

KINDER MORGAN WINK PIPELINE LLC

RULES AND REGULATIONS TARIFF

Applying on the Intrastate Gathering and Transportation of

CRUDE PETROLEUM

(As Defined Herein)

BY PIPELINE

Between Points in Tariffs Making Reference Hereto

Carrier will accept and transport Crude Petroleum offered for transportation through Carrier's facilities only as provided in this Rules and Regulations Tariff. To the extent that specific rules and regulations published in other tariffs conflict with this Rules and Regulations Tariff, such specific rules and regulations shall prevail.

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

T-4 Permit No. 00254

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SECTION 1
RULES AND REGULATIONS OF THE RAILROAD COMMISSION OF TEXAS
(Title 16, Part 1, Chapter 3, Rule §3.71)

<p>(1) All marketable oil to be received for transportation. By the term "marketable oil" is meant any crude petroleum adapted for refining or fuel purposes, properly settled and containing not more than two percent (2%) of basic sediment, water, or other impurities above a point six inches below the pipeline connection with the tank. Pipelines shall receive for transportation all such "marketable oil" tendered; but no pipeline shall be required to receive for shipment from any one person an amount exceeding 3,000 barrels of petroleum in any one day; and, if the oil tendered for transportation differs materially in character from that usually produced in the field and being transported therefrom by the pipeline, then it shall be transported under such terms as the shipper and the owner of the pipeline may agree or the Commission may require.</p>
<p>(2) Basic sediment, how determined--temperature. In determining the amount of sediment, water or other impurities, a pipeline is authorized to make a test of the oil offered for transportation from an average sample from each such tank, by the use of centrifugal machine, or by the use of any other appliance agreed upon by the pipeline and the shipper. The same method of ascertaining the amount of sediment, water, or other impurities shall be used in the delivery as in the receipt of oil. A pipeline shall not be required to receive for transportation, nor shall consignee be required to accept as a delivery, any oil of a higher temperature than 90 degrees Fahrenheit, except that during the summer oil shall be received at any atmospheric temperature, and may be delivered at like temperature. Consignee shall have the same right to test the oil upon delivery at destination that the pipeline has to test before receiving from the shipper.</p>
<p>(3) "Barrel" defined. For the purpose of these rules, a "barrel" of crude petroleum is declared to be 42 gallons of 231 cubic inches per gallon at 60 degrees Fahrenheit.</p>
<p>(4) Oil involved in litigation, etc. -- indemnity against loss. When any oil offered for transportation is involved in litigation, or the ownership is in dispute, or when the oil appears to be encumbered by lien or charge of any kind, the pipeline may require of shippers an indemnity bond to protect it against all loss.</p>
<p>(5) Storage. Each pipeline shall provide, without additional charge, sufficient storage, such as is incident and necessary to the transportation of oil, including storage at destination or so near thereto as to be available for prompt delivery to destination point, for five days from the date of order of delivery at destination.</p>
<p>(6) Identity of oil, maintenance of oil. A pipeline may deliver to consignee either the identical oil received for transportation, subject to such consequences of mixing with other oil as are incident to the usual pipeline transportation, or it may make delivery from its common stock at destination; provided, if this last be done, the delivery shall be of substantially like kind and market value.</p>
<p>(7) Minimum quantity to be received. A pipeline shall not be required to receive less than one tank carload of oil when oil is offered for loading into tank cars at destination of the pipeline. When oil is offered for transportation for other than tank car delivery, a pipeline shall not be required to receive less than 500 barrels.</p>
<p>(8) Gathering charges. Tariffs to be filed by a pipeline shall specify separately the charges for gathering of the oil, for transportation, and for delivery.</p>

(9) Measuring, testing, and deductions (reference Special Order No. 20-63, 098, effective June 18, 1973.)

(A) Except as provided in subparagraph (B) of this paragraph, all crude oil tendered to a pipeline shall be gauged and tested by a representative of the pipeline prior to its receipt by the pipeline. The shipper may be present or represented at the gauging and testing. Quantities shall be computed from correctly compiled tank tables showing 100% of the full capacity of the tanks. The gauging and testing of oil by the pipeline representative is directed toward and intended to require tank measurement of produced crude prior to the transfer of custody to the initial transporter from a producing property.

(B) As an alternative to the method of measurement provided in subparagraph (A) of this paragraph, crude oil and condensate may be measured and tested, before transfer of custody to the initial transporter, by:

(i) lease automatic custody transfer (LACT) equipment, provided such equipment is installed and operating in accordance with the latest revision of American Petroleum Institute (API) Manual of Petroleum Measurement Standards, Chapter 6.1, or;

(ii) any device or method, approved by the commission or its delegate, which yields accurate measurements of crude oil condensate.

(C) Adjustments to the quantities determined by the methods described in subparagraphs (A) and (B) of this paragraph shall be made for temperature from the nearest whole number degree to the basis 60°F and to the nearest 5/10 API degree gravity in accordance with the volume correction Tables 5A and 6A contained in API Standard 2540, American Society for Testing Materials 01250, Institute of Petroleum 200, first edition, August 1980. A pipeline may deduct the basic sediment, water, and other impurities as shown by the centrifugal or other test agreed upon by the shipper and pipeline; and 1.0% for evaporation and loss during transportation. The net balance ①, adjusted in accordance with Rule 4 (Section II) of these Rules and Regulations, shall be the quantity deliverable by the pipeline. In allowing the deductions, it is not the intention of the Commission to affect any tax or royalty obligation imposed by the laws of Texas on any producer or shipper of crude oil.

(D) A transfer of custody of crude between transporters is subject to measurement as agreed upon by the transporters.

