

# **HILAND CRUDE, LLC**

## **PROPORTIONAL TARIFF**

### **Containing**

### **RULES AND REGULATIONS**

### **APPLYING ON THE GATHERING AND/OR TRANSPORTATION OF**

### **CRUDE PETROLEUM**

**(as defined herein)**

### **BY PIPELINE**

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Rules and regulations published herein apply only under tariffs making specific reference by number to this tariff; such reference will include reissues hereof. Specific rules and regulations published in individual tariffs will take precedence over the rules and regulations published herein.

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Issued in compliance with 18 CFR §[W] ~~341.3~~ 342.3 Indexing.

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**ISSUED:** May 29, 2025

**EFFECTIVE:** July 1, 2025

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

#### **ISSUED BY**

Dax A. Sanders, for  
Hiland Crude, LLC  
1001 Louisiana St, Suite 1000  
Houston, TX 77002

#### **COMPILED BY**

Bruce Reed  
Hiland Crude, LLC  
1001 Louisiana St., Suite 1000  
Houston, TX 77002  
Voice (713) 420-4687; Fax (713) 420-1603  
Tariff\_Group@kindermorgan.com

## TABLE OF CONTENTS

<b>Item No.</b>		<b>Page No.</b>
45	Additives	6
80	Application of Rates and Charges	8
85	Application of Rates from and to Intermediate Points	9
75	Apportionment when Nominations are in Excess of Facilities	7
90	Charge for Compensation Fund Fees Incurred by Carrier	8
115	Claims, Suits, and Time for Filing	10
135	Commodity	10
30	Common Stream Crude Petroleum — Connecting Carriers	5
5	Definitions	3
105	Diversion	10
50	Duty of Carrier	6
70	Gauging, Testing and Deductions	7
130	Intrasystem Transfers	11
110	Liability of Carrier	9
15	Line Fill and Tank Bottom Inventory Requirements	4
40	Mixtures	6
10	Nomination, Minimum Quantity	3
65	Notice of Arrival, Delivery at Destination, Demurrage	6
55	Origin Facilities Required for Automatic Custody Transfer	6
100	Payment of Gathering and Delivery Rates and Other Charges	9
120	Pipeline or Other Contracts	10
60	Receipt and Destination Facilities Required	6
35	Shipments, Maintenance of Identity	6
25	Specifications as to Quality Received	5
125	Storage in Transit	10
20	Title	4
95	Truck Loading and Unloading	9

## 5. DEFINITIONS

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

“Carrier” as herein used means Hiland Crude, LLC.

“Consignor” as herein used means the party from whom a Shipper has ordered the receipt of Crude Petroleum.

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

“Crude Petroleum” as herein used means the direct liquid products of oil wells.

“Force Majeure” as herein used means any matter beyond the control of the Carrier, including, without limitation, strike, lockout, differences with workmen; fire, lightning, explosion, rain, flood, hurricane and hurricane warnings, tornado, windstorm, riot, communications failure, power outages, war, rebellion, insurrection, acts of terrorism or of a public enemy, act(s) of God; acts, omissions, delayed actions, denials, rejections, failure to issue certificates, permits, licenses, or any required approvals related to rates, tariffs, environmental compliance, orders, decisions, judgments, injunctions, rules, regulations, or legislation of governmental authorities (federal, state, or local); inability or delays in obtaining right-of-way authorizations or easements; inability or delays in obtaining materials, supplies, or labor; road closures preventing access to construction sites or truck loading or unloading stations; and the freezing or breakage of or accident to, or the repair or maintenance of, any equipment, facilities or lines or any equipment or facilities of connecting carrier(s).

“Nomination” as herein used means an offer by a Shipper to the Carrier of a stated quantity of Crude Petroleum for gathering and/or transportation from a specified origin or origins to a specified destination over a period of one operating month in accordance with these rules and regulations.

“Shipper” as herein used means a party who contracts with Carrier for gathering and/or transportation of Crude Petroleum, as defined herein and under the terms of these rules and regulations.

“System” as used herein means the pipeline(s) that Carrier owns an interest in and to which the rules and regulations stated herein apply.

“Tender” as used herein means a shipment of oil presented by a Shipper to the Carrier for movement by the Carrier in accordance with these rules and regulations.

