FERC ICA Oil Tariff **F.E.R.C. No. 1.8.0**
Cancels F.E.R.C. No. 1.7.0

MEDALLION PIPELINE COMPANY, LLC

MEDALLION PIPELINE CRUDE PETROLEUM SYSTEM

LOCAL AND PROPORTIONAL PIPELINE TARIFF

CONTAINING

RULES AND REGULATIONS

GOVERNING THE TRANSPORTATION AND HANDLING

OF

CRUDE PETROLEUM

TRANSPORTED BY PIPELINE

FROM AND TO POINTS NAMED HEREIN

This Tariff shall apply to those Tariffs which specifically incorporate this Tariff by reference; such reference includes supplements to this Tariff and successive reissues thereof.

The rates named in the Tariff are expressed in dollars per Barrel of 42 U.S. gallons and are subject to change as provided by law.

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

Issued in compliance with 18 C.F.R. **[W]** Part 341. ~~§ 341.2 and 341.3.~~

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GENERAL RULES AND REGULATIONS

TABLE OF CONTENTS

Rule 1 – Definitions ..... **Page 3**
Rule 2 – Commodity ..... **Page 7**
Rule 3 – Crude Petroleum Quality Specifications and Restrictions ..... **Page 7**
Rule 4 – Testing and Measuring ..... **Page 9**
Rule 5 – Deductions and Adjustments ..... **Page [W] 10 ~~9~~**
Rule 6 – Volumetric Adjustment ..... **Page 10**
Rule 7 – Variations in Quality and Gravity and Offset of Common Stream Crude Petroleum ..... **Page 10**
Rule 8 – Tender ..... **Page 11**
Rule 9 – Creditworthiness of Shipper ..... **Page 11**
Rule 10 – Title ..... **Page 12**
Rule 11 – Quantities ..... **Page 12**
Rule 12 – Prorationing of Pipeline Capacity ..... **Page 12**
Rule 13 – Origin and Destination Point Facilities Required ..... **Page 15**
Rule 14 – In-Transit Storage ..... **Page 15**
Rule 15 – Pipeage or Other Contracts ..... **Page 16**
Rule 16 – Line Fill and Working Stock Requirement ..... **Page 16**
Rule 17 – Delivery and Demurrage ..... **Page 16**
Rule 18 – Evidence of Receipts and Deliveries ..... **Page 17**
Rule 19 – Rates Applicable ..... **Page 17**
Rule 20 – Payment of Transportation and Other Charges ..... **Page 17**
Rule 21 – Charges for Spill Compensation Acts and Regulations ..... **Page 18**
Rule 22 – Duty of Carrier ..... **Page 18**
Rule 23 – Liability of Carrier ..... **Page [W] 19 ~~18~~**
Rule 24 – Liability of Shipper ..... **Page 19**
Rule 25 – Claims, Time for Filing ..... **Page 19**

GENERAL RULES AND REGULATIONS

GENERAL APPLICATION

Carrier provides transportation of Crude Petroleum between the Origin Points and Destination Points provided under this Tariff's terms and conditions. Certain portions of Carrier's Pipeline operate on a bi-directional basis. In addition, Carrier offers Destination Points with interconnecting downstream carriers at various Destination Points on the northern, southern, and western portions of Carrier's Pipeline. Given the pipeline system's configuration and bi-directional operations, transportation services nominated by individual Shippers may be effectuated by Carrier through forwardhaul transportation, backhaul transportation, displacement, and/or exchange.

DEFINITIONS

RULE 1 – DEFINITIONS

"**Actual Shipment**" means the volumes of Crude Petroleum physically tendered at an Origin Point by an individual Shipper during a month under the Tariffs.

"**Affected Segment**" means a segment of Carrier's Pipeline impacted by a Proration Event.

"**API**" means the American Petroleum Institute.

"**ASTM**" means the American Society for Testing Materials.

"**Available Capacity**" means the operationally available capacity to Shippers on Carrier's Pipeline or an Affected Segment, as applicable.

"**Barrel**" means forty-two (42) U.S. gallons at sixty degrees Fahrenheit (60° F) and zero (0) gauge pressure if the vapor pressure is at or below atmospheric pressure, or at equilibrium pressure if the vapor pressure is above atmospheric pressure.

"**Base Period**" means the previous eighteen (18) months beginning with the nineteenth (19^{th}) month prior to the current Proration Month, except that, during the initial eighteen (18) months commencing on the Expansion Effective Date, the Base Period shall be as provided in Rule 12(h). Previous Proration Months, as well as months in which no apportionment was in effect, will be included in the rolling eighteen (18)-month Base Period.

"**Batch,**" "**Batched,**" or "**Batched Shipments**" means transportation of Crude Petroleum that is tendered at the Origin Point pursuant to a TSA in which Shipper has provided or arranged for adequate storage at a location(s) and capacity(ies) which, in Carrier's sole discretion, are sufficient to permit Carrier to physically segregate Shipper's quantities for Delivery.

"**Carrier**" means Medallion Pipeline Company, LLC.

"**Carrier's Pipeline**" means Carrier's Crude Petroleum pipeline facilities originating at the Origin Point(s) and terminating at the Destination Point(s).

"**Claims**" has the meaning set forth in Rule 25.

"**Committed Firm Shipper**" means a Shipper that has committed to transporting, or paying for the transportation of, certain minimum volumes of Crude Petroleum for a minimum term of years at the rates set forth in the Rates Tariff, each pursuant to the terms of a TSA.

"**Committed Firm Shipper's Excess Volumes**" shall have the meaning set forth in Rule 12(c).

"**Committed Volume**" means the Barrel per day ("bpd") quantity committed to by a Committed Firm Shipper, in accordance with a TSA, multiplied by the number of days in the relevant month.

"**Common Stream**" means Crude Petroleum, Tendered or Received at Carrier's Pipeline and associated facilities as designated in the related tariffs and moved through Carrier's Pipeline, which is commingled or intermixed with other Crude Petroleum of like characteristics and quality. A Common Stream may be made up of one or more Tenders of Crude Petroleum provided that each Tender of Crude Petroleum meets the quality specifications, as set out in Rule 3. Common Streams and characteristics of each shall be determined by Carrier in its sole discretion.

