

BAKKEN PIPELINE COMPANY LP
LOCAL PROPORTIONAL TARIFF
RULES AND REGULATIONS
GOVERNING THE GATHERING AND TRANSPORTATION OF
CRUDE PETROLEUM
BY PIPELINE

GENERAL APPLICATION

The Rules and Regulations published herein apply only under tariffs making specific reference by FERC number to this tariff: such reference will include supplements hereto and successive issues hereof.

Note: For rates see Bakken Pipeline Company LP Local Proportional Tariff applying on Crude Petroleum and Bakken Pipeline Company LP International Joint Rate Tariff in connection with Enbridge Bakken Pipeline Company Inc. on behalf of Enbridge Bakken Pipeline Limited Partnership.

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

ISSUED: June 30, 2016

EFFECTIVE: August 1, 2016

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1. DEFINITIONS

As used in this tariff, the following terms have the following meanings:

“**API gravity**” or “**gravity**” means gravity determined in accordance with the ASTM Designation D-287-82 or the latest revision thereof.

“**ASTM**” means American Society for Testing and Materials.

“**ASTM D5705**” means the standard test method for measurement of hydrogen sulfide (H₂S) in the vapor phase above residual fuel oils.

“**ASTM D6377**” means the standard test method for determination of vapor pressure of crude oil: VPCRx (Expansion Method).

“**Available Monthly Capacity**” means the capacity of the Pipeline available to transport Crude Petroleum in a given month, as determined by Carrier.

“**Barrels**” means 42 United States gallons at sixty degrees (60°) Fahrenheit.

“**Carrier**” means Bakken Pipeline Company LP

“**Committed Shipper**” means a Shipper that has contracted for transporting or paying for a Committed Volume pursuant to the terms of a TSA.

“**Committed Volume**” means, with respect to a Committed Shipper, the minimum daily volume of Crude Petroleum set out in Schedule A to the Committed Shipper’s TSA during the term of such TSA.

“**Crude Petroleum**” means the direct product of oil wells and indirect liquid products of oil or gas wells, or a mixture of such products.

“**Deficiency Payment**” means payments to be made by a Committed Shipper in accordance with Article 8 of the TSA.

“**Deliver**” and any derivative thereof, means delivered by Carrier to Shipper, or to the account of Shipper, at the Delivery Point.

“**Delivery Point**” means the location for the delivery of Crude Petroleum provided for in the Rate Tariff.

“**Enbridge Bakken Canada Pipeline**” means the Enbridge Bakken Pipeline Limited Partnership pipeline system for the transportation of Crude Petroleum from the Canada/U.S. border near North Portal, Saskatchewan to Cromer, Manitoba.

“**North Dakota Pipeline Company**” means North Dakota Pipeline Company LLC.

“North Dakota Pipeline” means the North Dakota Pipeline Company pipeline system that transports Crude Petroleum.

“FERC” means the U.S. Federal Energy Regulatory Commission and any lawful successor agency thereto.

“Financial Assurances” has the meaning set forth in Item 20(b).

“Import and Export Laws” means statutes, directives, codes, ordinances, rules, regulations, municipal by-laws, judicial, arbitral, administrative, ministerial, departmental or regulatory judgments, orders, decisions, rulings or awards, consent orders, consent decrees and policies of any government or governmental entity or authority concerning economic sanctions, trade embargoes, export and imports, and similar matters.

“Linefill” means the total quantity of Crude Petroleum, including Working Stock, needed to occupy the physical space within the Pipeline and any applicable facilities.

“Make-up Volumes” means barrels for which a Monthly Deficiency Payment has been paid and which are nominated by a Committed Shipper for transportation in a subsequent month in accordance with Item 16(c) hereof.

“Monthly Deficiency Payment” means a payment to be made by a Committed Shipper as determined in accordance with such Committed Shipper’s TSA.

“Monthly Volume” means the product of the Committed Volume multiplied by the number of days in the relevant month.

“Nomination” means a request by a Shipper to Carrier to accept a stated quantity and grade of Crude Petroleum for transportation from a specified Receipt Point to a specified Delivery Point in accordance with these rules and regulations.

“Pipeline” means Carrier’s pipeline system for the transportation of Crude Petroleum from Berthold, North Dakota to the Canada/U.S. border near Portal, North Dakota.