“Transferor” as used herein means the entity transferring volumes pursuant to an intrasystem transfer of title to Crude Petroleum as described in Item No. 130 to these rules and regulations, INTRASYSTEM TRANSFERS.

“Transferee” as used herein means the entity accepting volumes pursuant to an intrasystem transfer of title to crude Petroleum as described in Item No. 130 to these rules and regulations, INTRASYSTEM TRANSFERS.

## 10. NOMINATION, MINIMUM QUANTITY

(a) Unless otherwise stated on a tariff making reference to these rules and regulations, Nominations for the gathering and/or transportation of Crude Petroleum for which Carrier has facilities will be accepted into Carrier's System under these rules and regulations in quantities of not less than five thousand (5,000) Barrels.

(b) Crude Petroleum will be gathered and/or transported only under a Nomination accepted by the Carrier from origins to destinations when a tariff covering the movement is lawfully in effect and on file with the FERC as to interstate traffic and with the appropriate state commission covering intrastate traffic, if applicable.

(c) Any Shipper desiring to tender Crude Petroleum for gathering and/or transportation shall make a Nomination to the Carrier in writing 5:00 p.m. (Central Time) on or before the twentieth (20th) day (or such other day as Carrier may notify Shippers from time to time via written or electronic communication or if applicable, posting on Carrier's electronic bulletin board) (the "Nomination Deadline") of the month preceding the month during which the gathering and/or transportation under the Nomination is to begin. Unless such notification is made, the Carrier will be under no obligation to accept Crude Petroleum for gathering and/or transportation. Additionally, during periods when the Carrier has a reasonable expectation of the need for prorationing; in the next month, Carrier will notify Shippers via written or electronic communication, or, if applicable, posting on Carrier's website the pre-Nomination requirement corresponding to the month during which the gathering and/or transportation under the Nomination is to begin. Each Shipper's pre-Nomination and Nomination for that month will be subject to adjustment by the Carrier not to exceed the Shipper's historical average level of actual volumes transported over the prior 12 month period, which Carrier will provide to Shipper in advance of its pre-Nomination and Nomination. A Shipper's request for acceptance of a Nomination in excess of its historical average level of actual volumes transported over the prior 12 month period must include Shipper's written verification to Carrier of the availability of its supply of Crude Petroleum and of its capability to remove such Crude Petroleum from the delivery point(s) as will be required by Carrier in support of such Shipper's pre-Nomination or Nomination. Written verification includes but is not limited to a sworn affidavit from an officer of the Shipper attesting to the content of the pre-Nomination or Nomination. In the event Shipper does not provide such detailed information reasonably acceptable to Carrier, Carrier will reject such Nomination or pre-Nomination, or, if applicable will adjust the pre-Nomination or Nomination to the historical average of actual volumes transported by the Shipper over the prior 12 month period.

(d) When Nominations submitted by Shippers to Carrier on or before the Nomination Deadline do not cause Carrier to implement the prorationing procedures set forth in Item 75 for the System or any line segment thereof, additional Nominations will be accepted by the Carrier to fill capacity. These additional Nominations will be accepted only if they do not impair the movement of Crude Petroleum Nominated before the Nomination Deadline.

## **15. LINE FILL AND TANK BOTTOM INVENTORY REQUIREMENTS**

Prior to delivering Barrels out of Carrier's System, each Shipper will be required to supply a pro rata share of Crude Petroleum necessary for pipeline and tankage fill to ensure efficient operation of Carrier's System. Each shipper's volume will be divided by the total system volume and the resulting fraction multiplied times the total system pipe capacity plus tank bottoms and working stock volumes. Crude Petroleum provided by Shippers for this purpose will be allowed to be withdrawn only after: (1) shipments have ceased and the Shipper has notified Carrier in writing of its intention to discontinue shipments in Carrier's System, and (2) Shipper balances have been reconciled between Shipper and Carrier. Any Carrier requirement for advance payment of gathering, delivery and other charges on the volumes to be cleared from Carrier's System, will be based on Shipper's payment and credit history with Carrier, and any unpaid accounts receivable, before final delivery will be made. Carrier shall have a reasonable period of time from the receipt of said notice, not to exceed six months, to complete administrative and operational requirements incidental to Shipper withdrawal.

