

POWDER RIVER EXPRESS, LLC

LOCAL TARIFF

CONTAINING

**RATES, RULES AND REGULATIONS GOVERNING
THE INTERSTATE TRANSPORTATION OF
PETROLEUM BY
PIPELINE**

FROM

**THE PRONGHORN STATION LOCATED ADJACENT TO THE PRONGHORN RAIL
TERMINAL NEAR DOUGLAS, WYOMING TO THE GUERNSEY STATION LOCATED
NEAR GUERNSEY, WYOMING**

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

The rates in this tariff are expressed in cents per barrel of 42 U.S. Gallons and are subject to change as provided by law, and subject to the Rules and Regulations published herein, supplements hereto and revisions hereof.

Filed in compliance with 18 C.F.R. § [C] ~~341.3~~ [N] 342.3 (indexing).

Request for Special Permission

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GENERAL APPLICATION

Carrier currently provides transportation of Crude Petroleum, between the receipt and destination points subject to this tariff, in multiple common streams subject to the quality specifications set forth below. Carrier reserves the right to revise this tariff at any time to provide for, among other things, additional forms of transportation, including revised quality specifications applicable thereto.

Item No. 5. DEFINITIONS:

“Acreage Dedication” means Shipper’s dedication of certain acreage to Carrier set forth in Shipper’s TSA.

“API” means American Petroleum Institute and its successor.

“A.P.I. Gravity” means gravity determined in accordance with American Society for Testing Materials (including any successor, “ASTM”) Designation 4052, or any successor publication.

“Assay” means a laboratory analysis of Crude Petroleum to include the following: A.P.I. Gravity, Reid vapor pressure, composition, pour point, water and sediment content, sulfur content, viscosity, distillation, hydrogen sulfide, flash/boiling point and other characteristics as may be required by Carrier.

“Barrel” or “bbl” means forty-two (42) United States gallons of Crude Petroleum at a temperature of sixty degrees Fahrenheit (60° F) and zero (0) gauge pressure if the vapor pressure of the Petroleum is at or below atmospheric pressure, or at equilibrium pressure if the vapor pressure of the Crude Petroleum is above atmospheric pressure.

“Carrier” means Powder River Express, LLC.

“Committed Shipper” means a Shipper that has executed a TSA.

“Consignee” means anyone to whom custody is to be given at the specific instructions of a Shipper when Crude Petroleum is delivered out of Carrier’s system.

“Crude Petroleum” means the (i) direct liquid product of oil wells and (ii) indirect petroleum products resulting either from refining crude petroleum or from the operation of gasoline recovery plants, gas recycling plants or distillate recovery equipment in gas and distillate fields, or a mixture of the direct product and indirect petroleum products (“Indirect Petroleum Products”).

“Force Majeure” means (i) strikes, lockouts or other industrial disputes or disturbances; (ii) acts of the public enemy or of belligerents, hostilities or other disorders, wars (declared or undeclared), blockades, insurrections, riots, civil disturbances, sabotage; (iii) acts of nature, landslides, severe lightning, earthquakes, fires, tornadoes, hurricanes, storms and warnings for any of the foregoing which may necessitate the precautionary shut-down of wells, plants, pipelines, gathering systems, loading facilities, or other facilities, floods, washouts, freezing of machinery, equipment, wells or lines of pipe, inclement weather that necessitates extraordinary measures and expense to construct facilities or maintain operations; (iv) arrests and restraints of or other interference or restrictions imposed by Governmental Authority, necessity for compliance with any Law, compliance with any act of government and government regulations (whether or not valid, including the denial, delay, revocation, non-renewal or termination of a permit or license), expropriation, requisition, confiscation or nationalization; (v) epidemics or quarantine, explosions, breakage or accidents to equipment, machinery, plants, facilities or lines of pipe, the making of repairs or alterations to lines of pipe or plants, inability to secure labor or materials to do so, partial or entire failure of wells, electric power shortages; (vi) in those instances where a Party is required to acquire and retain servitudes, rights-of-way, grants, permits or licenses, the inability of such Party to acquire and retain, or delays on the part of such Party in acquiring or retaining, at reasonable cost and after the exercise of reasonable diligence, such servitudes, rights-of-way, grants, permits or licenses; or (vii) any other causes, whether of the kind enumerated above or otherwise, which were not reasonably foreseeable, and which are not within the control of the Party claiming suspension and which by the exercise of due diligence such Party is unable to prevent or overcome. Such term will likewise include any event of Force Majeure occurring with respect to the facilities or services of a Party’s suppliers or customers

providing a service or providing any equipment, goods, supplies or other items necessary to the performance of such Party's obligations, and will also include curtailment or interruption of deliveries or services by such third-party suppliers or customers as a result of an event defined as Force Majeure (but in any event excluding any capacity constraints on downstream carriers, including as a result of prorationing or force majeure events). The term Force Majeure shall not include: (i) insolvency of any Party; or (ii) changes in market conditions.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof and any entity or administrative authority, agency, court, tribunal, commission, board or bureau exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Law" means any of the laws, rules, regulations, decrees, and orders of the United States of America and all other Governmental Authorities having jurisdiction.

"Monthly Minimum Volume" means a T&D Shipper's monthly volume commitment, as set forth in an exhibit to its TSA.