"**Consignee**" means the party that Shipper has authorized to accept the Delivery from Carrier of Crude Petroleum at the Destination Point.

"**Crude Petroleum**" means, except for nominations for transportation utilizing the Leased Capacity from certain EPIC Origin Points as indicated below, **[W]** ~~West Texas Intermediate Light Sweet Crude Oil from~~ naturally occurring, unrefined liquid petroleum product composed of hydrocarbon deposits of varying grades produced from oil and gas wells which has not been blended or mixed with other grades of crude oil or "indirect products" (as defined below) **[W]** ~~and which meet the required specifications established pursuant to Rule 3 of this Tariff~~. For the avoidance of doubt, Crude Petroleum shall exclude, and Carrier shall not be required to transport, "indirect liquid products of oil or gas wells" sometimes referred to as "indirect products", meaning the liquid products resulting from the operation of gasoline recovery plants, gas recycling plants, condensate or distillate recovery equipment in gas or oil fields, or a mixture of such products. For nominations for transportation utilizing the Leased Capacity from EPIC Origin Points, other than the Excluded Origin Points, "**Crude Petroleum**" means product meeting the specifications established in the then-effective FERC local Rules & Regulations tariff of EPIC Crude Pipeline, LP.

"**Deficiency Payment**" means a payment to be made by a Committed Firm Shipper, as determined in accordance with a TSA.

"**Delivery,**" "**Deliver,**" "**Deliveries,**" or "**Delivered**" means the transfer of physical and legal custody of Crude Petroleum from Carrier at the Destination Point to Shipper or its Consignee.

"**Destination Point**" means the point(s) of Delivery, as specified in the Rates Tariff.

"**EPIC Destination Points**" shall mean the destination points set forth in the EPIC Tariff.

"**EPIC Origin Points**" mean the Group 1 origin points set forth in the EPIC Tariff.

"**EPIC Tariff**" means the then-effective FERC local rates tariff of EPIC Crude Pipeline, LP.

"**Excluded Origin Points**" means the following EPIC Origin Points: (i) Medallion Pipeline Company, LLC, (ii) Reliance, (iii) NuStar, and (iv) any EPIC Origin Point that receives Crude Petroleum delivered from Carrier.

"**Exempt Volumes**" has the meaning set forth in Rule 12(c).

"**Expansion Effective Date**" has the meaning set forth in Rule 12(h).

"**FERC**" means the Federal Energy Regulatory Commission.

"**Gravity**" means gravity determined in accordance with ASTM Designation D-287.

"**In-Transit Point**" means Carrier's point of connection with the facilities of third-party storage providers, including an affiliate of Carrier. The current In-Transit Points on Carrier's Pipeline are at the Colorado City Hub, the Crane Hub, the Garden City Station, the Howard Station, the Midkiff Station, the Midland Hub, and the Santa Rita Station.

"**Joint Tariffs**" means the tariff publications applicable to each Joint Tariff Service, including any supplements and revisions thereto, as may be filed and maintained by Carrier with the FERC from time to time for the transportation of Crude Petroleum rendered in interstate commerce in connection with each of Medallion Delaware Express, LLC and Medallion Midland Gathering, LLC.

"**Joint Tariff Allocated Quantity**" means a quantity determined by multiplying the Joint Tariff Capacity Ratio by the Available Capacity.

"**Joint Tariff Capacity Ratio**" means, as of the time of the determination, a fraction the numerator of which is the Joint Tariff MDQ on the Affected Segment for the Proration Month and the denominator of which is the sum of such Joint Tariff MDQ and the Local Tariff Capacity on the Affected Segment.

"**Joint Tariff MDQ**" means a quantity for the applicable Proration Month equal to the sum of the Joint Tariffs' (i) aggregate Shipper MDQs of Acreage Dedication Shippers, and (ii) aggregate Committed Volumes of Volume Commitment Shippers (for purposes of this definition only, the terms "Shipper MDQs", "Acreage Dedication Shippers", "Committed Volume" and "Volume Commitment Shippers" shall have the meaning set forth in the Joint Tariffs).

"**Joint Tariff Service**" means the transportation services available to Joint Tariff Shippers pursuant to the terms of the then-effective Joint Tariffs.

"**Joint Tariff Shipper**" means a person that transports Crude Petroleum pursuant to one or more of the Joint Tariffs.

"**Leased Capacity**" shall mean the capacity leased by Carrier on the EPIC Crude Pipeline LP pipeline system.

"**Local Tariff Allocated Quantity**" means a quantity equal to the Available Capacity less the Joint Tariff Allocated Quantity.

"**Local Tariff Capacity**" means the aggregate capacity between each Origin Point and Destination Point on Carrier's Pipeline as set forth in each Petition for Declaratory Order filed with the FERC, less the Joint Tariff MDQ.

"**Local Tariff Service**" means the transportation service available to Shippers under the terms of the Rates Tariff and the Rules and Regulations Tariff for service on Carrier's Pipeline as filed and maintained by Carrier with the FERC for the transportation of Crude Petroleum in interstate commerce.

"**Make-Up Volumes**" means Barrels for which a Deficiency Payment has been paid and that are nominated by a Committed Firm Shipper for transportation in a subsequent month in accordance with a TSA.

"**New Shipper**" means, for purposes of prorationing in Rule 12, any Shipper who does not qualify as a Committed Firm Shipper or Regular Shipper.

"**Nomination**" or "**Tender**" means any offer by a Shipper to Carrier of a stated quantity of Crude Petroleum for transportation from the Origin Point to the Destination Point in accordance with this Tariff. The definition of "**Nomination**" includes a late or revised Nomination submitted by a Shipper under Rule 8, and a Nomination for in-transit storage submitted by a Shipper under Rule 14, to the extent such Nomination is accepted by Carrier pursuant to Rule 8 or Rule 14, as applicable.

"**Obligations**" has the meaning set forth in Rule 20.

"**Origin Point**" means the points of Receipt, as specified in the Rates Tariff.

