

# **TALLGRASS PONY EXPRESS PIPELINE, LLC**

## **LOCAL PIPELINE TARIFF**

Containing

## **RULES AND REGULATIONS**

Governing the Transportation of

**CRUDE PETROLEUM**

By Pipeline

The rules and regulations published herein apply under tariffs making reference to this Tariff; such reference will include successive issues hereof.

This filing is made pursuant to 18 C.F.R. § 341.8.

[N] Issued on 15 days' notice under authority of 18 C.F.R. § 341.14. This tariff publication is conditionally accepted subject to refund pending a 30 day review period.

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

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## GENERAL APPLICATION

Petroleum will be transported through Carrier's System only as provided in this 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.

"Asset Management Services" as herein used refers to the services provided by an Asset Manager for and on behalf of a Contract Shipper, which may include fulfilling the Contract Shipper's obligations in Items No. 19 and 75 herein, Nominating and Tendering all or part of the minimum volume commitment of a Committed Shipper pursuant to its TDA or the dedicated volumes of a Rate Incentive Shipper pursuant to its Rate Incentive Agreement, in accordance with Item No. 45 herein, processing invoices issued by Carrier in accordance with Item No. 50 herein, and/or incidental services thereto.

"Asset Manager" as herein used refers to a Rate Incentive Asset Manager or a TDA Asset Manager.

"Asset Manager Pipeline Agreement" as herein used means an Asset Manager transportation services agreement, Asset Manager throughput and deficiency agreement, Asset Manager dedication performance agreement or similar agreement entered into by an Asset Manager with Carrier in which Carrier and such Asset Manager agree to certain terms and conditions with respect to the Pipeline and this Tariff.

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

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

“Carrier’s System” as herein used means any facilities owned or leased by Carrier to perform services under these Rules and Regulations.

“Carrier’s Website” as herein used means the internet website at the following URL address: <http://pipeline.tallgrassenergyllp.com>.

“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 entered into a Throughput and Deficiency Agreement with the Carrier pursuant to an open season for Carrier’s System.

“Committed Volume” as herein used means the minimum volume commitment (barrels per Month) made by a Committed Shipper in its Throughput and Deficiency Agreement with Carrier.

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

“Contract Shipper” as herein used means a Committed Shipper or Rate Incentive Shipper, as applicable.

“Deerock” as herein used means Deerock Development, LLC, the operator of the Deerock Facilities.

“Deerock Facilities” as herein used means the storage and terminal facilities leased by Carrier in Cushing, Oklahoma to enable delivery of transported Petroleum to Destinations located in Cushing, Oklahoma.

“Destination(s)” as herein used means custody transfer delivery point(s) on Carrier’s System, as described in Carrier’s published tariff(s), at which Shipper’s Petroleum, after being transported by Carrier, is delivered into the custody of a downstream party pursuant to Shipper’s confirmed Nomination, including Deerock South for inventory management purposes.

“Financial Assurances” as herein used means the Financial Assurances provided by or on behalf of Shippers and accepted by Carrier in accordance with Item No. 75 herein.

“Hereford Lateral” as herein used means the approximately thirty-mile lateral originating near Hereford, Colorado and connecting to Carrier’s pipeline system at the Northeast Colorado Origin(s).

“Hereford Lateral Interim In-Service Period” as herein used means the period of time between the Hereford Lateral in-service date and the date upon which the Hereford Lateral Committed Shipper(s) are required to either ship or pay for service under the TDA(s).

“Intermediate Off-System Storage Point” as herein used means designated points to temporarily offload, store, and subsequently re-inject Petroleum located at Sterling, Colorado, or Buckingham, Colorado, or Guernsey, Wyoming.

“Month” or “Monthly” as herein used means a calendar month consisting of 28, 29, 30 or 31 days as applicable to the particular calendar month.

“NECL” as herein used means the Northeast Colorado Lateral connecting to Carrier’s pipeline system in Logan County, Colorado.

“Northeast Colorado Origin(s)” as herein used means Buckingham, Pawnee or Noble.

“Nominate(s)” or “Nomination(s)” as herein used means a Shipper’s or its Asset Manager’s binding offer to Carrier to Tender a specified quantity and quality of Petroleum for transportation by Carrier from a specified Origin to a specified Destination, or to or from an Intermediate Off-System Storage Point.

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

“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 provided by or on behalf of each Shipper, at no cost to Carrier, and retained by Carrier in recognition of loss and shrinkage on Carrier’s System. The PLA under joint tariff movements will be as published in the applicable tariff(s). For deliveries using the Deeprock Facilities an additional loss and shrinkage allowance will be charged and provided by each Shipper, at no cost to Carrier, transporting to such Destinations for the actual loss and shrinkage in the Deeprock Facilities.

“Rate Incentive Program” as herein used means a program offered through an open season or the rate tariff whereby (a) a Rate Incentive Shipper commits to Carrier to ship Petroleum from a specified amount of acreage or production or makes a volume commitment to Carrier, for a specified term, (b) the Rate Incentive Shipper (or its Asset Manager) will be entitled to tariff rate discounts on shipments of Petroleum on Carrier’s System, and (c) such Rate Incentive Shipper or its Rate Incentive Asset Manager will not receive priority service, deemed history or other prorationing rights that are preferential to those of a Regular Shipper (that is not a Committed Shipper).

“Rate Incentive Asset Manager” as herein used means an asset manager appointed by a Rate Incentive Shipper to perform certain Asset Management Services on behalf of such Rate Incentive Shipper.