"Nomination" means a written designation by a Shipper to Carrier of a stated quantity of Crude Petroleum to be Tendered to Carrier for transportation from a specified receipt point(s) to a specified destination point(s), as listed in the Table of Rates herein, over a period of one Operating Month in accordance with this tariff.

"Operating Month" for a Shipper or Transferor means any calendar month in which Carrier either transports Crude Petroleum or recognizes and records a change in ownership of Crude Petroleum for the account of such Party. For purposes hereof the calendar month shall be deemed to begin at 7:00 a.m. (Mountain Time) on the first day of such month and end immediately before 7:00 a.m. (Mountain Time) on the first day of the next succeeding month.

"Party" means Carrier or a Shipper or a Transferor, as applicable, and "Parties" means both Carrier and a Shipper or Carrier and a Transferor, or Carrier and a Transferee, as applicable.

"Prime Rate" means the prime rate of interest as published under "Money Rates" in the Wall Street Journal.

"Proration Month" means the calendar month for which capacity is to be allocated under Item No. 45 of this Tariff.

"Shipper" means the Party that uses Carrier's system for the transportation of Crude Petroleum subject to and in accordance with this tariff, any TSA, and the applicable rate on the Table of Rates herein.

"Shipper's Capacity" means the maximum volume of Crude Petroleum which a Committed Shipper may transport at Committed Rates on Carrier's system during any Operating Month, as set forth in an Exhibit to a Committed Shipper's TSA.

"Tender" means the delivery by a Shipper to Carrier at a specified receipt point of a stated quantity of Crude Petroleum for transportation from such receipt point(s) to a specified destination point(s) pursuant to a Nomination.

"Transferee" means the Party to whose account ownership of Crude Petroleum is transferred by Transferor upon the Carrier's approval.

"Transferor" means the Party who requests Carrier to recognize and record a change in ownership of Crude Petroleum from its account to a designated Transferee's account.

“TSA” means a transportation services agreement between a Shipper and Carrier. In the event of a conflict between the provisions of this tariff and a TSA, this tariff shall control, to the extent of such conflict, insofar as such conflict relates to the transportation of Crude Petroleum.

“T&D Shipper” means a Committed Shipper that has agreed to a Monthly Minimum Volume.

“Uncommitted Shipper” means a Shipper that has not executed a TSA.

Item No. 10. SHIPMENT OF INDIRECT PETROLEUM PRODUCTS: Indirect Petroleum Products will be accepted for transportation only on condition that they have been mixed with direct products of oil wells, or on condition that they can be mixed with direct products of oil wells in the tanks or lines of Carrier at the point Tendered, and provided that both the Indirect Petroleum Products and the direct oil well products with which they are so mixed are owned by the same Shipper and are consigned to the same destination, and provided that the mixed product meets the quality requirements in Item No. 15 and does not materially impact the quality or grade as provided in Item No. 20. Carrier reserves the right to require that all deliveries of Indirect Petroleum Products with a vapor pressure in excess of atmospheric pressure be made from pressurized tanks. Shipper shall provide arrangements whereby such tanks shall be kept under constant pressure during the time liquid is being run from said tanks by charging, from an external source, the vapor space of the tanks with vapors of the same indirect petroleum being run.

Item No. 15. SPECIFICATIONS AS TO QUALITY AND LEGALITY OF SHIPMENTS: Carrier shall have no obligation to accept, transport, or deliver any commodity other than Crude Petroleum that meets the quality specifications herein, and Shipper shall not knowingly Tender to Carrier Crude Petroleum that does not meet such specifications unless Carrier has determined to accept, in its sole discretion, non-conforming or hazardous Crude Petroleum from Shipper. Except where Carrier determines, in its sole discretion, that accepting non-conforming Crude Petroleum for transportation will not adversely affect its system operations, Carrier will not knowingly accept any Crude Petroleum offered for transportation other than good and merchantable Crude Petroleum of acceptable character which, when measured and tested by Carrier or Carrier’s representative at the receipt point, meets all of the following specifications:

- A. Reid vapor pressure not greater than 13 psia measured at 100 degrees Fahrenheit per ASTM D323.
- B. Basic sediment, water or other impurities not to exceed one-half of one percent (0.50%) of volume, with not more than three-tenths of one percent (0.30%) being water, as determined by the centrifuge method (field procedure) as referenced in the API MPMS, Chapter 10 or by any other tests as may be agreed upon.
- C. Hydrogen sulfide of less than ten (10) parts per million as measured in the vapor space as per ASTM D-5705.
- D. Sulfur content not greater than one half of one percent (0.50%) by weight.
- E. A temperature not greater than one hundred (100) degrees Fahrenheit.
- F. A.P.I. Gravity of between twenty-eight (28) and fifty-two (52) degrees.
- G. Viscosity not greater than 30 centistokes determined at sixty (60) degrees Fahrenheit; provided that Carrier may elect at its sole discretion to accept Crude Petroleum from time to time which does not meet the foregoing viscosity specification.
- H. Not having any organic chlorides, sulphurs or other compounds with physical or chemical characteristics that may render such Crude Petroleum not readily transportable by Carrier or that may materially affect the quality of other Crude Petroleum transported by Carrier or that may otherwise cause disadvantage to Carrier.