"**Proration Event**" means an event that occurs when, based upon all valid Nominations submitted by Shippers in compliance with this Tariff and by Joint Tariff Shippers in compliance with the Joint Tariffs, Carrier determines that the total volumes nominated by all Shippers and Joint Tariff Shippers for shipment on Carrier's Pipeline or a pipeline segment thereof exceed the Available Capacity of Carrier's Pipeline or a pipeline segment thereof.

"**Proration Month**" refers to a month when a Proration Event occurs.

"**Rates Tariff**" means that publication within Carrier's Tariff that sets forth the local and proportional rates applicable to the transportation of Crude Petroleum by Carrier and that makes specific reference by FERC number to this Rules and Regulations Tariff, as filed with the FERC and as may be supplemented and amended from time to time.

"**Receipt,**" "**Receive,**" or "**Received**" means the transfer of physical and legal custody of Crude Petroleum from Shipper to Carrier at the Origin Point for transportation.

"**Regular Shipper**" means, for purposes of prorationing in Rule 12, (i) an Uncommitted Shipper meeting the eligibility requirements in Rule 12(e), and (ii) a Committed Firm Shipper, but only to the extent of any volumes in excess of its Committed Volumes.

"**Remaining Available Capacity**" means for each Proration Month, the portion of the Local Tariff Allocated Quantity remaining after the satisfaction of all Exempt Volumes nominated as set forth in Rule 12(c).

"**Rules and Regulations Tariff**" means this Tariff; specifically, that publication within Carrier's Tariff that sets forth the rules and regulations that govern the Local Tariff Service, as filed with the FERC and as may be supplemented and amended from time to time.

"**Shipper**" means the party that arranges with Carrier for the gathering or transportation of Crude Petroleum pursuant to the terms of this Tariff.

"**Tender**" has the meaning set forth in the definition of Nomination.

"**TSA**" means a Transportation Service Agreement executed by Carrier and a Committed Firm Shipper, entered into as a result of an open season conducted by Carrier.

"**TSA Committed Capacity**" means the barrel per day capacity equal to the aggregate Committed Volumes pursuant to all Committed Firm Shippers' TSAs in effect during the month of prorationing.

"**Uncommitted Shipper**" means a Shipper that has not executed a TSA.

COMMODITY DESCRIPTION AND MEASUREMENT

RULE 2 – COMMODITY

The Carrier is engaged in the transportation of Crude Petroleum and will not accept any other commodity for transportation, except as provided herein.

RULE 3 – CRUDE PETROLEUM QUALITY SPECIFICATIONS AND RESTRICTIONS

Crude Petroleum shall be accepted for transportation only when such Crude Petroleum meets the following quality specifications, except for transportation from certain of the EPIC Origin Points as set

forth below. These specifications shall apply to each Barrel of a Shipper's Nomination and not be limited to the composite sample of the Nomination:

(a) API Gravity of between thirty six degrees (36°) and forty four degrees (44°);

(b) the true vapor pressure of such volumes does not exceed 11 psia or result in Carrier's noncompliance with federal, state, or local requirements regarding hydrocarbon emissions;

(c) has a Reid vapor pressure less than 9.0 psia at a temperature of one hundred degrees Fahrenheit (100° F);

(d) basic sediment, water, and other impurities of one percent (1%) or less;

(e) temperature of one hundred and twenty degrees Fahrenheit (120° F) or less;

(f) the sulfur content does not exceed forty five hundredths of one percent (0.45%) by weight;

(g) readily susceptible to transportation through Carrier's existing facilities; and

(h) will not materially affect the quality of other shipments or cause disadvantage to other Shippers or Carrier.

With respect to transportation utilizing the Leased Capacity, crude petroleum shall be accepted for transportation under EPIC's Permian Common Stream 1 and Permian Common Stream 2 from EPIC Origin Points, other than the Excluded Origin Points, pursuant to the quality specifications of the EPIC Rules & Regulations tariff. Crude Petroleum utilizing the Leased Capacity from the Excluded Origin Points shall be accepted for transportation only when such Crude Petroleum meets the quality specifications in this Rule.

Carrier may waive the foregoing specifications on a not unduly discriminatory basis where, in Carrier's sole judgment, the Receipt of any affected Barrels at particular Origin Points would not i) adversely impact the ability of the Common Stream to remain within the foregoing quality specifications or, if not in compliance with such quality specifications, adversely impact the ability of Deliveries to the affected Destination Points to satisfy the tariff quality specifications of directly connected downstream pipeline carriers (including the requirements of the connection agreements entered into with such carriers), and ii) otherwise adversely impact Carrier's Pipeline or its operations.

Carrier reserves the right to reject Crude Petroleum that, in its sole discretion, does not meet the quality specifications referenced above. In addition, Carrier shall reject Crude Petroleum containing contaminants including, but not limited to, chemicals such as chlorinated and/or oxygenated hydrocarbons and/or heavy metals such as lead and/or vanadium. Carrier reserves the right to reject Crude Petroleum if, in its sole discretion, Deliveries of such quantities would not meet the tariff quality specifications (including the requirements of the connection agreements entered with such carriers) of the directly interconnected downstream pipelines listed in Carrier's currently-effective Rates Tariff.

Where the transportation service nominated by a Shipper is effectuated by Carrier through backhaul, displacement, and/or exchange, Carrier's determination of whether Receipts from such Shipper satisfy the quality specifications herein may be based upon the actual physical delivery path rather than the nominated delivery path.

Carrier may, at its discretion, require, approve, or reject Crude Petroleum containing, or the injection into Crude Petroleum of, corrosion inhibitors, viscosity or pour point depressants, drag reducing agent, or other such additives in the Crude Petroleum to be transported.

If Crude Petroleum is accepted from third-party owned tankage, settled bottoms in such tanks must not be above a point six inches (6") below the bottom of the pipeline connection with the tank.