“Rate Incentive Shipper” as herein used means a Shipper that has entered into a Rate Incentive Agreement with Carrier pursuant to the Rate Incentive Program.

“Rate Incentive Agreement” as herein used means an acreage dedication agreement, production dedication agreement, throughput and deficiency agreement or similar agreement executed by Carrier and a Rate Incentive Shipper pursuant to a Rate Incentive Program.

“Shipper” as herein used means a party for whom transportation services are provided by Carrier subject to and in accordance with this Tariff and subject to the rate provided in the applicable rate tariff.

“TDA Asset Manager” as herein used means an asset manager appointed by a Committed Shipper to perform certain Asset Management Services on behalf of such Committed Shipper.

“Tender” as herein used means the presentation for delivery by a Shipper or its Asset Manager to Carrier, or by a Connecting Carrier to Carrier on behalf of a Shipper or its Asset Manager, of a quantity of Petroleum for transportation from a specified Origin(s) on Carrier’s

System or from a Connecting Carrier providing joint transportation services with Carrier, to a specified Destination(s) or Intermediate Off-System Storage Point(s) on Carrier's System in accordance with these rules and regulations.

"Transferor" as herein used means the party who 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 party 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, transportation services agreement, throughput agreement, transport agreement or equivalent agreement in each case executed by Carrier and a Shipper, pursuant to which a Committed Shipper commits to ship a certain volume of barrels on Carrier's System each month or pay a deficiency payment to Carrier, and the Committed Shipper will receive priority service, deemed history or other prorationing rights that are preferential to those of a Regular Shipper (that is not a Committed Shipper).

"Uncommitted Rate" as herein used means the rate(s) filed by Carrier with FERC applicable to transportation services performed for an Uncommitted Shipper.

"Uncommitted Shipper" as herein used means (a) a Shipper that is not a Contract Shipper (excluding an Asset Manager to the extent of any Barrels Nominated to Carrier's System by such entity in its capacity as Asset Manager for a Contract Shipper), (b) a Committed Shipper to the extent of any Nomination in excess of its minimum volume commitment, or (c) an Asset Manager to the extent of any Nominations for its own account for which such Asset Manager is not itself a Contract Shipper.

#### **Item No. 10: Commodity**

Carrier will transport Petroleum, which satisfies the requirements in Items No. 5 and No. 15, exclusively and will not accept any other commodity for transportation.

**Item No. 15: Specifications as to Quality Received****[U] Table is unchanged.**

<b>Product</b>	<b>Short Name</b>	<b>Gravity</b>	<b>Sulfur Limit</b>	<b>Viscosity Limit (cSt)</b>	<b>Origin</b>
Bakken Light Sweet	BLS	40-46	0.20	15	All Guernsey origins and Sterling
Mixed Sweet	MXS	30-38	0.50	30	All Guernsey origins and Sterling
Niobrara	NIO	34-42	0.42	15	All origins except Platteville
DJ/PRB Condensate	PXL	43-53	0.20	15	All origins except Hereford and Pawnee
Kansas Uplift	KSU	28-35	0.80	15	Natoma

All Petroleum Tendered for transportation shall have a gravity, viscosity and other characteristics that make it readily susceptible to transportation through Carrier's System, will not materially affect the quality of other shipments or cause disadvantage or damage to other shippers and/or Carrier and/or Carrier's System. No Petroleum shall be Tendered to Carrier for transportation having 10 parts per million or more of hydrogen sulfide. No Petroleum Tendered to Carrier shall have a sulfur content higher than eight tenths of one percent (0.8%) by weight. All Petroleum Tendered to Carrier for transportation shall have a temperature not greater than one hundred degrees Fahrenheit (100° F) nor a kinematic viscosity in excess of thirty centistokes ("cSt") determined at sixty degrees Fahrenheit (60° F). No Petroleum shall be Tendered to Carrier for transportation that contains contaminants, including but not limited to chemicals such as chlorinated and/or oxygenated hydrocarbons, and/or lead. In the event any Petroleum is Tendered to Carrier by a Shipper, or by a third party or Connecting Carrier on behalf of a Shipper, that does not meet the quality specifications stated in this Tariff, 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, damages, costs, expenses, and/or judgments, arising from, directly or indirectly, the presence of such Petroleum in Carrier's System.

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 Tender and acceptance into Carrier's System of such Petroleum by Carrier.

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

Notwithstanding anything to the contrary in this Tariff, Carrier reserves the right, at its discretion, to accept any Petroleum Tendered by or on behalf of a Shipper that does not comply with the quality specifications of this Tariff in the event that Carrier determines, in its sole discretion, that the acceptance of such Petroleum is operationally feasible and will not materially affect the quality of other shipments or cause disadvantage or damage to other Shippers, the Carrier, or the Carrier's System. The specific terms of the specialty batches that will be accepted by the Carrier will be posted on Carrier's website.

#### **Item No. 19: Line Fill Requirement**

Line fill will be required from each Committed Shipper on a pro rata basis per Carrier instructions no sooner than ninety days before the expected in service date, subsequent initiation of service under a joint tariff agreement(s) or expansion of Carrier's System for the efficient operation of Carrier's System. After the in service date, initiation of service under a joint tariff agreement(s) or expansion of Carrier's System, 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. Line fill requirements for each Shipper shall be subject to adjustment from time-to-time as determined by Carrier.