Crude Petroleum delivered to Carrier's facilities which does not meet the foregoing quality specifications (the "Quality Specifications") may, at Carrier's election, be deemed non-conforming. The additional specifications required for each of the individual common streams offered by Carrier are set forth in Item No. 170. Further, Carrier shall reject Crude Petroleum containing contaminants including, but not limited to, chemicals such as chlorinated and/or oxygenated hydrocarbons and/or heavy metals such as lead and/or vanadium or which constitutes or may constitute a hazard to personnel or equipment or gives Carrier reasonable grounds of apprehension of loss or damage to any person, or other products or property. If, upon investigation, Carrier determines that a Shipper has delivered to Carrier's facilities contaminated, non-conforming or hazardous Crude Petroleum, such Shipper will be excluded from further entry into the applicable segments of Carrier's system until such time as the Quality Specifications and the other conditions specified above are met. Any liability associated with contaminated, non-conforming or hazardous Crude Petroleum or disposal of any contaminated, non-conforming or hazardous Crude Petroleum shall be borne by the responsible Shipper unless Carrier affirmatively determined to accept non-conforming or hazardous Crude Petroleum from Shipper.

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

In addition to other available remedies, Carrier shall have the right, but not the obligation, to reject any Crude Petroleum Tendered by Shipper that does not comply with the provisions of this Tariff, including the Quality Specifications. Carrier's acceptance of, or failure to reject, Crude Petroleum Tendered for transportation on Carrier's facilities shall not be deemed to be a waiver by Carrier of Shipper's obligations or liability regarding compliance with the provisions of this Tariff.

Item No. 20. SEGREGATION AND VARIATIONS IN QUALITY AND GRAVITY.

A. With respect to common stream transportation, Carrier is a multiple common stream carrier, and Crude Petroleum offered for transportation shall be received by Carrier only on the condition that it shall be subject to such changes in gravity, quality or value within the common stream nominated by the Shipper while in transit as may result from the transportation thereof or the mixture of said Crude Petroleum with other Crude Petroleum in such common stream in the pipelines or facilities of Carrier. Subject to the foregoing, Carrier will use reasonable efforts to deliver Crude Petroleum of a type equivalent to that accepted from Shipper; however, Carrier shall be under no obligation to make delivery of the identical Crude Petroleum received but will redeliver Crude Petroleum meeting the specifications for the common stream into which Shipper's Crude Petroleum was nominated. The particular specifications for each of the common streams for which Carrier offers transportation service, as those specifications may be changed from time to time, including changes to conform with the requirements of those downstream carriers which interconnect at Carrier's points of destination, are set forth in Item No. 170. Carrier shall have no responsibility in, or for, any revaluation or settlements which may be deemed appropriate by Shippers and/or Consignees because of mixing or commingling of Crude Petroleum shipments in Carrier's facilities between the receipt and delivery of such shipments by Carrier.

B. Notwithstanding the foregoing, if a Shipper requests that its Crude Petroleum be shipped separate from the common stream and has the necessary facilities to allow batching, or if Carrier elects to expand its facilities to allow batching, Carrier may elect to provide, in its sole discretion, batched transportation service for such Shipper, to the extent permitted by its facilities and operating conditions, to segregate such Crude Petroleum during transportation and to make delivery of substantially the same Crude Petroleum at the destination; provided that, in such instances, Carrier may require Shipper to (i) make the Crude Petroleum available in such quantities and at such times as may be necessary to permit such segregated movement in light of Carrier's operating conditions; and (ii) supply buffers before and after its batch, said buffers to be of the type and quantity of Crude Petroleum specified by Carrier in order to prevent changes in the quality of preceding and subsequent Crude Petroleum volumes; and provided further that the Consignee(s) shall accept at destination such leading and trailing buffers as mixed in transit together with its batch and Carrier shall not be liable for failure to deliver the identical Crude Petroleum or for any variations in quality while in Carrier's custody. If Carrier elects to provide batching, it will file appropriate revisions to Item No. 165 to include the rates for such service.

Item No. 25. QUALITY TESTING AND VERIFICATION: Upon request of Carrier, Shipper is required to furnish, in its discretion, either Crude Petroleum Assays or a sample of Shipper's Crude Petroleum being transported by Carrier so that Carrier can perform its own Assays. Carrier reserves the right to approve of an independent laboratory to be used to provide the Assay. If Carrier determines that Shipper's Crude Petroleum does not meet the Quality Specifications, contains contaminants or hazardous substances, or differs materially in character from Crude Petroleum being transported by Carrier, transportation may be refused or offered under such terms and conditions as agreed to by Carrier and Shipper.

Carrier reserves the right to sample Crude Petroleum of Shipper at those facilities that directly connect to Carrier's system. The connection agreement between Carrier and Shipper, or Carrier and the third-party which owns and operates the subject directly connecting facilities, shall provide Carrier with the right to ingress and egress upon the property of the directly connecting facilities for such purpose. If, upon investigation, Carrier determines the Crude Petroleum delivered by Shipper does not conform to the Quality Specifications and Carrier has not been given prior notice, or if the Crude Petroleum delivered by Shipper contains contaminated or hazardous substances, which may materially affect the quality of Crude Petroleum or Carrier's operations, Shipper will be liable for the cost of Carrier's investigation in addition to other remedies specified in these rules and regulations.

Carrier shall advise Shippers as to the specific results of any Assay.

The test method(s) used in any Assay shall comply with industry practice and accepted standards, including the methods published by the ASTM, the API, and the United States Environmental Protection Agency. Carrier may waive the requirement for any specific test to be included in an Assay. In the event of a discrepancy or conflict between the results of Carrier's Assay and the Assay of Shipper, the results of Carrier's Assay shall prevail.

