

| [Draft 022814](#)

Exhibit C –Pro-forma Rules and Regulations

TALLGRASS PONY EXPRESS PIPELINE LLC

LOCAL PIPELINE TARIFF Containing

RULES AND REGULATIONS

Governing the Transportation of

PETROLEUM By Pipeline

The rules and regulations published herein apply only under tariffs making specific reference by FERC or State Commission number to this tariff; such reference will include successive issues hereof.

FERC ICA Oil Tariff

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

ISSUED:

EFFECTIVE:

Issued By:
Pony Express Pipeline

Compiled By:
Tallgrass Pony Express Pipeline LLC

Tariff available at www._____

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GENERAL APPLICATION

Rules and regulations published herein apply only under tariffs which make specific reference by F.E.R.C. number or State Commission number to this tariff; such reference will include supplements hereto and successive issues hereof.

Petroleum will be transported through Carrier's facilities only as provided in this rules and regulations tariff, except that specific rules and regulations published in individual tariffs will take precedence over rules and regulations published herein.

RULES AND REGULATIONS

Item No. 5 General Definitions (applicable to the specified terms below and various forms thereof)

"API" as herein used means the American Petroleum Institute.

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

"Carrier" as herein used means ~~Kinder Morgan Pony~~ Tallgrass Pony Express Pipeline LLC.

"Connecting Carrier" as herein used means an upstream pipeline connected to Carrier's system.

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

"Committed Shipper" as herein used means a shipper who has signed a Throughput and Deficiency Agreement with Carrier.

"Financial Assurances" as herein used means the Financial Assurances provided by Shippers and accepted by Carrier in accordance with Item No. 75 herein.

"Nominate" or "Nomination" as herein used means a Shipper's binding Tender to Carrier of a specified quantity of Petroleum for transportation by Carrier from a specified point of origination to a specified point of destination in the next following calendar month.

"Petroleum" as herein used means: (1) Any crude petroleum adapted for refining or fuel purposes which by A.S.T.M. (American Society for Testing Materials) methods substantially distills below seven hundred degrees (700°) Fahrenheit; or (2) any petroleum product which by A.S.T.M. methods substantially distills below four hundred degrees (400°) Fahrenheit and which when mixed in or for transit with other petroleum has a resultant vapor pressure not exceeding thirteen (13) pounds Reid at one hundred degrees (100°) Fahrenheit.

"Pipeline Loss Allowance" or "PLA" as herein used means that portion of Petroleum retained by Carrier at Origin for loss and shrinkage for Carrier owned facilities only. The PLA for local tariff movements that are less or equal to 48 API gravity degrees are as ~~the follows:~~ ing (1) NECL is .2% (2) other receipt points is .15%. For local movements for any receipt point that is greater than 48 API gravity degrees, the PLA will be .5%. The PLA under joint tariff movements will be posted in the Index of Tariffs. In addition, for deliveries using the Deeprock facilities at Cushing a separate PLA will be assessed.

"Shipper" as herein used means a party who contracts with Carrier for the transportation of Petroleum subject to and in accordance with these rules and regulations and subject to the rate provided in the applicable tariff.

"Tender" as herein used means the presentation for delivery by a Shipper to Carrier of a quantity of Petroleum for transportation from [a] specified origin[s] to [a] specified destination point[s] in accordance with these rules and regulations.

"Transferor" as herein used means the party who or which requests Carrier to recognize and record a change in ownership of petroleum from his or its account to a designated Transferee's account.

"Transferee" as herein used means the entity accepting volumes pursuant to an intra-system transfer of title to Petroleum.

"Throughput and Deficiency Agreement" or "TDA" as herein used means an effective Throughput and Deficiency Agreement executed by Carrier and a Committed Shipper.

"Uncommitted Rate" - as herein used means the rate(s) filed by Carrier with FERC applicable to movements by an Uncommitted Shipper.

"Uncommitted Shipper" as herein used means a Shipper who has not signed a TDA.

Item No. 10 Commodity

Carrier will transport Petroleum, as defined in Item No. 5, exclusively and will not accept any other commodity for transportation.

Item No. 15 Specifications as to Quality Received

No Petroleum will be accepted for transportation except good merchantable Petroleum of a gravity between twenty eight and fifty two degrees (28° to 52°) A.P.I. (American Petroleum Institute) from receipts at Guernsey and no Petroleum will be accepted for transportation except good and merchantable Petroleum of a gravity between twenty eight and forty two degrees (28° to 42°) A.P.I. (American Petroleum Institute) from receipts at Pawnee and ~~Buckingham and Orchard~~ which is properly settled and weathered, as determined by Carrier, and contains not more than one half of one percent (.5%) of basic sediment, water and other impurities, no more than three tenths of one percent (.3%) of which is water, above a point four inches (4") below the pipe line connection with the tank from which it enters Carrier's facilities. No Petroleum will be accepted unless its gravity, viscosity and other characteristics are such that it will be readily susceptible of transportation through Carrier's existing facilities and it will not materially affect the quality of other shipments or cause disadvantage to other shippers and / or Carrier. No Petroleum will be accepted having greater than 20 parts per million hydrogen sulfide. No Petroleum will be accepted with a sulfur content higher than one half of one percent (.5%) by weight ~~from receipts at Guernsey and no Petroleum will be accepted with sulfur content higher than one half of one percent (.5%) by weight from NECL receipts.~~ Petroleum having the following specifications shall not be accepted: (i) having at the Receipt Point a temperature greater than one hundred degrees Fahrenheit (100° F); (ii) having a kinematic viscosity in excess of thirty centistokes ("cSt") determined at Carrier's reference line temperature, provided however, Carrier may elect at its sole discretion to accept Petroleum, from time to time, which does not meet the cSt specifications stated herein.