## **20. TITLE**

The Carrier shall have, on a nondiscretionary basis, the right to reject any Crude Petroleum, when Nominated for gathering and/or transportation, which is or is expected to be involved in litigation, or the title of which is or is expected to be in dispute, or which is or is expected to be encumbered by a lien or charge of any kind, and it will require of the Shipper satisfactory evidence of its perfected and unencumbered title or satisfactory indemnity bond to protect Carrier. By nominating Crude Petroleum, the Shipper warrants and guarantees that the Shipper has good unencumbered title thereto free and clear of all liens or charges of any kind and agrees to indemnify and hold Carrier harmless for any and all loss, cost, liability, damage and/or expense (including reasonable attorney fees) resulting from any breach or alleged breach of such warranty and guaranty; provided, that acceptance for gathering and/or transportation shall not be deemed a representation by the Carrier as to title.

**25. SPECIFICATIONS AS TO QUALITY RECEIVED**

(a) No Crude Petroleum will be accepted for gathering and/or transportation except merchantable Crude Petroleum which is properly settled (see Item 70. (d) for exceptions) and contains not more than one half percent (0.5%) of basic sediment, water, and other impurities (provided, in no event will water be allowed to exceed two tenths of one percent (0.2%)), above a point four inches (4") below the pipe line connection with the tank from which it enters Carrier's facilities, has a temperature not in excess of one hundred and twenty degrees (120°) Fahrenheit, and its gravity, viscosity, pour point, initial boiling point, and other characteristics are such that it will be readily susceptible to gathering and/or transportation through the Carrier's existing facilities, and will not materially affect the quality of other shipments or cause disadvantage to other Shippers and/or the Carrier. In addition, Carrier reserves the right to reject on a not unduly discriminatory basis, and without limitation, any or all the following: (1) Crude Petroleum having a Reid Vapor Pressure in excess of thirteen (13) pounds per square inch absolute and/or an API gravity greater than 48 degrees API or less than 31 degrees API; (2) Crude Petroleum where the Shipper or Consignee has failed to comply with applicable laws, rules, and regulations made by government authorities regulating shipment of Crude Petroleum; (3) Crude oil not indigenous to the geographic area served by the pipeline; and (4) Crude Petroleum having greater than 10 ppm H<sub>2</sub>S and (5) Crude Petroleum having a viscosity greater than 30 centistokes at sixty degrees (60°) Fahrenheit (provided Carrier will waive this requirement upon Shipper's agreement to pay a mutually agreeable surcharge). Unless otherwise stated in the individual tariff, Crude Petroleum will have Sulfur content of not greater than 0.20 Wt. %. A Shipper shipping from 25 or more gathering connections located within a single gathering system and connected to the common line at a single point of aggregation will be allowed to use the weighted average sulfur content to comply with this specification provided the overall system fungible common stream is not substantially affected. If Crude Petroleum is accepted from tankage, settled bottoms in such tanks must not be above a point four inches (4") below the bottom of the pipeline connection with the tank from which it enters Carrier's facilities. A Shipper offering Crude Petroleum from tankage or other facilities, for transportation by Carrier, that does not meet the standards stated above will be charged a [I] \$113.7737 turndown fee.

(b) Quality specifications of a connecting carrier will be imposed upon Shipper when such specifications are more restrictive than that of Carrier, in which case the specifications of the connecting carrier will be applied.

(c) If Carrier, from time to time, undertakes to gather and/or transport other or additional grades of Crude Petroleum it will file a tariff defining the grade(s) terms and conditions. If, in the opinion of Carrier, sufficient quantities are not nominated or facilities are not available to justify continued gathering and/or transportation of other or additional grades, Carrier then, after giving reasonable notice to Shippers who are affected, will cease gathering and transporting particular grades of Crude Petroleum.

