

# Capline Pipeline Company LLC

LOCAL TARIFF

CONTAINING RATES, RULES AND REGULATIONS  
GOVERNING THE TRANSPORTATION OF

CRUDE OIL

BY PIPELINE

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

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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:**

[W]~~S. M. LYON~~ R. J. ST. AMOUR  
FOR  
CAPLINE PIPELINE COMPANY LLC  
539 South Main Street  
Findlay, Ohio 45840

**COMPILED BY:**

A. J. HELDMAN  
FOR  
CAPLINE PIPELINE COMPANY LLC  
539 South Main Street  
Findlay, Ohio 45840  
(419) 421-4048  
ajheldman@marathonpetroleum.com

*Tariff available at <https://www.marathonpipeline.com/Shippers/>*

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**ITEM 5. DEFINITIONS**

**As used in these rules and regulations, the following meanings are applicable:**

**“Adequate Assurance of Performance”** has the meaning set forth in Item 70.

**“Affiliate”** means, as to any Person, any other Person, whether of a similar or dissimilar nature, which (a) controls, either directly or indirectly, such Person, (b) is controlled, either directly or indirectly, by such Person, or (c) is controlled, either directly or indirectly, by a person or entity which directly or indirectly controls such Person. As used in this definition, “control” means the ownership of (or the right to exercise or direct) 50 percent or more of the voting rights in the appointment of directors of such entity, or 50 percent or more of the interests in such entity.

**“API”** means American Petroleum Institute.

**“Barrel”** means forty-two (42) United States gallons (each 231 cubic inches) at a temperature corrected to 60 degrees Fahrenheit.

**“Base Period”** means the twelve (12) Operating Month-period beginning thirteen (13) Operating Months prior to the Proration Month and excluding one (1) Operating Month preceding the Proration Month. If Carrier’s System has been in operation less than thirteen (13) Operating Months with respect to the type of Crude Oil service then being allocated by Carrier under Item No. 50, then the Base Period for purposes of allocating that type of Crude Oil shall be the number of Operating Months during which Carrier’s System has been in operation for that type of Crude Oil, excluding one (1) Operating Month preceding the Proration Month. The Base Period will not include any Interim Services Period offered by Carrier prior to the In-Service Date.

**“Batch”** means a quantity of Crude Oil of like specifications moved through the System as an identifiable unit.

**“Binding Nomination”** means for any Operating Month, if Carrier determines the Nominations exceed the line segment’s capacity, then Carrier will notify each Shipper and provide each Shipper an opportunity to reduce its initial Nomination, with such revised Nomination becoming the Shipper’s Binding Nomination. If a Shipper does not submit a reduced Nomination, then its initial Nomination shall be considered its Binding Nomination. All information required to be included in an initial Nomination under Item 45 shall also be required to be included in Shipper’s Binding Nomination.

**“Carrier”** means and refers to Capline Pipeline Company LLC.

**“Committed Shipper”** means a Shipper that has executed a TSA with Carrier during an Open Season and commits to transporting, or paying for the transportation of, a specified minimum volume of Crude Oil on Carrier’s System.

**“Consignee”** means the party to whom a Shipper has ordered the delivery of Crude Oil.

**“Crude Oil”** means either Light Crude Oil and/or Heavy Crude Oil, as applicable.

**“Destination Point(s)”** shall mean the point or points where Crude Oil is delivered out of Carrier’s System, as such points are specified in Carrier’s tariffs.

**“Encumbered Crude Oil”** has the meaning set forth in Item 90.

**“F.E.R.C.”** means the Federal Energy Regulatory Commission.

**“Force Majeure”** means any cause or causes not reasonably within the control of Carrier or Shipper which, by the exercise of reasonable diligence, the affected party is unable to prevent or overcome. Examples of Force Majeure may include, but are not be limited to: Acts of God; acts, omissions to act and/or delays in action of federal, state or local government or any agency thereof; strikes, lockouts, work stoppages or other industrial disturbances; acts of the public enemy; acts of terrorism; wars; blockades; insurrections; sabotage; riots; epidemics; landslides; lightning;

earthquakes; fires; storms; floods; washouts; arrests or restraint of governments, rulers or peoples; civil or criminal disturbances; interruptions by governmental or court orders; present and future valid orders of any Governmental Authority; explosions; mechanical failures; breakage or accident to equipment, machinery or lines of pipe, compressors or plants (not due to the negligence or willful misconduct of the party) and subsequent repairs; freezing or blockage of lines of pipe, partial or entire failure of production facilities or equipment, treating plants, or transportation facilities or separation facilities; governmental regulations; curtailment of, or other inability to obtain equipment, labor, materials or supplies and/or services and/or electric power used in making and/or receiving deliveries hereunder; the inability of either party to acquire, or the delays on the part of a party in acquiring, at reasonable cost and after the exercise of reasonable diligence, approvals, permits, consents, easements and/or rights-of-way; and compliance with applicable law. Notwithstanding anything to the contrary set forth herein, none of the following shall, under any circumstances, constitute a Force Majeure: (a) the lack of financial resources, or the inability of a party to secure funds or make payments as required by this tariff or a TSA, as applicable; (b) adverse market, financial, or other economic conditions including changes in market conditions that either directly or indirectly affect the demand for or price of Crude Oil; (c) availability of more attractive markets for Crude Oil; or (d) a Shipper's inability to receive, transport, and or deliver Crude Oil to, on, or from the System under the terms of this tariff or a TSA, as applicable, in a manner that Shipper deems economic.

**“Governmental Authority”** means any governmental, administrative or regulatory entity, authority, commission, board, agency, instrumentality, bureau or political subdivision, and any court, tribunal or judicial or arbitral body (whether national, federal, state or local or, in the case of an arbitral body, whether governmental, public or private), having jurisdiction over Carrier or Shipper.

**“Heavy Crude Oil”** means either the direct liquid products of oil wells, or a mixture of the direct liquid products of oil wells with the indirect liquid products of oil or gas wells including gasoline and liquefied petroleum gases, all of which are of merchantable quality with an API gravity of equal to or less than 30 degrees and which meet the quality specifications set forth in Item 15.