The presence of contaminants in Petroleum, including but not limited to chemicals such as chlorinated and/or oxygenated hydrocarbons and/or lead, shall be reason for Carrier to reject any Petroleum, and in the event any Shipper has tendered, and Carrier is transporting or has transported, contaminated Petroleum, such Shipper shall be liable for any and all direct and consequential

damages resulting therefrom and such Shipper shall save Carrier harmless from any and all claims, suits, costs, expenses, and/or judgments, arising from, directly or indirectly, the presence of contaminated Petroleum.

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

Item No. 19 Line Fill Requirement

An initial line fill requirement will be required from each Committed Shipper on a pro-rata basis per Carrier instructions no more than ninety days before the initial in service date of the pipeline for the efficient operation of Carrier's system. After the initial in service date, Carrier will require each Shipper to supply a pro rata share of Petroleum for line fill necessary for the efficient operation of Carrier's system.

After the initial in service, unless identified by Carrier as "excess" line fill, such line fill Petroleum may be withdrawn from Carrier's system only after ninety (90) days and subsequent to: (1) Shipper having ceased tendering shipments and notified Carrier in writing that it would no longer tender shipments to Carrier; (2) Shipper balances having been reconciled between Shipper and Carrier; and (3) Shipper having paid Carrier for all services.

Item No. 22 Responsibility for Quality Delivered

Carrier is a multiple common stream carrier, and Petroleum will be accepted for transportation only on condition that it shall be subject to such changes in gravity, quality or characteristics while in transit as may result from its mixture with other Petroleum in the pipe lines of Carrier. Carrier in its reasonable discretion shall determine the characteristics of the common streams it will transport from time to time and make such information readily available to Shippers. Subject to the foregoing, Carrier will use reasonable efforts to deliver Petroleum of a type equivalent to that accepted from Shipper; however, Carrier shall be under no obligation to make delivery of the identical Petroleum received but may make delivery out of common stock.

Carrier shall have no responsibility in, nor for, any revaluations or settlements which may be deemed appropriate by Shippers and/or Consignees because of mixing or intermingling of Petroleum shipments between the receipt and delivery of such shipments by Carrier, other than furnishing volume and gravity data on the Petroleum received and delivered.

Notwithstanding the foregoing, if a Shipper requests that its Petroleum be shipped separate from the common stream and has the necessary facilities to allow batching, Carrier will, to the extent permitted by its existing facilities and operating conditions, endeavor to segregate such Petroleum during transportation and to make delivery of substantially the same Petroleum at destination; provided that in such instances Carrier may require Shipper to (i) make the 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 Petroleum specified by Carrier in order to prevent changes in the quality of preceding and subsequent Petroleum; 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 Petroleum or for any variations in quality while in Carrier's custody.

Item No. 25

Title

Shipper shall not Tender and Carrier has the right to reject any Petroleum for transportation the title to which is in litigation or as to which a dispute of title exists or which is encumbered by any lien, and Carrier may require Shipper to provide satisfactory evidence of Shipper's good and unencumbered title or sufficient indemnity to protect Carrier against any loss whatsoever from having transported and/_or delivered Petroleum, title to which is or may be in dispute. By Tendering Petroleum, Shipper warrants and guarantees that Shipper has good and unencumbered title thereto and agrees to indemnify and hold Carrier harmless for any and all loss, cost, liability, damage and/or expense which may in any manner arise or grow out of Shipper's breach of warranty or representation with respect to any shipment Tendered by Shipper and transported by Carrier. Acceptance for transportation shall not be deemed a representation by the Carrier as to title.

Shipper shall also be liable to, and shall indemnify, Carrier for property damage, including damage for loss of use of any facilities which may in any manner arise or grow out of Shipper's breach of warranty or representation with respect to any shipment Tendered by Shipper and transported by Carrier.

