) for transportation on the System.

"Crude Petroleum" means (a) the direct liquid product of oil wells or (b) a mixture of the direct liquid product of oil wells and the indirect petroleum products resulting either from refining crude oil or the operation of gasoline recovery plants, gas recycling plants, or distillate recovery equipment in gas and distillate fields, or products broken out during the normal production or processing of natural gas, and in each case meeting the Quality Specifications referenced in Special Rule 2.

"Destination Point" means the outlet flange from the System at which point Carrier will deliver Crude Petroleum to Shipper or its Consignee after transportation from an Origin Point.

"Due Date" has the meaning set forth in Special Rule 17.

"Event of Force Majeure" means any foreseeable or unforeseeable event or occurrence beyond the reasonable control of either Carrier or Shipper, which by the exercise of due diligence and reasonable care, Carrier or Shipper, as applicable, has been unable to prevent or overcome and that delays or prevents Carrier or Shipper, as applicable, from performing its obligations under this Tariff, including the following: (a) natural phenomena and acts of God, such as earthquakes, extreme heat, fires, floods, freezes, hurricanes, landslides, lightening, storms, washouts, wind, and/or any other natural occurrence; (b) strikes, lockouts, boycotts, picketing, labor and/or other industrial disturbances; (c) acts of public enemies, acts of terrorism, acts of drug cartels, theft by third parties, civil unrest, sabotage, wars, blockades, insurrections and/or epidemics; (d) any period for which any contractor, supplier and/or vendor invokes force majeure (provided that the event that gave rise to the right of such contractor, supplier or vendor to invoke force majeure in its contract would have also been an Event of Force Majeure under this definition had it occurred to one of the Parties); (e) acts of any Governmental Authority, including, but not limited to: (i) an order; (ii) modifications to Law, (iii) the delay or failure to

obtain a Permit; and (iv) the cancellation of a Permit (but excluding any such resulting from the failure of the Party claiming the Event of Force Majeure to comply with applicable Law); (f) explosions, shortages of power or other utilities, and/or breakdown, damage and/or malfunction to machinery, equipment and/or lines of pipe; (g) the inability to obtain or unforeseen delays in obtaining materials, equipment, third party services and/or labor (provided that the event that gave rise to such delays would have also been an Event of Force Majeure under this definition had it occurred to one of the Parties); (h) any events resulting in delays to the start-up and commissioning of the System; (i) the inability to obtain or unforeseen delays in obtaining easements or rights of way and required licenses or any and all irrevocable approvals, consents, easements, permits, and railroad/road crossing licenses and agreements required to construct and to operate the System from any third party property owner and any Governmental Authority, to acquire land rights, environmental permits, maritime/water crossing permits, spatial development plan or zoning variances or amendments, and planning permissions necessary to operate the System; and (j) events of force majeure declared by a third party that interfere with performance under this Tariff, provided that such events of force majeure would otherwise qualify as an Event of Force Majeure under this Tariff if such events directly occurred with respect to the Party claiming the Event of Force Majeure under this Tariff. Notwithstanding the above, the following acts or events shall not constitute an Event of Force Majeure: (1) changes in costs of materials or Crude Petroleum, (2) shortage or other failure to obtain Crude Petroleum, (3) absence of a market for Crude Petroleum; (4) availability of more attractive markets for Crude Petroleum or alternative product transportation systems, (5) either Carrier's or Shipper's inability to economically perform its obligations under this Tariff, including either Carrier or Shipper's inability or failure to pay amounts accruing hereunder or under a Throughput and Deficiency Agreement, as applicable, or (6) the inability of Shipper to deliver or receive Crude Petroleum from the System due to its connection facilities upstream or downstream of the System.

"F.E.R.C." means the Federal Energy Regulatory Commission.

"Governmental Authority" means any federal, state, or local government or other political subdivision thereof, or any entity exercising executive, legislative, judicial, regulatory, or administrative functions of or pertaining to government or any other authority, agency, department, board, commission, or instrumentality of the United States, any state of the United States, or any political subdivision thereof, whether civil or military, and any court, tribunal or arbitrator(s) of competent jurisdiction, and any governmental or non-governmental self-regulatory organization, agency, or authority. The term Governmental Authority shall also mean any successor agency with the same or similar functions as those conducted by the enumerated agencies.

"Gravity Banks and Sulfur Banks" has the meaning as referenced in Special Rule 22. An explanation of the Gravity Banks and Sulfur Banks is provided in Carrier's *Gravity Banks and Sulfur Banks Handbook*, dated [W] August 1, 2019 ~~March 24, 2014~~, a copy of which is publicly available under the tariff section of www.nustarenergy.com.

"Import and Export Laws" means any and all applicable statutes, directives, codes, ordinances, rules, regulations, municipal by-laws, judicial, arbitral, administrative, ministerial, departmental or regulatory judgments, orders, decisions, rulings or awards, consent orders, consent decrees and policies of any Governmental Authority concerning economic sanctions, trade embargoes, export and imports, and similar matters.

“Incentive Rate” means the rate paid by an Incentive Shipper as published in Carrier’s R.R.C.. No. 106.7.0 or reissues thereof.

“Incentive Shipper” means a Shipper that is a party to a Throughput and Deficiency Agreement.

“Law” means any applicable federal, state, local, municipal or other administrative order, constitution, ordinance, law, decree, directive, injunction, order, permit, requirement, statute, regulation, rule, or code issued or promulgated by a Governmental Authority whether in effect as of the date hereof or thereafter and, in each case, as amended, including but not limited to, Import and Export Laws.

“Liability(ies)” means any and all actual and threatened actions, causes of action, claims, charges, damages, demands or fines, of any kind or character and related costs (including court costs, regulatory costs, dispute resolution costs, mediation costs, reasonable defense costs and attorneys’ fees, settlement costs, and other expenses of litigation), lawsuits, liabilities, losses, obligations, penalties, proceedings, and suits.