(d) If, upon investigation, Carrier determines that a Shipper has delivered to Carrier's facilities Crude Petroleum that has been contaminated by the existence of and/or excess amounts of impure substances, including but not limited to, chlorinated and/or oxygenated hydrocarbons, arsenic, lead, and/or other metals, such Shipper will be excluded from further entry into applicable segments of the System until such time as quality specifications are met. Further, Carrier reserves the right to dispose of any contaminated Crude Petroleum blocking its System. Disposal thereof, if necessary, will be made in any reasonable commercial manner, and any liability, costs and expenses associated with the contamination or disposal of any Crude Petroleum shall be borne by the Shipper introducing the contaminated Crude Petroleum into Carrier's System, and such Shipper shall indemnify and save Carrier harmless from any and all claims, suits, costs, expenses, and/or judgments arising, directly or indirectly, from the presence of contaminated Crude Petroleum.

(e) Carrier will from time to time determine which grades of Crude Petroleum it will regularly gather and/or transport as a common stream between particular receipt points and destination points on its pipeline System. Carrier will inform all subscribers to tariffs for the System affected by such determination by means of the Carrier's electronic bulletin board, and this shall constitute the sole holding out of the Carrier in regard to the grades of Crude Petroleum gathered and/or transported.

**30. COMMON STREAM CRUDE PETROLEUM - CONNECTING CARRIERS**

When both receipts from and deliveries to a connecting 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 connecting 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.

**35. SHIPMENTS, MAINTENANCE OF IDENTITY**

(a) Carrier shall not be liable to Shipper or Consignee for changes in gravity or quality of Shipper's Crude Petroleum which will occur from commingling or intermixing Shipper's Crude Petroleum with other Crude Petroleum in the same common stream while in transit. Carrier is not obligated to deliver to Shipper or Consignee the identical Crude Petroleum nominated by Shipper, Carrier will deliver the grade of Crude Petroleum it is regularly gathering and/or transporting as a common stream.

(b) Carrier shall have no responsibility in, or for, any revaluation or settlements which are deemed appropriate by Shippers and/or Consignees because of mixing or commingling of Crude Petroleum shipments between the receipt and delivery of such shipments by Carrier within the same common stream.

**40. MIXTURES**

The indirect liquid products of oil and gas wells, including gasoline and liquefied petroleum gases, hereinafter referred to as indirect products, will not be accepted by Carrier.

**45. ADDITIVES**

Carrier reserves the right to require, approve or reject the injection of corrosion inhibitors, viscosity or pour point depressants, drag reducing agent, or other such additives in Crude Petroleum to be gathered and/or transported.

**50. DUTY OF CARRIER**

Carrier shall not be required to gather or transport Crude Petroleum except with reasonable diligence, considering the quality of the Crude Petroleum, the distance of gathering and/or transportation and other material elements. Carrier cannot commit to delivering Crude Petroleum to a particular destination, at a particular time.

**55. ORIGIN FACILITIES REQUIRED FOR AUTOMATIC CUSTODY TRANSFER**

Where Consignor (or Shipper) elects to deliver Crude Petroleum to the Carrier at point of origin through automatic custody transfer facilities (in lieu of tankage), the Consignor (or Shipper) shall furnish the required automatic measuring and sampling facilities and the design, construction, and calibration of such facilities must meet industry standards, regulatory requirements and be hydraulically compatible with Carrier's system at the point of proposed transfer. In the event automatic custody transfer is made by meters, the Consignor (or Shipper) shall also furnish whatever pumping service is necessary to insure that the Crude Petroleum being delivered to the meter is at a pressure in excess of the bubble point of the liquid.

**60. RECEIPT AND DESTINATION FACILITIES REQUIRED**

The Carrier will accept Crude Petroleum for gathering and/or transportation only when the Consignor, Shipper, or Consignee has provided the necessary facilities for delivering Crude Petroleum into the System at the point of origin at a pressure, volume and flow rate compatible with system hydraulics at the proposed point of delivery, and has made the necessary arrangements for shipment beyond or has provided the necessary facilities for receiving said Crude Petroleum as it arrives at the destination.

**65. NOTICE OF ARRIVAL, DELIVERY AT DESTINATION, DEMURRAGE**

(a) The obligation of the Carrier is to deliver the quantity of Crude Petroleum to be gathered and/or transported, less deductions, at the specified destination. Such delivery will be made upon twenty-four (24) hours notice to the Shipper or Consignee who shall accept and receive said Crude Petroleum from the Carrier with all possible dispatch into tanks or receptacles arranged for or provided by the Shipper or Consignee, when reasonably possible.