(10) Delivery and demurrage. Each pipeline shall transport oil with reasonable diligence, considering the quality of the oil, the distance of transportation, and other material elements, but at any time after receipt of a consignment of oil, upon 24 hours notice to the consignee, may offer oil for delivery from its common stock at the point of destination, conformable to paragraph (6) of these rules, at a rate not exceeding 10,000 barrels per day of 24 hours ②.

(11) Unpaid charges, lien for and sale to cover. A pipeline shall have a lien on all oil to cover charges for transportation, including demurrage, and it may withhold delivery of oil until the charges are paid. If the charges shall remain unpaid for more than five days after notice of readiness to deliver, the pipeline may sell the oil at public auction at the general office of the pipeline on any day not a legal holiday. The date for the sale shall not be less than 48 hours after publication of notice in a daily newspaper of general circulation published in the city where the general office of the pipeline is located. The notice shall give the time and place of the sale, and the quantity of the oil to be sold. From the proceeds of the sale, the pipeline may deduct all charges lawfully accruing, including demurrage, and all expenses of the sale. The net balance shall be paid to the person lawfully entitled thereto.

(12) Notice of claims. Notice of claims for loss, damage or delay in connection with the shipment of oil must be made in writing to the pipeline within 91 days after the damage, loss, or delay occurred. If the claim is for failure to make delivery, the claim must be made within 91 days after a reasonable time for delivery has elapsed.

(13) Telephone–telegraph line — shipper to use. If a pipeline maintains a private telegraph or telephone line, a shipper may use it without extra charge, for messages incident to shipments. However, a pipeline shall not be held liable for failure to deliver any messages away from its office or for delay in transmission or for interruption of service.

(14) Contracts of transportation. When a consignment of oil is accepted, the pipeline shall give the shipper a run ticket, and shall give the shipper a statement that shows the amount of oil received for transportation, the points of origin and destination, corrections made for temperature, deductions made for impurities, and the rate for such transportation.

(15) Shipper's tanks, etc. -- inspection. When a shipment of oil has been offered for transportation, the pipeline shall have the right to go upon the premises where the oil is produced or stored, and have access to any and all tanks or storage receptacles for the purpose of making any examination, inspection, or test authorized by this rule.

(16) Offers in excess of facilities. If oil is offered to any pipeline for transportation in excess of the amount that can be immediately transported, the transportation furnished by the pipeline shall be apportioned among all shippers in proportion to the amounts offered by each; but no offer for transportation shall be considered beyond the amount which the person requesting the shipment then has ready for shipment by the pipeline. The pipeline shall be considered as a shipper of oil produced or purchased by itself and held for shipment through its line, and its oil shall be entitled to participate in such apportionment.

(17) Interchange of tonnage. Pipelines shall provide the necessary connections and facilities for the exchange of tonnage at every locality reached by two or more pipelines, when the Commission finds that a necessity exists for connection, and under such regulations as said Commission may determine in each case.

(18) Receipt and delivery -- necessary facilities for. Each pipeline shall install and maintain facilities for the receipt and delivery of marketable crude petroleum of shippers at any point on its line if the Commission finds that a necessity exists therefore, and under regulations by the Commission.

(19) Reports of loss from fires, lightning and leakage.

(A) Each pipeline shall immediately notify the Commission district office, electronically or by telephone, of each fire that occurs at any oil tank owned or controlled by the pipeline, or of any tank struck by lightning. Each pipeline shall in like manner report each break or leak in any of its tanks or pipelines from which more than five barrels escape. Each pipeline shall file the required information with the Commission in accordance with the appropriate commission form within 30 days from the date of the spill or leak.

(B) No risk of fire, storm, flood, or act of God, and no risk resulting from riots, insurrection, rebellion, war or act of the public enemy, or from quarantine or authority of law or any order, requisition or necessity of the government of the United States in time of war, shall be borne by a pipeline, or shall any liability accrue to it from any damage thereby occasioned. If loss of any crude oil from any such causes occurs after the oil has been received for transportation, and before it has been delivered to the consignee, the shipper shall bear a loss in such proportion as the amount of his shipment is to all of the oil held in transportation by the pipeline at the time of such loss, and the shipper shall be entitled to have delivered only such portion of his shipment as may remain after a deduction of his due portion of such loss, but in such event the shipper shall be required to pay charges only on the quantity of oil delivered. This rule shall not apply if the loss occurs because of negligence of the pipeline.

(19) Reports of loss from fires, lightning and leakage (continued)

(C) Common carrier pipelines shall mail (return receipt requested) or hand delivered to landowners (persons who have legal title to the property in question) and residents (persons whose mailing address is the property in question) of land upon which a spill or leak has occurred, all spill or leak reports required by the commission for that particular spill or leak within 30 days of filing the required reports with the commission. Registration with the commission by landowners and residents for the purpose of receiving spill or leak reports shall be required every five years, with renewal registration starting January 1, 1999. If a landowner or resident is not registered with the commission, the common carrier is not required to furnish such reports to the resident or landowner.

(20) Printing and posting. Carrier has posted and maintains printed copies of its Railroad Commission tariff's in prominent places, including its Houston, Wink and El Paso offices in Texas.

(21) File tariffs with commission. Immediately upon the publication of its tariffs, and each subsequent amendment thereof, each pipeline is requested to file one copy with the commission.

(22) Records.

(A) Each person operating crude oil gathering, transportation, or storage facilities in the state must maintain daily records ③ of the quantities of all crude oil moved from each oil field in the state, and such records shall also show separately for each field to whom delivery is made, and the quantities so delivered.

(B) The information contained in the records thus required to be kept must be reported to the commission by the gatherers, transporters, and handlers at such times and in such manner as may be required by the commission.