Unless otherwise agreed to by Carrier, line fill Petroleum may be withdrawn from Carrier's System only after ninety (90) days and subsequent to Shipper (and its Asset Manager, if applicable) having ceased Tendering shipments and notified Carrier in writing that Shipper (and such Asset Manager) would no longer Tender shipments to Carrier provided that Shipper (and such Asset Manager) have fully performed all of its obligations to Carrier, including payment obligations, pursuant to applicable Tariffs, TDAs, and Rate Incentive Agreements. Such withdrawals of line fill may be accomplished by Shipper either through a transfer in accordance with Carrier's Line Fill Inventory Account Transfer Procedures set forth at Carrier's Website, or by submitting a nomination acceptable to Carrier for transportation in accordance with, and subject to,

these Rules and Regulations, including payment of applicable transportation rate(s) and charges set forth in Carrier's Local Pipeline Tariff.

Any required line fill inventory adjustments determined by Carrier shall, as soon as possible, but in no event more than 30 days after Carrier's written directive to Shipper, be accomplished by Shipper either through a transfer in accordance with Carrier's Line Fill Inventory Account Transfer Procedures, or by submitting a nomination acceptable to Carrier for transportation in accordance with, and subject to, these Rules and Regulations, including payment of applicable transportation rate(s) and charges set forth in Carrier's Local Pipeline Tariff.

Nominations by Shipper for return transportation of line fill to a designated Destination will not require designation of an Origin or a common grade quality. Line fill will be returned to Shipper from a common stream that Carrier has available at the time of return to Shipper. The remedies in Item No. 35 regarding Shipper failure to perform shall apply to any Shipper failure to perform in accordance with this Item No. 19.

#### **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 Carrier's System. Subject to the foregoing, Carrier will use reasonable efforts to deliver Petroleum of a type equivalent to that accepted from or on behalf of 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's Common Stream Grades are posted on Carrier's Website.

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, or which may occur at Intermediate Off-System Storage Point(s), 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**

Neither Shipper nor its Asset Manager shall Tender, or cause to be Tendered, 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 or any such Asset Manager to provide satisfactory evidence of Shipper's or such Asset Manager's, as applicable, 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 Shipper or its Asset Manager Tendering Petroleum, Shipper warrants and guarantees that Shipper or such Asset Manager, as applicable, 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 this warranty or representation with respect to any shipment Tendered by Shipper or its Asset Manager and transported by Carrier. Acceptance for transportation shall not be deemed a representation by the Carrier as to title.

Title to, or legal right to receive and deliver, the Petroleum tendered by a Shipper or its Asset Manager to Carrier for line-fill or transportation will remain with such Shipper or such Asset Manager, as applicable, at all times, subject to any lien or security interest in favor of Carrier under applicable law or Item 50 herein.

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 or its Asset Manager and transported by Carrier.

**Item No. 30: Measurement, Gauging, Testing and Volume Corrections**

(a) Prior to acceptance by Carrier of Petroleum for transportation on Carrier's System and upon its delivery at Destination, Petroleum quantities will be determined by direct measurement conducted in accordance with API standards and pipeline industry practice and gauging of tanks with the application of certified one hundred percent (100%) tank calibration tables according to API MPMS Chapters 2 and 3, or by carrier-approved automatic equipment, and corrected to the temperature of sixty degrees Fahrenheit (60°F) using API MPMS Chapter 11 Table 6A in its latest revision and may be tested by a

representative of Carrier. Deductions to measured Petroleum will be made for the full amount of basic sediment, water and other impurities as ascertained in accordance with API MPMS Chapter 10. Petroleum quantities shall be reported in hundredths of barrels.

(b) Shipper and Connecting Carrier tendering Petroleum for transportation shall have the privilege of being present or represented during the testing, gauging or metering. A Shipper or Connecting Carrier tendering Petroleum for transportation shall give Carrier twenty-four (24) hours prior notice of its desire to be present during testing, gauging or metering.

(c) Each Connecting Carrier Shipper or, where applicable, its Asset Manager shall allow Carrier to run, and obtain the results of, an indicator test of Petroleum which Shipper(or such Asset Manager on its behalf) or Connecting Carrier desires Carrier to transport to determine the quality and composition of such Petroleum.

(d) If Carrier's indicator test shows that the tested Petroleum does not meet Carrier's quality specifications, Carrier shall submit, via surface transportation, said sample to a professional testing laboratory experienced in testing Petroleum and acceptable to both Shipper or connecting carrier and Carrier for definitive analysis, and if said laboratory confirms the results of the indicator test, then such Petroleum shall not be accepted by Carrier and Shipper shall be responsible for proper disposition of the Petroleum and Shipper shall pay Carrier all costs incurred in obtaining the analysis, plus an additional ten (10) percent thereof for Carrier's handling costs, but if said laboratory finds that the Petroleum meets Carrier's quality specifications Carrier shall bear such costs and accept the Petroleum for transportation.

(e) Nothing in this Item No. 30 requires Carrier to run an indicator test prior to accepting any Petroleum; nor does it excuse any Shipper or its Asset Manager 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.

(f) PLA Deduction – Carrier shall deduct PLA from Petroleum Tendered by Shipper or its Asset Manager at an Origin(s).

(g) In the case of unweathered Petroleum, Carrier may determine a further reduction factor to reflect the additional amount of shrinkage Carrier estimates will occur because of the lack of weathering.

**Item No. 32: Minimum Quantity**

Carrier will not be required to accept a Nomination for transportation of a quantity of less than 10,000 Barrels of Petroleum per month (“Minimum Quantity”).