(b) Commencing after the first seven o'clock a.m., after expiration of said 24-hour notice, Carrier shall assess a demurrage charge on any part of said Crude Petroleum shipment offered for delivery and not taken by Shipper or Consignee; the demurrage charge will be [U] \$0.0100 per Barrel per day for each day of 24 hours or fractional part thereof.

(c) If the Shipper, or Consignee, is unable or refuses to receive said Crude Petroleum as it arrives at the specified destination, the Carrier reserves the right to make whatever arrangements for disposition of the Crude Petroleum it deems appropriate in order to clear its pipeline. Any additional expenses incurred by the Carrier in making such arrangements shall be borne by the Shipper or Consignee.

## 70. GAUGING, TESTING AND DEDUCTIONS

(a) Crude Petroleum shipped hereunder shall be measured and tested by representatives of the Carrier or by automatic equipment approved by the Carrier. Quantities shall be determined by dynamic or static measurement methods in accordance with appropriate American Petroleum Institute (API) standards, latest revision, and adjusted to base (reference or standard) conditions. Carrier's procedures, which comply with all API standards, for the measurement and testing of Crude Petroleum to be shipped are fully defined in Carrier's gauging manual and lease automatic custody transfer specification.

(b) When a lease operator or connecting carrier's tanks are unsafe or unsuitable for use in custody transfer because of improper connections, high bottom accumulations of any extraneous matter, incrustations on the inside of the tank walls, or any other conditions unacceptable to Carrier, Carrier will reject the use of such tank until the unacceptable conditions have been corrected. Alternatively, in the case of incrustation inside any tank, Carrier will determine and apply a correction factor to ascertain the correct tank capacity.

(c) Corrections will be made for temperature from observed degrees Fahrenheit to 60 degrees Fahrenheit and for pressure to 14.696 psia. Carrier will deduct the full amount of sediment, water and other impurities as the centrifugal or other testing shows.

(d) All receipts of Crude Petroleum products having an API gravity of 45 degrees or above shall also be subject to a deduction to cover shrinkage and evaporation. Such deduction shall be determined in accordance with the following table:

API Gravity. Degrees	Deduction For Incremental Evaporation & Shrinkage
45.0 through 54.9	0.5%
55.0 through 64.9	1.0%
65.0 through 74.9	1.5%
75.0 and above	2.0%

Exception: When a tank of Crude Petroleum is presented for shipment but the Crude Petroleum is not properly settled as indicated by a boiling action when the surface of the product is disturbed the Carrier will reject the tank for shipment or by agreement with the Shipper will ship the tank and make an additional shrinkage adjustment of up to 0.5%. After consideration of all of the factors set forth in this Item No. 70, a net balance will be determined as the quantity deliverable by Carrier, and delivery rates will be assessed on this net balance.

## 75. APPORTIONMENT WHEN NOMINATIONS ARE IN EXCESS OF FACILITIES

(a) When there shall be Nominated to Carrier, for gathering and/or transportation, more Crude Petroleum than can be immediately gathered or transported on a line segment, the gathering or transportation furnished by Carrier shall be apportioned among Shippers on an equitable basis. Line segments will be prorated separately if necessary, as will destinations when necessary, as provided in subsection (e) below.

(b) Space in each segment will be allocated among "Regular Shippers" and any "New Shippers" as follows:

1. New Shipper: Following the receipt of Nominations for a given month, Carrier shall determine the capacity available in that month. In the event that Nominations for that month exceed the capacity available, such capacity shall be allocated to New Shippers on a pro rata share of capacity basis. "Pro rata share of capacity" means the quantity of transportation service allocated to a New Shipper in a month whereby such allocation equals the product of the capacity of Carrier available for transportation service, times a fraction, the numerator of which is the New Shipper's Nomination and the denominator is the total of all New Shippers' Nominations in that month. Capacity available to New Shippers shall

not exceed 10% of segment capacity. Carrier, at its sole discretion, if not contrary to system needs, will waive the minimum quantity for Nominations and deliveries in Item 10 from New Shippers during periods of prorationing, provided the New Shippers intend to transport in a fungible batch.