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**SECTION 2
 SUPPLEMENTAL RULES AND REGULATIONS**

The requirements of Section 2 will be in addition to the requirements of Section 1. In case of discrepancies in the requirements between the Sections, Section 2 will take precedence and govern over Section 1.

ITEM 10. Definitions and Abbreviations	
API	American Petroleum Institute
ASTM	American Society for Testing Materials
Barrel (Bbl)	Forty-two (42) United States gallons at sixty degrees (60°) Fahrenheit and zero ("0") gauge pressure if the vapor pressure of the petroleum is at or below atmospheric pressure, or at equilibrium pressure if the vapor pressure of the petroleum is above atmospheric pressure.
Capacity	The quantity of Crude Petroleum the Pipeline Segment at issue is capable of transporting under the current operating conditions.
Carrier	Kinder Morgan Wink Pipeline LLC
[N] <u>Centurion Connection</u>	<u>A connection between Centurion Pipeline and Carrier's Wink Station at KM Lateral II, together with all related facilities and equipment necessary for or incidental to the receipt by the KM Lateral II of Crude Petroleum volumes.</u>
Common Stream	Crude Petroleum moved through the pipeline and pipeline facilities which is commingled or intermixed with other Crude Petroleum.
Consignee	Party, including a connecting pipeline system, to whom Shipper has ordered Delivery of Crude Petroleum
Condensate	Liquid products of oil wells and gas wells resulting from condensation of petroleum hydrocarbons existing initially in gaseous phase in an underground reservoir that are recovered at the surface without resorting to processing.
Crude Petroleum	Direct liquid products of oil wells, condensate or a mixture thereof.
Delivery	Transfer from Carrier at Destination to Shipper or Consignee
Destination	A point (i) named in a Local Tariff or (ii) agreed to between Shipper and Carrier pursuant to Item 210 of this Tariff, at which point Carrier will deliver Crude Petroleum to Shipper or its Consignee after transportation from an Origin.
Gross Standard Volume	Volume corrected to a temperature of sixty degrees (60°) Fahrenheit, in accordance with the latest API/ASTM measurement standards, and at equilibrium vapor pressure.
Indirect Liquid Products of Oil or Gas Wells	Liquid products resulting from the operation of gasoline recovery plants, gas recycling plants, or distillate recovery equipment in gas or oil fields, or a mixture of such products including Natural Gasoline or Natural Gas Liquids.
[N] <u>KM Lateral I</u>	<u>A 10-inch diameter pipeline, approximately 600 feet in length, originating at a connection point at Carrier's Wink Station and terminating at the respective tank inlet header, together with all related facilities and equipment necessary for or incidental to the receipt of Crude Petroleum volumes ranging from 5,000 barrels per day to 50,000 barrels per day, and the delivery thereof to Carrier's Wink Station.</u>
[N] <u>KM Lateral II</u>	<u>A 10-inch diameter bi-directional pipeline, approximately 600 feet in length, between a connection point at Carrier's Wink Station and the respective tank inlet header, together with all related facilities and equipment necessary for or incidental to (i) the receipt of Crude Petroleum volumes ranging from 5,000 barrels per day to 50,000 barrels per day with delivery thereof into Carrier's Wink Station, and (ii) the receipt at the Centurion Connection of Crude Petroleum volumes ranging from 5,000 barrels per day to 30,000 barrels per day with delivery thereof to the designated connection.</u>

[N] ITEM 10. Definitions and Abbreviations (continued)	
[N] KM Lateral III	<u>A 10-inch diameter pipeline, approximately 1,200 feet in length, originating at the tank field at Carrier's Wink Station and terminating at the respective tank outlet header, together with all related facilities and equipment necessary for or incidental to the receipt from tanks at Carrier's Wink Station of Crude Petroleum volumes ranging from 5,000 barrels per day to 50,000 barrels per day, and the delivery thereof to Carrier's Jackrabbit Station, via KM Lateral II.</u>
Net Standard Volume	Gross Standard Volume less deductions of impurities shown by tests made by Carrier prior to receipt and upon delivery.
Non-Operational Day	Any calendar day in which Carrier's pipeline is not able to accept Tenders to it of 110,000 or more Barrels for delivery to the El Paso refinery or is unable to deliver the Crude Petroleum nominated by a Shipper from Wink to El Paso.
Origin	A Point (i) named in a Local Tariff or (ii) agreed to between Shipper and Carrier pursuant to Item 210 of this Tariff, at which point Carrier will accept Crude Petroleum for transportation.
Pipeline Segment	A section of the system, the limits of which are defined by two geographically identifiable points, that, because of the way that section of the system is designed and operated, must be treated as a unit for purposes of determining Capacity.
Receipt	Transfer from Shipper at Origin to Carrier for transportation
Shipper	Party who contracts with Carrier for the transportation of Crude Petroleum under the terms of this tariff
Tender	Written designation by a Shipper to Carrier of an approximate quantity of Crude Petroleum for transportation from a specified Origin to a specified Destination over a period of one calendar month in accordance with these rules and regulations

ITEM 20. Specifications and Restrictions	
20.1	Crude Petroleum will be accepted for transportation at such time as Crude Petroleum of the same quality and general characteristics is being transported from Origin to Destination. Crude Petroleum tendered for transportation which is not of the same quality and general characteristics of that which is being transported by Carrier will be transported under the terms agreed upon in conformance with the filed tariffs.
20.2	Carrier reserves the right to reject any and all of the following shipments: a. Crude Petroleum which is not good merchantable oil, which does not meet quality standards established pursuant to Item 40 or which will otherwise materially affect or damage the quality of other shipments or cause disadvantage to other Shippers and/or Carrier; b. Crude Petroleum whose gravity, viscosity or other characteristics are such that it is not readily susceptible to transportation on Carrier's existing facilities; c. Crude Petroleum containing basic sediment, water or other impurities totaling in excess of [W] two (2) one (1) percent as determined by centrifugal test, or by such other tests as may be agreed upon by Shipper and Carrier; d. Crude Petroleum where Shipper or Consignee has failed to comply with all applicable laws, rules and regulations.
20.3	Crude Petroleum with a gravity of 34.9° API or less shall not exceed 8.0 pounds per square inch absolute (psia) Reid Vapor Pressure. Crude Petroleum with a gravity of 35.0° API or greater shall not exceed 10.0 psia Reid Vapor Pressure. Crude Petroleum shall not exceed 11 psia True Vapor Pressure at the receiving temperature independent of gravity.
20.4	Crude Petroleum tendered for transportation to Carrier shall be subject to limitations on gravity and temperature based upon tender location. These minimum specifications are physical limitations imposed by Carrier's equipment.