**Item No. 35: Points of Origin, Destination, Intermediate Off-System Storage, and Facilities**

Carrier will receive Petroleum from Shippers (and their Asset Managers) only at established Origins or Intermediate Off-System Storage Points. 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 Origins or Intermediate Off-System Storage Points to meet the operating conditions of Carrier’s System at such point. Carrier will not accept Petroleum for transportation unless such facilities have been provided.

All Origins on the Northeast Colorado Lateral (“NECL”) at or between the Pawnee and Buckingham Origins shall be treated as a single point of receipt for Committed Shippers on the NECL for purposes of meeting their minimum daily volume commitments.

Carrier will deliver Petroleum to Consignees at established Destinations or Intermediate Off-System Storage Points. 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 or Rate Incentive Agreement. Carrier will determine and advise Shippers and Consignees of the size and capacity of facilities to be provided at the Destination(s) or Intermediate Off-System Storage Points to meet the operating conditions of Carrier’s System at such point. Carrier will not accept Petroleum for transportation unless such facilities have been provided.

Any Petroleum that may arrive at a Destination or Intermediate Off-System Storage Point and not be accepted by Shipper or Consignee at the designated Destination or Intermediate Off-System Storage Point may be subject to additional Shipper charges and/or disposed of in any reasonable manner as determined by Carrier.

Shipper will be required to supply adequate storage at the Destination(s) or Intermediate Off-System Storage Point(s) or make other arrangements at the Destination(s) or Intermediate Off-System Storage Point(s) to receive its shipments. Carrier will assess a per barrel demurrage fee of one dollar U.S. (\$1.00), or as may otherwise be specifically set forth or determined in accordance with applicable published tariff(s) 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 No. 35 or Item No. 46. 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 No. 35 or

Item No. 46 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 System in accordance with the provisions of this Tariff six days after Carrier's notification to Shipper of its failure to perform in accordance with this Item No. 35 or Item No. 46, Carrier shall have the right to remove and sell such Petroleum.

#### **Item No. 37: Access to and Use of Shipper's Land and Facilities**

Carrier shall have the right to install, in suitable locations, operate and maintain, pipelines, pumping equipment, other auxiliary pipeline equipment, and power service facilities upon and across surface lands held by the Shipper in connection with Petroleum Tendered by Shipper or its Asset Manager from such lands directly into Carrier's System for transportation under this Tariff.

Carrier, or 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**

Petroleum accepted for transportation on behalf of Uncommitted Shippers shall be subject to the applicable published tariff rates and charges in effect on the date of receipt of such Petroleum by Carrier. Petroleum accepted for transportation on behalf of Contract 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 or Rate Incentive Agreement and then published rate tariff, except for the return of line fill, which shall occur pursuant to Item No. 19 subject to the rates and charges in effect on the date of return. Transportation and all other lawful charges will be collected on the basis of the quantities of Petroleum delivered to the Destinations or Intermediate Off-System Storage Points, and said quantities will be determined in the manner provided in these Rules and Regulations.

#### **Item No. 45: Nominations and Tenders Required**

- (a) Petroleum for shipment through Carrier's System will be received only on properly executed Nominations and Tenders showing [N](i) the point at which the Petroleum is to be received (except in the case of line fill return under Item No. 19), [N](ii) point or points of delivery, [N](iii) Consignee, [N](iii) Common Stream Batch Type[C]; (except in the case of line fill return under Item No. 19), [N](v) the type of nomination (New Shipper Nomination, Regular Shipper Nomination, or Flex Shipper Nomination), [N](vi) whether Shipper desires to cap its binding Capacity Allocation such that it does not exceed the volume that Shipper is able to

transport through upstream in path segments, and [N](vii) the amount of Petroleum to be transported. Any Shipper (and any Asset Manager on behalf of a Contract Shipper) desiring to Tender Petroleum for transportation shall make a Nomination for such Tender to Carrier using the form set forth at Carrier's Website on or before 5:00 p.m. (Central Time) no later than the 15<sup>th</sup> day of the Month preceding the month in which Shipper wishes to transport the volumes ("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.

- (b) Carrier may, subject to the availability of space and the operating conditions of the facilities of Carrier, accept Nominations or revised Nominations after the award of capacity pursuant to Item No. 45(a) above. 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.
- (c) All communications relating to a Shipper's nominations, deliveries to or from Carrier, payment of invoices or other matters pertaining to the Shipper's business with Carrier shall be conducted solely by an officer or employee of the Shipper. If a Shipper wishes to use an agent, the shipper must designate, in writing, an agent to act on the Shipper's behalf in conducting such communications. The designation must acknowledge the following items to be effective:
  - the Shipper consents to disclosure of any and all information regarding the Shipper's nominations, deliveries to or from Carrier, payment of invoices, or other business with Carrier to such agent and releases Carrier and holds Carrier harmless from any and all liability relating to such disclosure; and
  - such designation shall be valid and binding on Shipper until Carrier receives written notice from Shipper expressly terminating such designation.

#### **Item No. 46 – Intermediate Off-System Storage**

A Shipper with access to tankage at an Intermediate Off-System Storage Point(s) that Nominates and Tenders Petroleum for transportation at Carrier's Origin(s) at Guernsey, WY, Platteville, CO, Pawnee, CO, or Buckingham, CO, for delivery to Carrier's Destination(s) may request that Carrier temporarily deliver Shipper's Petroleum to an Intermediate Off-System Storage Point(s).