Item No. 30

Measurement, Gauging, Testing and Volume Corrections

- a) Prior to its acceptance at origin and upon its delivery at destination, Petroleum must be gauged and tested by a representative of Carrier. Except as provided below in this Item No. 30, quantities will be determined from regularly compiled one hundred percent (100%) tank tables or by carrier-approved automatic equipment, and corrected to the temperature of sixty degrees Fahrenheit (60°F). Deductions will be made for the full amount of basic sediment, water and other impurities as ascertained by centrifuge or other tests agreed upon.
- b) All Petroleum tendered for transportation may be tested, gauged or metered by a representative of Carrier prior to, or at the time of tender to Carrier. Connecting Carrier shall have the privilege of being present or represented during the testing, gauging or metering. Carrier shall give Connecting Carrier twenty four (24) hours notice of its desire to be present during testing, gauging or metering.
- c) All measurement procedures are to be conducted in accordance with API standards and pipeline industry practice or such other tests as may be agreed upon by Carrier and Shipper.
- d) Carrier shall deduct PLA from volumes received at the origin.
- e) Each Connecting Carrier or Shipper shall allow Carrier to run, and obtain the results of, an "indicator test" of one sample from a discrete quantity of Petroleum which Shipper desires Carrier to transport, and Carrier shall not accept such Petroleum unless Carrier's indicator test does not show the presence of chlorinated or oxygenated hydrocarbon contamination. Carrier shall charge Sixty Dollars (\$60.00) per test for each such test run by Carrier.

If Carrier's indicator test shows the presence of said contamination, Carrier shall submit, via surface transportation, said sample to a professional testing laboratory experienced in testing for contaminants in petroleum and acceptable to both Shipper and Carrier for definitive analysis, and if said laboratory finds any contaminants, then such Petroleum shall not be accepted by Carrier and Shipper or Connecting Carrier shall be responsible for proper disposition of the contaminated Petroleum and Shipper or Connecting Carrier shall pay Carrier all costs incurred in obtaining the analysis, plus an additional ten percent (10%) thereof for Carrier's handling costs, but if said laboratory does not find contaminants in such sample Carrier shall bear such costs and accept the Petroleum for transportation.

Nothing in this Item No. 30(e) requires Carrier to run an indicator test prior to accepting any petroleum; nor does it excuse any Shipper or Connecting Carrier from complying with any requirement in any other Item in this Tariff, or from liability for failing, in whole or in part, to comply therewith, whether or not an indicator test is run. Carrier does not hold itself out to be, and is not in the business of performing chemical analyses, and neither Carrier nor any employee thereof shall be liable for any claims, demands, losses, or damages suffered by any Shipper because of the running, or results of, any tests or analyses, except such as may arise from the willful negligence of, or acts in bad faith by, Carrier or any employee thereof.

Item No. 32 Minimum Quantity

Carrier will not be required to receive for transportation a quantity of less than 10,000 Barrels per month.

Item No. 35 Points of Origin, Destination, and Facilities

Carrier will receive Petroleum from Shippers only at established receiving points on its system. Petroleum will be received only from facilities provided or arranged for by Shipper. Carrier will determine and advise Shippers of the facilities to be provided at the point of a receipt to meet the operating conditions of Carrier's facilities at such point. Carrier will not accept Petroleum for transportation unless such facilities have been provided.

Committed Shippers who have established a Minimum Daily Volume Commitment on Carrier's Northeast Colorado Lateral at the Pawnee Origin or at the Buckingham Origin may request the movement of part or all of such Minimum Daily Volume Commitment from the Pawnee Origin to the Buckingham Origin or from the Buckingham Origin to the Pawnee Origin, and Carrier shall accommodate such movement provided that Carrier shall be afforded a reasonable time period in which to facilitate such movement, which time period shall not exceed six months from the date of Carrier's receipt of notice from Shipper requesting such movement."

Carrier will deliver Petroleum to Consignees at established destination points on its system. Petroleum will be delivered only into facilities which are provided by or arranged for by Shipper or Consignee or as provided for in a TDA. Carrier will determine and advise Shippers and Consignees of the size and capacity of facilities to be provided at delivery point(s) to meet the operating conditions of Carrier's facilities at such point. Carrier will not accept Petroleum for transportation unless such facilities have been provided.

Any Petroleum that may arrive at destination and not be accepted by Shipper or Consignee at the designated destination may be subject to additional charges and / or disposed of in any reasonable manner as determined by Carrier.

Carrier has access to working tanks that are needed to transport Petroleum and therefore, does not have facilities for rendering, nor does it offer a storage service. Provisions for storage during transit in facilities furnished by Shipper at points on Carrier's system will be permitted to the extent authorized under individual tariffs.

Shipper will be required to supply adequate storage at the delivery point(s) or make other arrangements at the delivery point(s) to receive its shipments. Carrier will assess a demurrage charge of one dollar U.S. (\$1.00) per Barrel for each Day (or fractional part thereof) commencing twenty four (24) hours following Carrier's notification to Shipper of its failure to perform in accordance with this Item 35. In addition to demurrage charges, Shipper shall pay any third party transportation and storage costs incurred by Carrier, for Shipper's failure to perform in accordance with this Item 35 and Carrier's liability for loss, damage or delay with respect to Petroleum delivered,

but not taken by Shipper, shall be that of a warehouseman only. If a Shipper fails to take delivery of Petroleum from Carrier's pipeline segment in accordance with the provisions of this Tariff then, five days after expiration of twenty four hours from the time Shipper's Petroleum became available for Shipper's receipt, Carrier shall also have the right to remove and sell such Petroleum.