Carrier reserves the right to reject Crude Petroleum, in its sole discretion, if Shipper or Consignee has failed to comply with applicable laws, rules, and regulations made by government authorities regulating shipment of Crude Petroleum**.**

If, upon investigation, Carrier determines that Shipper has delivered contaminated Crude Petroleum or Crude Petroleum which otherwise fails to comply with the specifications set forth above, Carrier may exclude Shipper from further entry into applicable segments of Carrier's Pipeline until Shipper is able to comply with the quality specifications referenced above, as determined by Carrier in its sole discretion. Carrier reserves the right to dispose of any contaminated Crude Petroleum in its pipeline. Disposal, if necessary, may be made in any reasonable commercial manner, and any liability associated with the contamination or disposal of any Crude Petroleum shall be borne by the Shipper introducing the contaminated Crude Petroleum into Carrier's Pipeline**.**

Carrier may, from time to time, undertake to transport other or additional grades of crude petroleum to the extent Carrier elects, in its sole discretion, to offer such transportation by employing Batched Shipments. If, in Carrier's sole discretion, sufficient quantities are not nominated or facilities are not available to justify continued transportation of other or additional grades, Carrier may, after giving reasonable notice to Shippers who may be affected, cease transporting particular grades of crude petroleum.

Carrier may inject indirect products into Carrier's Pipeline to facilitate the efficient operation of Carrier's facilities.

RULE 4 – TESTING AND MEASURING

Prior to or during Receipt of Crude Petroleum for transportation, and prior to or during release thereof for Delivery, such quantities of Crude Petroleum shall be measured and tested by a representative of Carrier. Crude Petroleum will be measured by metering.

All shipments tendered to Carrier for transportation shall be metered by a representative of Carrier prior to, or at the time of, Receipt from Shipper. Shipper or Consignee shall have the option of being present or represented during the testing or metering. The results of such testing or metering shall be final.

RULE 5 – DEDUCTIONS AND ADJUSTMENTS

In measuring the quantity of Crude Petroleum Received and Delivered, corrections shall be made from volumes at actual or observed temperature to volumes at sixty degrees Fahrenheit (60° F) and for pressure to 14.696 psia. Quantities shall be corrected for this purpose by use of applicable API-ASTM volume correction factor tables.

For all shipments of Crude Petroleum, a deduction of two-tenths of one percent (0.2%) will be made to cover evaporation, interface losses, and other normal losses during transportation. Carrier, in addition, will deduct the full amount of sediment, water, and other impurities. The net balance, after applicable deduction, will be the quantity deliverable by Carrier.

RULE 6 – VOLUMETRIC ADJUSTMENT

Any volumetric difference between Receipts from Shipper and Deliveries to Shipper or Consignee during a current month as a result of scheduling will be adjusted in the following month without any further liability to Carrier, taking into consideration all prior deductions allowed pursuant to the rules and regulations contained herein.

RULE 7 – VARIATIONS IN QUALITY AND GRAVITY AND OFFSET OF COMMON STREAM CRUDE PETROLEUM

(a) **Delivery of Types of Crude Petroleum**. Carrier is not obligated to Deliver the identical Crude Petroleum Received by Carrier. Carrier shall not be liable for any consequence related to the mixing of Crude Petroleum tendered into the Common Stream; provided, however, Carrier shall endeavor to Deliver from its common stock Crude Petroleum that is in conformance with the specifications set forth in Rule 3. For Batched Shipments, Carrier shall not be liable for any change in quality and/or Gravity that may occur to Crude Petroleum during transportation of Batches.

(b) **Conditions Applicable to Crude Petroleum**

(i) The acceptance of Crude Petroleum for transportation shall be on the condition that such Crude Petroleum shall be subject to such changes in Gravity, in quality, and in value as may result from its mixture in transit with other Crude Petroleum in the Carrier's Pipeline and tanks; and

(ii) Carrier is not liable for any loss or damage resulting from an alteration in Gravity or quality of Crude Petroleum transported by Carrier, unless the loss or damage occurs because of the gross negligence of Carrier.

(c) CARRIER MAKES NO WARRANTY AS TO MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR ANY OTHER WARRANTY OR REPRESENTATION WITH RESPECT TO THE GRADE OR QUALITY OF CRUDE PETROLEUM TRANSPORTED UNDER THIS TARIFF.

(d) **Common Stream Crude Petroleum – Interconnecting Carriers**. When both receipts from and deliveries to an interconnecting pipeline of substantially the same grade of Crude Petroleum are scheduled at the same interconnection, Carrier reserves the right, with the cooperation of the operator of the interconnecting pipeline, to offset like volumes of such Common Stream Crude Petroleum in order to avoid the unnecessary use of energy which would be required to physically pump the offsetting volumes. When this right is exercised, Carrier will make the further deliveries for the Shipper involved from Carrier's Common Stream Crude Petroleum.

PRE-SHIPMENT REQUIREMENTS AND PROCEDURES

RULE 8 – TENDER

Shippers desiring to offer Crude Petroleum for transportation shall make a Nomination to Carrier by submitting, on Carrier's prescribed Notice of Shipment form**,** a separate Nomination for each calendar month on or before the fifteenth (15th) day of the preceding month or the nomination deadline of the applicable downstream carrier, whichever is earlier. The prescribed Notice of Shipment form, in addition, must provide a verification that the Shipper intends, after Delivery to the Destination Point, its quantities will be transported by other carriers (including by pipeline, rail, and/or water) across state lines to its ultimate destination and, therefore, the transportation on Carrier's Pipeline is interstate in nature and subject to this Tariff. If transportation capacity is available and operating conditions permit, Carrier, in its sole discretion, and on an equitable and non-discriminatory basis, taking into account the rights of different classes of Shippers, may accept late or revised Nominations for Crude Petroleum for transportation after the fifteenth (15th) day of the month preceding the month during which the transportation under the Nomination is to begin, including late or revised Nominations during the month in which the transportation has already begun.

Carrier shall not be obligated to accept Nominations from any Shipper unless such Shipper, upon request from Carrier, provides written third-party verification, in a form and substance satisfactory to Carrier in its sole discretion, that supports such Shipper's Nomination as in compliance with the requirements of this Tariff including, but not limited to, confirmation that the quantities nominated by Shipper are reasonable estimates of the quantities Shipper is capable of tendering for transportation, and that Shipper has provided, or arranged for access to, equipment and facilities capable of satisfactorily delivering to the Origin Point and receiving at the In-Transit Point or the Destination Point the quantities Tendered for transportation. Carrier shall not be obligated to accept a Shipper's Crude Petroleum where such verification is unacceptable to Carrier, including where a directly interconnected downstream pipeline (or other facility operator) nominated by Shipper (i) does not confirm Shipper's Nomination, in whole or in part, and/or (ii) subsequently during the month in question, reduces Shipper's previously confirmed nomination on the downstream facilities.