In the current month or any subsequent Month, the Shipper (or its Asset Manager) may submit a Nomination to ship such volumes from the Intermediate Off-System Storage Point to Carrier's Destination(s). When a Shipper or its Asset Manager submits a Nomination in any subsequent Month to re-tender Petroleum to Carrier from an Intermediate Off-System Storage Point for further transportation to the final Destination(s), such Shipper will be considered a Flex Shipper for purposes of the Carrier's Rules and Regulations governing Prorationing in Item No. 48.

For purposes of invoicing only, for the month in which Shipper or its Asset Manager Nominates Petroleum, Shippers utilizing Intermediate Off-System Storage Points shall pay: (1) the applicable tariff rate for transportation from the Origin to the final Destination as if Petroleum were delivered to the final Destination in the same Month as the delivery to the Intermediate Off-System Storage Point, and (2) an Intermediate Off-System Storage Point delivery fee of \$0.025 US dollars per Barrel. In addition, when Petroleum is re-injected into Carrier's System from the Intermediate Off-System Storage Point, Carrier shall collect any positive difference between the applicable tariff rate initially collected and the applicable tariff rate in effect to the final Destination(s) to which the Shipper is subject at the time of final delivery. For clarity, in the event that there is a negative difference between the applicable tariff rate initially collected and the applicable tariff rate in effect at the time of final delivery, Carrier shall not be obligated to refund any amounts back to the Shippers.

Any Nomination into an Intermediate Off-System Storage Point by a Committed Shipper Nominating under its Throughput and Deficiency Agreement (or by an Asset Manager on its behalf) will count towards such Committed Shipper's minimum volume commitment under its TDA, but will not be counted again when Petroleum is re-injected in Carrier's System from the Intermediate Off-System Storage Point.

#### **Item No. 48: Prorationing**

The following procedures shall govern how Carrier will allocate the capacity of a line segment in a Proration Month.

##### **A. Definitions**

"Available Capacity" means the total monthly capacity in a line segment as determined by Carrier.

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

“Binding Request” means the nominated volume as of 23:59 (central time) on the third business day following the Notice of Allocation. A Binding Request shall be either (i) zero or (ii) not less than 10,000 barrels per month or more than 3,000,000 barrels per month.

“Capacity Allocation” means the capacity awarded to a Shipper by Carrier for the Month under this Item.

“Flex Shipper”: means (1) a Committed Shipper having a Secondary Origin or Secondary Destination in its TDA allowing the Committed Shipper to Nominate Petroleum outside of its Primary Path or outside of the segment in which the Primary Origin or Destination is located, or (2) a Shipper that has a volume re-entering Carrier’s System from Intermediate Off-System Storage Points in a subsequent Month from when it was Tendered for delivery to Intermediate Off-System Storage.

“Flex Shipper Nomination” as herein used means an Initial Nomination to ship barrels as a Flex Shipper, such nomination shall not be counted towards a Regular Shipper’s Total Shipments.

“Initial Nomination” means Shipper’s nominated volume as of the Nomination Deadline.

“In-Service Date(s)” means the first day that Carrier is able to provide transportation service within a segment to any Shipper(s) from an Origin(s) or point of interconnection with a Connecting Carrier to a Destination(s).

“Main Line” means the line segment that runs from Sterling, Colorado to Cushing, Oklahoma.

“New Shipper” means a qualified Shipper or Rate Incentive Asset Manager that has not shipped Petroleum in each month of the Base Period or 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 Carrier’s System. “New Shipper” shall not include a qualified TDA Asset Manager to the extent of any Barrels Nominated to Carrier’s System by such entity in its capacity as TDA Asset Manager for a Committed Shipper.

“New Shipper Capacity” means no less than ten percent (10%) of the Available Capacity in a segment; provided however, if the aggregate volume nominated for transportation by New Shippers is less than ten percent (10%) of Available Capacity such remaining capacity will be allocated to Regular Shippers or Flex Shippers using methodology described in this Item.

"New Shipper Nomination" means the Initial Nomination submitted by a New Shipper.

“Notice of Allocation” is defined in Item 48(B)(2).

“Primary Destination” means the primary destination provided to a Committed Shipper in accordance with the provisions of its TDA.

“Primary Origin” means the primary origin provided to a Committed Shipper in accordance with the provisions of its TDA.

“Primary Path” means the path between the Committed Shipper’s Primary Origin and its Primary Destination as set forth in its TDA.

“Priority Service” means a service that a Hiland Joint Tariff Committed Shipper may elect upon submitting its Binding Request, by agreeing to pay a premium above the Uncommitted Shipper rate as provided for in its TDA, whereby it will not be subject to prorationing.

“Proration Month” means any calendar month when transportation volumes nominated by Regular and New Shippers exceeds Available Capacity.

“Regular Shipper” means (1) a Shipper that has shipped Petroleum on Carrier’s System in that segment in each month of the Base Period, (2) a Committed Shipper that has shipped Petroleum or made payments in a segment pursuant to a TDA for the transportation of Petroleum in each month of the Base Period, or (3) a Committed Shipper that is not in default of its payment obligations under a production or acreage dedication. Notwithstanding the foregoing, a Committed Shipper shall be deemed to be a Regular Shipper upon the In-Service Date with a Total Shipment quantity that equals twelve (12) times its monthly volume commitment or monthly maximum under its TDA. If applicable, a Committed Shipper’s Total Shipments shall be increased to reflect an increase in monthly volume commitment, as set forth in the TDA on the effective date of any such increase. 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 in each month of the Base Period; provided, however, that if an uncommitted Regular Shipper nominates barrels to be shipped in a segment in which a Regular Shipper elects Priority Service, but receives no allocation due to such Priority Service elections by such Regular Shipper shall not lose its Regular Shipper status notwithstanding that its volume history will reflect zero barrels shipped during that Proration Month. Any shipments of Petroleum by a TDA Asset Manager in its capacity as Asset Manager for a Committed Shipper shall be deemed shipments by such Committed Shipper (and not by such TDA Asset Manager) for purposes of this definition and, accordingly, such Committed Shipper shall be entitled to all history accrued on such shipments in accordance with this definition. Any shipments of Petroleum by a Rate Incentive Asset Manager in its capacity as Asset Manager for a Rate Incentive Shipper shall be deemed shipments by such Rate Incentive Asset Manager (and not by such Rate Incentive Shipper) for purposes of this definition and, accordingly, such Rate