Item No. 37 Access and Use of Shipper's Facilities

Carrier shall have the right to install, in suitable locations, and to operate and maintain, pipe lines, pumping equipment, other auxiliary pipe line equipment, and power service facilities upon and across surface lands held by the Shipper in connection with Petroleum tendered by Shipper from such lands directly into Carrier's facilities for transportation under this Tariff

Carrier, by its representative, shall have the right to go upon the premises where Petroleum tendered for shipment is produced or stored, and shall have access to any metering installations or storage receptacles for the purpose of making examinations, inspections, measurements, or tests authorized by, or necessary to effectuate, these regulations.

Item No. 40 Application of Rates and Charges

Except as further provided in this Item No. 40, Petroleum accepted for transportation on behalf of Uncommitted Shippers shall be subject to the rates and charges in effect on the date of receipt of such Petroleum by Carrier and as published in the Index of Tariffs. Petroleum accepted for transportation on behalf of Committed Shippers shall be subject to the rates and charges in effect on the date of receipt of such Petroleum by Carrier and as stated in the applicable TDA and Tariff. Transportation and all other lawful charges will be collected on the basis of the net quantities of Petroleum delivered, and said net quantities will be determined in the manner provided in these Rules and Regulations. Whenever Carrier's system is in proration as described in Item No. 48 below, Uncommitted Shippers whose nominations have been confirmed for the prorated period shall be obligated to pay for not less than ninety-five percent (95%) of their confirmed nomination whether or not the Uncommitted Shipper tenders Petroleum for transportation service. The Uncommitted Shipper shall be awarded shipping history based on the greater of barrels transported by Carrier or 95% of the Uncommitted Shippers confirmed nomination.

Item No. 41 Pipeline or Other Contracts Required

Separate pipeline and other contracts covering further details may be required by Carrier before any duty for transportation shall arise.

~~Item No. 42 Compliance with OSHA Regulations~~

~~When OSHA regulations require the presence of a second Carrier employee at a site because of H2S levels, an additional fee of [US] 13.79 Cents (\$0.1379) per Barrel will be assessed and collected. This fee may be waived if Shipper provides a permanent alternative mechanism to comply with such rules. Any alternative must be approved and agreed to by Carrier.~~

Item No. 45 Nominations and Tenders Required

- (a) Petroleum for shipment through pipelines of Carrier will be received only on properly executed Nominations showing the point at which the Petroleum is to be received, point or points of delivery, Consignee, and amount of Petroleum to be transported. Any Shipper desiring to Tender Petroleum for transportation shall make a Nomination for such Tender to Carrier in writing on or before 5:00 p.m. (Central Time) on the date specified by Carrier for that month in

the notice Carrier issues on Carrier's bulletin board ("Nomination Deadline"). If the Nomination Deadline falls on a non-business day, Nominations shall be due on the preceding business day. Carrier may require detailed information to substantiate the validity of Nomination or pre-Nominations including but not limited to the origin of barrels nominated into the system whether from connecting carrier or other sources. Nominations made in accordance with this No. 45(a) shall constitute binding offers which, when accepted by Carrier, will be binding and will constitute the nominating Shipper's agreement to pay the applicable per Barrel Rates regardless of such Shipper's actual Tender and delivery of Petroleum to Carrier for transportation. (Doesn't this address the matter of Uncommitted Shippers who receive confirmation of a nomination but fail to tender???)

- (b) If space is available for current movement a Shipper may Nominate Petroleum for transportation after the 20th day of the month preceding the month during which the transportation under the Nomination is to begin. Carrier may refuse to accept Petroleum Tendered for transportation unless satisfactory evidence has been furnished that Shipper or Consignee has made provisions for prompt receipt thereof at destination.

Item No. 48 Prorationing

Definitions

"Aggregate Remaining Available Capacity" means the capacity unfilled in any Month in which one or more Silos from among the Belle Fourche Joint Tariff Silo, the Hiland Joint Tariff Silo, the Pony Express Local Silo – Guernsey to Cushing, and the Pony Express Local Silo – Northeast Colorado Lateral to Cushing, but not all four Silos, are subject to Prorationing

"Available Capacity" means the total monthly capacity available (barrels per month) in a line segment.

"Base Period" means the twelve (12)-calendar month period beginning thirteen (13) months prior to the Proration Month and excluding the month preceding the Proration Month.

"BOPD" means Barrels of Oil per Day.

"BOPM" means Barrels of Oil per Month.

"In-Service Date" means the first day that Carrier is able to provide transportation service to any Shipper(s) on a new or expanded portion of Carrier's system.