“Nomination,” “Nominate,” or “Nominated” means a request by a Shipper to Carrier, to accept a stated quantity and grade of Crude Petroleum for transportation from a specified Origin Point to a specified Destination Point in accordance with this Tariff.

“Obligations” means: (a) all antecedent, current, and future charges, fees, or expenses for transportation, terminalling, demurrage, storage, preservation, deficiency payments, special, ancillary, interest, and other lawful charges arising under or related to this Tariff or the contracts entered into in connection with this Tariff (including any Throughput and Deficiency Agreement, invoices, or Nominations); (b) all amounts owed under any modifications, renewals or extensions of any of the foregoing obligations; (c) all other amounts now or in the future owed by Shipper to Carrier, whether or not of the same kind or class as the other obligations owed by Shipper to Carrier; (d) all costs and expenses of Carrier in exercising any of its rights detailed herein, including, but not limited to, reasonable attorney fees, storage charges, and settlement of conflicting liens; and (e) all charges or expenses described in Tex. Bus. & Com. Code § 7.307(a).

“Off-Spec Product” means Crude Petroleum that does not meet the Quality Specifications set forth in Special Rule 2.

“Origin Point” means a point named in the tariff at which point Carrier will accept Crude Petroleum for transportation on the System to a Destination Point.

“Party” means Shipper or Carrier, and “Parties” means Shipper and Carrier.

“Permit” means any and all approvals, consents, easements, licenses, permits, and/or other requirements from any Governmental Authority required to construct and/or operate the System.

“Pipeline Segment” means a section of Carrier’s System, the limits of which are defined by two geographically identifiable points, that, because of the way that section of Carrier’s System is designed and operated, must be treated as a unit for purposes of determining Capacity and/or allocating such Capacity in accordance with Special Rule 15.

“Quality Specifications” has the meaning set forth in Special Rule 2.

“Reid vapor pressure” or “RVP” means the absolute vapor pressure exerted by a liquid at 100° F (37.8°C), as determined by the test method ASTM-D-323.

“Segregated Batch” means a Tender of Crude Petroleum in a batch that is not part of the Common Stream, which has specific identifiable characteristics and which is moved through the System as an identifiable unit so as to maintain its quality and characteristics. The transportation of a Segregated Batch on the System is subject to acceptance by Carrier, in its sole discretion.

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

“System” means Carrier’s common carrier pipeline system, including all appurtenances thereto, related to the provision of transportation services provided by Carrier pursuant to this Tariff.

“Tariff” means this R.R.C. tariff.

“Tender,” “Tenders,” and “Tendered” means the delivery by a Shipper to Carrier of a stated quantity and grade of Crude Petroleum, under a Nomination accepted by Carrier, for transportation on the System in accordance with this Tariff.

“Third Party Shipper” means a person, other than Shipper and/or its affiliate(s), designated by an Incentive Shipper to transport Crude Petroleum under this Tariff and a Throughput and Deficiency Agreement.

“Throughput and Deficiency Agreement” means an effective Throughput and Deficiency Agreement executed between the Carrier and an Incentive Shipper for the provision of service under this Tariff for a specified period of time.

Special Rule 2: Specifications

The quality specifications for Crude Petroleum set forth below (“Quality Specifications”) shall apply to Shipper’s Tender:

Specification	Intermediate Crude Oil	Light Crude Oil
API Gravity, ° API	25 to 45	45 to 55
Sulfur Content, %wt.	≤ 0.50	≤ 0.50
Max RVP, psia	≤ 10.0	≤ 10.0
Max TVP, psig	≤ 11.0	≤ 11.0
S&W, % vol. (1)	≤ 1.0	≤ 1.0
Salt (per 1000 bbls)	< 30	< 30

H2S in Vapor Space, ppm	≤ 10	≤ 10
Viscosity, cSt at 60°F	≤ 8.0	≤ 8.0
Pour Point, degrees F	≤ 40°	≤ 40

Shipper or Consignor shall perform applicable tests to ensure that the Crude Petroleum Tendered to Carrier for transportation on the System conform to the Quality Specifications. Carrier may also require Shipper or Consignor to furnish a certificate of analysis by a licensed petroleum inspector showing the final tests of the Crude Petroleum Tendered for transportation on the System.

Subject to applicable Law, Carrier has complete discretion to modify the Quality Specifications at any time.

Special Rule 3: Acceptance of Crude Petroleum

Carrier will from time to time determine which grades or grade blends of Crude Petroleum it will regularly transport as a Common Stream on the System between particular Origin Point(s) and Destination Point(s).

The Common Stream that Carrier transports on its System are set forth in the table below:

Grade	Minimum API Gravity	Maximum API Gravity
Intermediate Crude Oil		Less than or equal to 45 API
Light Crude Oil	Greater than 45 API	Less than or equal to 55 API

Subject to applicable Law, Carrier has complete discretion on the grade of Crude Petroleum transported on the System and reserves the right to add or remove any additional grades of Crude Petroleum for transportation on the System. Shipper may request that Carrier accept for transportation on the System other specified Common Stream grades or that Carrier accept for transportation on the System other grades of Crude Petroleum as a Segregated Batch. Any such request by Shipper must specify (1) the API Gravity and/or the Reid vapor pressure for the Crude Petroleum requested to be shipped by Shipper, and (2) the sulfur content weight percentage limitation for such Crude Petroleum. If Carrier, in its sole discretion, determines that it will ship additional Common Stream grades on its System, Carrier will amend this tariff to incorporate any necessary provisions to address batching, interface mixtures, and other similar provisions, to the extent necessary and applicable. Carrier may also elect, in its sole discretion, to cease transporting such additional Common Stream grades of Crude petroleum, in which case Carrier will provide Shippers with at least thirty (30) days' notice of its intention to cease transporting such Common Stream grade of Crude Petroleum.