**“Interim Services Period”** means a period during which Carrier may provide limited Transportation service prior to the In-Service Date.

**“In-Service Date”** means the date the System is available to provide full Transportation service, specifically January 1, 2022.

**“Light Crude Oil”** means either the direct liquid products of oil wells, or a mixture of the direct liquid products of oil wells with the indirect liquid products of oil or gas wells including gasoline and liquefied petroleum gases, all of which are of merchantable quality with an API gravity of greater than 30 degrees and which meet the quality specifications set forth in Item 15.

**“Monthly Volume Commitment”** means a Committed Shipper's Volume Commitment multiplied by the number of days in the applicable Operating Month.

**“New Shipper”** means an Uncommitted Shipper that is not a Regular Shipper.

**“Nomination”** means a written designation by a Shipper to Carrier in accordance with Item 45.

**“Nomination Date”** means the twentieth (20th) day of the month preceding the Operating Month.

**“Open Season”** means that open season and joint open season held by Carrier beginning in January 2019 to obtain Volume Commitments on the System, and any supplemental open season held by Carrier to obtain additional Volume Commitments pursuant to the terms of the TSA.

**“Operating Month”** for a Shipper or Transferor means any calendar month in which Carrier either transports Crude Oil or recognizes and records a change in ownership of Crude Oil for the account of such party. For purpose hereof, the calendar month shall be deemed to begin on the first day of such month at 7:00 AM Central Time.

**“Origin Point(s)”** shall mean the point or points where Crude Oil is received into Carrier’s System, as such points are specified in Carrier’s tariffs.

**“Person”** means any individual, corporation, limited liability company, partnership, trust or other entity, or any Governmental Authority.

**“Phase I Capacity”** means the up to seventy-five thousand (75,000) Barrels per Day of Light Crude Oil capacity that is scheduled to become available on the System from the Origin Point(s) to the Destination Points on the Phase I In-Service Date.

**“Phase I In-Service Date”** has the meaning ascribed to it in the TSA.

**“Phase I Volume Commitment”** means the portion (if any) of a Committed Shipper’s Volume Commitment that is scheduled to be transported as of the Phase I In-Service Date on the Phase I Capacity.

**“Phase II Capacity”** means the up to two hundred thousand (200,000) Barrels per Day of Heavy Crude Oil capacity that is scheduled to become available on the System on the Phase II In-Service Date, as well as any additional capacity that Carrier develops for Light Crude Oil service as of this date.

**“Phase II In-Service Date”** has the meaning ascribed to it in the TSA.

**“Phase II Volume Commitment”** means the portion (if any) of a Committed Shipper’s Volume Commitment that is scheduled to be transported as of the Phase II In-Service Date on the Phase II Capacity.

**“Proration Month”** means the Operating Month for which Carrier’s System is to be allocated under Item 50.

**“Quality Specifications”** has the meaning set forth in Item 15.

**“Regular Shipper”** means an Uncommitted Shipper that has shipped the allocated type of Crude Oil on Carrier’s System during nine (9) months of the Base Period.

**“Regular Capacity”** has the meaning set forth in Item 50(D)(1).

**“Segregated Batch”** means a quantity of one type of Crude Oil meeting the Quality Specifications set forth in Item 15, for which the Shipper desires separate identity and segregation so as to deliver, as nearly as reasonably practicable, the identical Crude Oil received. Transportation of a Batch as a Segregated Batch is subject to the availability of tankage.

**“Shipment History”** means, with respect to the Crude Oil type then being allocated under Item No. 50,

- for a Regular Shipper, the number of Barrels of Crude Oil the Regular Shipper shipped during the Base Period, and
- for a Committed Shipper, the greater of (x) the number of Barrels of Crude Oil the Committed Shipper shipped during the Base Period, or (y) (1) the number of Barrels of Crude Oil that the Committed Shipper shipped during the Base Period, plus (2) the number of Barrels of Shipper’s Volume Commitment for which the Committed Shipper paid Carrier a deficiency payment for failing to ship under its TSA during the Base Period;

Provided, however, that

- during any Interim Services Period offered by Carrier, any Shipment History earned by a shipper on the System, including that which may be earned by a Committed Shipper, shall have no applicability following the In-Service Date of the System, and

- in the first two (2) Operating Months of the System following the Phase I In-Service Date, a Committed Shipper shall be deemed to have Shipment History for Light Crude Oil service for each Operating Month of the Base Period equal to its Phase I Volume Commitment (as calculated on a monthly basis), and
- in the first two Operating Months of the System following the Phase II In-Service Date, a Committed Shipper shall be deemed to have Shipment History for Heavy Crude Oil service and Light Crude Oil service each such Operating Month of the Base Period equal to its Phase II Volume Commitment (calculated on a monthly basis).

“**Shipper**” means the party who contracts with Carrier for the Transportation of Crude Oil subject to and in accordance with these rules and regulations.

“**System**” means that portion of Carrier’s pipeline system, including all appurtenances thereto, related to the provision of Transportation provided by Carrier pursuant to Carrier’s tariffs.

“**Tender**” means the delivery by Shipper to Carrier of a stated quantity Crude Oil for Transportation on the System from a specified Origin Point(s) to a specified Destination Point(s).

“**Transferee**” means the party who requests Carrier to recognize and record a change in ownership of Crude Oil to its account from a designated Transferor’s account.

“**Transferor**” means the party who requests Carrier to recognize and record a change in ownership of Crude Oil from its account to a designated Transferee’s account.

“**Transportation**” means transportation and/or movement from a specified Origin Point(s) to a specified Destination Point(s), as applicable.

“**TSA**” means a transportation services agreement for the transportation of Crude Oil on the System entered into between a Committed Shipper and Carrier pursuant to the Open Season.

“**Uncommitted Capacity**” means the capacity of Carrier’s System, with respect to a particular Crude Oil type, that is available for allocation to Uncommitted Shippers in a Proration Month, which shall always equal at least 10% of the operating capacity of Carrier’s System for that Crude Oil type in the Proration Month.

