

# EPIC CRUDE PIPELINE, LP

## Rules and Regulations Governing the Interstate Transportation by Pipeline of CRUDE PETROLEUM

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The rules and regulations published herein apply only under tariffs which make specific reference by number to this tariff, or to a successive reissue thereof.

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

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**FOR INTERIM SERVICE ONLY**

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## RULES AND REGULATIONS

### Rule 1: Definitions

|                        |   |
|------------------------|---|
| Affiliate              | Means any Person that directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with another Person. The term “control” (including its derivatives and similar terms) means possessing the power to direct or cause the direction of the management and policies of a Person, whether through ownership, by contract, or otherwise. Without limiting the foregoing, any Person shall be deemed to be an Affiliate of any specified Person if such Person owns more than fifty percent (50%) of the voting securities of the specified Person, or if the specified Person owns more than fifty percent (50%) of the voting securities of such Person, or if more than fifty percent (50%) of the voting securities of the specified Person and such Person are under common control. |
| API                    | Means the American Petroleum Institute.   |
| API Gravity            | Means gravity determined in accordance with ASTM designation and expressed in degrees.  |
| Applicable Law         | Means any applicable federal, state, tribal or local law, statute, regulation, code, ordinance, license, permit, compliance requirement, order, writ, injunction, decision, directive, judgment, policy or decree of any Governmental Authority, and any judicial or administrative interpretations thereof, or any agreement, concession or arrangement with any Governmental Authority applicable to either Party or either Party’s performance under this Tariff, and any amendments or modifications to the foregoing.  |
| Assay                  | Means a laboratory analysis of Product 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 the American Society for Testing Materials.   |
| Barrel                 | Means forty-two (42) gallons of two hundred thirty-one (231) cubic inches per gallon at sixty degrees Fahrenheit (60°F).  |
| Barrels Per Day or BPD | Means a quantity of Barrels in the period of a Day.   |
| Business Day           | Means any Day other than a Saturday or Sunday that commercial banks in Houston, Texas are open or permitted to be open for business with the public.  |

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| Capacity                   | Means the quantity of Product the Pipeline Segment at issue is capable of transporting under the current operating conditions.   |
| Carrier                    | Means EPIC Crude Pipeline, LP.   |
| Carrier Parties            | Has the meaning set forth in Rule 18(B).   |
| Common Stream              | Means Product that is moved through the Pipeline and Pipeline facilities and which is or may be commingled or intermixed with Product of like quality and characteristics.   |
| Completion or Complete     | Means when the Pipeline, the origin facilities, the delivery facilities, and associated systems and facilities, and the Robstown Terminal are substantially complete and all permits and approvals from Governmental Authorities have been obtained, such that the Pipeline is ready to commence commercial service with respect to the receipt, transportation, handling, and delivery of Shipper's Product.  |
| Consignee                  | Means the Party to whom a Shipper has ordered the delivery of Product.   |
| Contract Operator          | Means an operator of Carrier's owned or leased facilities used in rendering transportation services pursuant to these Rules and Regulations.   |
| Crude Petroleum or Product | Means the direct liquid product of oil wells or a mixture of the direct product of oil wells and the indirect petroleum products resulting either from refining of 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 meeting the Specifications referenced in Rule 2, all as further defined in <u>Exhibit B</u> . |
| Day                        | Means a period of twenty-four (24) consecutive hours commencing at 7:00 A.M., Central Time, on a calendar day and ending at 7:00 A.M., Central Time, on the next succeeding calendar day.  |
| Delivery Point(s)          | Means a point named in the Tariff where the Carrier will deliver Product accepted for transportation on the Pipeline as designated by Shipper to Carrier from time to time.  |
| FERC                       | Means the Federal Energy Regulatory Commission, or any successor agency.   |
| Force Majeure              | Means any cause, whether or not of the type listed herein, not reasonably within the control of the Party claiming suspension and which prevents or materially impedes a Party's performance of its obligations. Force Majeure shall include, but not be limited to, the following: (i) physical events such as acts of God, including but not limited to lightning, earthquakes, fires,   |

explosions, tornadoes, hurricanes, floods, storm warnings, landslides, or other weather events that cause disruption, breakage or damage to, or necessitate the precautionary shut-down or operating reduction of, wells, plants, pipelines, gathering systems, loading facilities, refineries, terminals, ports or any portion thereof, or other related facilities; (ii) weather-related events affecting an entire geographic region or causing the evacuation thereof, such as low temperatures that cause freezing or failure of wells, lines of pipe, or processing facilities; (iii) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections or wars, or acts of terror; or (iv) action or inaction of a Governmental Authority, but Force Majeure shall not include: (A) economic hardship, (B) the non-availability of financing or (C) fluctuations in or low market prices for, or adverse or unfavorable market conditions for, oil, natural gas or other hydrocarbons.