ITEM 30. Clear Title Required	
30.1	Carrier shall have the right to reject any Crude Petroleum, when tendered for transportation which may be involved in litigation, or the title of which may be in dispute, or which may be encumbered by lien or charge of any kind. If Carrier has a reasonable basis to believe that such a situation exists, it will require of Shipper satisfactory evidence of Shipper's perfect and unencumbered title or satisfactory indemnity to protect Carrier against any and all loss resulting from transporting Crude Petroleum involved in litigation.

ITEM 40. Establishment of Quality	
40.1	In addition to the general requirements for transportation set forth in Item No. 20 above, Carrier will from time to time determine the quality of Crude Petroleum it will regularly gather from certain areas and the quality and general characteristics of Crude Petroleum it will regularly transport as a common stream between particular Origins and Destinations on its trunk pipelines. Carrier will inform all interested persons of such Crude Petroleum quality and general characteristics upon request by them. Changes in petroleum quality standards will be made by new tariff filings.
40.2	Crude Petroleum quality and general characteristics include, but are not limited to, whole crude properties such as A.P.I. gravity, sulfur, B. S. & W., Reid vapor pressure, pour point, viscosity, hydrogen sulfide, metals, nitrogen, chlorinated and/or oxygenated hydrocarbons, salt content, and product yields. Except for Crude Petroleum delivered into Carrier's McCamey to Wink West Station Pipeline Segment, Carrier shall not accept for pipeline transportation any Crude Petroleum which has a sulfur content in excess of 0.40 percent (0.40%) sulfur, by weight. The acceptance of Crude Petroleum exceeding 0.40% sulfur shall only apply on deliveries into McCamey Station, Cordona Lake Station, and along the pipeline segment between McCamey Station in Upton County, Texas, and up to but not including, Wink West Station in Winkler County, Texas. Crude Petroleum delivered into all other segments of Carrier's pipeline system shall contain no more than 0.40 percent (0.40%) sulfur, by weight. For deliveries from Wink West in Winkler County, Texas, to the El Paso Refinery, in El Paso County, Texas, Carrier shall be obligated to segregate batches of West Texas Intermediate and West Texas Sour Crude Petroleum. Carrier shall not be liable for any intermixing of these two types of Crude Petroleum while in transit to the El Paso Refinery.
40.3	For the purposes of this tariff, the term "West Texas Intermediate", or Crude Petroleum of similar quality, is defined as Crude Petroleum that has a sulfur content of less than 0.40 percent (0.40%), by weight and the term "West Texas Sour", or Crude Petroleum of similar quality is defined as Crude Petroleum that has a sulfur content greater than 0.40 percent (0.40%), by weight.

ITEM 50. Nominations	
50.1	All Shippers and Consignees desiring to ship or receive Crude Petroleum through the pipelines of Carrier shall provide Carrier, in writing, the following information needed by Carrier to schedule and dispatch each shipment of Crude Petroleum: kind, quantity, Origin, sequence of delivery, Destination and Shipper of each proposed Crude Petroleum shipment. Nominations must be received by the Final Nomination Deadline. The Final Nomination Deadline is 3:00 p.m. on the twenty-fifth (25th) day (excluding Carrier holidays) of the month preceding the month in which Shipper desires to ship. Carrier will inform Shippers of Carrier holidays at the time they become Shippers and thereafter on January 15 of each year in the event the holidays are changed.
50.2	Nominations or changes in nominations received after the Final Nomination Deadline will not be accepted from the Final Nomination Deadline date to the first day of the following month. After the first of the month, changes will be accepted only in writing and only if space is available and the additional or changed nominations do not impair the movement of Crude nominated prior to the Final Nomination Deadline.

[N] ITEM 50. Nominations (continued)	
50.3	All Nominations must contain a final Destination to be accepted.
50.4	In the event the total nominations submitted for shipment in a pipeline segment exceed the capacity of that segment, the capacity will be prorated equitably among all Shipper's according to Item 240 of this tariff.

ITEM 60. Scheduling	
60.1	For each calendar month Carrier will establish a sequence for pumping Crude Petroleum through its trunk lines and will schedule the approximate time when Crude Petroleum offered for shipment will be received by Carrier at Origins and delivered by Carrier at Destinations.
60.2	Carrier will inform each Shipper of the time within each calendar month when Crude Petroleum will be received from such Shipper at Origins and Carrier will inform each Shipper or his Consignee of the approximate time within each calendar month when Crude Petroleum will be delivered to such Shipper or Consignee at Destinations.
60.3	A change in Destination may be made without charge if requested by Shipper prior to arrival at original Destination subject to the rates, rules, and regulations applicable from Origin to final Destination, provided then current pipeline operations of Carrier will permit such a change of Destination. Such a request must be in writing.

ITEM 70. Transfers Within System	
70.1	Intrasystem transfers will not be recognized by Carrier for Crude Petroleum in Carrier's custody, except for transfers resulting from application of Item 250 herein.