“**Uncommitted Shipper**” means any Shipper that does not have a currently effective TSA with Carrier.

“**Volume Commitment**” means the volume and type of Crude Oil that a Committed Shipper agrees to ship on the System from a specified Origin Point(s) to a specified Destination Point(s), on an average daily basis, during the term of such Committed Shipper’s TSA, which commitment amount is set forth in Exhibit A of the Committed Shipper’s TSA.

**ITEM 10. COMMODITY:**

Carrier is engaged primarily in the Transportation of Crude Oil and will not accept any other commodity for Transportation under tariffs making reference hereto. Crude Oil Tendered for Transportation that differs in quality or characteristics from the grades of Crude Oil that is usually transported by Carrier, will, at the option of Carrier if operationally possible and in a non-discriminatory manner, be transported under such terms as the Shipper and Carrier may agree. Such shipments will only be considered when they can be transported, as time permits, with existing facilities and when they will not seriously impair the quality of other shipments.

**ITEM 15. SPECIFICATIONS AS TO QUALITY:**

- A. The specifications set forth in this Item 15 (the “**Quality Specifications**”), which may be amended by Carrier from time to time, are the required specifications for the Crude Oil and shall apply to each Barrel of Shipper’s Batch and shall not be limited to the composite sample of the Batch, except where noted:

- i. the Reid vapor pressure of the Crude Oil or any mixture thereof with indirect products, may not exceed twelve (12) pounds at one hundred degrees Fahrenheit (100°F) and/or an API gravity in excess of 78.9 degrees;
  - ii. the true vapor pressure of the Crude Oil, or any mixture thereto with indirect products, may not result in Carrier's noncompliance with Federal, State, or local requirements regarding hydrocarbon emissions;
  - iii. the Crude Oil may not contain impurities exceeding one-half (1/2) of one percent (%);
  - iv. the Crude Oil may not be partially refined;
  - v. the Crude Oil may not be contaminated by the presence of any chemicals including, but not limited to, chlorinated and/or oxygenated hydrocarbons and lead;
  - vi. Crude Oil may not have a pour point greater than 30 degrees unless under terms and conditions acceptable to Carrier; or
  - vii. Crude Oil may not have a viscosity greater than 55 Saybolt Universal Seconds at 60 degrees Fahrenheit (60°F), unless under terms and conditions acceptable to Carrier. If such Crude Oil is accepted by Carrier, Shipper will be required to pay the Viscosity Fee published in Carrier's rates tariff on file with the F.E.R.C. in addition to the applicable trunk line Transportation rate.
- B. Crude Oil delivered to Carrier's System that does not meet the Quality Specifications shall be considered contaminated, and Carrier reserves the right to reject any such contaminated Crude Oil. Carrier shall also have the right to exclude any Shipper that delivers contaminated Crude Oil to Carrier's System from further entry into the System until such time as the Quality Specifications are met. Further, Carrier reserves the right to dispose of any contaminated Crude Oil blocking its System, provided such Crude Oil is not removed by the Shipper having title thereto upon reasonable notice to it by Carrier. Disposal thereof may be made by public sale if necessary.
- C. Carrier may also reject any Crude Oil having other characteristics that will cause it to not be readily transported through the System or that will materially affect or damage the quality of other shipments or cause disadvantage to other Shippers and/or the System.
- D. Notwithstanding the Quality Specifications in this Item 15, should any connecting carrier or other downstream party notify Carrier of different or additional quality specifications required for the receipt of Crude Oil from the System, then Carrier will notify Shipper of any such different or additional specifications as soon as practicable after being notified by such connecting carrier or other downstream party, and such specifications will, upon Shipper's receipt of such notice, be deemed to amend the above Quality Specifications for as long as required by such connecting carrier or other downstream party.

**ITEM 20. MINIMUM BATCH SIZE:**

- A. The minimum size of any Batch of a particular type of Crude Oil that will be accepted at an Origin Point by Carrier from one Shipper shall be 50,000 Barrels, provided that Carrier may accept Batches of less than 50,000 Barrels if operationally possible and acceptance may be done so in a non-discriminatory manner.
- B. Carrier may, at its sole discretion and in a non-discriminatory manner, revise the minimum Batch size set forth in this Item 20 when necessary to maintain efficient operation of its System.
- C. Carrier will not be obligated to make any single delivery that is less than the current minimum Batch size unless Carrier's operations dictate otherwise. The term "single delivery" in this Item 20 means a delivery of Crude Oil, in one continuous operation to one Shipper or Consignee into a single facility, furnished by such Shipper or Consignee, to which Carrier is connected.

**ITEM 25. RECEIPT AND DELIVERY FACILITIES:**

- A. Shipper shall provide the facilities necessary to deliver Crude Oil to Carrier's manifold at (1) a current pumping rate equal to Carrier's full line pumping rate at the point of delivery into the System, and (2) a current minimum pressure to be designated by Carrier. Crude Oil may be delivered into Carrier's System at less than Carrier's full line pumping rate provided that it is operationally possible for such Crude Oil to be received into Carrier-owned in-transit tankage and doing so will not prevent Carrier from meeting Shipper commitments. Carrier will make decisions on acceptance of Crude Oil at less than Carrier's full line pumping rate in a non-discriminatory manner.
- B. Shipper shall provide the facilities necessary for promptly receiving the Crude Oil at the Destination Point as it arrives at the full line delivery rates and pressure as designated by Carrier. Carrier's Operations Department can be contacted for current applicable rates.
- C. All proposed receiving or delivery connections must meet minimum nomination requirements, hourly flow rate conditions and metering requirements in effect at the time of requested connection and must also have facilities which will allow for increases to maximum line flow rate and pressure conditions. All proposed connection designs must be approved by Carrier. All costs and expenses of installing, operating and maintaining connections shall be paid by the connecting party.
- D. Carrier's acceptance of Crude Oil from any Shipper's facility or delivery of Crude Oil to any Shipper's facility shall not evidence Carrier's approval of the adequacy of such Shipper's facilities. The responsibility for such facilities shall be exclusively that of the Shipper.
- E. Carrier shall have no duty to provide transportation to Shipper until evidence satisfactory to Carrier has been furnished that Shipper has provided the facilities required in this Item 25.
- F. Carrier will review receiving and delivery facilities to determine if such facilities are incapable of injecting or receiving at Carrier's existing flow rates or throughput rates, and if there are such restricted facilities, Shippers using such facilities will be subject to reduction of up to one hundred percent (100%) of the quantity nominated from or to the restricted facility. Carrier reserves the right to adjust allocations at restricted facilities in order to maximize total available pipeline capacity and throughput.