Item No. 30. NOMINATIONS AND MINIMUM QUANTITY: Carrier is under no obligation to accept a Tender of Crude Petroleum for shipment for any Operating Month unless Shipper submits its Nomination to Carrier in writing by 5:00 p.m. Central Time on or before the 15th day of the preceding calendar month, or on or before such other day and time specified by Carrier in a written notice to Shipper prior to the time Nominations for such Operating Month are then due. Such Nomination shall specify the volume of Crude Petroleum for such upcoming month and the timing of such deliveries, the quality specifications of such Crude Petroleum, an appropriate Materials Safety Data Sheet and any other pertinent information, including all documentation required by law concerning the receipt, handling and storage of the Crude Petroleum. In addition, a Shipper subject to an Acreage Dedication shall specify the portion of such Nomination, if any, which is based upon the initial production from new wells such Shipper reasonably expects to be brought online during such Operating Month ("Initial Production"). The Initial Production portion of such Nomination shall specify the date during such Operating Month that each new well is reasonably expected to be brought online ("Online Date"), the projected volume for each new well, and such other information as Carrier, in its reasonable discretion, may request to support such Nomination. Initial Production status for each new well shall be deemed to continue until the first of the Operating Month following sixty (60) days from the Online Date such that, for example, Initial Production status with an Online Date of March 20 of a particular calendar year would continue to apply to such Shipper's Nomination until June 1 of that year.

Crude Petroleum Tendered for shipment through the lines of Carrier will be received by Carrier in accordance with the schedule determined by Carrier. Carrier may refuse to accept Crude Petroleum for transportation unless satisfactory evidence is furnished that Shipper or Consignee has made provisions for prompt receipt thereof at destination.

A Nomination, except for the Initial Production portion of such Nomination, shall be accepted only when the total quantity of Crude Petroleum shall be made available by Shipper on a ratable basis over the course of the Operating Month, or in such quantities and at such times specified by Carrier. Consistent with such Nomination requirements, Shipper shall use commercially reasonable efforts to Tender its confirmed Nomination on a ratable basis over the course of the Operating Month, except for the Initial Production portion of such Nomination.

Carrier shall not be obligated to accept a Nomination, or to receive a Tender, from any Shipper in a quantity of less than 10,000 Barrels. Carrier reserves the right to accept a Nomination, or to receive a Tender, of less than 10,000 Barrels, where such volumes can be consolidated with other Crude Petroleum receipts such that Carrier can make a single delivery of not less than 10,000 Barrels.

Crude Petroleum will be transported only under a Nomination accepted by Carrier from receipt points to points of destination when a tariff covering such pipeline movement is lawfully in effect and on file with the FERC as to interstate traffic.

Item No. 35. LINE FILL AND TANK BOTTOM INVENTORY: Each Shipper will be required to supply a pro rata share of Crude Petroleum necessary for pipeline fill and working stock to ensure efficient operation of Carrier's system, which Barrels shall be submitted to Carrier in advance of any shipments by Shipper, pursuant to the schedule determined by Carrier. Crude Petroleum provided by Shippers for this purpose may be withdrawn only after: (1) shipments have ceased and the Shipper has notified Carrier in writing at least ninety (90) days in advance of its intention to discontinue shipments in Carrier's system, and (2) Shipper balances have been reconciled between Shipper and Carrier. Carrier shall require advance payment of any unpaid accounts receivable, before final delivery will be made. Carrier shall have a reasonable period of time from the receipt of said notice, not to exceed six months, to complete administrative and operational requirements incidental to Shipper withdrawal. Line fill shall be returned to Shipper from a common stream that Carrier has available at the time of return to Shipper.

Crude Petroleum Barrels delivered to Carrier for Carrier's initial pipeline fill and working stock shall be charged a transportation fee at the time such Barrels are removed from Carrier's system. The amount shall be the applicable rate(s) and charges then in effect for shipments from the receipt point where Shipper's line fill and working stock volumes were received into Carrier's system to the destination point where such volumes were delivered by Carrier.

Item No. 40. FINANCIAL ASSURANCES: Except to the extent otherwise provided by a TSA, Carrier may at any time and from time to time request, and Shipper shall provide promptly if Carrier so requests, financial security for the payment of charges to be paid by Shipper to Carrier for transportation service ("Financial Assurances"). If requested by Carrier, Shipper's Financial Assurances must be provided to Carrier prior to Carrier accepting Shipper's initial Nomination for transportation of Crude Petroleum. Carrier shall thereafter have the option to refuse Nominations, in whole or in part, from Shipper, and to suspend further receipts and deliveries, until adequate Financial Assurances are provided.

The Financial Assurances that Carrier may request from Shipper shall include, but shall not be limited to, the following, except to the extent otherwise provided by a TSA:

1. Prepayment of the charges applicable to such volumes nominated by Shipper; or
2. An irrevocable letter of credit or other equivalent financial guarantees satisfactory to Carrier, which shall remain in effect until payment in full for all service has been received by Carrier, at which time Carrier shall, upon request, return and/or cancel such letter of credit or equivalent financial guarantee forthwith. The following must be acceptable to Carrier: (i) the terms of any letter of credit; (ii) the adequacy of any equivalent financial guarantees; and (iii) the identity of the issuing institution of any letter of credit or equivalent financial guarantee.