Crude Petroleum Tendered by Shipper shall conform to the Quality Specifications within the applicable grade.

Carrier shall not be required to accept Crude Petroleum at an Origin Point that does not conform to the quality specifications of an upstream or downstream connecting facility.

Unless otherwise agreed to by Carrier, Crude Petroleum Tendered at an Origin Point shall be free of any additives, inhibitors, and/or drag reducing agents. Carrier may add additives, inhibitors, and/or drag reducing agents to Crude Petroleum, and Shipper shall accept delivery of Crude Petroleum containing such additives, inhibitors, and/or drag reducing agents at the Destination Point.

In the event Shipper Tenders Off-Spec Product: (a) Carrier may accept such Shipper's delivery of Off-Spec Product if Carrier determines, in its sole discretion, that the quality of the Off-Spec Product does not materially interfere with the Quality Specifications of other Crude Petroleum in the System or otherwise adversely impact the operation of the System; or (b) Carrier may reject Shipper's delivery of Off-Spec Product.

If Carrier accepts Shipper's delivery of Off-Spec Product, Shipper shall continue to be liable for all contamination or damage to other Crude Petroleum being transported on the System or to Carrier's System resulting from Shipper's Tender of Off-Spec Product. In the event Carrier does not accept Shipper's Off-Spec Product, Carrier may exclude such Shipper from further entry into Carrier's System until such time as Shipper returns the quality of its Crude Petroleum to a level satisfactory to Carrier in accordance with this tariff. In addition, Carrier reserves the right to dispose of any Off-Spec Product in the System at Shipper's risk and expense, which such disposal may be made in any reasonable manner, including but not limited to, commercial sales. From the proceeds of said sale, Carrier will pay itself the transportation charges and other fees and lawful charges, including expenses incident to storage at said sale, and the balance remaining, if any, shall be held for Shipper or whoever may be lawfully entitled thereto. Carrier shall have no liability to Shipper associated with Carrier's disposition of Off-Spec Product in accordance with this Special Rule 3 except as set forth herein. Nothing contained in this Tariff, any other tariff, any pipeage contract, Throughput and Deficiency Agreement, or any other document, nor any receipt by Carrier of Off-Spec Product (either unknowingly, as a temporary accommodation, or in its discretion), shall be construed to affect Carrier's right, at any time and from time to time, to reject Tenders of Off-Spec Product and to refuse or suspend receipt of such Off-Spec Product until it is established to Carrier's reasonable satisfaction that subsequent deliveries of Crude Petroleum will conform to the applicable Quality Specifications. In addition to any other remedies available to Carrier, Carrier may also charge Shipper and Shipper agrees to pay the costs and expenses incurred to treat or otherwise dispose of any Off-Spec Product that Shipper delivers to Carrier, including without limitation any penalties or charges incurred by Carrier related to such Off-Spec Product. Carrier's acceptance of Off-Spec Product pursuant to this Special Rule 3 does not give Shipper any right to ship Off-Spec Product on the System in the future and does not change Shipper's obligation to strictly comply with the provisions of this Tariff, including the Quality Specifications.

Carrier or its representative may test any Crude Petroleum Tendered for transportation on the System for compliance with the Quality Specifications. All such tests shall be performed by Carrier or its representative, but Shipper, Consignor or Consignee may be present or represented at the testing provided such witnessing does not unreasonably interfere with Carrier's operation of the System. Upon written request of Shipper, Carrier shall provide reasonable advance notice to Shipper of any such testing (other than the continuous monitoring of the System). Crude Petroleum quality shall be tested in accordance with applicable

API/ASTM standards and pipeline industry practice or such other tests as may be agreed upon by Carrier and Shipper. All tests performed by Carrier shall be final and shall control.

Special Rule 4: Storage

Carrier will only provide minimal working tankage that is incidental and necessary to the transportation of Crude Petroleum pursuant to this Tariff or any other applicable tariff. Any additional storage in Carrier's tankage, *i.e.*, storage beyond what is incidental and necessary to transportation pursuant to this Tariff or any other applicable tariff, is a non-jurisdictional service and will be subject to the terms and conditions of Carrier's storage agreement.

Special Rule 5: Receipt Facilities Required

Carrier will refuse to accept Crude Petroleum for unless documentary evidence is furnished that the Shipper or Consignor has provided the necessary facilities (*i.e.*, tankage or pipeline facilities, as applicable) at the Origin Point to deliver Crude Petroleum into Carrier's System and that such Crude Petroleum can be delivered to such Origin Point at pressures and pumping rates satisfactory to Carrier (*e.g.*, written confirmation by the operator of the terminal or pipeline upstream of the Origin Point).

Special Rule 6: Destination Facilities Required

Carrier will refuse to accept Crude Petroleum for transportation unless documentary evidence is furnished that Shipper or Consignee has provided the necessary facilities (*i.e.*, tankage or pipeline facilities, as applicable) for the prompt receipt of Crude Petroleum at the Destination Point (*e.g.*, written confirmation by the operator of the terminal at the Destination Point) and that such Crude Petroleum can be received without delay at pressures and pumping rates required by Carrier upon arrival at the Nominated Destination Point. If the Shipper or Consignee is unable or refuses to receive said Crude Petroleum as it arrives at Nominated Destination Point, Carrier reserves the right to make arrangement for the disposition of the Crude Petroleum as it deems appropriate in order to clear Carrier's System. Any additional expenses incurred by Carrier in making such arrangements shall be borne by the Shipper or Consignee.