ITEM 80. Duty of Carrier	
80.1	Carrier will receive and/or transport and deliver Crude Petroleum with reasonable diligence and dispatch. Shipper or Consignee will be notified twenty-four (24) hours prior to the arrival of a shipment of Crude Petroleum and if Shipper or Consignee is unable or refuses to receive the Crude Petroleum shipment as it arrives at Destination, Carrier reserves the right to make whatever arrangements for disposition of the Crude Petroleum it deems appropriate in order to clear its pipeline. Any expense incurred by Carrier in making such arrangements shall be borne by Shipper or Consignee, which charges are in addition to transportation charges accruing to Shipper or Consignee.

ITEM 90. Origin Facilities Required	
90.1	Carrier will receive Crude Petroleum from Shippers at stations on its gathering lines; at leases or plants to which its gathering lines connect; and at Origins on its trunk lines. Crude Petroleum will be received only from pipelines, tanks or other facilities which are provided by Shipper. Carrier will determine and advise Shippers of the size and capacity of pipelines, tanks and/or metering facilities to be provided by Shipper at the point of receipt to meet the operating conditions of Carrier's facilities at such point. Carrier will not accept Crude Petroleum for transportation unless such facilities have been provided to meet industry standards.

ITEM 100. Destination Facilities Required	
100.1	Carrier may refuse to accept Crude Petroleum for transportation unless satisfactory written evidence is furnished that Shipper or Consignee has provided the necessary facilities for the prompt receiving of said Crude Petroleum at Destination.
100.2	Carrier does not furnish storage facilities. Carrier's storage is only that necessary for the operation of the pipeline system.

ITEM 110. Minimum Tender	
110.1	<p>Crude Petroleum (as defined in Item 10, Definitions and Abbreviations of this tariff) will be accepted for transportation under this tariff in shipments of not less than two thousand (2,000) Barrels from one Shipper to one Consignee and Destination under the following conditions:</p> <ol style="list-style-type: none"> a. The minimum tender of two thousand (2,000) Barrels of Crude Petroleum may, in compliance with the provisions of Item 130 "Mixed Shipments", hereof, be a mixture of the direct liquid products of oil wells and the indirect liquid products of oil or gas wells including Natural Gasoline and Natural Gas Liquids. b. The "direct liquid products of oil wells" portion of the minimum two thousand (2,000) Barrels Tender and shipment may have one or more Origins. However, Tenders from each Origin shall be subject to the quality specifications of Item 20 herein. c. Both the "direct liquid products of oil wells" portion and the "indirect liquid products of oil or gas wells including Natural Gasoline and Natural Gas Liquids" portion of the Mixed Shipment may be in varying quantities provided the total of the shipment is not less than the minimum two thousand (2,000) Barrels and meets the conditions in Item 130 of this tariff.

ITEM 120. Measurement and Adjustments											
120.1	All shipments tendered to Carrier for transportation shall be tested, gauged or metered by a representative of Carrier prior to, or at the time of Receipt from Shipper and Delivery to Consignee, but Shipper or Consignee shall at all times have the privilege of being present or represented during the testing, gauging or metering.										
120.2	Quantities for receiving and delivering will be Net Standard Volume. Quantities may be computed from tank tables compiled or accepted by Carrier.										
120.3	The volume of impurities in Crude Petroleum received and delivered by Carrier will be measured by centrifugal test, or by such other tests as may be agreed upon by Shipper and Carrier. The volume of impurities will be deducted from the volume of such receipts and deliveries.										
120.4	In addition to deductions for losses as provided for in Item 180, Liability of Parties, of this tariff, Crude Petroleum quantities received for transportation may be adjusted to allow for inherent losses including but not limited to shrinkage, evaporation, interface losses and normal "over and short" losses. Carrier shall deduct two-tenths of one percent (2/10 th of 1% or 0.002) per Barrel on a monthly basis, to cover losses inherent to pipeline transportation ①.										
120.5	<p>In addition, whenever Crude Petroleum and indirect liquid products with a gravity that equals or exceeds forty-five degrees (45°) API is permitted to be commingled with other Crude Petroleum in transit, Carrier shall deduct at Origin a percentage of the volume of such Crude Petroleum in accordance with the following table:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;"><u>Degrees A.P.I. Gravity</u></th> <th style="text-align: center;"><u>Percentage Deduction</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">45 through 54.9</td> <td style="text-align: center;">0.5%</td> </tr> <tr> <td style="text-align: center;">55 through 64.9</td> <td style="text-align: center;">1.0%</td> </tr> <tr> <td style="text-align: center;">65 through 74.9</td> <td style="text-align: center;">1.5%</td> </tr> <tr> <td style="text-align: center;">75 and above</td> <td style="text-align: center;">2.0%</td> </tr> </tbody> </table> <p>The net balance after all deductions will be the quantity Carrier is obligated to deliver to Consignee.</p>	<u>Degrees A.P.I. Gravity</u>	<u>Percentage Deduction</u>	45 through 54.9	0.5%	55 through 64.9	1.0%	65 through 74.9	1.5%	75 and above	2.0%
<u>Degrees A.P.I. Gravity</u>	<u>Percentage Deduction</u>										
45 through 54.9	0.5%										
55 through 64.9	1.0%										
65 through 74.9	1.5%										
75 and above	2.0%										
[N] <u>120.6</u>	<u>Barrels delivered from the Wink Station into Kinder Morgan Jackrabbit Station Connection Point or from the Centurion Connection to the Kinder Morgan Jackrabbit Station Connection Point are exempt from the deduction for "over and short" losses inherent to pipeline transportation as provided in Item 120.4. Under this exemption, Shipper assumes financial responsibility for all gains and losses.</u>										