**ITEM 30. ADDITIVES:**

Carrier reserves the right to require, approve or reject the injection of corrosion inhibitors, viscosity or pour point depressants or other such additives in the Crude Oil to be transported on Carrier's System.

**ITEM 35. MEASUREMENT, TESTING AND DEDUCTIONS:**

- A. Crude Oil accepted by Carrier for Transportation shall be measured and tested by representatives of Carrier or by automatic equipment approved by Carrier prior to its receipt into the System and upon delivery from the System. Quantities shall be determined by dynamic or static measurement methods in accordance with appropriate API standards.
- B. When Carrier determines that the tank(s) of a lease operator or connecting carrier 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 may reject the use of such tank(s) until the unacceptable conditions have been corrected. Alternatively, in the case of incrustation inside any tank, Carrier may determine and apply a correction factor to ascertain the correct tank capacity.
- C. Quantities for receiving, delivering, assessing charges and all other purposes will be corrected to a temperature of sixty degrees Fahrenheit (60°F). Deductions will be made for the full percent of basic sediment, water and other impurities shown by tests made by Carrier at time of receipt and upon delivery.
- D. Unless otherwise indicated on a tariff, a deduction of one-tenth of one percent (0.1%) will be made as



measured at custody receipt point to cover evaporation, interface losses, and other normal losses during transportation.

- E. In addition to the deduction set forth in Item 35(D), all receipts of Crude Oil having an API gravity of 50 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, %
50.0 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

**ITEM 40. IDENTITY OF CRUDE OIL, MAINTENANCE OF:**

- A. Carrier operates its System as a Batched pipeline system and it is inherent in the operations of a Batched pipeline system that interface mixtures will occur between Batches of different Crude Oil. Carrier shall not be liable for variations in gravity or quality of Crude Oil occurring while in its custody resulting from normal pipeline operations and is under no obligation to deliver the identical Crude Oil received. Normal commingling that occurs between Batches shall be divided as equitably as possible among Shippers by Carrier.
- B. To the extent Carrier accepts Segregated Batches for shipment, Carrier will, subject to the foregoing and to the extent permitted by Carrier's System, make delivery at the Destination Point(s) of substantially the identical Crude Oil received at the Origin Point; provided, however, that because it is impractical to maintain absolute identity of each Batch of Crude Oil, Carrier is permitted to make reasonable substitution of Crude Oil having substantially the same specifications
- C. Carrier shall have no responsibility in, or for, any revaluation or settlements that may be deemed appropriate by Shippers because of mixing or commingling of Crude Oil during transportation on Carrier's System.
- D. Carrier shall not be required to transport Crude Oil except with reasonable diligence, considering the quality of the Crude Oil, the distance of transportation and other material elements. Carrier cannot commit to delivering Crude Oil at a particular time.

**ITEM 45. NOMINATIONS REQUIRED:**

- A. Crude Oil for transportation on Carrier's System will be received only upon receipt of a properly executed Nomination from Shipper showing information requested by Carrier, including, but not limited to, the Origin Point at which the Crude Oil is to be received, the Destination Point at which the Crude Oil is to be delivered, the amount of Crude Oil to be transported, and the grade of Crude Oil to be transported. Carrier may refuse to accept Crude Oil for transportation if Shipper has not furnished documentation demonstrating that it has made provision for prompt receipt thereof at the Nominated Destination Point.
- B. Carrier is under no obligation to accept a Tender of Crude Oil for shipment for any Operating Month unless the Shipper submits its Nomination to Carrier on or before the Nomination Date; provided that, if space is available for current movement, Carrier, in its sole discretion, may consider a Nomination from Shipper for transportation of Crude Oil submitted after Nomination Date.
- C. Carrier may refuse to accept Crude Oil for transportation if Shipper is not in compliance with other provisions of this tariff or where Shipper has failed to comply with all applicable laws regulating shipments of Crude Oil.