Special Rule 7: Acceptance Free From Liens and Charges; Warranty of Title

Carrier may reject any Crude Petroleum which, when Nominated for transportation, may be involved in litigation, or the title of which may be in dispute, or which may be encumbered by lien or charge of any kind, except for the lien created hereunder in favor of Carrier pursuant to Special Rule 18, unless Shipper provides documentary evidence of the Shipper's unencumbered title or satisfactory indemnity bond to protect Carrier. By Nominating Crude Petroleum, Shipper warrants and guarantees that it owns or controls, has the right to deliver or have delivered for its account, such Crude Petroleum, and agrees to defend, indemnify, and hold Carrier harmless for any and all loss, cost, liability, damage, and/or expense resulting from failure of ownership or control thereto. Acceptance for transportation by Carrier shall not be deemed: (a) a representation by Carrier as to ownership or control or (b) a waiver of Carrier's rights hereunder.

Special Rule 8: Measurement

No charge shall be made by Carrier for metering Crude Petroleum upon receipt or delivery. Crude Petroleum tendered to Carrier for transportation shall be measured by meter prior to its receipt from Shipper. Crude Petroleum tendered to Carrier for transportation shall be measured by meter prior to its receipt from Shipper. 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. Quantities shall be metered on a one hundred percent (100%) volume basis at the observed fluid temperature. Carrier will correct this one hundred percent volume basis for temperatures from observed degrees Fahrenheit to 60 degrees Fahrenheit. (60°F.) The temperature corrected volume or Total Calculated Volume (TCV) shall be the quantity upon which transportation charges will be assessed. tank gauges and computations made from 100% of the full capacity of the tanks, or by mutually accepted custody transfer facilities. Measurement by the Carrier is final, regardless of whether Shipper or Consignee is present.

Carrier will adjust any overage or shortage of Crude Petroleum with Shippers to account for losses or gains inherent in the transportation of Crude Petroleum, including but not limited to shrinkage, evaporation, interface mixture, product measurements, and other physical losses not due to negligence of Carrier. The adjustments for losses or gains will be allocated by grade by month, among the Shippers in the proportion that the total number of barrels of a given grade delivered out of the System for each Shipper, bears to the total number of barrels of that grade delivered out of the System for all Shippers.

Special Rule 9: Evidence of Receipts and Deliveries

Crude Petroleum received from Shipper or Consignor and Crude Petroleum delivered to Shipper or Consignee shall, in each instance, be evidenced by tickets or Carrier's statements containing data essential to the determination of quantity.

Special Rule 10: Operation

Carrier's System will operate both as a Common Stream operation and as a Segregated Batch operation.

With respect to Common Stream operations, Shippers will be required, as a condition of Nominating Crude Petroleum to be transported on the System as a Common Stream, to participate in the Gravity Banks and Sulfur Banks. Each Shipper agrees to pay Carrier or its agent the computed gravity and sulfur adjustments due from such Shipper in accordance with this Tariff and the Gravity Banks and Sulfur Banks.

With respect to Segregated Batch operations, Shippers will be required, as a condition of Nominating Crude Petroleum to be transported as a Segregated Batch, to be able to receive the Segregated Batch at the Nominated Destination Point. When transporting a Segregated Batch, Carrier will attempt to maintain the integrity and quality of each such Segregated Batch to the extent possible and in accordance with its policies.

Special Rule 11: Duty of Carrier

Carrier shall not be required to transport Crude Petroleum except with reasonable diligence, considering the quality and quantity of the Crude Petroleum, the distance of transportation, and other material elements, and will not accept Crude Petroleum to be transported in time for any particular market. For Common Stream movements, Carrier will not be required to deliver to Shipper at the Destination Point the identical Crude Petroleum received from Shipper at the Origin Point.

For Segregated Batch movements, Carrier will use reasonable care to transport Crude Petroleum at the applicable Origin Point to the applicable Destination Point, with a minimum amount of contamination and mixing, and will attempt to maintain the identity of each shipment.

Carrier will not be liable for damage or loss, including but not limited to consequential, incidental, direct or indirect damages or damage or lost profits, caused by contamination, discoloration, deterioration, a change in density, or other change in quality of a Shipper's Crude Petroleum resulting from Carrier's transportation of the Crude Petroleum.

Carrier may suspend transportation services on the System, or a Pipeline Segment thereof, in order to comply with applicable Laws of any Governmental Authority, to perform maintenance, testing, inspections, or repairs, or to prevent injuries to persons, damage to property, or harm to the environment, without incurring any obligation for any Liabilities.

Special Rule 12: Claims

Notice of claims for loss, damage or delay in connection with shipments must be made to Carrier in writing within nine (9) months after delivery or, in case of failure to make delivery, within said nine (9) months after a reasonable time for delivery elapses. And no suit at law or in equity shall be maintained upon any claims unless instituted within two (2) years and one (1) day from the day when notice in writing is given by Carrier to Shipper 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 by Shipper on such claims in accordance with the foregoing provisions, such claims will not be paid and Carrier will not be liable.

Special Rule 13: Application of Rates from and to Intermediate Points

For Crude Petroleum accepted for transportation from any point on Carrier's lines not named in this Tariff or any other applicable tariff, which is intermediate to a point for which rates are published in this Tariff or any other applicable tariff, Carrier will apply the rates published in such tariff for the next more distant point specified in the tariff. For Crude Petroleum accepted

for transportation to any point not named in the Tariff or any other applicable tariff which is intermediate to a point for which rates are published in this Tariff or any other applicable tariff, the rate published therein for the next more distant point specified in the tariff will apply, and Carrier shall make a filing to add any such point to the tariff, if and as required by Section 341.10(a)(2) of the F.E.R.C.'s regulations.