Item No. 45. NOMINATIONS IN EXCESS OF CAPACITY; PRORATIONING:

- A. **When Capacity Will Be Prorated.** Carrier will prorate the capacity of Carrier's system or a portion of Carrier's system during any Month when Carrier receives more Nominations for transportation of Crude Petroleum than Carrier is able to transport. Carrier will inform Shipper of its prorated capacity on Carrier's system, if applicable, for the subsequent Operating Month by 5:00 p.m. Central Time on the 5th day following the date Nominations are due in accordance with Item No. 30 for the month prior to such Operating Month.
- B. **Division of Capacity Between Shipper Classes.** Carrier shall allocate capacity during a Proration Month between "Regular Shippers" as a class and "New Shippers" as a class. A "Regular Shipper" means (i) a Committed Shipper or (ii) an Uncommitted Shipper meeting the eligibility requirements in Item No. 45C. A "New Shipper" means any Shipper that does not qualify as a Regular Shipper. Generally, as provided below, New Shippers as a class will be allocated 10% of Carrier's available capacity and Regular Shippers will be allocated 90% of such capacity.

i. New Shippers

a) Availability of capacity. Not more than ten percent (10%) of Carrier's capacity subject to prorationing shall be made available to New Shippers as a class.

b) Allocation. Each New Shipper will be allocated a share of the capacity available to all New Shippers equal to the least of: (i) its Nomination; (ii) ten percent (10%) of Carrier's available capacity, divided by the number of New Shippers who nominated volumes for shipment during the Proration Month, or (iii) one-fifth of 10% (2.0%) of Carrier's available capacity for the Proration Month. Any unused allocated capacity will become available for allocation among Regular Shippers.

ii. Regular Shippers

a) Availability of capacity. After capacity is apportioned to New Shippers, the remaining available capacity will be available to any Regular Shipper that submitted valid Nominations for the Proration Month.

b) Allocation. Each Regular Shipper's share of the remaining available capacity will be allocated based on its respective portion of shipments during the Base Period; for example, a Regular Shipper which accounted for 5% of the aggregate shipments by Regular Shippers during the Base Period would be allocated 5% of the capacity available to the Regular Shipper class. Any unused allocated capacity by a Regular Shipper shall be reallocated among other Regular Shippers.

(1) For purposes of calculating a Committed Shipper's history of shipments during each month of the Base Period, the higher of such Committed Shipper's (x) Shipper's Capacity or Monthly Minimum Volume, as applicable, or (y) actual shipments shall be used.

- C. **Base Period Eligibility**. "Base Period" means the previous 12 months beginning with the 13th month prior to the current Proration Month, except as provided in Item No. 45F. An Uncommitted Shipper will receive Regular Shipper status to the extent it has actual shipments in each of the 12 months of the Base Period (or, during the transition period described in Item No. 45F, each of the months of the transition Base Period). To the extent an Uncommitted Shipper does not meet the foregoing eligibility requirements, it shall receive New Shipper status.
- D. **Transfer Of Prorated Capacity**. Except as provided in the next sentence, prorated volumes allocated to a Shipper may not be assigned, conveyed, loaned, transferred to, or used in any manner by another Shipper. A Shipper's allocation may be transferred as an incident of the bona fide sale of the Shipper's business or to a successor to the Shipper's business by the operation of law, such as an executor or trustee in bankruptcy.
- E. **Nomination Integrity**. During a Proration Month, if a Shipper fails to deliver to Carrier at least 95% of its final confirmed Nomination, except for the Initial Production portion of such Nomination, the Carrier will charge the Shipper an amount equal to the Tariff rate multiplied by the non-Initial Production portion of the nominated volume not received by Carrier; provided, however, that this charge will not apply to the extent that Shipper's failure to deliver was due to a reduction in Shipper's scheduled capacity on downstream carriers, which occurred on or after the first day of the Proration Month, in a volume up to the volume Shipper failed to deliver to Carrier.
- F. **Transition rule for determining Base Period**. During the initial 12 months of this Tariff's implementation, as measured from the effective date hereof ("Tariff Effective Date"), the Base Period shall consist of each full calendar month since the Tariff Effective Date, but prior to the Proration Month. For example, if the Proration Month were to occur in the 7th month from the Tariff Effective Date, the Base Period would consist of the first 6 months from the Tariff Effective Date. In all other respects, Item No. 45 A-E remains in effect during the initial 12 months of this Tariff's implementation. This transition rule shall have no effect on and after the 13th full calendar month from the Tariff Effective Date.

Item No. 50. APPLICATION OF RATES: Crude Petroleum accepted for transportation shall be subject to the rates in effect on the date of receipt by Carrier, irrespective of the date of the Nomination.

Item No. 55. LIABILITY OF CARRIER: Carrier in possession of Crude Petroleum shall not be liable for any loss thereof; damage thereto; or delay caused by Force Majeure or default of Shipper, Transferee or Consignee or from any other cause not attributable to the negligence of the Carrier. In case of loss of any Crude Petroleum from any such causes, after it has been received for transportation and before the same has been delivered to Consignee, Shipper shall stand a loss in such proportion as the amount of its shipment, already delivered to Carrier, bears to all of the Crude Petroleum then in the custody of Carrier, for shipment via the lines or other facilities in which the loss or damage occurs, and Shipper shall be entitled to have delivered only such portion of its shipment as may remain after deduction of its due proportion of such loss, but in such event Shipper shall be required to pay charges only upon the quantity delivered.