"Initial Silo Capacity" means (1) 122,648 BOPD in the case of The Belle Fourche Joint Tariff Silo; 45,714 BOPD in the case of the Hiland Joint Tariff Silo; 61,638 BOPD in the case of the Pony Express Local Silo – Guernsey to Cushing; 90,000 BOPD in the case of the Pony Express Local Silo – Northeast Colorado Lateral to Cushing; TBD BOPD in the case of a possible future Pony Express Local Silo – Northeast Colorado Lateral to Sterling; and TBD BOPD in the case of a possible future Pony Express Local Silo – between central Kansas and Cushing.

"New Shipper" means: (1) a Shipper that has not shipped Petroleum in each month of the Base Period or (2) a Committed Shipper that has failed to make payments pursuant to a TDA, in each month of the Base Period, for the transportation of Petroleum on the affected line segment.

"New Shipper Available Capacity" means the Available Capacity minus the capacity apportioned to Regular Shippers. New Shipper Available Capacity shall be no less than ten percent (10%) of Available Capacity.

"New Shipper Aggregate Remaining Available Capacity" means the Aggregate Remaining Available Capacity minus the Aggregate Remaining Available Capacity apportioned to Regular Shippers. New Shipper Aggregate Remaining Available Capacity shall be no less than ten percent (10%) of Aggregate Remaining Available Capacity. New Shippers shall receive no shipping history for barrels shipped on Aggregate Remaining Available Capacity.

"Prorationing" is the process by which capacity is allocated in a Proration Month.

"Proration Month" means any calendar month for which Available Capacity is to be prorated.

"Regular Shipper" means (1) a New Shipper that has graduated by shipping Petroleum on the affected line segment in each month of the Base Period or (2) a Committed Shipper that has shipped Petroleum or made payments pursuant to a TDA for the transportation of Petroleum on the affected line segment in each month of the Base Period, provided however, that such Committed Shipper shall be deemed to be a Regular Shipper upon the In-Service Date and its deemed volumes for each of the 12 months prior to the In-Service Date, or prior to the effective date of any increase in monthly volume commitment, shall be equal to its monthly volume commitment, or increase in monthly volume commitment, as set forth in the TDA. A Regular Shipper will lose its status as a Regular Shipper if it does not ship Petroleum or, in the case of a Committed Shipper, ship or make payments pursuant to a TDA for the transportation of Petroleum, on the affected line segment in each month of the Base Period.

"Regular Shipper Allocation" means a Regular Shipper's Total Shipments *divided* by 12 *divided* by Regular Shipper Available Capacity.

"Regular Shipper Available Capacity" means 90% of Available Capacity.

"Regular Shipper Aggregate Remaining Available Capacity" means ninety percent (90%) of Aggregate Remaining Available Capacity. Regular Shippers shall receive no shipping history for barrels shipped on Aggregate Remaining Available Capacity.

"Silo" means a distinct segment of pipeline capacity to be treated as a separate pipeline for purposes of prorationing. Carrier's system shall include three (3) Silos commencing within the In-Service Date of the Guernsey Origin and an additional Silo commencing with the In-Service Date of the NECL. Silos shall be maintained after the In-Service Date for a minimum of five (5) years until modified by Carrier as a result of changes in Regular Shipper usage patterns. The Silos will include: (1) The Belle Fourche Joint Tariff Silo, (2) The Hiland Joint Tariff Silo, (3) The Pony Express Local Silo – Guernsey to Cushing, and (4) The Pony Express Local Silo – Northeast Colorado Lateral to Cushing. In addition a fifth Silo, the Pony Express Local Silo – Northeast Colorado Lateral to Sterling and a sixth Silo, the Pony Express Local Silo – between central Kansas and Cushing may be added at a future date.

"Total Shipments" means the volumes that a Regular Shipper has shipped, or that a Committed Shipper has shipped or made payments for pursuant to a TDA, during the Base Period, provided however, that a Committed Shipper's Total Shipments for any Base Period that includes any of the 12 months preceding the In Service Date, or any 12 months preceding the effective date of an increase in monthly volume commitment, shall equal the sum of any deemed volumes applicable for any of the months in the Base Period *plus* any volumes actually shipped or paid for in any of the months of the Base Period.

Capacity Prorationing Procedures

When Carrier receives more Nominations in a month for transportation of Petroleum on a ~~Silo~~line segment than Carrier is able to transport, such Nominations will be subject to capacity prorationing

procedures as set forth in this Item 48 ("Prorationing"), and Carrier shall apportion the Available Capacity for ~~Shippers on each Silo in such line segment~~ in the following sequential manner:

A. Regular Shippers:

- (i) Each Regular Shipper will receive an initial allocation that equals the *lesser* of: (1) its Regular Shipper Allocation, or (2) its Nomination.
- (ii) In each instance when a Regular Shipper's Allocation is *greater* than its Nomination, the remainder will be allocated on a pro rata basis to other Regular Shippers whose initial Regular Shipper Allocations are less than their Nominations, up to the amount of each of their Nominations.
- (iii) Carrier shall determine New Shipper Available Capacity by subtracting Regular Shipper Allocations made under A.(i) and A.(ii) above from Available Capacity.