“Rate Tariff” means Carrier’s rate tariff for the Pipeline, on file and in effect with the FERC, as such rate tariff may be amended or supplemented by Carrier from time to time or at any time.

“Receipt” means the receipt by Carrier at the Receipt Point of a volume of Crude Petroleum transferred from Shipper.

“Receipt Point” means the location for the receipt of Crude Petroleum provided for in the Rate Tariff for transportation.

“Services” means the Receipt of Crude Petroleum for Shipper’s account at the Receipt Point and the transportation of such Crude Petroleum to, and Delivery of such Crude Petroleum at, the Delivery Point.

“Shipper” means the party that contracts with Carrier for the transportation of Crude Petroleum under the terms of this tariff, and that has satisfied Carrier of that party’s capacity to perform its financial obligations that may arise from the transportation of its Crude Petroleum under the terms of this tariff.

“Tender” (including its correlatives) means a delivery by a Shipper to Carrier of a stated quantity of Crude Petroleum for transportation from the Receipt Point to the Delivery Point in accordance with this tariff.

“TSA” means a transportation services agreement executed by a Committed Shipper with Carrier pursuant to one of the open seasons conducted by the Carrier.

“Uncommitted Volumes” means volumes of Crude Petroleum received in a month by Carrier for transportation on the Pipeline: (i) for any Shipper that is not a Committed Shipper; and (ii) for a Committed Shipper that are in excess of the product of such Committed Shipper’s Committed Volume and the number of days in such month, but does not include Make-up Volumes.

“Vapor Pressure” means the pressure above the surface of a liquid relative to zero pressure (absolute). Also called true vapor pressure.

“Working Stock” means the volume of Crude Petroleum required by Carrier for the efficient operation of the Pipeline.

2. COMMODITY

- (a) This tariff applies only to the transportation of Crude Petroleum by Carrier and no commodity other than Crude Petroleum will be transported under this tariff unless Carrier provides its consent in writing.

3. ORIGIN AND DESTINATION

- (a) Crude Petroleum shall be received for transportation only at the Receipt Point and consigned to Shipper or its consignee only at the Delivery Point.
- (b) Subject to the further provisions of this tariff, Carrier will only accept Crude Petroleum for transportation if:
 - (i) evidence satisfactory to Carrier has been furnished that Shipper has made necessary arrangements for accepting Delivery of shipments promptly on arrival at the Delivery Point on the Enbridge Bakken Canada Pipeline; and
 - (ii) Shipper has evidenced, to the satisfaction of Carrier, that sufficient available capacity to transport the Crude Petroleum on the Enbridge Bakken Canada Pipeline has been allocated to Shipper in accordance with the provisions of Enbridge Bakken Canada Pipeline’s tariff filed with the National Energy Board of Canada.

4. FACILITIES AT POINT OF ORIGIN REQUIRED

Shipper shall provide, at the Receipt Point, adequate storage and other facilities for receiving, measuring, testing and collecting sufficient Crude Petroleum for aggregation into minimum batch volumes.

5. SPECIFICATIONS AS TO QUALITY

- (a) Carrier reserves the right to reject any Crude Petroleum offered for transportation other than good and merchantable Crude Petroleum of acceptable character which, when measured and tested by North Dakota Pipeline Company or its representative at the receipt point on the North Dakota Pipeline, meets all of the following specifications:
- (i) Readily susceptible to transportation through Carrier's existing facilities;
 - (ii) API gravity of between thirty degrees (30°) and fifty degrees (50°) at sixty degrees (60°) Fahrenheit;
 - (iii) Sulfur content does not exceed 0.3% by weight;
 - (iv) Vapor Pressure by current version of ASTM D6377 which does not exceed 13.7 pounds per square inch absolute (psia);
 - (v) Vapor Pressure of the Crude Petroleum does not result in Carrier's non-compliance with any federal, state, or local requirements regarding hydrocarbon emissions;
 - (vi) basic sediment, water and other impurities does not exceed 0.5%, with a maximum of 0.3% free water;
 - [C] ~~(vii) iron in the Crude Petroleum does not exceed seventy five parts per million (75 ppm) in whole crude as tested by EPA method 3040;~~
 - [C] ~~(viii) lead in the Crude Petroleum does not exceed one twentieth of one part per million (0.05 ppm) in naphtha fraction as tested by EPA method 3040;~~
 - [W] (vii) ~~(ix)~~ the Crude Petroleum contains no organic chlorides; and
 - [W] (viii) ~~(x)~~ hydrogen sulfide (H₂S) vapor phase content of 5 parts per million or less. The method used to test H₂S levels will be the current version of ASTM D5705 methodology, run at the maximum test temperature determined by the testing lab to be safe for use in crude oil applications.
- (b) Carrier may reject any Crude Petroleum that it determines has contaminants, including chemicals such as chlorinated and/or oxygenated hydrocarbons [N] and/or lead shall be reason for Carrier to reject any Crude Petroleum. Crude Petroleum containing such contaminants shall be deemed to be unmerchantable and a Shipper who offers