**ITEM 50. OFFERS IN EXCESS OF FACILITIES:**

- A. Carrier offers a certain amount of Light Crude Oil capacity and Heavy Crude Oil capacity for transportation services each Operating Month, and those capacity amounts may vary from Operating Month to Operating Month and they may also vary from one another. When Carrier receives Nominations for the transportation of one of these types of Crude Oil in an Operating Month that exceed its available capacity for that type of Crude Oil, Carrier shall allocate the available capacity of that type of Crude Oil (on either a System-wide basis or line segment basis) under the provisions of this Item 50. If Carrier receives Heavy Crude Oil Nominations and Light Crude Oil Nominations in an Operating Month that exceed its available capacity for Heavy Crude Oil and Light Crude Oil, respectively, Carrier will allocate its available Heavy Crude Oil capacity first and then its available Light Crude Oil capacity; *provided* that Carrier shall have the right, but not the obligation, to use any unused Heavy Crude Oil capacity for the Operating Month to fulfill unmet Nominations for transportation service of Light Crude Oil. The provisions set forth in this Item 50 will be administered with respect to the Crude Oil type that is in allocation only and will not apply to any Nominations (or portion of Nominations) that are for a Crude Oil type that is not in allocation for the Operating Month. In addition, any rights that a Shipper earns with respect to shipments of one type of Crude Oil on the System (*i.e.* Shipment History) shall only apply when Carrier is allocating that type of Crude Oil and shall not be considered or have any application when Carrier is allocating available capacity for another type of Crude Oil. Carrier also has the right to convert each Shipper's (including Committed Shippers) Nomination for Heavy Crude Oil to an equivalent number of Light Crude Oil Barrels in an Operating Month, using equalization factors determined by Carrier.
- B. On the first business day following the Nomination due date, Carrier shall notify all Shippers that submitted a Nomination for the Operating Month whether Binding Nominations will be necessary. After receipt of such request for Binding Nominations, each Shipper shall have one business day to notify Carrier of its Binding Nomination and Carrier shall thereafter allocate Shippers who submitted a Binding Nomination capacity under Items 50(C) and (D) below.
- C. Allocation of Uncommitted Capacity.
1. Carrier shall first allocate the Uncommitted Capacity for the allocated Crude Oil type among all Uncommitted Shippers in the following manner.
    - i. Each New Shipper shall be allocated an amount of capacity in the Proration Month that is equal to:
      - a) its Binding Nomination for the allocated Crude Oil type, if the total volume Nominated by all New Shippers for the allocated Crude Oil type is less than or equal to ten percent (10%) of the Uncommitted Capacity; or
      - b) its pro rata share, in accordance with its Binding Nomination for the allocated Crude Oil type, of ten percent (10%) of the Uncommitted Capacity, if the total volume Nominated by all New Shippers for the allocated Crude Oil type is greater than ten percent (10%) of the Uncommitted Capacity.
      - c) If the pro rata share in a given month results in no New Shippers being allocated a minimum Batch size in accordance with Item 20, then Carrier will administer a lottery using a software-generated random process for the total number of Batches available to New Shippers. A New Shipper will not be allocated capacity through the lottery process if it is (i) an Affiliate of a Regular Shipper who has submitted a Nomination for the same Crude Oil type in the Operating Month, or (ii) an Affiliate of another New Shipper who received an allocation through the lottery process. Detailed procedures regarding Carrier's lottery process are outlined in Item 50(J).
      - d) Carrier shall have the right to increase the Uncommitted Capacity reserved for New

Shippers under this Item 50(C)(1) in the event that Regular Shippers have not submitted Binding Nominations equaling or exceeding ninety percent (90%) of the Uncommitted Capacity.

2. Following the allocation in Item 50(C)(1), each Regular Shipper shall be allocated the lesser of (i) its Binding Nomination for the allocated Crude Oil type, or (ii) a fraction of the Uncommitted Capacity that remains after the allocation to New Shippers, as provided in Item 50(C)(1)(i), which fraction shall be calculated by multiplying the available remaining Uncommitted Capacity times the following fraction: the number of Barrels shipped by the Regular Shipper during the Base Period for the allocated Crude Oil type divided by the total number of Barrels shipped during the Base Period for the allocated Crude Oil type by all Regular Shippers having unmet Nominations for the Proration Month. This process will be repeated until all Uncommitted Capacity is consumed or Nominations have been met.

**D. Allocation of Remaining Capacity**

1. After the allocation to Uncommitted Shippers in Item 50(C) above, Carrier shall allocate the remaining available capacity for the Crude Oil type being allocated (the “**Regular Capacity**”) among all Regular Shippers and Committed Shippers in the following manner:
  - i. Each Regular Shipper and Committed Shipper shall be allocated the lesser of (x) its Binding Nomination for the allocated Crude Oil type, or (y) a portion of the Regular Capacity, which shall be calculated by multiplying the available Regular Capacity times the following fraction: with respect to the type of Crude Oil being allocated, the Shipment History of the Regular Shipper or Committed Shipper during the Base Period, divided by the total Shipment History of all Regular Shippers and Committed Shippers during the Base Period.
  - ii. This process will be repeated until all Regular Capacity is consumed or Nominations have been met; *provided* that the amount of capacity that a Regular Shipper or Committed Shipper is allocated under this subsection plus the amount it is allocated under the other subsections of Item 50 shall never exceed the Shipper’s Binding Nomination for the Crude Oil type then being allocated. If that were to occur, then the excess capacity would be reallocated among all other Regular Shippers and Committed Shippers having unmet Nominations under this Item 50(D)(1).
2. Any capacity that is not allocated in Items 50(C) or 50(D)(1) shall be allocated to any New Shippers having unmet Binding Nominations according to the level of their Binding Nominations for the Proration Month for the allocated Crude Oil type. This process will be repeated until all of the Binding Nominations of New Shippers for the allocated Crude Oil type have been met.

**E. During periods when Carrier applies this Item 50:**

1. The capacity allocated to a Shipper will be provided as a daily or monthly value, at Carrier’s discretion, and will be calculated for the Proration Month.
2. Carrier will use its reasonable efforts to notify each Shipper of its allocation no later than the first business day of the Proration Month.

- F.** If a Shipper does not use the capacity allocated to it under this Item 50 at the times and in the amounts designated by Carrier, Carrier shall have the right to use such unused capacity to fulfill the unmet Nominations of other Shippers. If a Shipper does not ratably Tender Crude Oil to the Origin Point(s) to meet its allocated capacity, Carrier may deem such capacity unused for purposes of applying this Item 50.