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| Force Majeure Event    | Means an event caused by Force Majeure.   |
| Governmental Authority | Means any federal, state or local government, municipality, city, town or township, commonwealth or any other political subdivision thereof, or any entity exercising any executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, such as FERC, 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, or any court, tribunal or arbitrator(s) of competent jurisdiction, or any governmental, non-governmental self-regulatory, or quasi-governmental regulatory organization, body, agency or authority. |
| Group                  | Means a set of individual Origin Point(s) or Delivery Point(s) as specified in Carrier's Rate Tariff.   |
| Interim Service        | Means transportation service provided by Carrier on the Pipeline, and under this Rules and Regulations Tariff, which is provided prior to the Completion date of the Pipeline.  |
| Interim Service Rate   | Means the rate applicable to Interim Service as set forth in the Rates Tariff, and subject to the terms of service set forth in this Rules and Regulations Tariff.  |
| Line Fill              | Has the meaning set forth in Rule 12(A).  |
| Losses                 | Means any actual loss, cost, expense, liability, sanction, fine, penalty, assessment, damage (including personal injury or property damage claims) or demand, including those that arise from suits, claims, cause of actions, court or arbitration judgments, orders or awards, audits, settlements or liens, and all  |

court costs and litigation expenses related thereto, including reasonable attorneys' fees, as may be awarded by a court.

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| Month                          | Means a calendar month beginning at 7:00 A.M., Central Time, on the first Day of the calendar month and ending at 7:00 A.M., Central Time, on the first Day of the next succeeding calendar month.   |
| New Shipper                    | Shall have the meaning set forth in Carrier's Prorationing Policy attached hereto in <u>Exhibit A</u> .  |
| Nominate or Nomination         | Means a written communication (in form and context specified by the Carrier) made by a Shipper to Carrier requesting that Carrier transport for Shipper in a given Month a stated Volume of Shipper's Crude Petroleum from an Origin Point to a Delivery Point.                |
| Origin Point(s)                | Means a point named in the Tariff where Carrier will accept Product for Transportation, as designated by Shipper to Carrier from time to time.   |
| Party                          | Means Carrier or Shipper individually as referred to herein, or collectively as Parties.   |
| Person                         | Means any individual, firm, corporation, trust, partnership, limited partnership, master limited partnership, limited liability company, association, joint venture, other business enterprise, Governmental Authority, unincorporated organization or any other legal entity. |
| Pipeline                       | Means Carrier's pipeline extending from the Origin Point(s) to the Delivery Point(s), including owned and leased pipeline facilities, and commonly referred to as the "EPIC Crude Pipeline, LP's Eagleford-Permian Ingleside Corpus Pipeline."                                 |
| Pipeline Loss Allowance or PLA | Means the actual Volume of Product lost on either the Pipeline or in operational storage at the Robstown Terminal among all Shippers due to evaporation, measurement, or other Losses in transit.  |
| Pipeline Segment               | Means a section of Carrier's Pipeline, the limits of which are defined by two geographically identifiable points, that, because of the way that section of Carrier's Pipeline is designed and operated, must be treated as a unit for purposes of determining Capacity.        |
| Rates Tariff                   | Means Carrier's F.E.R.C. No. 2.0.0 rates tariff, or any applicable reissue thereof.  |
| Reid Vapor                     | Means the absolute vapor pressure exerted by a liquid at 100° F (37.8°C), as   |

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| Pressure                     | determined by the test method ASTM-D-6377.   |
| Regular Shipper              | Shall have the meaning set forth in Carrier's Prorationing Policy attached hereto in <u>Exhibit A</u> .  |
| Robstown Terminal            | Means the EPIC Crude Terminal Company, LP owned and operated terminal facilities near Robstown, Texas.   |
| Rules and Regulations Tariff | Means this Tariff record as superseded by any applicable revisions thereto.  |
| Shipper                      | Means a Regular Shipper or a New Shipper.  |
| Shipper Parties              | Has the meaning set forth in Rule 18(B).   |
| Specifications               | Means Product characteristics as described in Exhibit B.   |
| Tank Bottoms                 | Has the meaning set forth in Rule 12(A).   |
| Tariff(s)                    | Means this Rules and Regulations Tariff and the Rates Tariff, as either may be superseded from time to time.   |
| Taxes                        | Means any or all taxes, fees, levies, charges, assessments or other impositions levied, charged, imposed, assessed or collected by any Governmental Authority having jurisdiction.             |
| Tender                       | Means a delivery by a Shipper to Carrier of a stated quantity and grade of Product, under a Nomination accepted by Carrier, for transportation in accordance with these Rules and Regulations. |
| Volume(s)                    | Means an amount of Product shipped in Barrels.   |

## **Rule 2: Acceptance of Product**

- (A) Carrier reserves the right to refuse to accept any quantity of Product for transportation service which does not conform to this Rule 2 and Carrier's Product Specifications (such Specifications are listed on Exhibit B) or which is not good and merchantable Product readily acceptable for transportation through Carrier's existing facilities.
- (B) Carrier shall not accept any Product with an API Gravity of less than 36.0 or higher than 44.0. The Common Stream will not be batched separately to segregate Product.
- (C) Carrier will provide all required facilities and service, including very limited operational storage at the Origin Points and limited operational storage at the Robstown Terminal, to accommodate receipt and delivery of the Common Stream(s).
- (D) Carrier may waive the requirements set forth in Sections (A)-(C) of this Rule 2 on a non-discriminatory basis. If Carrier agrees in writing to accept Product that does not meet the applicable quality Specifications in this Rule 2, then, as to such Product (but only as to the Specifications waived), Shipper shall be deemed to be in compliance with this Rule 2 but only until such time as Carrier may withdraw any such agreement or waiver. Carrier will actively monitor deliveries of all Product into the Pipeline. Carrier and any applicable Shipper will use their best efforts to bring any off-Specification Product into Specifications, as applicable. If such efforts between any such Shipper and Carrier do not result in on-Specification deliveries, within a mutually-agreed reasonable period of time, Carrier will have the right to reject such Shipper's off-Specification Product.