Special Rule 14: Line Fill and Tank Bottom Inventory Requirements

Carrier will require each Shipper to supply a pro rata share of Crude Petroleum necessary for pipeline fill and working tankage fill to ensure efficient operation of the pipeline system prior to delivery. Crude Petroleum provided by a Shipper for this purpose may be withdrawn only after: (1) shipments have ceased for at least a three (3) month period and Shipper has notified Carrier in writing of its intent to discontinue shipments in Carrier's System; and (2) Shipper's inventory balances and all outstanding amounts due under this Tariff or any other agreements, including a Throughput and Deficiency Agreement if applicable, have been reconciled between Shipper and Carrier. Carrier, at its reasonable discretion, may also require advance payment of transportation charges on the volumes to be cleared from Carrier's System pursuant to this Special Rule 14. Unless Shipper has not made any required payment, or unless otherwise prevented by an Event of Force Majeure or actions of the Shipper, after the foregoing conditions have been met, Shipper shall be permitted to withdraw its pipeline fill and working tankage fill, provided that Carrier shall have a reasonable period of time, not to exceed 90 days, to complete administrative and operational requirements incidental to Shipper's withdrawal.

If Shipper's inventory balance drops below its pro rata portion of the volume of Crude Petroleum necessary for the efficient operation of Carrier's System (including working tankage), Carrier will require Shipper to provide the necessary volume to meet its pro rata portion of such volume of Crude Petroleum before Carrier is obligated to accept Shipper's Nominations or Tenders or make deliveries or shipments on behalf of Shipper.

Special Rule 15: Prorating of Pipeline Capacity

In order to allow Carrier to equitably allocate line capacity to all Shippers during any month for which aggregate Nominations for that month exceed available capacity, Carrier shall prorate available capacity on each applicable line segment so as to avoid discrimination among Shippers. The details of this procedure are set out in this Special Rule 15.

For purposes of this Special Rule 15, the following defined terms have the meaning set forth below:

"Base Period" is the consecutive twelve (12)-calendar-month period just preceding the Calculation Month.

"Base Shipment" are the average monthly movements over a Pipeline Segment by a Regular Shipper during the Base Period.

"Calculation Month" is the calendar month immediately preceding the Proration Month.

“New Shipper” is any Shipper that is not a Regular Shipper. A New Shipper shall remain a New Shipper for a period of thirteen (13) calendar months following the first calendar month in which the New Shipper first ships Crude Petroleum in the applicable Pipeline Segment of the System, following such time period, the New Shipper shall become a Regular Shipper.

“Nomination Basis” means, with respect to New Shippers, the Capacity to be allocated to each New Shipper, which will be based on each New Shipper’s Nomination for the Proration Month divided by the Nominations of all New Shippers for the Proration Month.

“Proration Month” is the calendar month for which space on a Pipeline Segment is being allocated pursuant to this Special Rule 15.

“Regular Shipper” means any Shipper that has shipped Crude Petroleum in the applicable Pipeline Segment of the System during at least one month of the applicable Base Period; provided that a New Shipper shall not graduate to a Regular Shipper until a period of thirteen (13) calendar months has elapsed following the calendar month in which the New Shipper first ships Crude Petroleum in the applicable Pipeline Segment of the System.

(1) Prorating of Capacity

(a) *When Capacity will be Prorated.* Capacity will be prorated among all Shippers for any Proration Month for which Carrier determines, in its sole discretion, that the aggregate Shipper Nominations for a Pipeline Segment exceeds Capacity of that Pipeline Segment. Proration will be applied separately to each Pipeline Segment where a need for proration shall arise.

(b) *Availability and Allocation of Capacity to New Shippers.* Up to ten (10) percent (10%) of Capacity on a Pipeline Segment during a Proration Month shall be made available to New Shippers and will be prorated among such New Shippers on a Nomination Basis.

(c) *Availability and Allocation of Capacity to Regular Shippers.* After the allocation Capacity to New Shippers, the remaining Capacity for that Proration Month shall be allocated to Regular Shippers who have nominated volumes for that month. Such Capacity shall be allocated among Regular Shippers in proportion to their respective Base Shipments. In the event that the volume of Crude Petroleum that would be allocated to a Regular Shipper on the basis of its Base Shipment is greater than the volume it Nominates, the difference between its volume calculated on the basis of its Base Shipment and its volume nominated will be reallocated among all other Regular Shippers in proportion to their respective Base Shipment.

(d) *Unused Allocated Capacity.* System Capacity that has been allocated to Regular Shippers but is not used shall be re-allocated among all Shippers, both Regular and New Shippers, based on their proportion of allocated capacity for the Proration Month.

(e) *Unused Allocated Capacity.* If a Shipper does not use the portion of System Capacity allocated to it under this Special Rule 15 at the times and in the amounts designated by Carrier, Carrier shall have the right to use Shipper’s unused portion of System Capacity to fulfill the unmet Nominations of other Shippers.

(f) *Minimum Quantity.* In the event that calculation of a Shipper’s allocated capacity

results in a volume less than the required minimum quantity set forth in Special Rule 16, Carrier will at its option either round up Shipper's allocation to the required minimum quantity or waive the minimum quantity requirement.

(2) Affiliated Shippers

In no event shall a Shipper's allocation of Capacity be used in such a manner that would enhance the allocation of another Shipper (including an Affiliated Shipper) beyond the allocation that such Shipper would otherwise be entitled to under this Special Rule 15. Upon request of Carrier, a responsible official of Shipper's company may be required to give assurances to Carrier that this provision has not been violated. In the event any Shipper, by any device, scheme, or arrangement whatsoever, attempts to increase or transfer all or any part of its allocated portion of Capacity during a Proration Month to any other Shipper (including an Affiliated Shipper) in violation of this Special Rule 15, or in the event any Shipper (including an Affiliated Shipper) attempt to receive and use such portion of Capacity, then Carrier may reduce the portion of Capacity allocated to such Shipper (including an Affiliated Shipper) in the next Proration Month after the date that the violation is discovered, by a volume equal to such attempted transfer.