If, during a month in which Nominations have not been prorated pursuant to Rule 12, Carrier determines that an Uncommitted Shipper is not tendering the quantities that it has nominated for that month, then Carrier reserves the right to reduce such Shipper's Nomination accordingly for the balance of such month.

RULE 9 – CREDITWORTHINESS OF SHIPPER

Upon the request of Carrier, all prospective and existing Shippers must submit sufficient financial information to establish creditworthiness. The creditworthiness requirements for Committed Firm Shippers shall be as set forth in the TSAs. For Uncommitted Shippers, if in Carrier's sole discretion, a prospective Shipper is not creditworthy, or if a current Shipper's credit deteriorates, Carrier may require such Shippers to provide financial assurances, including, but not limited to: (i) prepayment of

transportation charges; (ii) a guaranty in an amount sufficient to ensure payment to Carrier of all such costs and charges that could reasonably accrue, in a form and from a third party acceptable to Carrier; (iii) a letter of credit from an appropriate financial institution in a form acceptable to Carrier and in an amount sufficient to ensure payment to Carrier of all costs and charges that could reasonably accrue; or (iv) such other enforceable collateral security, including but not limited to, security agreements over assets of Shipper, in a form acceptable to Carrier.

Carrier shall not be obligated to accept Crude Petroleum, or a Nomination, for transportation from an existing or prospective Shipper if the Shipper or prospective Shipper fails to provide financial assurances within two (2) days of Shipper's receipt of Carrier's written request for such assurances.

RULE 10 – TITLE

A Tender for shipment shall constitute a warranty by Shipper that it has unencumbered title thereto, or the unencumbered right to ship such Crude Petroleum, but acceptance shall not be deemed a representation by Carrier as to title or right. Carrier reserves the right to reject on a non-discriminatory basis any Crude Petroleum tendered for shipment that may be involved in litigation, the title or right to which may be in dispute, or that may be encumbered by lien or charge of any kind, except to the extent that Shipper submits either satisfactory proof of unencumbered title or right or a satisfactory indemnity bond.

RULE 11 – QUANTITIES

Carrier may take Receipt or make Delivery of Crude Petroleum in quantities of not less than five hundred (500) bpd aggregate from one or more Shippers. Carrier reserves the right to take Receipt or make Delivery of less than five hundred (500) bpd of Crude Petroleum, if such quantity can be consolidated with other Crude Petroleum such that Carrier can make a single Delivery of not less than five hundred (500) bpd.

If a Committed Firm Shipper fails to tender a volume of Crude Petroleum equal to its Committed Volume, it shall pay to the Carrier the Deficiency Payment, which payment shall be equal to the shortfall in the volume tendered multiplied by the applicable rate in its TSA.

RULE 12 – PRORATIONING OF PIPELINE CAPACITY

(a) **Prorationing**. When a Proration Month occurs, Available Capacity will be apportioned among all valid Shipper Nominations on the basis set forth in Rule 12(b)-(i).

(b) **Division of capacity between Local and Joint Tariff Services**. If an Affected Segment is used to provide any Joint Tariff Service, the Available Capacity on such Affected Segment will first be apportioned between the Joint Tariff Service as a class and the Local Tariff Service. The Joint Tariff Service class will be allocated capacity equal to the Joint Tariff Allocated Quantity and the Local Tariff Service will be allocated capacity equal to the Local Tariff Allocated Quantity. The Local Tariff Allocated Quantity shall be divided among shipper classes in accordance with Rule 12(c) – (h) below.

(c) **Exempt Volumes**. Each Committed Firm Shipper's Committed Volumes are exempt from the prorationing procedures set forth in this Rule 12 ("Exempt Volumes"). If a Committed Firm Shipper's Nominations during a Proration Month are less than its Committed Volumes, the Committed Firm Shipper's Exempt Volumes for that month will be limited to the amount of its Nominations. If the total of all Committed Firm Shippers' aggregate Nominations is less than the TSA Committed Capacity, then a Committed Firm Shipper's Make-Up Volumes will be accepted up to the remaining TSA Committed Capacity during the term of such Committed Firm Shipper's TSA; provided that, in the event the total Nominations by Committed Firm Shippers of Make-Up Volumes exceeds the remaining TSA Committed Capacity, Carrier will adjust the Nominations of Make-Up Volumes on a pro rata basis. Otherwise, any Make-Up Volumes above the TSA Committed Capacity as well as Committed Firm Shipper volumes in excess of Committed Volumes (other than the Make-Up Volumes) (collectively, "Committed Firm Shipper's Excess Volumes"), shall be treated as volumes nominated by a Regular Shipper, as described in Rule 12(d) below.

(d) **Division of capacity between Shipper classes**. For each Proration Month, the Remaining Available Capacity shall be divided between Regular Shippers and New Shippers. Generally, as described in this section, up to ten percent (10%) of the Remaining Available Capacity shall be allocated first to New Shippers, and at least ninety percent (90%) of the Remaining Available Capacity shall be allocated to Regular Shippers in proportion to their usage during the Base Period.

(1) **New Shippers**

a) **Availability of capacity**. Not more than ten percent (10%) of the Remaining Available Capacity shall be made available to New Shippers as a class.

b) **Allocation**. When the Nominations made by New Shippers exceed ten percent (10%) of the Remaining Available Capacity, each New Shipper will receive a pro rata portion of the ten percent (10%) of the Remaining Available Capacity based on its Nominations. Any unused capacity allocated to New Shippers will become available for allocation among the Regular Shippers.

(2) **Regular Shippers**

a) **Availability of capacity**. The remainder of the Remaining Available Capacity will be available to any Regular Shipper that submitted valid Nominations for the Proration Month. A Committed Firm Shipper shall have Regular Shipper status for its Nominations in excess of Exempt Volumes, if any.

b) **Allocation**.