## **Rule 3: Additives**

Carrier reserves the right to require, approve or reject, on a non-discriminatory basis, the use of inhibitors and additives, including but not limited to corrosion inhibitors, viscosity or pour point depressants, and drag reducing agents.

## **Rule 4: Storage**

Other than limited operational storage at the Robstown Terminal, Carrier owns no facilities for storage and will provide only minimal working tankage for storage that is incidental and necessary to the transportation of Product. Non-incidental storage is a separate service which Shipper must obtain from another Person. Notwithstanding anything to the contrary herein, no term storage or dedicated storage will be offered at the Robstown Terminal under this Tariff.

## **Rule 5: Receipt Facilities Required**

All Product will be shipped in accordance with the requirements of this Tariff. Other than limited operational storage at the Robstown Terminal, Carrier shall have no obligation to provide storage facilities.

## **Rule 6: Destination Facilities Required**



Carrier may refuse to accept Product for transportation unless documentary evidence is furnished that the Shipper or its Consignee has provided the necessary facilities downstream of the Robstown Terminal, or the applicable Delivery Point(s), for the prompt receipt of Product. If the Shipper or Consignee is unable to or refuses to receive said Product as it arrives at a Delivery Point due to Shipper's failure to so secure necessary facilities downstream of the Robstown Terminal, Carrier reserves the right to make arrangements for disposition of the Product as it deems appropriate (including sale of same, pursuant to the procedures set forth in Rule 17(E)), in order to clear the Carrier's Pipeline. Any additional expenses incurred by Carrier in making such arrangements shall be borne by the Shipper or its Consignee.

#### **Rule 7: Rejection of Product Subject to Dispute, Liens, or Charges; Warranty of Title**

Carrier may reject any Product 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 unless the Shipper provides documentary evidence of the Shipper's unencumbered title or satisfactory indemnity bond to protect Carrier. By Nominating Product, the Shipper warrants and guarantees that it owns or controls, has the right to deliver or have delivered for its account, such Product, 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, provided that 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.

#### **Rule 8: Measurement**

Product Tendered to Carrier for transportation shall be measured by mutually accepted custody transfer facilities. Shipper and its Consignee shall have the privilege of being present or represented during measuring and testing of shipments by Carrier. Measurement by the Carrier is final, regardless of whether Shipper or its Consignee is present. The method of measurement under this Rule 8 will be consistent with the most recently available applicable API Manual of Oil Measurement Standards.

Corrections will be made for temperature from observed degrees Fahrenheit to 60 degrees Fahrenheit (60°F). Carrier shall deduct the amount of sediment and water from Product.

#### **Rule 9: Evidence of Receipts and Deliveries**

Product received from Shipper and Product delivered to its Consignee shall, in each instance, be evidenced by custody transfer meter containing data essential to the determination of quantity.

#### **Rule 10: Duty of Carrier**

(A) Carrier shall not be required to transport Product except with reasonable diligence, considering the quality of the Product, the distance of transportation, and other material elements, and will not accept Product to be transported in time for any particular market. Unless otherwise specified, Carrier will not be required to deliver the identical Product

received, but shall deliver Product of materially the same quality and specifications as the Product received.

- (B) Carrier may suspend transportation services on the Pipeline or Robstown Terminal in order to: comply with Applicable Laws of any Governmental Authority; to perform maintenance, testing, inspections, or repairs of the Pipeline; to expand the Capacity of the Pipeline; or to prevent injuries to Persons, damage to property, or harm to the environment, without incurring any obligation for any liabilities. Carrier will provide Shippers with advance notice of any routine or scheduled maintenance on the Pipeline or Robstown Terminal: (i) for that portion of the Pipeline operated by Carrier, at least forty-five (45) Days notice; or, (ii) for that portion of the Pipeline operated by a Contract Operator, Carrier shall provide such notice within five (5) Business Days after it is notified by the Contract Operator, unless Contract Operator is (1) an Affiliate of Carrier or (2) a Person who, directly or indirectly, owns equity interests in Carrier, which in the case of (1) or (2) Carrier shall provide at least forty-five (45) Days notice.

#### **Rule 11: Application of Rates from and to Intermediate Points**

For Product (A) accepted for transportation from any point on the Pipeline not named in this Tariff, which is intermediate to a point for which rates are published in Carrier's Rates Tariff, Carrier will apply the rates published in such Tariff for the next more distant point specified in the Tariff and (B) accepted for transportation to any point not named in the Tariff which is intermediate to a point for which rates are published in Carrier's Rates Tariff, Carrier will apply the rates published in such Tariff for the next more distant point specified in the Tariff. In the case of either Rule 11 (A) or (B), Carrier shall make a filing to add any such point(s) to the Tariff as required by Section 341.10(a)(2) of the FERC's regulations.