2. The remaining capacity shall be allocated among Regular Shippers in proportion to their base period shipments.

(c) The "base period" is a period of 12 months beginning 13 months prior to the month of allocation and excluding the month preceding the month of allocation. A "Regular Shipper" is any Shipper having a record of movements in the line segment being prorated, during eleven of the 12 months in the base period. If the segment being prorated has been in service less than 13 months a Regular Shipper is any Shipper having a record of movements in 83% of all months during which the segment has been active. A "New Shipper" is a Shipper who is not a Regular Shipper. In no event will any portion of allocated capacity to a New Shipper be used in such a manner that it will increase the allocated capacity of another Shipper beyond the allocated capacity that Shipper is entitled to under the provisions stated in this Item No. 75. Carrier will require, on a nondiscriminatory basis, written assurances from responsible officials of Shippers regarding use of allocated capacity stating that this requirement has not been violated. In the event any New Shipper shall, by any device, scheme or arrangement whatsoever, make its allocated capacity available to another Shipper, or in the event any Shipper shall receive and use any allocated capacity from a New Shipper, then, in the month following discovery of such violation, the allocated capacity of a New Shipper will be reduced to the extent of the excess capacity made available and the allocated capacity of a Shipper will be reduced to the extent of excess capacity used.

(d) No Nominations shall be considered beyond the amount that the nominating party has readily accessible for shipment. If a Shipper is unable to tender Crude Petroleum equal to the space allocated to it, Carrier will reduce that Shipper's volumes for the succeeding month by the amount of allocated throughput not utilized during the preceding month if apportionment is necessary.

(e) When Nominations to an individual destination exceed the amount that may be delivered to such individual destination but the line segment or combination of line segments serving that destination are capable of delivering barrels to alternate destinations then a destination constraint at that individual destination will exist. In this event, Carrier will identify all Shippers which would utilize the line segment(s) serving the constrained destination and those Shippers will be notified that a destination constraint exists and will be requested to re-nominate volumes from these line segment(s) to alternate destinations having available capacity within 48 hours of notification. If this process of re-nomination, which may be repeated, does not result in achievable delivery volumes at the constrained destination, then Nominations to the constrained destination via line segment(s) serving the constrained destination will be allocated on a pro rata basis based on each Shipper's original nomination to the relevant destination and according to the volumes being accepted by the connecting carrier. Further when it is determined during the month that actual volumes are less than nominated volumes, Shippers will be required to re-nominate volumes with due consideration to destinations available on the system. If a Shipper fails to submit the required re-nomination with due consideration to destinations available, Carrier will allocate the Shipper's volumes at the constrained destinations.

## **80. APPLICATION OF RATES & CHARGES**

(a) Crude Petroleum accepted for gathering and/or transportation shall be subject to the rates and charges in effect on the date of receipt of such Crude Petroleum by the Carrier, irrespective of the date of Nomination. Unless otherwise stated in an individual tariff making reference to these rules and regulations, delivery rates and all other lawful charges (other than gathering rates) will be collected on the basis of the net quantities of Crude Petroleum delivered and gathering rates will be collected on the basis of net quantities of Crude Petroleum received. All net quantities will be determined in the manner provided in Item 70 (GAUGING, TESTING AND DEDUCTIONS).

(b) Unless otherwise indicated on a tariff, a deduction of two-tenths of one percent (0.2%) will be made to cover evaporation, interface losses, and other normal losses during gathering and/or transportation.

(c) The fees set forth herein, including the turn down fees in Item 25, will be adjusted annually in accordance with the adjustments promulgated annually by FERC pursuant to 18 C.F.R. § 342.3(d), or any successive indexing methodology that FERC adopts.



**85. APPLICATION OF RATES FROM AND TO INTERMEDIATE POINTS**

For Crude Petroleum accepted for gathering and/or transportation from any point on Carrier's lines not named in a particular tariff, which is intermediate to a point from which rates are published in said tariff, through such unnamed point, the rate published from the next more distant point specified in such tariff will apply. For Crude Petroleum accepted for gathering and/or transportation to any point not named in a particular tariff which is intermediate to a point to which rates are published in said tariffs, through such unnamed point, the rate published therein to the next more distant point specified in the tariff will apply. If uses of intermediate point is expected to continue for 30 days or more a tariff for that point will be filed within 30 days.