B. New Shippers:

- (i) Each New Shipper shall receive an initial allocation that equals the lesser of: (1) New Shipper Available Capacity *divided* by the total number of New Shippers making Nominations for the Proration Month, or (2) its Nomination. If the number of New Shippers nominating for capacity on a Silo is such that each New Shipper's allocation would result in a capacity award of less than 5,000 BOPM then Carrier shall employ a process of random selection to limit the number of New Shippers such that each New Shipper's capacity allocation for the month in question will result in not less than 5,000 BOPM.
- (ii) In each instance when a New Shipper receives its Nomination instead of its higher pro rata allocation under B.(i) above, the remainder will be allocated equally among the remaining New Shippers receiving a pro rata allocations under B.(i).
- (iii) The sum of capacity allocations under B.(i) and B.(ii) above shall equal each New Shipper's total allocation for the Proration Month.
- (iv) Each New Shipper will be allocated no more than 2.5 percent of the Available Capacity on a Silo ~~of the line segment~~; provided, however, that this limitation shall not be applicable if it would result in an allocation to all New Shippers of less than 10 percent of Available Capacity on a Silo ~~of the line segment~~.

C. Regular Shippers:

- (i) If any Available Capacity on a Silo remains after allocations are completed under A and B above, such remaining Available Capacity will be allocated on a pro rata basis to Regular Shippers whose full Nominations were not allocated under A.(i) and A.(ii) above.
- (ii) The sum of each capacity allocation under A.(i), A.(ii) and C.(i) shall constitute each Regular Shipper's total allocation for the Proration Month.

†In any month in which one or more Silos from among the Belle Fourche Joint Tariff Silo, the Hiland Joint Tariff Silo, the Pony Express Local Silo – Guernsey to Cushing, and the Pony Express Local Silo – Northeast Colorado Lateral to Cushing, but not all four Silos, are subject to Prorationing, then the Remaining Available Capacity in the Silos not subject to Prorationing shall be aggregated and shall be referred to as the Aggregate Remaining Available Capacity and shall be apportioned as follows:

D. Regular Shippers

- (i) Each Regular Shipper on the Prorated Silos whose nomination has not been fully satisfied in (A) and (C) above will be allocated a pro rata share of ninety percent (90%) of the Aggregate Remaining Available Capacity, up to its Nomination.
- (ii) In each instance when the sum of a Regular Shipper's Allocation in (A) and (C) and (D).(i) above is *greater* than its Nomination, the remainder of ninety percent (90%) of the Aggregate Remaining Available Capacity will be allocated on a pro rata basis to other Regular Shippers, the sum of whose Regular Shipper allocations in (A) and (C) and (D).(i) above are less than their Nominations, up to the amount of each of their Nominations.
- (iii) Carrier shall determine New Shipper Aggregate Remaining Available Capacity by subtracting Regular Shipper Allocations made under (A) and (C) and (D).(i) and (D).(ii) above from Aggregate Remaining Available Capacity.

E. New Shippers:

- (i) Each New Shipper on the Prorated Silos whose unsatisfied nomination in (B) above exceeds 5,000 BOPM will be allocated a pro rata share of the Aggregate Remaining Available Capacity, up to its Nomination, except that no New Shipper's allocation shall be less than 5,000 BOPM. If the number of New Shippers is such that each New Shipper's allocation would result in a capacity award of less than 5,000 BOPM then Carrier shall employ a process of random selection to limit the number of New Shippers such that each New Shipper's allocation of Aggregate Remaining Available Capacity will result in not less than 5,000 BOPM.
- (ii) In each instance when the sum of a New Shipper's Allocation in (B) and (E).(i) above is greater than its Nomination, the remainder of ten percent (10%) of the Aggregate Remaining Available Capacity will be allocated on a pro rata basis to other New Shippers, the sum of whose New Shipper allocations in (B) and (E).(i) above are less than their Nominations, up to the amount of each of their Nominations.
- (iii) Each New Shipper will be allocated no more than 2.5 percent of the Aggregate Remaining Available Capacity; provided, however, that this limitation shall not be applicable if it would result in an allocation to all New Shippers of less than 10 percent of the Aggregate Remaining Available Capacity.

F. Regular Shippers:

(i) If any Aggregate Remaining Available Capacity remains after allocations are completed under (D) and (E) above, such Remaining Aggregate Available Capacity will be allocated on a pro rata basis to Regular Shippers whose full Nominations were not allocated under (A) and (C) and (D) above.

(iii) The sum of its capacity allocations under (D) and (F) above shall constitute each Regular Shipper's total allocation of Aggregate Remaining Available Capacity for the Month.

Item No. 50 Payment of Charges:

The Shipper or Transferor shall be obligated to pay Carrier all charges and fees in accordance with invoice terms, applicable TDA and these rules and regulations.

Shipper shall, if requested by Carrier~~required~~, furnish Financial Assurances satisfactory to Carrier in accordance with Item No. 75 herein.