(i) The remainder of the Remaining Available Capacity will be apportioned among all Regular Shippers. Each Regular Shipper's share of such capacity will be allocated based on its respective proportion of Deliveries during the Base Period (for example, if a Regular Shipper had five percent (5%) of Deliveries during the Base Period, that Regular Shipper shall receive five percent (5%) of the capacity available for Regular Shippers). Any unused allocated capacity by a Regular Shipper shall be reallocated among other Regular Shippers.

(e) **Base Period Eligibility**. For an Uncommitted Shipper to receive Regular Shipper status for purposes of prorationing, the Uncommitted Shipper must have Actual Shipments of Crude Petroleum in at least eighteen (18) of the eighteen (18) months of the Base Period (except during transition periods as described in Rule 12(h)). To the extent an Uncommitted Shipper does not meet the foregoing eligibility requirements, it shall be treated as a New Shipper for prorationing purposes.

(f) **Transfer of prorated capacity**. Except as provided in this subsection and in Rule 10, prorated volumes allocated to a Shipper may not be assigned, conveyed, loaned, transferred to, or used in any manner by another Shipper. A Shipper's allocation may be transferred as an incident of the bona fide sale of Shipper's business or to a successor to Shipper's business by the operation of law, such as an executor or trustee in bankruptcy.

(g) **Nomination Integrity**. During a Proration Month, if a Shipper fails to deliver to Carrier at least ninety-five percent (95%) of its final confirmed Nomination, the Carrier will charge Shipper an amount equal to the applicable tariff rate multiplied by the nominated volume not received by Carrier.

(h) **Transition rule for determining Base Period**. During the initial eighteen (18) months commencing on the in-service date of each expansion of Carrier's system and each newly constructed pipeline segment ("Expansion Effective Date"), the Base Period shall consist of each full calendar month since the Expansion Effective Date, but prior to the Proration Month. For example, if the Proration Month were to occur in the seventh (7^{th}) month from the Expansion Effective Date, the Base Period would consist of the first six (6) months from the Expansion Effective Date. In all other respects, Rule 12(a)-(d) remains in effect during the initial eighteen (18) months of this Tariff's implementation. This transition rule shall have no effect on and after the nineteenth (19^{th}) full calendar month from the Expansion Effective Date.

(i) **Capacity Interruptions and Curtailment.** Carrier shall have the right to interrupt Receipts and Deliveries of Shipper's Crude Petroleum, including the right to curtail Receipts and Deliveries of Committed Firm Shippers (i) for scheduled or unscheduled repairs, maintenance, modifications or improvements to Carrier's Pipeline, and/or (ii) by reason of a force majeure event. Carrier will use commercially reasonable efforts to minimize the extent and duration of any interruption

and the impact of such interruption on Carrier's operations and service. Interruptions of a Committed Firm Shipper's Excess Volumes and Uncommitted Shipper volumes will be based on the procedures set forth in Rule 12(d)-(h). If insufficient capacity remains after the interruption of each Committed Firm Shipper's Excess Volumes and Uncommitted Shipper volumes, Exempt Volumes shall be interrupted on a pro rata basis.

TRANSPORTATION SERVICES AND RELATED REQUIREMENTS

RULE 13 – ORIGIN AND DESTINATION POINT FACILITIES REQUIRED

Carrier only provides working tankage that is incidental and necessary to the transportation of Crude Petroleum, but does not provide or offer storage service, whether in transit or at the Origin Points or the Destination Points. Nominations for the transportation of Crude Petroleum will be accepted only when Shipper has provided, or arranged for access to, equipment and facilities capable of satisfactorily delivering to the Origin Point and receiving at the Destination Point the quantities tendered for transportation. Shipper will deliver to the Origin Point nominated volumes on a ratable basis over the course of a month. Carrier, where operations permit, may waive such ratable delivery requirement in its sole discretion.

No duty to transport shall arise until Shipper furnishes to Carrier documentation sufficient to demonstrate that Shipper has provided, or arranged for access to, the necessary equipment and facilities immediately upstream of the Origin Point and downstream of the Destination Point.

RULE 14 – IN-TRANSIT STORAGE

Although Carrier does not provide or offer storage service, certain storage providers offer storage services at the In-Transit Points. Shipper may submit a Nomination, in accordance with Rule 8, requesting that its Crude Petroleum offered for transportation be stopped temporarily at an In-Transit Point(s) for storage, provided that: (i) such Nomination shall list the Origin Point, the In-Transit Point(s), and the ultimate Destination Point; (ii) the In-Transit Point(s) nominated by Shipper shall be along the transportation path between the Origin Point(s) and the ultimate Destination Point; (iii) the storage shall last no more than six (6) months; (iv) Shipper is solely responsible for arranging for storage services at the In-Transit Point(s), including entering into any required storage service agreement(s) with the affected storage provider(s); and (v) Crude Petroleum stopped at the In-Transit Point(s) shall be subject to the rates applicable to the transportation from the Origin Point to the ultimate Destination Point. To the extent practicable and permitted by operating conditions, Carrier may, at its sole discretion, accept such Nomination. Upon intermediate delivery of the Crude Petroleum to the In- Transit Point(s), the custody and possession of the Crude Petroleum shall transfer to Shipper, and Carrier shall not be liable for loss and/or damage to such Crude Petroleum while in storage.

Shipper may submit a Nomination, in accordance with Rule 8, requesting that Crude Petroleum placed in storage at the In-Transit Point(s) be withdrawn and Delivered to the ultimate Destination Point, at no additional charge, provided that: (i) such Nomination shall list the In-Transit Point(s) and the ultimate Destination Point previously listed on Shipper's Nomination to stop Crude Petroleum for in-transit storage; and (ii) Shipper shall make such Nomination for withdrawal and Delivery within six (6) months from the date Crude Petroleum was intermediately delivered at the In-Transit Point(s) for storage. To

the extent practicable and permitted by operating conditions, Carrier may, at its sole discretion, accept such Nomination. Upon withdrawal of the Crude Petroleum from the In-Transit Point(s), the custody and possession of the Crude Petroleum shall transfer to Carrier.