**90. CHARGE FOR COMPENSATION FUND FEES INCURRED BY CARRIER**

In addition to all other charges accruing on Crude Petroleum accepted for gathering and/or transportation through Carrier's facilities, a per Barrel charge will be assessed and collected in the amount of any tax, fee, or other charge levied against Carrier by any Federal, State or local agency for the purpose of creating a fund for the reimbursement of parties who sustain costs or losses resulting from oil pipeline industry operations (including, without limitation, for the prevention, containment, clean-up and/or removal of spills, the reimbursement of persons sustaining loss therefrom or any other lawful purpose). Carrier shall be under no obligation to contest or protest on behalf of Shipper or Consignee the legality of such tax, fee or other charge. If a per Barrel charge is assessed, the amount of such charge will be stated in a FERC tariff.

**95. TRUCK LOADING AND UNLOADING**

(a) Shipments unloaded from tank trucks into Carrier's facilities will be subject to a per-barrel charge, if specified on individual tariffs making reference to these rules and regulations. Such charge will be in addition to all other charges.

**100. PAYMENT OF GATHERING AND DELIVERY RATES AND OTHER CHARGES**

Shipper shall be responsible for payment of gathering and/or delivery rates and all other charges applicable to the shipment, and will be required to prepay such charges or furnish guaranty of payment satisfactory to Carrier, if deemed appropriate by Carrier based on Carrier's credit policies. No course of dealing between the parties shall constitute a waiver of Carrier's right to require a guaranty of such prepayment or guaranty of charges. Payments not received by Carrier in accordance with invoice terms shall be subject to a late charge equivalent to one hundred twenty-five percent (125%) of the prime interest rate as published in the Money Rates Table of the Wall Street Journal (eastern edition), or the maximum rate allowed by law, whichever is less. Carrier shall have a lien and security interest on all Crude Petroleum accepted for gathering and/or transportation to cover payment of all charges, including demurrage and late charges and will refuse to make delivery of the Crude Petroleum until all charges have been paid. If said charges, or any part thereof, shall remain unpaid for thirty days after notice of readiness to deliver, the Carrier will sell the Crude Petroleum at public auction for cash. Carrier shall have a lien and security interest on Crude Petroleum when there shall be failure to take the Crude Petroleum at the point of destination as provided in Item No. 65 (NOTICE OF ARRIVAL, DELIVERY AT DESTINATION, DEMURRAGE). Carrier shall have the right to sell said Crude Petroleum at public auction, for cash. The auction will be held between the hours of ten o'clock a.m. and four o'clock p.m. on any day not a weekend or legal holiday, and not less than twenty-four hours after the Shipper has been officially notified of the time and place of such sale and the quantity, general description, and location of the Crude Petroleum to be sold. Carrier, at its discretion, will be a bidder and purchaser at such sale. Out of the proceeds of said sale, Carrier shall pay itself for all gathering, delivery, demurrage, and other lawful charges, expenses of notice, advertisement, sale and other necessary expenses, and expenses of caring for and maintaining the Crude Petroleum, and the balance shall be held for whomsoever will be lawfully entitled thereto after the auction. If the proceeds of said sale do not cover all expenses incurred by Carrier, the Shipper and/or Consignee are liable to Carrier for any deficiency. Carrier's rights under this item are not exclusive but shall be in addition to any other rights or remedies available hereunder or under applicable law.

**105. DIVERSION**

Subject to Item 10 (NOMINATION, MINIMUM QUANTITY), a change in destination or routing will be permitted without additional charge, when operational circumstances permit, upon written request from the Shipper, provided an applicable tariff is in effect for any requested destination or routing, and provided that no back-haul is required.

**110. LIABILITY OF CARRIER**

(a) The Carrier while in possession of any of the Crude Petroleum herein described shall not be liable for any loss thereof, damage thereto, or delay, caused by: fire, storm, flood, epidemics, Act of God, accident, riots, civil disorder, strikes, or other labor dispute, insurrection, rebellion, war, act of the public enemy, quarantine, the authority of law, requisition or necessity of the Government of the United States in time of war, act or default of Shipper, Consignor or Consignee, earthquakes, sinkholes, or from any other cause not due to the negligence of Carrier and in no event shall Carrier be liable to Shipper, Consignor or Consignee for consequential, incidental, indirect, special or exemplary damages. In case of loss of Crude Petroleum each Shipper of the grade of Crude Petroleum so lost via the System in which the loss occurs shall share such loss in the proportion that the amount of such grade of Crude Petroleum then in the custody of Carrier for the account of such Shipper in such System bears to the total amount of such grade of Crude Petroleum then in the custody of Carrier in such System. Statements of quantities ascertained and computed from records in the usual manner by Carrier shall be accepted as prima facie correct in the distribution of losses under this item.