Carrier is entitled to a lien for all accrued unpaid charges and fees. Such lien attaches to any Petroleum retained by Carrier for the Shipper's or Transferor's account. Carrier may, at its option, refuse to: (1) deliver to the Shipper, or (2) recognize and record any change in ownership of crude Petroleum for the account of a Transferor until all charges or fees owed to Carrier have been paid in full by such party.

If any charge remains unpaid after the payment due date, then such amount due shall bear interest, calculated at an annual rate equivalent to 125% of the base lending rate of interest charged by the Norwest Bank of Denver, Denver, Colorado, for loans made to substantial and responsible commercial borrowers, from the payment due date of the invoice to the date payment is received by Carrier.

If any such charges or fees remain unpaid for thirty (30) calendar days after the payment due date, Carrier shall have the right, either directly or through an agent to sell any of the Shipper's or Transferor's Petroleum within the custody of Carrier. From the proceeds of this sale, Carrier will deduct all transportation charges, change in ownership charges, other lawful charges and fees and interest due to Carrier, including expenses incident to said sale, and the balance of the remaining proceeds, if any, shall be held by Carrier for whomsoever may be lawfully entitled thereto. If proceeds from such sale are not sufficient, Shipper or Transferor will remain liable for any deficiency including the above interest charges.

Carrier may, with or without notice to Shipper, appoint agent(s) to retain possession of Shipper's Petroleum on behalf of Carrier for the purpose of enforcing the general lien described in this Item 50.

Item No. 52 Charge for Spill Compensation

In addition to the transportation charges and all other charges accruing on Petroleum accepted for transportation, a per Barrel charge will be assessed and collected in the amount of any tax, fee, or other charge levied against the Carrier in connection with such commodity, pursuant to any Federal, State or local act or regulation which levies a tax, fee, or other charge, on the receipt, delivery, transfer or transportation of such commodities within their jurisdiction for the purpose of creating a fund for the prevention, containment, clean up and/or removal of spills and/or the reimbursement of persons sustaining loss therefrom.

Item No. 55 Liability of Carrier

Carrier, while in possession of any of the Petroleum herein described, shall not be liable for any loss thereof, damage thereto or delay caused by fire, storm, flood, epidemics, acts of God, riots, war, sabotage, strikes, the authority of law, public enemy, or the act of default of the Shipper or Consignee, or from any cause whatsoever, whether enumerated herein or not, except by its own sole direct negligence. In case of the loss of Petroleum from any cause other than the sole direct negligence of Carrier, the Shipper shall bear a loss in such proportion as the amount of his Petroleum or portion thereof, received and undelivered at the time the loss occurs, bears to all the Petroleum then in the custody of the Carrier for transportation via the lines or other facilities in which the loss occurs; and the Shipper shall be entitled to have delivered only such portion of his shipment as may remain after deduction of his due proportion of such loss. In such event, transportation charges will be assessed only on the net quantities of Petroleum delivered.

Item No. 60 Claims, Suit and Time for Filing

Claims for loss or damage must be made in writing to Carrier within nine (9) months after delivery of [Shipper's Petroleum](#)~~the property~~, or in case of failure to make delivery, then within nine (9) months after a reasonable time for delivery has elapsed; and suits for recovery of claims for loss or damage shall be instituted only within two (2) years and one (1) day from the day when notice in writing is given by Carrier to claimant that Carrier has disallowed the claim, in whole or in part. Claims not filed and suits not instituted thereon as aforesaid shall be null and void and Carrier shall have no liability therefore.

Item No. 65 Delivery

Carrier will transport and deliver Petroleum with reasonable diligence and dispatch, but will accept no Petroleum to be transported in time for any particular market. After any shipment has had time to arrive at destination, Carrier may begin delivery at its current rate of pumping.

Item No. 67 Inability to Deliver to Designated Facilities

Based upon Carrier's acceptance of Tendered shipments in reliance on the designation of delivery facilities required by Item 35 herein and upon Carrier's lack of storage facilities, if Carrier cannot deliver into such facilities for any reason not attributable to Carrier, Shipper or Consignee shall indemnify and save Carrier harmless from all costs or expenses which may arise therefrom, directly or indirectly. Any such indemnification shall be in addition to all other applicable charges.

Item No. 70 Application of Rates to New Origin or Destination Points

Pending the issue of new rates from any new points of origin or destination that may be established at Carrier's sole discretion, the following rule will govern with respect to transportation from or to any such new origin or destination point not named in this tariff or an individual tariff: the rate published from the next more distant origin and/or destination point named herein or in an individual tariff shall be applied.