ITEM 130. Mixed Shipments	
130.1	<p>Mixed shipments of Crude Petroleum and the Indirect Liquid Products of Oil or Gas Wells including Natural Gasoline and Natural Gas Liquids will be accepted for transportation under the following conditions:</p> <ol style="list-style-type: none"> Shipper shall provide tanks or storage equipment that will hold the Indirect Liquid Products of Oil or Gas Wells in liquid state until such Indirect Liquid Products of Oil or Gas Wells can be mixed in course of transportation with Crude Petroleum consigned by the same Shipper to the same Destination in such proportions and manner as Carrier shall prescribe; The Indirect Liquid Products of Oil or Gas Wells shall be tested by Carrier before mixing with Crude Petroleum and the quantities shall be shown separately on the Tender of shipment; The quantities of Indirect Liquid Products of Oil or Gas Wells delivered to Carrier shall be determined by tank gauge or meters. Such quantities shall be received on the basis of volume corrections for temperature from observed degrees Fahrenheit to sixty degrees (60°) Fahrenheit and at equilibrium vapor pressure; The Reid Vapor Pressure of any mixture of Indirect Liquid Products of Oil or Gas Wells shall not exceed twenty-five (25) pounds per square inch; The resulting mixture with a gravity of 34.9° API or less shall not exceed 8.0 psia Reid Vapor Pressure. A mixture with a gravity of 35.0° API or greater shall not exceed 10.0 psia Reid Vapor Pressure. The True Vapor Pressure of the resulting mixture shall not exceed eleven (11) pounds psia at the receiving temperature independent of gravity.
130.2	Carrier will not accept a mixture containing any of the following: Waste oils, lube oils, crankcase oils, PCB's or Dioxins.
130.3	Any Indirect Liquid Products of Oil or Gas Wells must be blended with Crude Petroleum before entering Carrier's system.

ITEM 140. Pipeage or Other Contracts Required	
140.1	Separate pipeage and other contracts in accordance with these rules and regulations covering further details may be required by Carrier before any duty for transportation shall arise.

ITEM 150. Rates Applicable: Receipt Based Systems	
150.1	The rate which shall apply to the transportation of Crude Petroleum and mixed shipments shall be the rate in effect on the date Crude Petroleum and mixed shipments are received by Carrier for transportation. Likewise, the rules and regulations which shall govern the transportation of Crude Petroleum and mixed shipments shall be the rules and regulations in effect on the date Crude Petroleum and mixed shipments are received by Carrier for transportation.

ITEM 160. Rates Applicable: Delivery Based Systems	
160.1	The rate which shall apply to the transportation of Crude Petroleum and mixed shipments shall be the rate in effect on the date Crude Petroleum and mixed shipments are delivered by Carrier to Consignee. The rules and regulations which shall govern the transportation of Crude Petroleum and mixed shipments shall be the rules and regulations in effect on the date Crude Petroleum and mixed shipments are received by Carrier for transportation.

ITEM 170. Liability for Charges	
170.1	Shipper and Consignee shall be jointly and severally liable for the payment of gathering and transportation charges, fees, and other lawful charges accruing to or due Carrier by Shipper or Consignee, including but not limited to, penalties, interest and late payment charges on Crude Petroleum delivered by Carrier to Consignee. All accrued charges are due on delivery of Crude Petroleum by Carrier to Consignee.

ITEM 180. Liability of Parties	
180.1	As a condition to Carrier's acceptance of Crude Petroleum under this tariff, each Shipper agrees to defend, indemnify and hold harmless Carrier against claims or actions for injury and/or death of any and all persons whomever and for damage to property of or any other loss sustained by Carrier, Shipper, Consignee and/or any third party resulting from or arising out of 1) any breach of or failure to adhere to any provision of this tariff by Shipper, Consignee, their agents, employees or representatives and 2) the negligent act(s), or failure(s) to act of Shipper, Consignee, their agents, employees or representatives in connection with Delivery or Receipt of Crude Petroleum.
180.2	<p>Carrier, while in possession of Crude Petroleum herein described, shall not be liable for any loss thereof; damage hereto; or delay caused by act of God, war, act of public enemy, quarantine, the authority of law, strikes, riots, civil disorder, requisition or necessity of the Government of the United States in time of war ("collectively herein defined as "Force Majeure"), default of Shipper or owner, or from any cause not due to the negligence of Carrier.</p> <p>a. In case of loss of any Crude Petroleum, from any such causes, after it has been received for transportation and before the same has been delivered to Shipper or Consignee, such loss will be charged proportionately to each Shipper in the ratio that Shipper's Crude Petroleum, or portion thereof, received and undelivered at the time the loss occurs, bears to the total of all Crude Petroleum then in the custody of Carrier for transportation via the lines or other facilities in which the loss occurs.</p> <p>b. Carrier will be obligated to deliver only that portion of such Crude Petroleum remaining after deducting Shipper's proportion of such loss determined as aforesaid. Transportation charges will be assessed only on the quantity delivered.</p> <p>c. Carrier will compensate Shippers for Crude Petroleum losses for which Carrier is liable by paying the value of such Crude Petroleum at the point where transportation originated. The dollar value of such loss shall be determined by the average posted price of all postings of Crude Petroleum of like gravity and quality in the field or fields from which the Crude Petroleum so lost was produced. The average posted price shall be determined by the postings of Crude Petroleum in effect on the date the Crude Petroleum was lost. If there are no posted prices for the Crude Petroleum lost, the dollar value of such loss shall be its market price based upon the average of the two highest and two lowest prices posted for crude oil of similar gravity and quality in effect on the date the Crude Petroleum was lost.</p>

ITEM 190. Notice of Claims	
190.1	Claims for loss or damage must be made in writing with Carrier within nine (9) months after delivery of the property, or in case of a failure to make delivery, then within nine (9) months after a reasonable time for delivery has elapsed. Suits for loss or damage shall be instituted only within two (2) years and one (1) day after delivery of the property, or in case of a failure to make delivery, then within two (2) years and one (1) day after a reasonable time for delivery has elapsed; provided, however, that where claims have been duly filed with Carrier, suit must be brought within two (2) years and one (1) day after notice in writing is given by Carrier to the claimant that Carrier has disallowed the claim for any part or parts thereof specified in the notice. Where claims for loss or damage are not filed or suits are not instituted thereon in accordance with the foregoing provisions, such claims will not be paid and Carrier will not be liable.