#### **Rule 12: Tank Bottom and Line Fill Inventory Requirements; Third Party Access Agreements**

- (A) Within forty-five (45) Days prior to commencement of Interim Service on the Pipeline (which shall occur on the first (1<sup>st</sup>) Day of the applicable Month), Shippers shall provide Carrier with their initial Nominations for the first Month of Interim Service. Carrier will calculate each Shipper's pro rata share (by multiplying the total Capacity by the fraction of such Shipper's Nomination for such Month divided by the total Nominations for such Month) of Product required for tank bottoms to facilitate operation of the Pipeline and the Robstown Terminal (the "**Tank Bottoms**") and Product required for pipeline fill on the Pipeline ("the **Line Fill**"). Carrier shall provide notice to each Shipper of its respective pro rata shares of Tank Bottom and Line Fill within three (3) Business Day's of such initial Nominations deadline. No later than seven (7) Days prior to commencement of Interim Service, Carrier shall provide notice to each Shipper with delivery instructions regarding their shares Line Fill and Tank Bottoms, which must be received by Carrier by the Day specified in such notice. If a Shipper fails to comply with such delivery notice, Carrier reserves the right to deny Shipper's Tender of Product on the Pipeline until Shipper delivers all the Volumes specified in such notice.

- (B) Shippers Nominating for the first time after the initial Month of Interim Service, shall be obligated to provide Tank Bottoms and Line Fill Volumes in amounts equal to their Nomination for such Month.
- (C) Product provided by Shippers under this Rule 12 may be withdrawn only after: (i) Shipper's shipments have ceased and Shipper has notified Carrier in writing to discontinue shipments on the Pipeline; and (ii) the Shipper's balances have been reconciled between all Shippers.
- (D) Carrier, in its reasonable discretion, 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. In the event a Shipper is more than ninety (90) Days late in making any payment owed hereunder, Carrier may sell any Tank Bottoms and/or Line Fill belonging to such Shipper and apply the proceeds of such sale towards such owed amounts and remit the excess of any applicable proceeds to Shipper. Unless (i) Shipper is deficient in making any such required payments, or (ii) Carrier is prevented by Force Majeure or by actions of the Shipper in fulfilling its obligations under this Rule 12(D), Carrier shall have at least seventy-five (75) Days, from the receipt of Shipper's written notice to Carrier, to complete administrative and operational requirements incidental to Shipper's withdrawal of applicable Tank Bottoms and/or Line Fill, *provided* that the Parties may agree to make physical delivery of the Tank Bottoms and/or Line Fill, arrange for a trade of like Barrels to Shipper, financially settle the return of the Tank Bottoms and/or Line Fill, and/or arrange for a different time period for delivery. Carrier reserves the right to charge a transport fee for Tank Bottoms and/or Line Fill Volumes returned at the applicable Delivery Point(s), which shall not exceed the applicable Interim Service Rate, during the period of Interim Service.
- (E) As between Carrier and Shipper, Shipper will at all times retain title to its Product in transit, Tank Bottoms, and Line Fill. Carrier will provide a Monthly statement to Shipper of Shipper's Product inventory balance (held as Line Fill; Tank Bottoms; and inventory change as a result of receipts, deliveries, and allocation of PLA).
- (F) Carrier will have the contractual right to require (or, in its reasonable judgment, waive the requirement for) Shipper or its representative to execute an interconnect agreement or access agreement to any of Carrier's facilities of and from any person, including Shipper's contractors.

### **Rule 13: Nominations Required**

Product will be transported by Carrier only under a Nomination accepted by Carrier. Any Shipper desiring to Tender Product for transportation shall make or cause to make such Nomination to Carrier in writing on or before 4:15 PM Central Time, on the last Business Day prior to the fifteenth (15th) Day of the Month preceding the Month during which the transportation under the Nomination is to begin (with the exception of the first Month of Interim Service where such Nominations shall be due within forty-five (45) Days before the first Day of Interim Service);

except that, if space is available for a current movement, Carrier in its reasonable discretion may consider Shipper Nominations submitted after the foregoing deadline.

Nominations for the transportation of Product for which Carrier has facilities will be accepted under the Tariff in quantities of not less than the following:

| Type of Nomination: | Minimum Aggregate Nomination: |
|---------------------|-------------------------------|
| Common Stream       | 2,000 Barrels per Day         |

Before Carrier will accept a Nomination from a Shipper, such Shipper must: (A) comply with Rule 17(A); (B) demonstrate to Carrier the adequacy of such Shipper's arrangements and facilities as referenced in Rule 4, Rule 5, and Rule 6; and (C) provide any other information reasonably requested by Carrier.

To the extent a Shipper Nominates greater than the total Capacity of the Pipeline in a Month, such Shipper's Nomination shall be adjusted downward to an amount equal to the lesser of the total Capacity of the Pipeline for such Month or the adjusted Nomination determined under the following paragraph of this Rule 13, if applicable.