CARRIER'S LIABILITY FOR DAMAGES HEREUNDER IS LIMITED TO DIRECT, ACTUAL DAMAGES ONLY AND CARRIER SHALL NOT BE LIABLE TO SHIPPER FOR SPECIFIC PERFORMANCE, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES OR SPECIAL, CONSEQUENTIAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, IN TORT, CONTRACT OR OTHERWISE, OF ANY KIND, ARISING OUT OF OR IN ANY WAY CONNECTED WITH THE PERFORMANCE, THE SUSPENSION OF PERFORMANCE, THE FAILURE TO PERFORM, OR THE TERMINATION OF THE SERVICES CONTEMPLATED HEREBY, EVEN IF CARRIER HAS BEEN ADVISED OF THEIR POSSIBLE EXISTENCE.

NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, EACH SHIPPER AND ITS AFFILIATES' SOLE AND EXCLUSIVE REMEDY FOR CRUDE PETROLEUM LOSSES SHALL BE LIMITED TO THE VALUE OF THE CRUDE PETROLEUM LOST (DETERMINED BY SUCH METHODS AS MAY REASONABLY BE DETERMINED BY CARRIER, EXCEPT TO THE EXTENT OTHERWISE PROVIDED BY A TSA) AND SHALL NOT INCLUDE ANY SPECIAL, CONSEQUENTIAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, INCLUDING LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, IN TORT, CONTRACT OR OTHERWISE, OF ANY KIND.

Item Nos. 60 and 65. INTENTIONALLY OMITTED.

Item No. 70. RECEIPT AND DESTINATION FACILITIES REQUIRED: Carrier will receive Crude Petroleum only at established receipt points on its system, only when Tendered for shipment to established destination points on Carrier's system, and only when Shipper has provided satisfactory facilities for handling receipts and deliveries, including, as applicable, facilities consistent with the minimum quantity specified in Item No. 30. Crude Petroleum will be received at established receipt points only from pipelines, tanks, or other facilities which are provided by Shipper, or connecting carrier. Shipper or Shipper's representative, as applicable, shall be required, at Carrier's request, to enter into a connection agreement governing the responsibilities associated with the design, fabrication, installation, construction, ownership, and operations of the interconnection between Carrier and Shipper or Shipper's representative, as the case may be, in form and substance reasonably acceptable to Carrier. Carrier will determine and advise Shippers of the size and capacity of pipelines, tanks, and other pertinent facilities to be provided at an established point of receipt to meet the operating conditions of Carrier's facilities at such point.

Item No. 75. NOTICE OF ARRIVAL, DELIVERY AT DESTINATION: After a shipment has had time to arrive at destination, and on 24 hours' notice to Consignee, Carrier may begin delivery of such shipment to Consignee at Carrier's current rate of pumping. If Shipper or Consignee is unable or refuses to receive said shipment, a demurrage charge of two and five-tenths cents (2.5 cents) per Barrel per 24 hours shall accrue from the time said notice expires, on that part of such shipment which is not received by Consignee ("Undelivered Shipment"); provided, however, that such demurrage charge will not apply to the extent that Shipper, after the point that it Tenders Crude Petroleum to Carrier, receives notice that its scheduled capacity on downstream carriers has been reduced in a volume up to the volume of the Undelivered Shipment and provided, further, that Shipper thereafter reduces its Tenders until such time as the subject downstream carriers are able to accept such volume. After expiration of said 24-hour notice, Carrier's liability for loss, damage or delay with respect to Crude Petroleum offered for delivery but not taken by Shipper or Consignee shall be that of a warehouseman only. Carrier reserves

the right, if deemed necessary to clear its pipeline system, to make arrangements for disposition of the Crude Petroleum. Any expenses incurred by Carrier in making such arrangements shall be borne by Shipper or Consignee.

Item No. 80. INTENTIONALLY OMITTED.

Item No. 85. TITLE; CRUDE PETROLEUM INVOLVED IN LITIGATION: Carrier shall not be obligated to accept any Crude Petroleum, when nominated for transportation, which may be involved in litigation, or the title of which may be in dispute, or which may be encumbered by a lien or charge of any kind (except for liens for borrowed money or arising under applicable laws), and Carrier may require of Shipper satisfactory evidence of its perfected and unencumbered title or satisfactory indemnity bond to protect Carrier. By nominating Crude Petroleum for transportation, Shipper warrants and guarantees that Shipper has good title or the unencumbered right to ship such Crude Petroleum, but acceptance shall not be deemed a representation by Carrier as to title or right thereto. Shipper agrees to hold Carrier harmless for any and all loss, cost, liability, damage and/or expense resulting from failure of title thereto; provided, that acceptance for transportation shall not be deemed a representation by Carrier as to title.

Item No. 90. PAYMENT OF TRANSPORTATION AND OTHER CHARGES: Shipper or Consignee shall pay all applicable transportation charges, and all other lawful charges accruing on the quantities of Crude Petroleum delivered to and accepted by Carrier for shipment at the receipt points on its system, and if required, shall prepay or guarantee the same before acceptance by the Carrier, or pay the same before delivery. Carrier shall have a lien on all Crude Petroleum in its possession belonging to Shipper or Consignee to secure the payment of any and all unpaid transportation charges, or any lawful charges that are due Carrier that are unpaid by Shipper or Consignees, and may withhold such Crude Petroleum from delivery until all unpaid charges have been paid.