ITEM 200. Volumetric Adjustment	
200.1	Any volumetric difference between receipts from Shipper and delivery 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.

ITEM 210. Application of Rates from/to Intermediate Points	
210.1	For Crude Petroleum accepted for transportation from any Origin on Carrier's lines not named in the individual tariffs, which is intermediate to any published Origin and/or Destination for which rates are published, Carrier will apply from such unnamed point the rate published from the next more distant point specified. If branch or diverging lines create two or more "next most distant points", Carrier will apply the rate which will result in the lowest charge.
210.2	For Crude Petroleum accepted for transportation to any Destination on Carrier's lines not named in the individual tariffs, which is intermediate to any published Destination and/or Origin for which rates are published, Carrier will apply to such unnamed point the rate published to the next more distant point specified. If branch or diverging lines create two or more "next most distant points", Carrier will apply the rate which will result in the lowest charge.
210.3	Carrier will file a tariff applicable to such transportation movements within 30 days of the start of the service if the intermediate point is to be used on a continuous basis for more than 30 days.

ITEM 220. Use of Communication Facilities	
220.1	Without additional charge Carrier will transmit messages for Shippers incident to the business hereunder over the private communication facilities of Carrier, but Carrier shall not be obligated to deliver messages, nor shall it be liable for failure of delivery of messages, and it shall not be liable for errors or delay in transmission or for interruption of the service.

ITEM 230. Additives	
230.1	Carrier reserves the right to require, approve or reject the injection of corrosion inhibitors, viscosity depressants, pour point depressants, drag reducing additives, or other such additives in the Crude Petroleum to be transported.

ITEM 240. Proration	
240.1	During any month in which the total nominations submitted for shipment in a Pipeline Segment exceed the capacity of that segment, the capacity will be prorated equitably among all Shippers as follows:
240.2	<p>Except where the context requires another meaning, the following terms have the following meanings:</p> <p>“New Shipper” means a Shipper that has not delivered Crude Petroleum to any Destination on the Pipeline Segment to be prorated within the Base Period. A Shipper that becomes a New Shipper shall remain one for the following 12 consecutive calendar months.</p> <p>“Regular Shipper” means a Shipper that is not a New Shipper.</p> <p>“Current Tender Basis” means that the portion of Capacity available, pursuant to Item 240.4 herein, to New Shippers will be allocated among all New Shippers in proportion to the volumes of Crude Petroleum Tended by each New Shipper for that month in accordance with Carrier’s Tendering, Scheduling, and Nomination requirements of this tariff (see Items 10, 50, and 60).</p> <p>“Base Period” is the 12 calendar month period just preceding the Calculation Month, as defined in this Item. Individual months within the Base Period are designated by Nos. 1 through 12, with “Month 1” being the most recent Base Period month and “Month 12” being the oldest Base Period month.</p> <p>“Base Shipment Percentage” for each Regular Shipper is the total deliveries of Crude Petroleum to all Destinations on the Pipeline Segment to be prorated by the Regular Shipper during the Base Period divided by the lesser of (a) 12 or (b) the number of the Base Period month within which the Regular Shipper first delivered Crude Petroleum to a Destination on the Pipeline Segment to be prorated, divided by the total deliveries to all Destinations on the Pipeline Segment during the Base Period.</p> <p>“Calculation Month” is the calendar month immediately proceeding the month for which Capacity is being prorated.</p>
240.3	This Proration Policy will be used by the Carrier to allocate Capacity among all Shippers for any month for which the Carrier determines, in its sole discretion, that the aggregate volume of Crude Petroleum that all Shippers Tender to all Destinations in a Pipeline Segment exceeds Capacity. This Proration Policy will be applied separately to each Pipeline Segment where a need for proration shall arise.
240.4	<ol style="list-style-type: none"> a. Up to 10 percent (10%) of Capacity shall be made available to New Shippers and will be prorated among them on a Current Tender Basis. b. After the allocation of the portion of Capacity to New Shippers that is required under Item 240.4(a), the remaining portion of Capacity for that month shall be available to Regular Shippers who have tendered volumes for that month. c. Such remaining portion of Capacity shall be allocated among Regular Shippers in proportion to their Base Shipment Percentages. In the event that the volume of Crude Petroleum that would be allocated to a Shipper on the basis of its Base Shipment Percentage is greater than the volume it Tenders, the difference between its volume calculated on the basis of its Base Shipment Percentage and its volume Tended will be reallocated among all other Regular Shippers in proportion to their Base Shipment Percentages.
240.5	When prorationing is in effect Capacity shall be allocated among eligible Shippers on a monthly basis and Carrier shall use reasonable efforts to notify each Shipper entitled to an allocation of a portion of Capacity of the amount of its allocation no later than the 25 th day of the month proceeding the month for which the allocation is made.