In addition to Carrier's rights under Rule 6 herein, Carrier shall have the right, within a reasonable period of time after receiving a Shipper's Nomination, to request documentation from such Shipper to verify the Shipper's Nomination, including evidence of such Shipper's capacity entitlements on downstream facilities necessary to receive a Shipper's entire requested Nomination. Carrier reserves the right to revise a Shipper's Nomination downward (as necessary) if such Shipper fails to, in Carrier's discretion, adequately justify its capacity on such downstream facilities necessary to support delivery of such Shipper's entire requested Nomination.

#### **Rule 14: Nominations Greater Than Total Capacity; Prorationing**

Where Nominations in a given Month exceed the Pipeline's total Capacity, all Nominations shall be subject to Carrier's Prorationing Policy found in Exhibit A of this Rules and Regulations Tariff.

#### **Rule 15: Application of Rates**

Other than with respect to Tank Bottoms and Line Fill delivered pursuant to Rule 12, Product accepted for transportation shall be subject to the rates in effect on the date of Tender. Payment of the Interim Service Rate by a Shipper will include service on the Pipeline in accordance under the terms of this Tariff.

#### **Rule 16: Legality of Shipments**

Carrier reserves the right to reject, on a non-discriminatory basis, Product where the Shipper or its Consignee has failed to comply with any Applicable Laws, rules, and regulations made by any Governmental Authority regulating shipments of Product.

## **Rule 17: Payment of Carrier Charges; Adequate Assurances**

- (A) If Carrier has reasonable grounds for insecurity regarding the ability of Shipper to provide payment, or Shipper's creditworthiness is or becomes unsatisfactory to Carrier, or if Shipper's title to any Shipper's Product is disputed, Carrier may require Shipper to provide adequate assurances of performance. As adequate assurances, Shipper, in its discretion, may provide either: (i) an irrevocable stand-by letter of credit from a bank (choice of applicable bank subject to approval by Carrier in its sole discretion) with terms reasonably acceptable to Carrier, and in an amount reasonably acceptable to Carrier, within ten (10) Business Days of receiving Carrier's written demand; (ii) a parent guaranty with terms reasonably acceptable to Carrier within ten (10) Business Days of receiving Carrier's written demand; or (iii) prepayment at least five (5) Days prior to the first (1st) Day of each Month of an amount of money reasonably calculated by Carrier to cover all transportation charges or liabilities to be incurred by Shipper during such Month. If Carrier requires Shipper to provide adequate assurances, Carrier will provide Shipper with written notice. If Shipper fails to provide the required adequate assurances within the applicable timeframe set forth above, then, until Shipper has satisfied its adequate assurances obligations under this Rule 17(A), Carrier may suspend service to such Shipper (without liability to such Shipper) upon notice to Shipper.
- (B) Shipper shall pay all transportation and other fees and lawful charges accruing on Product delivered to and accepted by Carrier for shipment as measured at the applicable Origin Point(s) by the due date stated in Carrier's invoice.
- (C) No later than the fifteenth (15th) Day of each Month, Carrier shall deliver to Shipper a statement for transportation services in the preceding Month setting forth (i) the Volumes of Shipper's Product (in Barrels) received at the applicable Origin Point(s), (ii) the Interim Service Rate for that Month, (iii) any adjustments for prior periods, and (iv) all other amounts due by Shipper hereunder. Carrier's invoices shall include information reasonably sufficient to explain and support any estimates and charges reflected therein, the reconciliation of any estimates made in a prior Month to any actual measurements, and any adjustments to prior period Volumes and quantities. Shipper shall remit to Carrier amounts due by wire transfer by the later of (i) ten (10) Days after Shipper's receipt of the statement referenced above and (ii) the twentieth (20th) Day of each Month, to the bank account specified by Carrier. If such due date is not a Business Day, payment is due on the next Business Day following such date.
- (D) All undisputed amounts owed to Carrier, which are not timely paid to Carrier, shall bear interest from the date due until paid. Such interest will be assessed at a rate equal to: (a) one and one-half percent (1.5%) per Month, or (b) the highest rate permitted by Applicable Law, whichever is less, for any invoice or portion of an invoice not paid pursuant to the terms of this Tariff. If any amount is disputed, interest will accrue from the date due until the date paid but will only be due after the dispute is resolved and based on the amount found or agreed to be due. If Shipper disputes any portion of an invoice, Shipper shall promptly notify Carrier in writing (no later than the payment due date) and give reasons, with reasonable detail, for the disputed matters. Carrier and Shipper shall then endeavor to

resolve the disputed amount in good faith, subject to Carrier and Shipper each having the right to pursue claims against the other in a court of competent jurisdiction.