RULE 15 – PIPEAGE OR OTHER CONTRACTS

Separate pipeage and other contracts may be required of a Shipper before any duty of transportation by Carrier shall arise. A pipeage contract may include additional charges for reimbursement for facilities necessary to Receive and/or Deliver Shipper's shipments.

RULE 16 – LINE FILL AND WORKING STOCK REQUIREMENT

Except for transportation on Carrier's system utilizing the Leased Capacity, Carrier will require each Shipper to supply a pro rata share of Crude Petroleum necessary for pipeline line fill and working stock (including tank bottoms) for efficient operation of the Carrier's Pipeline prior to Delivery. For the first three (3) months commencing on the Expansion Effective Date, each Shipper's initial line fill obligation will be based on the higher of (i) Shipper's Nominations or (ii) Shipper's Committed Volume, in proportion to the aggregate Nominations and aggregate Committed Volumes. Thereafter, line fill requirements will be adjusted every three (3) months based on Actual Shipments, and New Shippers shall be assigned line fill requirements based on their Nominations. After any such adjustments, if the pro rata share of Crude Petroleum to be provided by a Shipper changes as a result of such reallocation, Shipper shall be required to provide within thirty (30) days at Shipper's Origin Point any increase in its line fill obligation or Carrier shall be required to redeliver any reduction in Shipper's line fill obligation within thirty (30) days to Shipper's Destination Point.

Except for the periodic adjustments in line fill requirements provided for above, Crude Petroleum provided by a Shipper for this purpose may be withdrawn from the pipeline only after shipments have ceased and if written notice to discontinue shipments in Carrier's Pipeline is received on or before the fifteenth (15^{th}) day of the month preceding the last calendar month in which Shipper intends to ship. Such withdrawal shall be made by Carrier over a reasonable period, not to exceed twelve (12) months after such notice to discontinue shipments is received.

RULE 17 – DELIVERY AND DEMURRAGE

After any shipment has arrived at the Destination Point, Carrier may begin Delivery at its current rate of pumping. Since Carrier does not own or operate storage or tankage facilities for Shipper storage purposes, it is essential that Shipper or its Consignee promptly accept any shipment offered for Delivery. A demurrage charge of $0.01 per Barrel shall accrue for each day on which any part of said shipment offered for Delivery is not promptly taken by Shipper or its Consignee.

In the event that Shipper or its Consignee fail to promptly accept any shipment offered for Delivery or any portion thereof, then Carrier shall also have the right to divert, reconsign, or make whatever arrangements for disposition of the subject Crude Petroleum that it deems appropriate to clear its pipeline facilities, including the right to sell the subject Crude Petroleum at private or public sale. Carrier may be a purchaser at any such sale. From the proceeds of any such sale, Carrier may pay itself

all transportation and other charges and expenses in caring for and maintaining the subject Crude Petroleum and the costs of sale, and the balance shall be held for whomsoever may be lawfully entitled thereto.

RULE 18 – EVIDENCE OF RECEIPTS AND DELIVERIES

The Receipt and Delivery shall be evidenced, in each instance, by a statement showing the quantities Received or Delivered as the case may be, temperature, basic sediment, and water, and any other data essential to the determination of quantity.

RULE 19 – RATES APPLICABLE

Crude Petroleum accepted for transportation shall be subject to the rates in effect on the date of Receipt by Carrier, irrespective of the date of Tender.

RULE 20 – PAYMENT OF TRANSPORTATION AND OTHER CHARGES

Transportation and all other lawful charges will be collected on the basis of net quantity of Crude Petroleum Received at the Origin Point. Shipper shall be responsible for payment of transportation and all other charges applicable to the shipment, and at the discretion of Carrier, may be required to prepay such charges or furnish guaranty of payment to Carrier. Shipper shall be responsible for the payment of all royalties, overriding royalties, production payments, and other similar amounts due in respect of such Crude Petroleum. Carrier shall deliver an invoice to Shipper on or before the tenth (10^{th}) business day of each month setting forth the amount due under the terms of the Tariff and, where applicable, the TSA. Shipper shall pay on or before the later of the twentieth (20^{th}) business day of the month or ten (10) business days following the date of receipt of an invoice from Carrier for the immediately preceding month, if applicable, the amount due as set forth on the invoice, except as disputed in good faith by Shipper, in which event Shipper shall only pay the undisputed portion of such amount in such invoice until such time as the dispute is resolved.

Carrier shall have a lien on all Crude Petroleum in its possession belonging to Shipper to secure the payment of all unpaid charges due by such Shipper, and may withhold such Crude Petroleum from Delivery until all of such unpaid charges shall have been paid. If any charge remains unpaid after the due date specified in Carrier's invoice, then such amount shall bear interest from the day after the date of the invoice until paid, calculated at an annual rate equivalent to one hundred and twenty-five percent (125%) of the prime rate of interest, as of the date of Carrier's invoice, charged by the Citibank N.A. of New York, New York, for ninety (90) day loans made to substantial and responsible commercial borrowers or the maximum rate allowed by law, whichever is the lesser.

If said charges shall remain unpaid five (5) days after the time that may be fixed for Delivery as provided for below or, in the absence of unpaid charges, when there shall be failure to take the Crude Petroleum at the Destination Point as provided in these rules and regulations, Carrier may, by an agent, sell said Crude Petroleum at public auction for cash on any day not a Sunday or legal holiday, and not less than forty-eight (48) hours after publication of notice, in a daily newspaper, of the time and place of such sale and the quantity of Crude Petroleum to be sold. Carrier may be a bidder and purchaser at such sale. Out of the proceeds of said sale, Carrier may pay itself all transportation and any other lawful

charges, expense of notice, advertisement, sale, and other necessary expense, and of caring for and maintaining the Crude Petroleum, and the net balance shall be held without interest for whomsoever may be lawfully entitled thereto; if the proceeds of said sale do not cover all expenses incurred by Carrier, Shipper and/or Consignee are liable to Carrier for any deficiency.