ITEM 240. Proration (continued)	
240.6	<p>a. Carrier will accept only good faith Tenders from Shippers and Carrier shall use whatever reasonable means necessary to determine whether Tenders are made in good faith. Good faith means the non-contingent ability and willingness of Shippers to deliver to Carrier at the Origin(s) specified in the Tender all of the Barrels Tended during the month for which the Tender is made.</p> <p>b. If a New Shipper making good faith Tender fails to deliver, at the Origin(s) specified in its Tender, Crude Petroleum sufficient to fill the portion of Capacity allocated to it and such failure has not been caused by force majeure, as substantiated in a manner satisfactory to the Carrier, Carrier will reduce such Shipper's allocation for the next proration period after the end of the month during which such failure occurred for which such Shipper Tenders as a New Shipper by the allocated portion of Capacity not utilized.</p> <p>c. Neither a Shipper's Base Shipment Percentage nor volumes allocated to it during a period when prorationing is in effect shall be assigned, conveyed, loaned or transferred to, or used in any manner by another Shipper. However, a Shipper's Base Shipment Percentage or its allocation may be transferred as an incident of the bona fide transfer of the Shipper's business or to a successor to the Shipper's business by operation of law, such as an executor or trustee in bankruptcy. A shipper may not use an affiliated or cooperating entity to increase its Base Shipment Percentage or its allocated portion of Capacity. All transfers made pursuant to this paragraph shall be irrevocable.</p> <p>d. In no event will an allocation to a Shipper be used in such a manner that will enhance the allocation of another Shipper beyond the allocation that such Shipper would be entitled to under this Item.</p> <p>e. Carrier may require written assurances from a responsible officer of Shipper regarding its use of its allocated portion of Capacity stating that Shipper has not violated Carrier's Rules and Regulation Tariff.</p> <p>f. In the event any Shipper, by any device, scheme, or arrangement whatsoever, attempts to transfer all or any part of its allocated portion of Capacity to any other Shipper in violation of Carrier's Rules and Regulation Tariff, or in the event any Shipper attempts to receive and use such portion of Capacity, the portion of Capacity allocated to each such Shipper will be reduced in the next month that is subject to prorationing after the date that the violation is discovered, by a volume equal to such attempted transfer.</p>

ITEM 250. Mixing in Transit	
250.1	Crude Petroleum will be accepted for transportation only on condition that it shall be subject to such changes in gravity, quality, or general characteristics, while in transit as may result from the mixture with other Crude Petroleum received, and Carrier shall be under no obligation to make Delivery of the identical Crude Petroleum received, but may make Delivery out of its common stock.
250.2	Except in systems where Carrier administers gravity banks, there will be no adjustment for downgrading or upgrading of Crude Petroleum tendered for transportation as a result of mixing in transit.

ITEM 260. Inventory Requirements	
260.1	Carrier will require each Shipper to supply a pro rata share of Crude Petroleum necessary for pipeline fill and working stock for efficient operation of Carrier's pipeline system prior to Delivery. Based on the total line fill of segment(s) utilized by Shipper, Crude Petroleum provided by a Shipper for this purpose may be withdrawn from the system only after shipments have ceased and if written notice to discontinue shipments in Carrier's system is received on or before the twenty-fifth (25th) day of the month preceding the last calendar month in which Shipper intends to ship.

ITEM 270. Payment of Transportation and Other Charges	
270.1	Transportation charges will be assessed and collected by Carrier at the rates in effect as provided in Item 150, Rates Applicable Receipt Based System, and Item 160, Rates Applicable Delivery Based Systems, of this tariff on the basis of Gross Standard Volume actually received/delivered at the Origin/Destination after making adjustments provided in Items 120.4 and 120.5, Measurement and Adjustment, of this tariff.
270.2	Shipper or Consignee shall pay the transportation and all other charges applicable to the shipment, and, if required, shall prepay or guarantee the same before acceptance by Carrier, or pay the same before Delivery. 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.
270.3	If said charges shall remain unpaid five (5) days after the time which may be fixed for delivery as provided for in Item 80, Duty of Carrier, or, in the absence of unpaid charges, when there shall be failure to take the Crude Petroleum at Destination 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.

ITEM 280. Connection Policy	
280.1	Connections to Carrier's pipeline(s) will only be considered if made by formal written notification to Carrier.
280.2	All connections will be subject to design requirements necessary to protect the safety, security, integrity and efficient operation of Carrier's pipeline(s) in accordance with generally accepted industry standards.
280.3	Acceptance of any request for connection will be subject to compliance with governmental regulations.

[N] ITEM 290. Idling Fee	
<u>290.1</u>	<u>At such time that volumes are nominated, scheduled, and/or delivered on the KM Lateral I, or the KM Lateral II, or the KM Lateral III, (each individually "Laterals"), (a) average less than 1,000 barrels per day for any period of 180 days or (b) is equal to zero for any period of 120 days, then Carrier may, with notice to Shipper, idle such affected Lateral(s) by removing all line fill and filling the line with nitrogen. Shipper shall be responsible for Carrier's actual costs associated with the idling of a Lateral; provided that such idling costs shall not exceed eighteen thousand dollars (\$18,000) per occurrence. Carrier shall return such idled Lateral to active service by the tenth (10th) day following its receipt of a written notice from Shipper with respect to such Lateral, at no cost or expense to Shipper. In accordance with Item 60 of this tariff, Shipper will be responsible to provide line fill.</u>

EXPLANATION OF REFERENCE MARKS	
①	This deviates from one percent (1%) allowance provided for in Rule 3.71(9) of the Texas Administrative Code, and deviates from Rule 3.71.(9) in that inherent measurement losses and gains are charged or credited to Shippers.
②	This deviates from demurrage charge provided for in 3.66.(10). Carrier does not have an established demurrage charge.
③	Carrier deviates from maintaining daily records provided for in Rule 3.71(22) of the Texas Administrative Code by maintaining average daily records.
[W]	Wording change
[N]	New