Incentive Asset Manager shall be entitled to all history accrued on such shipments in accordance with this definition.

“Regular Shipper Allocation Factor” means a Regular Shipper’s Total Shipments in a segment divided by the Total Shipments of all Regular Shippers not electing Priority Service within a segment.

“Regular Shipper Available Capacity” means 90% of Available Capacity in a segment plus any remaining New Shipper Capacity less the capacity given to Regular Shippers eligible for and electing Priority Service.

“Regular Shipper Capacity Entitlement” means a volume, to be determined each Proration Month for each Regular Shipper within a segment, that equals the Regular Shipper Allocation Factor times the Regular Shipper Available Capacity.

“Regular Shipper Nomination” means the Initial Nomination of a Regular Shipper.

“Secondary Destination” means Destination(s) added by Carrier to a Committed Shipper’s TDA in accordance with the provisions of such TDA.

“Secondary Origin” means Origin(s) added by Carrier to a Committed Shipper’s TDA in accordance with the provisions of such TDA.

“Total Shipments” means the volumes that a Regular Shipper has shipped in a segment during a Base Period, or that a Committed Shipper has shipped or made payments for pursuant to a TDA in a segment during a Base Period; provided, however, that in the case where a Committed Shipper’s Committed Volume increases, such Committed Shipper’s Total Shipments shall be adjusted to equal twelve (12) times the increased Committed Volume. Any shipments of Petroleum by a TDA Asset Manager in its capacity as Asset Manager for a Committed Shipper shall be deemed shipments by such Committed Shipper (and not by such TDA Asset Manager) for purposes of this definition. Any shipments of Petroleum by a Rate Incentive Asset Manager in its capacity as Asset Manager for a Rate Incentive Shipper shall be deemed shipments by such Asset Manager (and not by such Rate Incentive Shipper) for purposes of this definition.

#### **B. Capacity Prorationing Procedures**

In any Proration Month, Carrier shall allocate and award Available Capacity for each segment as set forth below, provided, however, that Carrier may not award capacity to any Shipper who has not paid Carrier for all charges and fees in accordance with invoice terms, applicable TDA(s), Rate Incentive Agreement(s) and this Tariff. For the avoidance of doubt,

each segment will be allocated independently beginning with the Main Line.

1. Carrier shall determine if the sum of the Regular Shipper Nominations and the sum of the New Shipper Nominations collectively exceed the Available Capacity of the line segment.
  - i. If the sum of the Regular Shipper Nominations and the sum of the New Shipper Nominations collectively do not exceed the Available Capacity of the line segment but all Flex Shipper Nominations cannot be accommodated, then the Regular Shippers and New Shippers shall receive a Capacity Allocation equal to their Initial Nominations and any remaining capacity shall be allocated to Flex Shippers on a pro rata basis based on each Flex Shipper Nomination, which allocation shall be such Flex Shipper's Capacity Allocation. Capacity Allocations pursuant to this subsection shall be provided to Shippers by the third business day following the Nomination Deadline.
  - ii. If the sum of the Regular Shipper Nominations and the sum of the New Shipper Nominations collectively exceed the Available Capacity of the line segment, Carrier shall award capacity pursuant to the steps in Item 48(B)(2) – (8).
2. If the sum of the Regular Shipper Nominations and New Shipper Nominations exceed the Available Capacity of the line segment Carrier will issue a notice of allocation to Shippers by the second business day following the Nomination Deadline ("Notice of Allocation"). At this time, Carrier will record each Regular Shipper's Initial Nomination (if any) and each New Shipper Nomination. Each Regular Shipper will have three (3) business days from the Notice of Allocation to submit a Binding Request for capacity. Subject to the last sentence of the definition of "Binding Request," the Binding Request of a Regular Shipper may be equal to, less than or more than its Initial Nomination (if any). Carrier will use the New Shipper Nomination of such Shipper for purposes of allocating capacity to New Shippers pursuant to Items 48(B)(4) and 49.
3. Regular Shippers – Regular Shipper Available Capacity will be allocated to Regular Shippers as follows:
  - i. First, Regular Shippers eligible for and electing Priority Service will receive capacity equal to their minimum volume commitment as set forth in the TDA. Then each Regular Shipper not eligible for or not electing Priority Service will be allocated the lesser of (a) its Regular Shipper Capacity Entitlement or (b) its Binding Request.
  - ii. If Regular Shipper Capacity remains after 48(B)(3)(i), Regular Shippers with a Binding Request greater than their Regular Shipper Capacity Entitlement will receive their pro rata share, based on their Regular Shipper Capacity Entitlement, of the remaining Regular Shipper Capacity up to their Binding Request.