For the avoidance of doubt, a Shipper may not use an Affiliated Shipper by any device, scheme, or arrangement whatsoever, to attempt to increase its Base Shipment or its allocated portion of capacity. All Affiliated Shippers will be treated and considered as one entity for the purposes of Shipper history and status. Nothing in this Special Rule 15 shall be construed as to allow a group of Affiliated Shippers to receive a capacity allocation greater than the total allocated capacity that such group would be entitled to if all of its transportation history was consolidated in one Shipper account.

(3) Proration Penalty

To penalize inflation of Shippers' Nominations, a Shipper's space allocation for the next Proration Month will be reduced by the amount of capacity that was allocated to Shipper during the Proration Month but not utilized by Shipper during such Proration Month, unless such failure to use allocated capacity is excused by an Event of Force Majeure.

(4) Transfer of Base Shipments/ Volumes Allocated during a Proration Month

Neither a Shipper's Base Shipment nor volumes allocated to it during a Proration Month shall be assigned, conveyed, loaned, transferred to, or used in any manner by, another Shipper except as follows (a) if transferred in connection with a sale of all of such Shipper's business or an entire business line and/or (b) by operation of Law, and any such assignment, conveyance, loan, transfer shall be irrevocable. Any other assignment, conveyance, loan, transfer to, or use in any manner by, another party of a Shipper's Base Shipment and/or volumes allocated to it during a Proration Month shall be null and void.

Special Rule 16: Nominations; Minimum Quantity

Crude Petroleum will be transported by Carrier only under a Nomination accepted by Carrier. Any Shipper desiring to Tender Crude Petroleum for transportation shall make such Nomination to Carrier in writing on or before 4:15 PM central standard time, the last working day prior to the 20th day of the month preceding the month during which the transportation under the

Nomination is to begin; except that, if space is available for current movement and at the reasonable discretion of Carrier, a Shipper may submit a Nomination after such 4:15 PM central standard time deadline. A “working day” shall be Monday, Tuesday, Wednesday, Thursday or Friday of a calendar week, except when a Federal holiday falls on such day of the week.

Nominations for the transportation of Crude Petroleum in the Common Stream for which Carrier has facilities will be accepted under the Tariff in quantities of not less than 3,500 barrels per day.

At Carrier’s sole discretion, Carrier may from time to time accept smaller nominations of Crude Petroleum in the Common Stream or Segregated Batches so long as such acceptance does not unreasonably interfere with the operations of the System.

Segregated batches may be accepted from time to time if operationally feasible.

Before Carrier will accept a Nomination from a new Shipper, such Shipper must: (i) comply with Special Rule 17; (ii) demonstrate to Carrier the adequacy of such Shipper’s arrangements and facilities as referenced in Special Rule 5 and Special Rule 6; and (iii) provide any other information reasonably requested by Carrier.

Special Rule 17: Financial Assurances; Payment of Charges for Transportation

Prior to becoming a Shipper, a prospective Shipper must submit to Carrier financial information to establish creditworthiness. The type of information Carrier may request from a prospective Shipper may include, but is not limited to: the most recent year-end financials, 10K reports, other filings with regulatory agencies, and/or bank references. If, in the reasonable discretion of Carrier: (a) a new Shipper is not creditworthy, or (b) an existing Shipper’s credit deteriorates, then Carrier has the option to require such Shipper to provide (1) an irrevocable stand-by letter of credit with terms, including the amount, and from a bank reasonably acceptable to Carrier; or (2) prepayment of all transportation and other fees and lawful charges Shipper is expected to incur for the transportation of Crude Petroleum on the System during the subsequent three (3) months (such amount to be based off a good faith estimate provided by Shipper and agreed upon by Carrier, in its reasonable discretion). If Shipper fails to provide the required adequate assurance within ten (10) days of its receipt of such notice from Carrier, Carrier may suspend services to Shipper.

The rates and charges for transportation and services accruing on Crude Petroleum accepted by Carrier for shipment under this Tariff shall be based on the rate and charges in effect on the date of delivery by Carrier to the Nominated Destination Point.

Carrier will invoice Shipper throughout the month for all transportation charges and other fees dues hereunder in accordance with this Tariff. Shipper shall pay all such invoiced transportation charges and other fees without setoff or deduction in accordance with invoice terms and this Tariff no later than ten (10) days from the date of the invoice (such date, the “Due Date”). In the event Shipper disputes any portion of any invoice, Shipper shall notify Carrier in writing of the disputed portion by the Due Date. After Carrier’s receipt of such notice, Carrier and Shipper shall promptly work in good faith to resolve the dispute.

Carrier will invoice an Incentive Shipper for any deficiency fees or other monies due under a Throughput and Deficiency Agreement in accordance with the Throughput and Deficiency Agreement. Shipper shall pay all such invoiced deficiency fees and other fees without setoff or deduction in accordance with the Throughput and Deficiency Agreement. Disputes surrounding deficiency fees or monies due under a Throughput and Deficiency Agreement shall be resolved in accordance with the Throughput and Deficiency Agreement.

If charges are not paid by the Due Date in accordance with this Special Rule 17 or in accordance with the Throughput and Deficiency Agreement, as applicable, Carrier shall have the right to assess finance charges on the entire past due balance (including principal and accumulated but unpaid finance charges) until paid in full, at a rate equal to one and a half (1.5%) percent interest per month or the maximum finance rate allowed by Law, whichever is less.

If Shipper fails to pay an invoice by the Due Date or any deficiency fees or other monies due under a Throughput and Deficiency Agreement, as applicable, then, in addition to any other remedies under this Tariff and under Law, Carrier also has the right to withhold from delivery to Shipper, an amount of Crude Petroleum belonging to Shipper that would be sufficient to cover all overdue and unpaid charges due to Carrier from Shipper under the terms of this Tariff or due under a Throughput and Deficiency Agreement, as applicable, until all such overdue and unpaid charges have been paid.