- (E) Carrier shall have the right to withhold an amount of Product belonging to Shipper from delivery that would be sufficient to cover all unpaid charges due to Carrier from Shipper until all such unpaid charges have been paid. Furthermore, Carrier shall retain a perfected possessory lien under the Texas Bus. & Comm. Code, Title 1, Chapter 9 (section 9.101, *et seq.*), as applicable, on an amount of a Shipper's Product in Carrier's possession sufficient to secure payment of any and all amounts owed by such Shipper to Carrier. Carrier reserves the right to set off any such charges against any monies owed to Shipper by Carrier on any Product of Shipper in Carrier's custody. If said charges remain unpaid five (5) Days after the due date therefor, Carrier shall have the right, through an agent, to sell such Product at public auction, on any day not a legal holiday, in not less than forty-eight (48) hours after publication of notice of such sale in a daily newspaper of general circulation published in the town or city where the sale is to be held, stating the time, place of sale, and the quantity and location of Product to be sold. At said sale, Carrier shall have the right to bid, and if the highest bidder, to become the purchaser. From the proceeds of said sale, Carrier will pay itself the transportation and all other lawful charges, including expenses incident to said sale, and the balance remaining, if any, shall be paid to Shipper.
- (F) In addition to the rates and fees payable under this Rule 17, Shipper shall convey to Carrier each Month, free of charge, Shipper's allocated share of PLA based on receipts, as determined by Carrier.

**Rule 18: Limitations of Liability and Damages; Indemnity by Parties; Taxes**

- (A) Any other provision of this Tariff notwithstanding, neither Party shall be liable to the other Party for special, indirect, consequential, incidental, punitive or exemplary damages, including lost profit and Loss of business opportunity (except where such damages are determined to be direct damages), in contract or tort (including negligence, joint or several, or strict liability), arising out of this Tariff, provided that nothing in this Rule 18(A) shall be construed as limiting any obligation of either Party to indemnify the other Party against claims asserted by third parties, including claims of such third parties for special, indirect, consequential, incidental, punitive or exemplary damages. Except as otherwise expressly provided for elsewhere in the Tariff, a Party's sole remedy against the other Party for non-performance or breach of any provision in this Tariff or any other claim whatsoever nature arising out of or in relation to this Tariff shall be in contract and each Party expressly waives any other right it may have in law or equity. In the event of a Loss of Product while in the Carrier's custody (other than due to a Force Majeure Event) Shipper's sole and exclusive remedy shall be: (i) replacement of such Product at Carrier's expense, or (ii) payment to Shipper of the market value of such Product, if Carrier deems, within a reasonable period of time, that replacing the lost Product is not commercially feasible.
- (B) Shipper shall be responsible for and shall defend, indemnify, release and hold harmless Carrier, its Affiliates, and their respective directors, officers, managers, employees and

contractors (except for Shipper) and other representatives (collectively, the “*Carrier Parties*”) from and against all Losses arising out of or pertaining to Shipper’s delivery to Carrier of Crude Petroleum not meeting the then-applicable Specifications, except that Shipper shall not be responsible for and shall bear no duty to defend, indemnify, release or hold harmless Carrier with respect to Crude Petroleum not meeting the then-applicable Specifications that Carrier agreed to accept in accordance with these Rules and Regulations. Carrier shall be responsible for and shall defend, indemnify, release and hold harmless Shipper, its Affiliates, and their respective directors, officers, managers, employees and contractors (except for Carrier) and other representatives (collectively, the “*Shipper Parties*”) from and against all Losses arising out of or pertaining to Carrier’s acceptance of Crude Petroleum from other Shippers not meeting the then-applicable Specifications as set forth in this Rules and Regulations Tariff.

- (C) Subject to Rule 18(A), Shipper shall be responsible for and shall defend, indemnify, release and hold harmless the Carrier Parties from and against all Losses incurred by Carrier resulting from Shipper’s negligence, willful misconduct or gross negligence in connection with the Tariffs.
- (D) Subject to Rule 18(A), Carrier shall be responsible for and shall defend, indemnify, release and hold harmless the Shipper Parties from and against all Losses incurred by Shipper resulting from Carrier’s negligence, willful misconduct or gross negligence in connection with the Tariffs.
- (E) Under the foregoing indemnities, where the personal injury to or death of any Person or Loss or damage to property is the result of the joint or concurrent negligence, gross negligence, or willful acts or omissions of Shipper and Carrier, each Party’s duty of indemnification will be in proportion to its share of such joint or concurrent negligence, gross negligence, or willful misconduct.
- (F) Shipper shall pay any and all Taxes levied on Shipper’s Product including property Taxes on Shipper’s Product in the Pipeline or the Robstown Terminal. Carrier shall pay any and all Taxes levied on the Pipeline or the Robstown Terminal. Shipper shall not be liable for any Taxes assessed against Carrier based on Carrier’s income, revenues, gross receipts, or ownership of the Pipeline or the Robstown Terminal, and all state franchise, license, and similar Taxes required for the maintenance of Carrier’s corporate existence. If Carrier is required to pay any Tax(es) for Shipper, Shipper shall reimburse Carrier for such Tax(es) within thirty (30) Days after receipt of an invoice and supporting documentation from Carrier.
- (G) If Shipper fails to make arrangements for the removal of its Product from Carrier’s facilities upon delivery 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.
- (H) Carrier shall not bear any risk for, or be liable for any damage, contamination, degradation, or Loss of Shipper’s Product resulting from an event of Force Majeure. If contamination,

damage, degradation, or Loss of Product from such causes occurs after Shipper's Product has been received by Carrier for transportation and before it has been delivered to Shipper, Shipper shall bear a Loss in such proportion as the amount of Shipper's shipment is to all of the Product held in transportation by the Carrier at the time of such Loss, damage, contamination, or degradation, and the Shipper shall be entitled to have delivered only such portion of Shipper's shipment as may remain after a deduction of Shipper's proportion of such Loss, damage, contamination, or degradation.