- G. In the event that calculation of a Shipper's allocation is less than the required minimum Batch size under Item 20, Carrier will, at its option, either round up Shipper's allocation to the required minimum Batch size or waive the minimum Batch size requirement, provided that this adjustment will not preclude Carrier from administering the lottery in Item 50(C)(1)(i)(c) to determine New Shipper allocations if Carrier determines it is necessary to do so under the terms of that item. In the event Carrier does administer such a lottery, then this requirement will be applied (if necessary) to New Shipper allocations after such lottery process is completed.
- H. Volumes allocated to a Shipper may not be assigned, conveyed, loaned, transferred to, or used in any manner by another Shipper. However, a Shipper's allocation may be transferred as an incident of the bona fide sale of the Shipper's business or to a successor to the Shipper's business by the operation of law, such as an executor or trustee in bankruptcy. A Shipper may not use an affiliated or cooperating entity to obtain an increased allocation of prorated capacity or, in the case of a Regular Shipper, seek New Shipper status for such entity in order to pool two or more allocations to the benefit of the Shipper.
- I. No individual Shipper Nomination shall be considered beyond the physical capacity of the System segment(s) on which the nominated Crude Oil will be transported. Nominations that Carrier deems excessive will be reduced accordingly.
- J. Carrier will administer a lottery process, in order to allocate capacity to New Shippers pursuant to Item 50(C)(1)(i)(c), as follows:
1. Carrier will use a random number generating software to randomly assign each New Shipper a number from one to the number representing the total number of New Shippers participating in the lottery (i.e. if there are thirty New Shippers, numbers one through thirty will be assigned).
  2. The New Shipper with the number closest to one will receive the first monthly minimum Batch allocation. This process of assigning monthly minimum Batch allocations to the New Shipper with the number closest to one will continue until all of the available monthly minimum Batch allocations have been assigned.
  3. Following the lottery, Carrier will notify New Shippers as to whether or not they were allocated capacity in that Operating Month. Unsuccessful New Shippers will be notified within two (2) business days that they will not receive an allocation.
- K. If an Uncommitted Shipper Tenders a volume of its allocated type of Crude Oil that is greater than or equal to ninety-five percent (95%) of its allocated capacity under this Item 50 for that Crude Oil type, then such Shipper shall be invoiced based on its delivered volumes of that type of Crude Oil. If an Uncommitted Shipper Tenders a volume of its allocated type of Crude Oil that is less than ninety-five percent (95%) of its allocation for that type of Crude Oil under this Item 50, then such Shipper shall be invoiced for its delivered volumes for the month for that type of Crude Oil, plus the product of (i) the applicable tariff, and (ii) the volume equal to the difference between (x) the actual volume Tendered, and (y) a volume equal to ninety-five percent (95%) of the Shipper's capacity allocation amount under Item 50, as adjusted by operational factors, all with respect to the allocated type of Crude Oil.

**ITEM 55. APPLICATION OF RATES:**

Crude Oil accepted for transportation shall be subject to the rates in effect on the date of receipt by Carrier at the Origin Point, irrespective of the date of the Nomination. Transportation and all other lawful charges will be assessed on the net quantity of Crude Oil delivered at the Destination Point, except that Carrier may apply credits for deficiency payments paid under a Committed Shipper's TSA at the time of receipt. All net quantities will be determined in the manner provided in Item 35.

**ITEM 60. APPLICABLE RATES FROM INTERMEDIATE POINTS:**

Crude Oil accepted for Transportation from/to any point on Carrier's lines not named in Carrier's tariff will be deemed

as having been received/delivered at the next more distant point named in the tariff for purpose of determining the rate to be charged.

**ITEM 65. PAYMENT OF TRANSPORTATION RATES AND OTHER CHARGES:**

- A. Shipper or Transferor shall be obligated to pay Carrier all charges and fees upon Carrier's performance of the designated service(s). Payment of such charges and fees shall be made in accordance with invoice terms and these rules and regulations. Carrier may, at its option, require Shipper or Transferor to pay all such charges and fees in advance or to provide an irrevocable letter of credit satisfactory to Carrier.
- B. Shippers shall settle inventory imbalances within a reasonable timeframe and in a mutually agreed upon manner. If no agreement can be reached, Carrier reserves the right to withhold Crude Oil or settle the balance financially at a fair market value.
- C. If any charge remains unpaid after the payment due date, then Carrier shall have the right to assess interest, calculated at an annual rate equivalent to 125% of the prime rate as quoted by a major New York bank, for loans made to substantial and responsible commercial borrowers, on such amount due from the payment due date of the invoice to the date payment is received by Carrier.
- D. In the event Shipper fails to pay any charges when due, Carrier shall have the right, until such payments, including interest thereon, are made in full, to: (i) refuse to provide Shipper access to Carrier's System or provide services pursuant to Carrier's tariffs, (ii) offset the current and future amounts owed by Shipper against any amounts Carrier owes to Shipper, and (iii) exercise any other rights and remedies granted under this tariff or existing under applicable law.
- E. Carrier shall have a self-executing lien on all Crude Oil delivered to Carrier to secure the payment of any and all transportation or any other charges that are owed Carrier. Such lien shall survive delivery of Crude Oil to Shipper. Such lien shall extend to all Crude Oil, including Shipper's line fill and inventory balances, in Carrier's possession beginning with Shipper's first receipt of transportation or other services from Carrier. Shipper agrees to execute such additional documents as may be reasonably necessary to perfect or evidence such lien. If a bill of lading is required under applicable law for such a lien to arise, acceptance of the Nomination will be deemed to be the bill of lading for all Crude Oil, including Shipper's line fill, subject to such Nomination. The lien provided herein shall be in addition to any lien or security interest provided by this tariff or applicable law.
- F. If Shipper fails to pay an invoice by the due date, in addition to any other remedies under this tariff or under applicable law, Carrier shall have the right, either directly or through an agent, to sell any Crude Oil of such Shipper in Carrier's custody at public auction. 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 Oil to be sold. At said sale, Carrier shall have the right to bid, and, if it is the highest bidder, to become the purchaser. The proceeds of any sale shall be applied in the following order: (i) to the reasonable expenses of holding, preparing for sale, selling, and to the extent allowed by law, reasonable attorney's fees and legal expenses incurred by Carrier; and (ii) to the satisfaction of Shipper's indebtedness including interest herein provided from the date payment is due. The balance of the proceeds of the sale remaining, if any, shall be paid to Shipper or, if there is a dispute or claim as to entitlement, held for whoever may be lawfully entitled thereto. Carrier will have a claim for and against Shipper with respect to any deficiency arising from the debt due to Carrier from Shipper and the proceeds of any sale after reduction as set forth above.