(b) Carrier will be obligated to deliver only that portion of a Crude Petroleum shipment remaining after deducting such loss. In such event, gathering and delivery rates charges will be made only on quantities of Crude Petroleum delivered.

(c) If Crude Petroleum is lost in transit, while in the custody of Carrier, due to causes other than those described in the first paragraph of this Item, Carrier, at its discretion, will obtain and deliver to Shipper other Crude Petroleum of the same quantity and grade as that which was lost or Carrier will compensate Shipper for such loss in money. If Carrier compensates Shipper for such loss in money, the price per barrel shall be determined as of the date of the loss based on the value of the lost Crude Petroleum. Carrier's liability to Shipper, Consignor or Consignee for any claim of negligence or other loss shall be collectively limited to the value of the Crude Petroleum gathered and/or transported and related gathering and/or delivery charges.

**115. CLAIMS, SUITS, AND TIME FOR FILING**

As a condition precedent to recovery, claims must be filed in writing with the Carrier within nine (9) months after delivery of the Crude Petroleum, or, in case of failure to make delivery, then within nine (9) months after a reasonable time for delivery has elapsed; and suits arising out of such claims shall be instituted against the Carrier only within two (2) years and one (1) day from the day when notice in writing is given by the Carrier to the claimant that the Carrier has disallowed the claim or any part or parts thereof specified in the notice. Where claims are not filed or suits are not instituted thereon in accordance with the foregoing provisions, Carrier will not be liable and such claims will not be paid.

**120. PIPEAGE OR OTHER CONTRACTS**

Separate pipeage and other contracts will, as necessary, be required of a Shipper, in accordance with the applicable tariff and these rules and regulations, before any duty of gathering and/or transportation by the Carrier shall arise.

**125. STORAGE IN TRANSIT**

The Carrier has, in certain instances, working tanks required in the process of gathering and/or transporting Crude Petroleum but no other available tankage and therefore, unless otherwise specifically stated in a tariff making reference to these rules and regulations, Carrier does not have facilities for rendering, nor does it offer, a storage service. Provisions for storage in transit in facilities furnished by Shipper at points on Carrier's System will be permitted to the extent authorized under individual tariffs lawfully on file with the Federal Energy Regulatory Commission.

**130. INTRASYSTEM TRANSFERS**

An intrasystem transfer of title to Crude Petroleum will be allowed on Carrier's System for a fee of [I] \$0.0079 per barrel, with a minimum fee of [U] \$150.00, charged to the Transferor; provided, however, that no transfer fee shall be assessed to the Transferor if the Transferor pays the gathering, delivery and other charges to the destination specified by the Transferor. The Transferee accepting volumes on an intrasystem transfer must be a recognized shipper in Carrier's system and shall be responsible for payment of any additional gathering and/or delivery and other charges if the destination originally specified by the Transferor is changed by the Transferee. Carrier shall not be obligated to recognize any intrasystem transfer and shall incur no liability with respect thereto or for any losses or damages accruing to any party involved in an intrasystem transfer. An intrasystem transfer request, if recognized, shall be confirmed in writing by both the Transferor and the Transferee within seventy-two (72) hours after the request. Such request shall indicate the party to which the transfer is made, the amount of Crude Petroleum to be transferred, its location, grade, and a warranty statement of unencumbered title. In addition, the Transferor and Transferee, upon request of Carrier and at Carrier's option, shall provide an irrevocable letter of credit in terms satisfactory to Carrier and in an amount necessary to cover all charges.

**135. COMMODITY**

Carrier is engaged primarily in the gathering and/or transportation of Crude Petroleum and will not accept any other commodity for gathering or transportation under tariffs making reference hereto.

[I] Increase

[W] Wording

[U] Unchanged