4. New Shippers – New Shipper Capacity will be allocated to New Shippers as follows:
  - i. Carrier shall divide the Minimum Quantity that a Shipper must Nominate into the New Shipper Capacity and round the result down to the nearest whole integer to determine the maximum number of New Shippers that can receive an allocation.
  - ii. If the number of New Shippers making Nominations does not exceed the maximum number of New Shippers that can receive an allocation, Carrier shall allocate to each New Shipper the Minimum Quantity.
  - iii. If New Shipper Capacity remains after 48(B)(4)(ii), New Shippers with a New Shipper Nomination greater than the Minimum Quantity will receive their pro rata share of the remaining New Shipper Capacity up to their New Shipper Nomination.
  - iv. If New Shipper Capacity remains after 48(B)(4)(iii), the remaining New Shipper Capacity will be allocated, on a pro rata basis, to Regular Shippers whose Binding Requests are greater than their Regular Shipper Capacity Entitlement up to their Binding Request.
  - v. If the number of New Shippers making Nominations exceeds the maximum number of New Shippers that can receive an allocation, Carrier shall use the random selection process described in Item No. 49 to select the New Shippers to receive a Minimum Quantity allocation.
  - vi. Capacity awarded to New Shippers shall not be less than ten percent of Available Capacity unless the aggregate volume nominated by New Shippers is less than ten percent of Available Capacity.
5. If after all allocation processes described in 48(B)(3) and (4) have been completed, there remains unallocated Available Capacity, such unallocated capacity will be allocated, pro rata based on Flex Shipper Nominations.
6. If after the allocation in 48(B)(3)-(5) are complete, there remains unallocated Available Capacity, such Available Capacity will be allocated on a pro rata basis, to New Shippers whose New Shipper Nominations are unfulfilled.
7. This Section 7 will only apply to the Main Line. If after the allocation processes described in 48(B)(3) – (6) are complete, there remains unallocated Available Capacity, such Available Capacity will be allocated, on a pro rata basis based on the difference between the Initial Nomination and Binding Request, to Regular Shippers whose Binding Requests are less than their Initial Nomination until their Initial Nomination is fully satisfied or all Available Capacity has been equitably allocated.
8. The results of Items 48(B)(3) – (7) shall constitute Shipper's Capacity Allocation on the Main Line in the event that the sum of the Regular Shipper Nominations and the sum of the

New Shipper Nominations collectively exceed the Available Capacity on the Main Line. The results of Items 48(B)(3) – (6) shall constitute Shipper's Capacity Allocation on all non-Main Line segments in the event the sum of the Regular Shipper Nominations and the sum of the New Shipper Nominations collectively exceed the Available Capacity of the segment. Carrier shall not be required to award capacity for any quantity less than the Minimum Quantity.

9. Shipper's Capacity Allocation on the Main Line, if applicable, will be binding and will constitute the Shipper's agreement to pay the applicable per Barrel rate associated with the Nomination tied to the Capacity Allocation in the Main Line, which for the avoidance of doubt shall be the rate from the Nominated Origin (which may be upstream of the Main Line) to the Destination, for the total amount of the Capacity Allocation in the Main Line, regardless of the amount, if any, of Petroleum that such Shipper or its Asset Manager actually Tenders and delivers to Carrier for transportation on that segment during such Proration Month. Committed Shipper obligations shall be in accordance with applicable terms and conditions of their TDAs, including minimum payment requirements and the rate applicable to Barrels above their minimum volume commitment. Rate Incentive Shipper obligations shall be in accordance with applicable terms and conditions of their Rate Incentive Agreements, including minimum payment requirements and what rate applies to Barrels above their minimum volume commitment.

In the event the Main Line is not allocated, Shipper's Capacity Allocation(s) on the furthest downstream segment from its point(s) of Origin(s) ("Binding Segment") will be binding and will constitute the Shipper's agreement to pay the applicable per Barrel rate associated with the Nomination tied to the Capacity Allocation in the Binding Segment, which for the avoidance of doubt shall be the applicable rate from the Nominated Origin (which may be upstream of the Binding Segment) to the Destination (which may be downstream of the Binding Segment), for the total amount of the Capacity Allocation in the Binding Segment, regardless of the amount, if any, of Petroleum that such Shipper or its Asset Manager actually Tenders and delivers to Carrier for transportation on the Binding Segment during such Proration Month. To clarify, a Shipper with multiple Origins may have multiple Binding Segments. Committed Shipper obligations shall be in accordance with applicable terms and conditions of their TDAs, including minimum payment requirements and the rate applicable to Barrels above their minimum volume commitment. Rate Incentive Shipper obligations shall be in accordance with applicable terms and conditions of their Rate Incentive Agreements, including minimum payment requirements and what rate applies to Barrels above their minimum volume commitment.

10. During the Hereford Lateral Interim In-Service Period, no history will be accrued for movements on the Hereford Lateral. In the event capacity, which has been offered to Shippers through an open season, becomes operationally available prior to the date upon which the Committed Shipper is obligated to ship under the TDA, Carrier may make

such capacity available for shipments; however, no history will be accrued for those movements.

**Item No. 49: Lottery**

Carrier will use a random number generating software to randomly assign each New Shipper a number from one to the number representing the total number of participants in the lottery. The lottery entrant with the number closest to one will receive the first monthly Minimum Quantity allocation under Item 48(B)(3)(iv). This process of assigning monthly Minimum Quantity allocations to the lottery entrant with the number closest to one will continue until all of the monthly Minimum Quantity allocations have been assigned.