- (I) To receive the foregoing indemnities, the Party seeking indemnification must notify the other in writing of a claim or suit promptly (provided that any failure to provide such notice shall not limit a Party's right to indemnification except to the extent that the indemnifying Party shall have been materially prejudiced thereby) and provide reasonable cooperation (at the indemnifying Party's expense) and full authority to the indemnifying Party to defend the claim or suit. Notwithstanding the foregoing, no indemnifying Party shall be entitled to settle any claim or suit without the consent of the indemnified Party unless such settlement contains a full release of the indemnified Party without any liability for any monetary damages or any type of equitable relief. Neither Party shall have any obligation to indemnify the other under any settlement made without its written consent.

#### **Rule 19: Scheduling of Delivery**

Where a Shipper requests delivery from the Pipeline at an applicable Delivery Point of Volumes of Product greater than can be immediately delivered, Carrier shall use commercially reasonable efforts to schedule delivery of such Volumes. Carrier shall not be liable for any delay in delivery of any such Volumes resulting from such scheduling of delivery.

#### **Rule 20: Pipeage or Other Contracts**

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



**Exhibit A – Carrier’s Prorationing Policy (“Prorationing Policy”)**

(A) The following definitions apply to this Prorationing Policy

|                              |  |
|------------------------------|--|
| New Shipper                  | Means a Shipper that does not qualify as a Regular Shipper.  |
| New Shipper Proration Factor | Has the meaning set forth in Section (B)(2)(i) of this Prorationing Policy.  |
| Nomination Shortfall         | Has the meaning set forth in Section (D) of this Prorationing Policy.  |
| Non-Performance Penalty      | Has the meaning set forth in Section (D) of this Prorationing Policy.  |
| Prorationing Month           | Means the Month for which Capacity on the Pipeline is subject to prorationing pursuant to this Rules and Regulations Tariff.   |
| Regular Shipper              | Means a Shipper that has shipped Product during every Month of the Shipper History measuring period.   |
| Shipper History              | Means the total Volume (in Barrels) of a Shipper’s Crude Petroleum actually shipped on the Pipeline during the twelve (12) Month period beginning thirteen (13) Months prior to the Prorationing Month.<br><br>If Carrier has been in operation (including for Interim Service) less than twelve (12) Months, then Shipper History shall be the total Volume (in Barrels) of Shipper’s Crude Petroleum actually shipped on the Pipeline during each Month of operations. All Shipper History shall reset at the end of the Interim Service period. |
| Total Shipments              | Means the Shipper History of the applicable Regular Shipper or New Shipper.  |
| Total Throughput             | Means a Volume equal to the sum of the Total Shipments of all Regular Shippers and New Shippers during the period in which Shipper History is measured.  |

(B) If prior to the first (1<sup>st</sup>) Month of Interim Service, Carrier receives more Nominations for transportation of Crude Petroleum than Carrier is able to transport on the Pipeline in the first Month of service, Carrier shall apportion Pipeline Capacity pro rata by Shipper Nomination. After the first (1<sup>st</sup>) Month of Interim Service, if Carrier receives more Nominations for transportation of Crude Petroleum than Carrier is able to transport on the

Pipeline in the next Month, Carrier shall apportion the Pipeline Capacity in the following manner:

1. Regular Shippers:

- i. The percentage of Capacity to be allocated to each Regular Shipper will be calculated by dividing the sum of the Total Shipments of each Regular Shipper by the Total Throughput. The resulting percentages will then be applied to the Pipeline Capacity after applying the holdback of up to ten percent (10%) to New Shippers, to determine the capacity allocation for each Regular Shipper. Each Regular Shipper will be allocated the lesser of its Nomination or its Volume determined pursuant to the above calculation.
- ii. In the event that the above calculation results in any Shipper being allocated more capacity than its Nomination, the excess of the calculated allocation over the Shipper's Nomination will be reallocated per capita among all other New Shippers and Regular Shippers whose Nominations would not be fulfilled through the allocations calculated in sections (B)(1) and (B)(2) of this Prorating Policy.
- iii. Carrier will repeat this reallocation process until all of the Capacity has been allocated. Allocations for Regular Shippers will be subject to pro rata reduction on the basis of the percentages calculated in this section (B)(1), if required, to accommodate New Shippers.