In addition to all other liens, statutory or otherwise, to which Carrier is entitled and unless the following grant is expressly prohibited by the terms of one or more security agreements or credit agreements creating prior, perfected security interests in the hereinafter-defined Collateral, Shipper hereby grants to Carrier a first priority, continuous, and continuing security interest in all of the following, whether now or hereafter existing or acquired, as collateral for the prompt and complete payment and performance of Shipper's Obligations (as defined below): (i) All Crude Petroleum accepted by Carrier for transportation, terminalling, or otherwise while in the possession of Carrier; (ii) all other property of Shipper now in the possession of and at any time and from time to time hereafter delivered to Carrier or its agents but only while in the possession of Carrier; and (iii) all of Shipper's pre-payments, deposits, balances, and credits with, and any of its claims against, Carrier, at any time existing. The property described or referred to in subsections (i) through (iii) above is collectively referred to as the "Collateral". This grant secures the following (collectively, the "Obligations"): (i) all antecedent, current and future transportation, terminalling, special, ancillary, and other lawful charges arising under or related to this Tariff or the contracts entered into in connection with this Tariff; (ii) the repayment of any amounts that Carrier may advance or spend for the maintenance, storage, or preservation of the Collateral; (iii) all amounts owed under any modifications, renewals or extensions of any of the foregoing obligations; and (iv) all other amounts now or in the future owed by Shipper to Carrier, whether or not of the same kind or class as the other obligations owed by Shipper to Carrier. Shipper authorizes Carrier to file such financing statements or other documents necessary to perfect and maintain the security interest herein granted.

RULE 21 – CHARGES FOR SPILL COMPENSATION ACTS AND REGULATIONS

In addition to the transportation charges and all other charges accruing on Crude 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 Carrier in connection with such a 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, cleanup, and/or removal of spills and/or the reimbursement of persons sustaining loss therefrom. If such a tax, fee, or other charge is levied against Carrier, Carrier shall file with the FERC to place into effect a per Barrel rate to recover such tax, fee, or other charge. Carrier shall be under no obligation to contest or protest on behalf of Shipper or its Consignee the legality of such tax, fee, levy or other charges.

LIABILITY AND CLAIMS

RULE 22 – DUTY OF CARRIER

Carrier shall transport and Deliver the quantity of Crude Petroleum accepted for transportation (less the appropriate deductions), with reasonable diligence, considering the quantity of Crude Petroleum, the distance of transportation, the safety of operation, and other material factors.

RULE 23 – LIABILITY OF CARRIER

(a) Except where caused by the gross negligence of Carrier, Carrier shall not be liable or responsible to any party for any delay, damage, or loss, whether to property or person, including fines or penalties, resulting from any cause while Carrier is in possession or control of such Shipper's Crude Petroleum, including the breakdown of the facilities of Carrier's Pipeline.

(b) If damage or loss to Crude Petroleum results from any cause other than the gross negligence of Carrier while Carrier is in possession or control of such Crude Petroleum, then Carrier may apportion the cost of such damage or loss on a pro rata basis among all Shippers. Each Shipper's share of such cost shall be determined by Carrier based on the proportion of the quantity of Shipper's Crude Petroleum in the possession of Carrier on the date of such loss to the total quantity of Crude Petroleum in the possession of Carrier on the date of such loss. Carrier shall be obligated to deliver only that portion of the Crude Petroleum remaining after such deduction.

(c) NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS TARIFF AND EXCEPT AS OTHERWISE PROVIDED IN A TSA BETWEEN CARRIER AND SHIPPER, IN NO EVENT SHALL CARRIER BE LIABLE OR RESPONSIBLE TO ANY SHIPPER, ITS AFFILIATES, SUCCESSORS IN INTEREST, BENEFICIARIES OR ASSIGNEES, FOR ANY CONSEQUENTIAL, INCIDENTAL, INDIRECT, SPECIAL, OR PUNITIVE DAMAGES, OR FOR LOSS OF PROFITS OR REVENUES, THAT ARISE IN RELATION TO THE TRANSPORTATION OF CRUDE PETROLEUM UNDER THIS TARIFF, REGARDLESS OF WHETHER SUCH CLAIM ARISES UNDER OR RESULTS FROM CONTRACT, TORT, OR STRICT LIABILITY.

RULE 24 – LIABILITY OF SHIPPER

Except as otherwise provided in a TSA between Carrier and Shipper, to the fullest extent permitted by applicable law, Shipper shall indemnify, defend, and hold Carrier harmless from any and all personal injuries, property damage (including full or partial loss of use of property), damages, claims, suits, costs and recoveries, fines, penalties, and expenses (including reasonable attorneys' fees and expenses) of any kind or character arising from, or related to, negligent or willful acts, breaches of warranties and representations, or omissions on the part of Shipper or its Consignee, its officers, employees, agents, or contractors with respect to any Crude Petroleum tendered by Shipper and transported by Carrier pursuant to this Tariff. In the event of any suit or action brought against Carrier for any of the foregoing, Shipper shall appear and defend against any such suit or action and pay any judgment that may be obtained against Carrier. Where personal injury, death, or physical loss of or physical damage to property is the result of the joint negligence or misconduct of both the Carrier and Shipper, both parties shall indemnify each other in proportion to their respective share of such joint negligence or misconduct.

RULE 25 – CLAIMS, TIME FOR FILING

Claims for any delay, damage to, or loss of Crude Petroleum ("Claims") must be made in writing to Carrier within nine (9) months after Delivery or, in the case of failure to make Delivery, then within nine (9) months after a reasonable time for Delivery has elapsed. Suits shall be instituted against Carrier only within two (2) years and one (1) day from the date when notice in writing is given by Carrier to the

claimant that Carrier has disallowed the Claim or any part or parts thereof specified in the notice. The exclusive venue for any suit, action, or proceeding brought in connection with a Claim or arising out of the transportation service provided by Carrier shall be in Dallas County, Texas. The foregoing provisions shall be conditions precedent to any suit. Where Claims are not filed or suits are not instituted in accordance with the foregoing provisions, Carrier shall not be liable and such Claims shall not be paid.

Explanation of Letter Designations

[C] Cancel
[D] Decrease
[I] Increase
[N] New
[U] Unchanged
[W] Change in wording