**ITEM 70. FINANCIAL ASSURANCES:**

- A. All (i) existing Shippers who have not submitted a Nomination to Carrier in the prior six (6) Months, and (ii) prospective Shippers shall provide to Carrier, at least ten (10) business days prior to making their Nomination, information that will allow Carrier to determine the Shipper's capacity to perform any financial obligations that could arise from the transportation of that Shipper's Crude Oil under the terms of

Carrier's tariffs. Carrier shall not be obligated to accept Crude Oil for transportation from an existing or prospective Shipper if the Shipper or prospective Shipper fails to provide the requested information to Carrier in accordance with this Item 70 within ten (10) business days of Carrier's written request.

- B. At any time, upon the request of Carrier, on a non-discriminatory basis, any prospective or existing Shipper shall provide financial documentation and information to Carrier that will allow Carrier to enforce the terms of its tariff and to determine the prospective or existing Shipper's capacity to perform any financial obligations that could arise from the transportation of that Shipper's Crude Oil under the terms of Carrier's tariffs, including but not limited to the payment of transportation charges and Shipper's balance positions. Such information may include, but is not limited to, the names of any Affiliates of the Shipper or prospective Shipper, the legal business name of the Shipper or prospective Shipper and the registered business address of the Shipper or prospective Shipper.
- C. If Carrier determines, at any time, that there are reasonable grounds for insecurity regarding the performance of any obligation under this tariff (whether or not then due) by a Shipper or prospective Shipper (including, without limitation, the occurrence of a material change in the creditworthiness of Shipper), Carrier may demand Adequate Assurance of Performance, which shall be furnished within five (5) days of such demand. "**Adequate Assurance of Performance**" shall mean sufficient security in the form, amount and for the term reasonably acceptable to Carrier, including, but not limited to, a standby irrevocable letter of credit or a performance bond or guaranty (including the issuer of any such security). In the event the Shipper or prospective Shipper fails to comply with any obligation in this Item 70 on or before the due date provided herein, Carrier shall not be obligated to provide Shipper with access to its System or to provide the transportation services pursuant to this tariff until such requirement is fully met. Carrier's decision to withhold services to a Committed Shipper pursuant to this Item 70 shall not relieve the Committed Shipper of its obligation to make deficiency payments under its TSA.

**ITEM 75. CLAIMS, SUITS AND TIME FOR FILING:**

As a condition precedent to recovery by Shipper for loss, damage or delay in receipt or delivery of Shipper's Crude Oil for which Carrier may be responsible, Shipper's claim must be filed in writing with Carrier within nine (9) months after delivery of the affected Crude Oil, or, in case of Carrier's failure to make delivery of Shipper's Crude Oil, then within nine (9) months after a reasonable time for delivery has elapsed. Suit against Carrier shall be instituted only within two (2) years and one (1) day from the day when notice in writing is given by Carrier to Shipper that 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 by Shipper on such claims in accordance with the foregoing provisions, such claims will not be paid and Carrier shall not be liable.

**ITEM 80. LIABILITY:**

- A. While in the possession of any Crude Oil herein described, Carrier shall not be liable for, and Shipper hereby waives any claims against Carrier for, any loss thereof, damage thereto or delay caused by an event of Force Majeure, an act of Shipper himself, an act of God, the public enemy, accident, government regulation, the inherent vice or nature of the Crude Oil, the public authority, or resulting from any other causes not due to the sole negligence of Carrier, whether similar or dissimilar to the causes herein enumerated.
- B. Carrier shall not be liable for any loss or damage to Crude Oil incurred prior to delivery of the Crude Oil to Carrier at the Origin Points and after re-delivery of the Crude Oil to Shipper at the Destination Points.
- C. In the event of loss of Crude Oil from any of the causes identified in Item 80(A) and subject to the other provisions of this tariff, Shipper shall bear the loss in the same proportion as the amount accepted for transportation and actually in Carrier's custody bears to the whole of the property of all Shippers in Carrier's custody at the time of such loss and Shipper shall be entitled to receive only such portion of its shipment as is left after deducting its due proportion of the loss. Statements of quantities ascertained and computed from the records in the usual manner by Carrier shall be accepted as prima facie correct in the distribution of such losses under this Item 80.

- D. Carrier shall not be liable for discoloration, commingling, contamination, or deterioration of Crude Oil transported unless same is caused by the negligence of Carrier. Carrier's liability to Shipper or Transferee for any claim of negligence or other loss shall be limited to the value of the Crude Oil transported and related transportation charges. In no event shall Carrier be liable for any indirect, special, incidental or consequential damages, lost profit, or other economic loss.

**ITEM 85. TITLE:**

A Tender of Crude Oil for Transportation shall be deemed a warranty of unencumbered title and merchantability at the time of Tender. Carrier may, in the absence of such adequate title assurances, decline to receive any Crude Oil for Transportation.

**ITEM 90. CRUDE OIL INVOLVED IN LITIGATION, ETC. – INDEMNITY AGAINST LOSS:**

- A. Shipper shall inform Carrier, at the time of Nomination and then again prior to Tendering Crude Oil to Carrier, if any Crude Oil Nominated and/or Tendered to Carrier for transportation may be (i) encumbered by a lien or charge of any kind, (ii) may be involved in litigation or, (iii) may be subject to a title dispute ("**Encumbered Crude Oil**"). When any Encumbered Crude Oil is Nominated and/or Tendered for transportation, Carrier may require Shipper to provide one or more of the following: (i) satisfactory evidence of its perfected and unencumbered title, (ii) satisfactory indemnity bond to protect Carrier against any and all loss, (iii) pre-payment of transportation charges, or (iv) a subordination agreement from the applicable lienholder. Carrier also has the right to refuse any shipment of Encumbered Crude Oil.
- B. Shipper warrants that it has good title to, or the unencumbered right to ship the Crude Oil hereunder and Tendered at the Origin Point(s), and that such Crude Oil is free of all liens and adverse claims of any kind and shall indemnify, release and hold Carrier harmless against all such liens and adverse claims; provided that acceptance for transportation shall not be deemed a representation by Carrier as to title.
- C. In addition, Shipper shall not cause or permit any lien, security interest or other form of burden be filed or created with respect to Crude Oil in Carrier's possession, except for the lien created in favor of Carrier under Item 65(E) of this tariff.