2. New Shippers: Up to two and one-half percent (2.5%) of Pipeline Capacity will be allocated to each New Shipper, subject to a cap of ten percent (10%) of Capacity for all New Shippers during periods when Capacity prorating is required. During Prorating Months, New Shippers will be allocated capacity as follows:

- i. If less than four (4) New Shippers have submitted Nominations, each New Shipper will be allocated the lesser of either two and one-half percent (2.5%) of Capacity or its Nomination. In the event that four (4) or more New Shippers have submitted Nominations, the Nominations for each New Shipper shall be totaled and divided into ten percent (10%) of the Pipeline Capacity. The resulting percentage shall be the "***New Shipper's Proration Factor***." Each New Shipper will be allocated capacity equal to the lesser of: (a) two and one-half (2.5%) of available Capacity, (b) its Nomination, or (c) its Nomination multiplied by the New Shipper Proration Factor.
- ii. Remaining Capacity: Any remaining Pipeline Capacity, subject to the maximum cap of ten percent (10%) of all available Capacity, as outlined above, will be allocated equally among the New Shippers whose Nominations were not fulfilled under the allocations calculated in section (B)(2)(i).

(C) Curtailments Where Pipeline Capacity is Diminished (“*Curtailments*”):

In case of operational necessity, or any other extraordinary circumstance beyond the control of Carrier, including a Force Majeure Event, that substantially affects the ability of Carrier to deliver the Volumes that have been Tendered by all Shippers for a given Day, Carrier, in its sole discretion, may curtail deliveries to Shippers to the extent that is operationally required.

During an event as described in the preceding paragraph in this Prorating Policy, Carrier will curtail Shippers in reverse order vis-a-vis its Prorating Policy, that is: subject to reserving up to ten percent (10%) of the reduced Capacity for New Shippers, Carrier will curtail scheduled deliveries for Regular Shippers with priority based on their Shipper History. All other scheduled service will be reduced pro rata as among scheduled quantities.

(D) Non-Performance Penalty:

Beginning with Nominations submitted during September 2019 and for the remainder of Interim Service, all Shippers shall be subject to the Non-Performance Penalty applicable to a “*Nomination Shortfall*,” which is defined as where a Shipper fails to Tender at least ninety percent (90%) of its allocated share in a given Prorating Month. The “*Non-Performance Penalty*” shall be assessed as follows: (1) where a Nomination Shortfall occurs in a given Prorating Month, the maximum Nomination that Carrier shall accept from such Shipper in the Month after the Month immediately following such Nomination Shortfall Month shall be the Volume Shipper actually shipped during such Nomination Shortfall Month and (2) if a Shipper incurs a Nomination Shortfall for the second (2<sup>nd</sup>) time during the rolling twelve (12) Month period starting with the first (1<sup>st</sup>) Nomination Shortfall Month, then the maximum Nomination that Carrier shall accept for the two (2) consecutive Months immediately following the Month after the second (2<sup>nd</sup>) Nomination Shortfall Month shall not exceed the Volume Shipper actually shipped during the second Nomination Shortfall Month; *provided*, the Non-Performance Penalty will only be applied in Months that are Prorating Months on the Pipeline. For the avoidance of doubt: (X) under Section D(1) herein, if Shipper’s first Shortfall Month is September 2019, then the Non-Performance Penalty shall apply to such Shipper’s Nominations in November 2019, but only if November 2019 is a Prorating Month and (Y) under Section D(2) herein, if the Shipper’s second Shortfall Month is November 2019, then the Non-Performance Penalty shall apply to such Shipper’s Nominations in January 2020 and February 2020, but only to the extent that such Month(s) are Prorating Months. For good cause shown, including but not limited to the occurrence of a Force Majeure Event, Carrier may waive, on a non-discriminatory basis, imposing a Non-Performance Penalty on any Shipper.

## Exhibit B – Carrier’s Product Specifications Policy

No Crude Petroleum will be accepted 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 100 degrees Fahrenheit (100°F). All Crude Petroleum received at the Origin Point(s) and transported by Carrier, and delivered by Carrier at the Delivery Point(s) shall be merchantable, native crude oil/condensate only, shall exclude all products of gas processing and NGL splitters, and shall meet the following Common Stream Specifications:

| Common Stream Specifications                |                             | ASTM Testing Method                         |
|---|-----------------------------|---|
| API Gravity, API                            | $\geq 36.0$ and $\leq 44.0$ | ASTM D 1298                                 |
| Sulfur Content, Weight %                    | 0.45 or less                | ASTM D 5504                                 |
| H <sub>2</sub> S, ppm in vapor              | 10 PPM or less              | ASTM D 5705 as modified for crude petroleum |
| Max Reid Vapor Pressure, psi                | 9.5                         | ASTM D 6377                                 |
| Max True Vapor Pressure, psi                | 11.0                        | ASTM D 2879                                 |
| Basic sediment, water, and other impurities | 1% or less                  | ASTM D 4007                                 |

The gravity, viscosity, pour point, and other characteristics of all accepted Crude Petroleum must be readily amenable for 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. 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.

If, upon investigation, Carrier determines that a Shipper has delivered to Carrier’s facilities 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 Pipeline Segments of the Pipeline until such time as Specifications are met to the satisfaction of Carrier. Further, Carrier reserves the right to dispose of any contaminated Crude Petroleum blocking the Pipeline. 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 the Pipeline.

Notwithstanding the foregoing, where Shipper’s Product does not meet the Specifications described herein, Carrier shall confer with Shipper as to means to facilitate transportation of Shipper’s Product on the Pipeline.