**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 Rate Incentive Agreement, Asset Manager Pipeline Agreement, and this Tariff. Payments for nominated transportation to be provided during a Proration Month, shall be made in accordance with Item No. 45(a).

Shipper shall, if requested by Carrier, furnish Financial Assurances satisfactory to Carrier in accordance with Item No. 75 herein. Contract Shippers with rights to appoint an Asset Manager may utilize an Asset Manager to provide such Financial Assurances on their behalf.

Carrier shall have a general lien on all of a Shipper's or Asset Manager's Petroleum that is in the possession of Carrier to secure the payment of all charges and costs, including interest on unpaid obligations, accruing or due relating to the transportation or other handling of Shipper's or its Asset Manager's Petroleum by Carrier. At Carrier's request a Shipper and its Asset Manager shall execute all such agreements and do all such things as the Carrier reasonably requests with respect to the creation or perfection of such lien. The general lien provided herein shall be in addition to any lien or security interest otherwise provided by law or contract. Carrier may, at its option (1) refuse to deliver to or for the Shipper, (2) refuse to recognize and record any change in ownership of Petroleum for the account of a Transferor, or (3) exercise any other rights and remedies provided at law or by contract 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 Wall Street Journal Prime Rate, 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, Asset Manager'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 or Asset Manager'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**

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 its or its Asset Manager's 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 its or its Asset Manager's shipment as may remain after deduction of its due proportion of such loss. In such event, transportation charges will be assessed only on the net quantities of Petroleum delivered. Carrier will not be liable for discoloration, commingling, contamination or deterioration of Petroleum coming from Intermediate Off-System Storage Points.

#### **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 or its Asset Manager's Petroleum, 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 therefor.

**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.

**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 No. 35 or Item No. 46 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 Nomination, provide information to Carrier that will allow Carrier to determine the prospective shipper's or its Asset Manager'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 or its Asset Manager'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 or on behalf of 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 or its Asset Manager's 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 and such Shipper has not provided the Financial Assurances required by Carrier.

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

- (i) a 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 Shipper, then such Shipper or prospective Shipper 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 Shipper's or Asset Manager'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.

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, prospective shipper or Contract Shipper's Asset Manager:

- (i) A prepayment by wire transfer in immediately available funds in an amount equal to three months of transportation charges based on Shipper's: prospective Shipper's or Asset Manager's likely actual shipments for the Month. For purposes of this Item No. 75, a prospective Shipper's likely actual Shipments will be based on the anticipated Shipments listed in such prospective Shipper's Shipper 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; or

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

(c) Any Financial Assurances received by Carrier 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 Assurances shall be returned to the applicable Shipper, prospective Shipper, Asset Manager, or institution, subject to Carrier's receipt of information and/or authorizations which may be outside of Carrier's control and which are needed to return the Financial Assurances.

(d) For Contract Shippers with rights to appoint an Asset Manager, its Asset Manager may satisfy the Contract Shipper's obligation to provide Financial Assurances in accordance with this Item No. 75.

#### **Item No. 77: Asset Managers**

(a) Notwithstanding anything in this Tariff to the contrary, an Asset Manager shall not have the right to perform any of the rights or obligations under this Tariff of the Contract Shipper that appointed such Asset Manager unless and until such Asset Manager has entered into an Asset Manager Pipeline Agreement with Carrier.

(b) A Committed Shipper may terminate the appointment of an Asset Manager by written notice and may appoint a replacement Asset Manager; provided that any such replacement Asset Manager shall be subject to Item 77(a).

(c) By Nominating Petroleum under this Tariff, an Asset Manager agrees to be bound by this Tariff and further agrees that any such Asset Manager shall not have any claims against Carrier arising out of or in connection with this Tariff and that any such claims shall instead be vested exclusively in the Contract Shipper that appointed such Asset Manager.

(d) A Contract Shipper shall be responsible for performance by its Asset Manager of the applicable Asset Management Services and any act or omission by such Asset Manager in performing such Asset Management Services will be deemed the act or omission of both the Asset Manager and Contract Shipper under this Tariff, and Contract Shipper and its Asset Manager shall be jointly and severally liable for (i) any act or omission of the Asset Manager in its capacity as Asset Manager for such Contract Shipper, and (ii) any breach of Shipper's

obligations under this Tariff for which Asset Manager is responsible as part of the Asset Management Services. Further, a Contract Shipper and its Asset Manager shall be jointly and severally liable for any guaranty, warranty, indemnification or similar Shipper obligations with respect to all Barrels Nominated to Carrier's System by such Asset Manager in its capacity as Asset Manager for such Contract Shipper.

(e) At any time when Carrier does not have a current Asset Manager, the Contract Shipper will be responsible for performance of all of its obligations under this Tariff.

(f) An Asset Manager shall submit separate Nomination for Barrels Nominated and to be Tendered by such Asset Manager as Asset Manager for a Contract Shipper and for Barrels Nominated and to be Tendered by such Asset Manager for its own account.

(g) To the extent provided for in a TDA or Rate Incentive Agreement, Barrels Nominated and Tendered to Carrier's System by an Asset Manager in its capacity as Asset Manager for a Contract Shipper shall be applied to the minimum volume commitment of a Committed Shipper or dedication of a Rate Incentive Shipper, as applicable.

(h) References in this Tariff to "Asset Manager's Petroleum" shall mean Petroleum Nominated by an Asset Manager to Carrier's System in its capacity as Asset Manager for a Contract Shipper.

EXPLANATION OF REFERENCE MARKS	
[C]	Cancel.
[N]	New.
[U]	Unchanged