Special Rule 18: Security Interest

Carrier shall have a first priority, continuous and continuing security interest in all Collateral to secure the payment of all Obligations from Shipper to Carrier. Such security interest shall survive delivery of any Collateral to Shipper; provided, however, that neither the Crude Petroleum redelivered to Shipper at a Destination Point, nor the proceeds from the sale of any such redelivered Crude Petroleum, shall be considered Collateral under this Tariff.

Shipper shall execute all such agreements and do all such things as Carrier shall reasonably request in connection with the creation or perfection of such security interest. Shipper authorizes Carrier to file such financing statements or other documents necessary to perfect and maintain the security interest herein granted.

The security interest provided herein shall be in addition to any lien provided by statute or common law, including, without limitation, a statutory carrier's lien pursuant to Tex. Bus. & Com. Code § 7.307.

In the event Shipper fails to satisfy when due any Obligation to Carrier, Carrier shall have all of the rights and remedies under applicable Law (including the rights of a secured creditor, without limitation, under the security interest described in this Tariff or the rights under a statutory carrier's lien pursuant to Tex. Bus. & Com. Code § 7.307) and in addition may in its sole discretion and without notice take any or all of the following actions:

- (1) withhold and refuse to deliver Collateral in its possession until all such Obligations have been paid;
- (2) proceed to sell such Collateral, in accordance with the applicable provisions of state law, and apply the proceeds to such Obligations;

- (3) store such Collateral or contract for storage of such Collateral pending sale or other disposition;
- (4) set-off any such Obligations against any monies owed to Shipper by Carrier on any Crude Petroleum of Shipper in Carrier's custody; or
- (5) take any other action it deems necessary for the proper protection and sale of such Collateral.

Carrier may agree, in its sole discretion, to waive its security interest in the Collateral if Shipper or Consignee provides sufficient security satisfactory to Carrier, provided that Carrier may only waive its security interest by written document delivered to Shipper and signed by Carrier.

In the event of a sale of any Collateral, such sale shall be after any reasonable notice required by Law and such a sale shall be a Commercially Reasonable sale. For purposes of this Special Rule 18, "Commercially Reasonable" means a sale that is commercially reasonable within the meaning of the Uniform Commercial Code. From the proceeds of said sale, Carrier will pay itself for the Obligations, including expenses incident to said sale, holding the balance of such proceeds, if any, for delivery on demand to any person to which Carrier would have been bound to deliver the Collateral.

If a bill of lading is required under applicable Law for any lien in favor of Carrier to arise or be enforced, acceptance of the Nomination will be deemed to be the bill of lading for all Crude Petroleum subject to such Nomination.

Special Rule 19: Liability of Carrier; Limitation of Liability

Except for any liability imposed upon Carrier under applicable Law, including under the Interstate Commerce Act, Carrier shall not be liable for any delay in delivery of or any loss of Crude Petroleum caused by an Event of Force Majeure or by act or default of Shipper or Consignee resulting from any other cause reasonably beyond the control of Carrier and not due to the negligence of Carrier, whether similar or dissimilar to the causes herein enumerated. Any such loss shall be apportioned by Carrier to each Shipper of Crude Petroleum in the proportion to Shipper's total volume transported in the calendar month in which such loss occurs. Shipper shall be entitled to receive only that portion of its Crude Petroleum remaining after deducting such Shipper's proportion of such loss, as above determined. Carrier shall prepare and submit a statement to each Shipper showing the apportionment of any such Loss of Crude Petroleum.

To the maximum extent permitted by Law, Shipper shall release, indemnify, defend and hold harmless Carrier, its affiliates and its and their shareholders, officers, directors, employees, agents, partners, and members from and against all actions, claims, cause of action, costs, demands, obligations, losses, lawsuits, liabilities, fines, penalties, damages and expenses (including court costs, defense costs and reasonable attorneys' fees and expenses) of any kind or character arising from or related to: (a) the negligent or willful acts or omissions on the part of Shipper, its employees, agents or contractors (including, but not limited to, any contractors transporting products(s) to or from any location on Carrier's System); and/or (b) liability arising

from the chemical characteristics of Crude Petroleum, except to the extent such liability arises from Carrier's negligence.

The indemnities and other provisions expressed in this Special Rule 19 shall survive the expiration or termination of this Tariff and/or any Throughput and Deficiency Agreement.

Special Rule 20: Liability of Shipper; Limitation of Liability

In addition to any other liabilities imposed upon Shipper pursuant to the Tariff, Shipper shall have the following liabilities:

If Shipper fails to make arrangements for the removal of its Crude Petroleum from Carrier's System upon delivery at a Destination Point and a disruption of Carrier's operations or the operation of downstream facilities results, Shipper shall be liable for any actual damages incurred by Carrier as a result of such disruption.

Shipper shall pay or cause to be paid any and all taxes, duties, charges, levies, and other assessments made or imposed by any governmental or regulatory authority having jurisdiction with respect to the Crude Petroleum to be transported by Carrier for such Shipper's account, and shall indemnify and save harmless Carrier from any such taxes, duties, charges, levies, and assessments so made or imposed.

Shipper shall be liable to Carrier for actual damages (and only actual damages) to Carrier resulting from a material breach of the terms and conditions of this Tariff or any representations and warranties contained herein.

The indemnities and other provisions expressed in this Special Rule 20 shall survive the expiration or termination of this Tariff and/or any Throughput and Deficiency Agreement.

Special Rule 21: Pipage or Other Contracts; Connection Policy

Separate pipage and other contracts, in accordance with this Tariff and these regulations covering further details, may be required by Carrier before any duty for transportation shall arise.