If any undisputed charge remains unpaid after the due date of Carrier's invoice, or if any disputed charge is subsequently resolved in Carrier's favor, then such amount due shall bear interest from the date of the invoice until paid, calculated at an annual rate equivalent to 120% of the Prime Rate in effect at the close of the business day on which payment was due, or the maximum rate allowed by law, whichever is the lesser.

Item No. 95. INTERRUPTION AND CURTAILMENT: Carrier may interrupt, curtail or reduce transportation service to Shippers for such periods of time as it may reasonably require for the purpose of effecting or allowing any repairs, maintenance, replacement, upgrading or other work related to Carrier's system and related facilities or downstream facilities in circumstances which do not constitute a Force Majeure event. If such interruption is due to a planned outage, Carrier, except as otherwise provided in a TSA, shall make a reasonable effort to give prior notice of any operational interruption and, to the extent possible, Carrier shall provide Shipper with reasonable notice of any scheduled shut down for maintenance. Carrier will use commercially reasonable efforts to minimize the extent and duration of any interruption and the impact of such interruption on the operation of Carrier's system.

During such periods of interruption, Carrier shall curtail transportation and, if necessary, allocate available capacity in accordance with the procedures set forth in Item No. 45.

Item No. 100. FORCE MAJEURE: If either Shipper or Carrier is unable to perform or delayed in performing, wholly or in part, its obligations or under these rules and regulations, other than the obligation to pay funds when due and the obligation to provide the Financial Assurances under these rules and regulations or Shipper's TSA, as required, as a result of a Force Majeure event, that Party may seek to be excused from such performance by giving the other Party written notice of the Force Majeure event. Such written notice shall be given as promptly as practicable after discovery of the Force Majeure event by such affected Party and shall include in reasonable detail the full particulars of such event. The obligations of the Party giving notice, so far as they are affected by the Force Majeure event, will be suspended during, but not longer than, the continuance of the Force Majeure event. The affected Party must act with commercially reasonable diligence to resume performance and notify the other Party when the Force Majeure event no longer affects its ability to perform its obligations or to perform under these rules and regulations.

Neither Party shall be entitled to the benefit of the provisions of the foregoing to the extent that the failure was caused by the Party claiming suspension having failed to remedy the condition by taking all reasonable acts, short of litigation, if such remedy requires litigation, and having failed to resume performance of such commitments or

obligations with reasonable dispatch. The requirement that any Force Majeure event be remedied with all reasonable dispatch will not require the settlement of strikes, lockouts, or other labor difficulty by the Party claiming excuse due to a Force Majeure event contrary to its wishes.

Item No. 105. CLAIMS, SUITS AND TIME FOR FILING: As a condition precedent to recovery from Carrier for loss, damage, or delay to shipments, except as otherwise provided in a TSA, claims must be filed in writing with Carrier within nine (9) months after delivery of the Petroleum, or, in case of failure to make delivery, then within nine (9) months after a reasonable time for delivery has elapsed; and suits arising out of such claims shall be instituted against Carrier within two years from the day when notice in writing is given by Carrier to the claimant that Carrier has disallowed the claim or any part or parts thereof specified in the notice. Where claims are not filed or suits are not instituted thereon in accordance with the foregoing provisions, Carrier shall not be liable and such claims will not be paid.

Item Nos. 110 and 115. INTENTIONALLY OMITTED.

Item No. 120. GAUGING AND TESTING: Crude Petroleum nominated to Carrier for transportation shall be gauged and tested by a representative of Carrier prior to its receipt from Shipper, but Shipper shall have the right to be present or represented at the gauging and testing. Quantities shall be computed from the tank tables on a 100 percent volume basis, or, when agreed upon, quantities may be measured through meters. All shipments of required Quality Specifications without contaminants or hazardous substances will be received and delivered with volume corrected as to temperature from observed degrees Fahrenheit to 60 degrees Fahrenheit. The centrifuge method (field procedure) as referenced in the API MPMS, Chapter 10 or other methods agreed upon, shall be used for ascertaining the percentage of basic sediment, water or other impurities in the shipment and the full amount of basic sediment, water and other impurities, thus determined, shall be deducted from the corrected volume. Carrier shall have the right to enter upon the facilities that directly connect to Carrier's system where Crude Petroleum is received and have access to any and all tanks, storage receptacles, or meters for the purpose of gauging, metering or testing and to make any examination, inspection, measurement or test authorized in these rules and regulations.

Item No. 125. DEDUCTIONS AND QUANTITIES DELIVERABLE:

A. All shipments of Crude Petroleum of A.P.I. Gravity of 48 degrees or above, as measured by individual Tenders at each receipt point for each common stream, shall be subject to a deduction to cover the shrinkage resulting from the mixture thereof, in the facilities of Carrier, with Crude Petroleum of A.P.I. Gravity of 47.9 degrees or less according to the following table:

A.P.I. GRAVITY			% DEDUCTION
48°	Through	49.9°	0.5%
50°	Through	59.9°	1%
60°	Through	74.9	2%
75°	Through	84.9	3%
85°	Through	94.9	4%
95°	Through	104.9	5%
105°	Through	120.9	6%

B. The quantity deliverable by Carrier shall be the net corrected volume, as outlined in Item No. 120, less one fifteenth of one percent (0.15%) for losses during transportation (the "Pipeline Loss Allowance"), except as otherwise provided in a TSA, and less the applicable deduction for shrinkage. Transportation charges will be assessed on the net balance thus reduced.