**ITEM 95. CHARGE FOR SPILL COMPENSATION:**

In addition to the Transportation charges and all other charges accruing on Crude Oil accepted for Transportation, a per Barrel charge will be assessed and collected in the amount of any tax, fee, or other charge levied against Carrier in connection with such commodity, pursuant to any Federal, State or local act or regulation that levies a tax, fee, or other charge, on the receipt, delivery, transfer or Transportation of such commodities within their jurisdiction for the purpose of creating a fund for the prevention, containment, clean up and/or removal of spills and/or the reimbursement of Persons sustaining loss therefrom. If a charge is to be established, it will be filed in a F.E.R.C. regulated tariff.

**ITEM 100. DESTINATION POINT REQUIREMENT:**

All Crude Oil in Carrier's System shall at all times have a designated Destination Point. Change in a Destination Point may be made if requested in writing by the Shipper prior to delivery at the original Destination Point, subject to the rate, rules and regulations applicable from the Origin Point to the final Destination Point, provided that no out-of-line backhaul movement will be made.

**ITEM 105. ACCEPTANCE OF DELIVERY:**

On twenty-four (24) hours' notice to Shipper or Consignee, Carrier may begin delivery of a shipment to Shipper or Consignee at its current rate of pumping. If all of such shipment cannot be received by Shipper or Consignee, Carrier shall have the right to assess a demurrage charge on each day of twenty-four (24) hours or fractional part thereof on any part of shipment offered for delivery and not taken by Shipper or Consignee from the time said notice expires. The daily demurrage charge shall be calculated by multiplying the tariff rate then applicable to Shipper by the volume of any shipment offered for delivery and not taken by Shipper or Consignee.

If a Shipper or Consignee is unable or refuses to receive Crude Oil from Carrier at the time when Carrier has scheduled a delivery, and if Carrier has no means of withholding delivery of such Crude Oil, Carrier shall have the right to clear its line and sell such Crude Oil and apply the proceeds thereof to accrued Transportation charges and all other lawful charges and fees which shall be due as if delivery of such Crude Oil had been made at the rate specified in the applicable tariff; and to hold the balance of such proceeds for whomsoever may be entitled thereto.

**ITEM 110. SEPARATE PIPELINE AGREEMENTS:**

Separate agreements, if applicable, in association with pipeline connections or other facilities ancillary to Carrier's System and in accordance with this tariff shall be required of any Shipper before any obligation to provide transportation shall arise.

**ITEM 115. INTRASYSTEM CHANGE IN OWNERSHIP:**

- A. Notice of change in ownership of Crude Oil will be recognized and recorded only where such Crude Oil entered Carrier's System and only on an Operating Month basis. Statements denoting ownership transactions will be provided to the applicable Transferors and Transferees. Carrier will not provide any information as to the quality of the Crude Oil subject to changes in ownership except for gravity on current receipts when requested. Each Transferor will be charged **[I]**four and ninety-three hundredths cents (4.93¢) per Barrel for recognizing and recording the change in ownership and, if required, shall pay said charge prior to the recognizing and recording of such change. Transferor, at Carrier's option, shall provide an irrevocable letter of credit satisfactory to Carrier prior to the recognizing and recording. The recognition by Carrier of a change in ownership of Crude Oil requires the recording thereof, and Carrier is entitled to a lien for all such charges and fees.
- B. Carrier shall not be obligated to recognize and record changes in ownership of Crude Oil during any Operating Month unless the Transferor and Transferee that request Carrier recognize and record the change in ownership shall, each, on or before the Nomination date provide written notice to Carrier containing like data relative to the kind, quantity, source, location, Transferor, and Transferee of the Crude Oil. Carrier shall not be obligated to accept any modification in said notice unless confirmed in writing by the Transferor and Transferee on or before the last day of the calendar month preceding the Operating Month.
- C. When the quantity of the Crude Oil received during the Operating Month is not equivalent to the quantity of the Crude Oil subject to the notice of change in ownership, Carrier will recognize and record the change in ownership only to the extent of the quantity received.
- D. A notice of change in ownership of Crude Oil shall be deemed: (1) a warranty that the Transferor has unencumbered title to the Crude Oil identified in its notice at the time of change in ownership, and (2) a representation that the change in ownership is effective on the first day of the Operating Month.
- E. Carrier may, in the absence of adequate security, decline to recognize and record any change in ownership of Crude Oil.

**ITEM 120. COMMON STREAM CRUDE OIL CONNECTING CARRIERS:**

When both receipts from and/or deliveries to a connecting carrier of substantially the same grade of Crude Oil are scheduled at the same interconnection, Carrier reserves the right to offset like volumes of such common stream Crude Oil in order to avoid the unnecessary use of energy which would be required by physically pumping the offsetting volumes.

**ITEM 125. LINE FILL AND TANK BOTTOM INVENTORY REQUIREMENTS:**

Prior to delivering Barrels of Crude Oil out of Carrier's System, each Shipper will be required to supply a pro rata share of the Crude Oil necessary for (i) pipeline fill to ensure efficient operation of Carrier's System, and (ii) tank bottoms (including, if applicable the amount of Crude Oil required for a floating roof to remain continuously afloat),



both of which amounts shall be determined by Carrier in its sole discretion.

Carrier shall redeliver Shipper's pro rata share of Crude Oil provided under this Item 125 only after (i) Shipper has ceased making shipments on Carrier's system and Shipper has notified Carrier in writing of its intention to discontinue shipments in Carrier's system, (ii) Carrier determines that the Shipper is no longer responsible for any portion of line fill and tank bottoms, and (iii) Shipper's balances have been reconciled between Shipper and Carrier. Carrier, at its discretion, may require advance payment of transportation charges on the volumes of Crude Oil to be cleared from Carrier's system, and any unpaid accounts, before final delivery of Shipper's Crude Oil will be made. Carrier shall have a reasonable period of time, not to exceed ninety (90) days from the date of the Shipper notice referenced above, to complete administrative and operational requirements incidental to Shipper withdrawal.