Connections to the System will only be considered pursuant to Carrier's Connection Policy and are made by formal written application to Carrier. If Carrier approves any connection: (a) such connection will be subject to design requirements necessary to protect the safety, security, integrity, and efficient operation of the System in accordance with generally accepted industry standards and to protect the Crude Petroleum's Quality Specifications and (b) the cost of such connection (including power) shall be governed by Carrier's Connection Policy. Approved connections will be memorialized in Carrier's form Connection Agreement.

Special Rule 22: Gravity Banks and Sulfur Banks

Carrier has established the Gravity Banks and Sulfur Banks to calculate, collect, and remit monetary adjustments among all Shippers Tendering Crude Petroleum within the Common Streams from changes in gravity and sulfur which result from Common Stream

operations. Each Shipper on this System will be required as a condition of nominating Crude Petroleum, to participate in Carrier's Gravity Banks and Sulfur Banks. Each Shipper agrees to pay the Carrier the computed gravity and sulfur adjustments due from such Shipper in accordance with Carrier's Gravity Banks and Sulfur Banks Handbook and this Tariff.

Special Rule 23: Compliance Costs

If Carrier becomes obligated as a result of a Change in Law to bear Compliance Costs, Carrier may seek recovery of the Compliance Costs through rates or implementation of a surcharge; provided, however the Compliance Costs shall not exceed five million (\$5,000,000.00) dollars per Change in Law event per calendar year and shall not exceed the then current rates by ten (10) percent. The rates or surcharge shall be shared equally by all Shippers on the System (or applicable segment). Carrier shall deliver written notice and documentation supporting the Compliance Cost to Shippers of the Change in Law promptly upon Carrier's determination that it will seek to recover such Compliance Costs from its Shippers and file a modification to this Tariff to effect such change, with such change to become effective no earlier than thirty (30) days following the filing of such Tariff unless otherwise permitted by the Change in Law.

Special Rule 24: Carrier Discretion

Carrier will operate its System and implement the rules, regulations and rates contained in this Tariff, including those provisions providing for Carrier's discretion, in a manner that is not unduly discriminatory or unduly preferential.

Special Rule 25: Survival

All Rules of this Tariff that survive the termination of the transportation services by their nature shall survive, including, but not limited to, all payment obligations, indemnifications, and Liabilities.

Special Rule 26: Export of Crude Petroleum

Shipper shall comply with all United States Import and Export Laws. All duties and other charges arising from the import or export of Crude Petroleum shall be the responsibility of the Shipper. For the avoidance of doubt, Carrier is not the importer or exporter of Crude Petroleum transported in the System. Shipper shall indemnify, hold harmless and reimburse Carrier for any and all duties, taxes, penalties, interest costs and/or other amounts incurred by or which become payable by Carrier as a result of Shipper's failure to comply with its obligations under the terms of this Tariff.

Special Rule 27: Third Party Shipper

An Incentive Shipper may assign all or part of its rights thereunder, with prior written consent of Carrier, to a designated Third Party Shipper as provided in the Throughput and Deficiency Agreement, without relieving Shipper of its obligations thereunder. When calculating the Base Shipment of an Incentive Shipper, the Incentive Shipper shall be credited with all Crude Petroleum shipped by Shipper's approved Third Party Shipper.

Special Rule 28: Governing Law and Jurisdiction

Subject to applicable Law, this Tariff and all of the rights and duties of the Shipper and Carrier arising from this Tariff will be governed, construed and enforced in accordance with the substantive and procedural laws of the State of Texas, without reference to the choice of law principles thereof. Except for disputes that fall within the jurisdiction of the F.E.R.C., any disputes arising out of this Tariff, including but not limited to tort claims, will be subject to the exclusive jurisdiction of the U.S. District Court located in Harris County, Texas if federal jurisdiction is available and to the courts of the State of Texas located in Harris County, Texas if federal jurisdiction is not available. To the maximum extent permitted by Law and in any legal action or proceeding relating to, arising out of, or in connection with this Tariff, each of Shipper and Carrier hereby voluntarily, irrevocably and unconditionally (a) submits to the exclusive jurisdiction of the U.S. District Court located in Harris County, Texas if federal jurisdiction is available and to the courts of the State of Texas located in Harris County, Texas if federal jurisdiction is not available, and waives any objection which it may now or hereafter have (1) to the jurisdiction and laying of venue of any suit, action or proceeding arising out of or relating to this Tariff, in the courts referenced in this paragraph and/or (2) to the choice of applying the substantive and procedural laws of the State of Texas, without reference to the choice of law principles thereof; (b) waives the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court, with the express intent that such provision shall apply; and (c) **WAIVES ITS RIGHT TO A TRIAL BY JURY**. To the extent that Shipper has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process, Shipper hereby waives such immunity and agrees not to assert, by way of motion, as a defense or otherwise, in any suit, action or proceeding the defense of sovereign immunity to either attachment or jurisdiction or any claim that it is not personally subject to the jurisdiction of the above-named courts by reason of sovereign immunity or otherwise, or that it is immune from any legal process (whether through service of notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself, the Crude Petroleum, or its property or from attachment either prior to judgment or in aid of execution by reason of sovereign immunity. Each Party agrees that the State of Texas has a substantial relationship to Shipper and Carrier and to the matters made the basis of this Tariff. Each Party agrees that to the knowledge of Shipper and Carrier, the application of the laws of the State of Texas would not be contrary to a fundamental policy of a state, if any, having a materially greater interest than the State of Texas in the determination of any dispute that may arise out of this Tariff and which such state would be the state of applicable Law in the absence of an effective choice of the laws of the State of Texas by Shipper and Carrier.

PLEASE NOTE: IN THE EVENT OF ANY CONFLICT BETWEEN SECTION I AND SECTION II OF THIS TARIFF, SECTION II WILL GOVERN.

Explanation of Reference Marks

[W] Change in wording only

[N] New