Item No. 130. EVIDENCE OF RECEIPTS AND DELIVERIES: Crude Petroleum received from Shipper and delivered to the Consignee shall, in each instance, be evidenced by tickets, showing opening and closing tank gauges or meter readings, as applicable, temperature, basic sediment and water, and any other data essential to the determination of quantity. Unless otherwise agreed by Carrier, such tickets shall be jointly signed by representatives

of Carrier and Shipper or Consignee, as appropriate, and shall constitute full receipt for the Crude Petroleum received or delivered.

Item No. 135. INTENTIONALLY OMITTED.

Item No. 140. INTRASYSTEM CHANGE IN OWNERSHIP: Notice of change in ownership of Crude Petroleum will be recognized and recorded only where such Crude Petroleum entered the Carrier's system and only on a monthly basis. Statements denoting ownership transactions will be provided to the applicable Transferors and Transferees. Carrier will not provide any information as to the quality of the Crude Petroleum subject to changes in ownership except for A.P.I. Gravity on current receipts when requested. A Transferor will be permitted to make only one transfer at a location per month. The Transferee will thence become Shipper and pay all tariff charges from the transfer location.

Carrier shall not be obligated to recognize and record changes in ownership of Crude Petroleum during any Operating Month unless the Transferor and Transferee requesting the Carrier to recognize and record the change in ownership shall, each, on or before the 15th day of the preceding calendar month provide written notice to the Carrier containing like data relative to the kind, quantity, source, location, Transferor and Transferee of the Crude Petroleum. Carrier shall not be obligated to accept any modification in said notice unless confirmed in writing by the Transferor and Transferee on or before the last day of the calendar month preceding the Operating Month.

When the quantity of the Crude Petroleum received during the Operating Month is not equivalent to the quantity of the Crude Petroleum subject to the notice of change in ownership, the Carrier will recognize and record the change in ownership only to the extent of the quantity received.

A notice of change in ownership of Crude Petroleum shall be deemed a warranty that the Transferor has unencumbered title to the Crude Petroleum identified in its notice at the time of change in ownership.

Item No. 145. INTENTIONALLY OMITTED.

Item No. 150. STORAGE IN TRANSIT: Carrier may have working tanks required to support its transportation operations, but has no other available tankage. Therefore, Carrier does not have facilities for rendering, nor does it offer, a storage service.

Item No. 155. PIPEAGE, OTHER CONTRACTS AND AGENCY: Separate pipeage and other contracts may be required of a Shipper, in accordance with these rules and regulations, before any duty of transportation by the Carrier shall arise. Shipper may request that a third party act as agent for Shipper in performing some or all of the acts or obligations of Shipper. Carrier will accept an agency request if a satisfactory written agency agreement, the determination of which shall be made by Carrier in its sole discretion, is executed by Shipper, Shipper's agent and Carrier.

Item No. 160. EASEMENTS: Each Shipper or third party, to the extent that such Shipper or third-party owns and operates facilities which directly connect with Carrier's facilities, shall enter into a connection agreement which grants, and shall cause its affiliates to grant, Carrier and its affiliates without charge, a right of way easement to install, maintain, repair, alter, use, operate and remove such parts of any of Carrier's pipelines or other facilities at any applicable destination or receipt point at which such Shipper's or third party's directly connecting facilities are or shall be located in, on, through and across the land of such Shipper, third-party, or affiliates, and a right of ingress to and from such pipelines and other facilities.

Item No. 165. RATES

TABLE OF RATES
Rates in Cents per Barrel, Payable in United States Currency

[I] The Rates in this table [C]~~remain unchanged~~ are Increased.

Committed Shipper Rates:			
Receipt Point:	Delivery Point:	Aggregate Pipeline Monthly Throughput (Bpd)	Multiple Common Stream Transportation
Pronghorn Station Douglas, WY	Guernsey Station Guernsey, WY	30,000 Bpd or less	[I] 103.21 <u>106.31</u>
		Greater than 30,000 Bpd	[I] 51.60 <u>53.15</u>

Note: Rates set forth in the table above to be calculated based on total revenue barrels in the period, allocated proportionally amongst the Committed Shippers. All Committed Shippers will receive the benefit of all volumes transported or paid for by other Committed Shippers and Uncommitted Shippers on the Pipeline towards the incentive tariff above.

[I] The Rates in this table [C]~~remain unchanged~~ are Increased.

Uncommitted Shipper Rate:		
Receipt Point:	Delivery Point:	Multiple Common Stream Transportation
Pronghorn Station Douglas, WY	Guernsey Station Guernsey, WY	[I] 125.54 <u>130.95</u>

Item No. 170. SPECIFICATIONS FOR COMMON STREAM TRANSPORTATION: Carrier offers the following common stream transportation alternatives from the Pronghorn Station receipt point to the Guernsey Station destination points:

1. The Bakken Light Sweet common stream, or “BLS,” will contain not greater than 0.2% sulfur and will have an API gravity of not less than 40 degrees or more than 46 degrees.
2. The Niobrara common stream, or “NIO,” will contain not greater than 0.42% sulfur and will have an API gravity of not less than 34 degrees or more than 42 degrees.

EXPLANATION OF REFERENCE MARKS

[N] New [C] Changed [I] Increased