Item No. 75 Financial Assurances

(a) All prospective shippers shall, twenty-five (25) days prior to making their first tender, provide information to Carrier that will allow Carrier to determine the prospective shipper's capacity to

perform any financial obligations that could arise from the transportation of that prospective shipper's Petroleum under the terms of this tariff, including the payment of transportation charges, equalization obligations, the value of any loss allowance, and any negative balance positions. At any time, upon the request of Carrier, Shipper shall, within five days of such request, provide information to Carrier that will allow Carrier to determine Shipper's capacity to perform any financial obligations that could arise from the transportation of that Shipper's Petroleum under the terms of this tariff, including the payment of transportation charges, equalization obligations, the value of any loss allowance, and any negative Shipper balance positions. Carrier shall not be obligated to accept Petroleum for transportation from any Shipper or prospective shipper if such Shipper or prospective shipper fails to provide the requested information to Carrier within the time periods set forth herein, or if Carrier's review of the requested information, in its sole discretion, reveals that such Shipper or prospective shipper does not have the capacity to perform any financial obligations that could arise from the transportation of its Petroleum under the terms of this tariff, including the payment of transportation charges, equalization obligations, the reasonably determined value of any loss allowance, and any negative balance positions.

(b) Subject to the provisions of Item No. 75(c), Carrier upon notice to Shipper or prospective shipper, may require one or more of the following Financial Assurances for the payment of all charges and costs as provided for in this tariff, or otherwise lawfully due to Carrier to be provided at the expense of such Shipper or prospective shipper:

(i) A prepayment by wire transfer in immediately available funds in an amount equal to three months of transportation charges based on Shipper's or prospective sShipper's likely actual shipments for the production month for each applicable line segment. For purposes of this Item 75, a prospective sShipper's likely actual sShipments will be based on the anticipated sShipments listed in such prospective sShipper's sShipper application; or

(ii) a standby irrevocable letter of credit in favor of Carrier in an amount sufficient to ensure payment of all costs and charges that could reasonably accrue due to Carrier in a form and from an institution acceptable to Carrier;

(iii) A security interest in an asset or guaranty acceptable to Carrier

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

(i) any Shipper's financial condition is or has become impaired or unsatisfactory;

(ii) any Financial Assurances previously provided by Shipper no longer provide adequate security for the performance of such Shipper's obligations that could arise from the transportation of its Petroleum under the terms of this tariff; or

(iii) Carrier otherwise determines that it is necessary to obtain Financial Assurances from any Shipper or prospective sShipper, then such Shipper or prospective sShipper shall provide Financial Assurances for the payment of the charges and costs as provided for in this tariff or otherwise lawfully due to Carrier relating to the transportation of such Shipper's or prospective

| ~~S~~Shipper's Petroleum by Carrier. For the purpose of this tariff, and without limiting the generality of the charges and costs lawfully due to Carrier relating to the transportation of Shipper's Petroleum, those charges and costs shall include transportation charges, equalization obligations, any negative Shipper balance positions, and any loss allowance.

| (d) Any Financial Assurances received by Carrier in accordance with Item No. 75(b) (i) shall be retained by Carrier until such time as Carrier determines that the Shipper or prospective shipper that provided such Financial Assurance is capable of performing its financial obligations to Carrier. Within ten (10) business days of such a determination by Carrier, the Financial Assurance provided in accordance with No. 75(b) (i) shall be returned to such Shipper, prospective ~~S~~Shipper or institution as applicable.

EXPLANATION OF REFERENCE MARKS

- [C] Cancel.
- [N] New.
- [U] Unchanged Rate.
- [W] Change in wording only.

PONY EXPRESS PIPELINE COMPANY

INDEX OF TARIFFS FOR UNCOMMITTED SHIPPERS

**THIS INDEX CONTAINS A LIST OF TARIFF PUBLICATIONS
IN EFFECT ON XXXX, 201X.
[N] FERC ICA OIL TARIFF**

[N] This baseline tariff is filed in compliance with Federal Energy Regulatory Commission Order No. _____ FERC ¶ _____ (20XX).

ISSUED: XXXX, XXXX

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

Issued By:

Compiled By:

[N] Pony Express Pipeline Company
111.0.0

F.E.R.C. No.

SECTION I
Tariffs Under Which PONY EXPRESS PIPELINE COMPANY
Shown as Initial Carrier Uncommitted Rate
APPLYING ON PETROLEUM

<u>Uncommitted</u> <u>Rate</u>	<u>Origin</u>	<u>Destination</u>
\$to be determined	Guernsey County, Wyoming	Oklahoma
\$to be determined	Guernsey County, Wyoming	Oklahoma
\$to be determined	NECL, Colorado	Oklahoma

EXPLANATION OF REFERENCE MARKS

[N] New

[W] Change in wording

EXHIBIT D – FINANCIAL ASSURANCES

Commencing upon the Effective Date of the TDA and continuing through the term thereof, Shipper must at all times satisfy the Financial Assurances requirements contained in Carrier's pro forma Rules and Regulations as presently set forth in Exhibit C to the TDA. Shipper must continue to satisfy the Financial Assurances requirements of Carrier's Rules and Regulations on and after they become part of Carrier's Local Tariff on file with FERC, as such may be revised from time-to-time. Shipper shall provide Carrier's initial determination of Financial Assurances made in accordance with this Paragraph 6 within ten (10) days of the Effective Date of the TDA.