contaminated Crude Petroleum shall be deemed to have breached the warranty and representation set forth in Item 7(d).

- (c) At Carrier's request, Shipper shall furnish Carrier with a certificate setting forth in detail the characteristics of each shipment offered for transportation and certifying that the shipment meets the specifications set forth in Item 5(a) and does not contravene Item 5(b). North Dakota Pipeline Company or its representative may, but shall not be required to, sample and/or test any shipment prior to or during receipt of the shipment at the receipt point on the North Dakota Pipeline, for the purpose of verifying the characteristics of the shipment contained in a Shipper's certificate, and in the event of variance between said certificate and North Dakota Pipeline Company's test, North Dakota Pipeline Company's test shall prevail. Crude Petroleum that does not meet the specifications set forth in Item 5(a) or contravenes 5(b) shall be deemed to be unmerchantable and a Shipper who offers unmerchantable Crude Petroleum shall be deemed to have breached the warranty and representation set forth in Item 7(d).

6. CHANGES IN QUALITY AND SEGREGATION

- (a) Crude Petroleum offered for transportation shall be received by Carrier only on the condition that it shall be subject to such changes in gravity or quality while in transit as may result from the transportation thereof.
- (b) Carrier shall be under no obligation to make Delivery of the identical Crude Petroleum received. Any revaluations deemed appropriate by reason of difference in grade and/or quality that occur, by reason of the mixing, between receipt of the component parts and Delivery of the stream, shall be between and for the account of the Shipper and consignee. Carrier shall have no responsibility in or for such revaluations or settlements other than to furnish such data as it may have in its possession on the quality and gravity of the Crude Petroleum received into and Delivered out of the common stream.
- (c) Carrier shall not be liable for failure to Deliver the identical Crude Petroleum or for any variations in quality while in its custody, nor shall Carrier be liable for any consequential loss resulting from any variations in quality of Crude Petroleum while in its custody.
- (d) CARRIER MAKES NO WARRANTY AS TO MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR ANY OTHER WARRANTY OR REPRESENTATION WITH RESPECT TO THE GRADE OR QUALITY OF CRUDE PETROLEUM TRANSPORTED UNDER THIS TARIFF.

7. TENDERS AND QUANTITIES ACCEPTED

- (a) Shippers desiring to offer Crude Petroleum for transportation shall make such offer to Carrier by submitting, on Carrier's prescribed notice of shipment form, available from ndshipperservices@enbridge.com, or other form deemed

acceptable by Carrier, a separate Nomination for each calendar month on or before the 15th day of the preceding month.

- (b) No individual Shipper may nominate an amount greater than the physical capacity of the Pipeline. Nominations in excess of this limit will be reduced to the physical capacity of the Pipeline.
- (c) A monthly Nomination and a corresponding Tender shall be accepted only when the total quantity covered thereby shall be made available for transportation within said calendar month ratably, or in quantities and at times, to be specified by Carrier. Except as hereunder provided, Carrier shall not specify lots less than fifty-one thousand (51,000) Barrels per delivery account on a monthly basis.
- (d) Each monthly Tender by a Shipper shall contain a warranty in favor of Carrier that, upon Receipt by North Dakota Pipeline Company, the Crude Petroleum identified in the Tender meets Carrier's specifications as set forth in Item 5(a).
- (e) If space is available and operating conditions permit, Carrier may, at its discretion, request and accept monthly Nominations after the 15th of the month and take receipt of Crude Petroleum at lots less than fifty-one thousand (51,000) Barrels per delivery account on a monthly basis. If the total Nominations received exceeds the available space, such space will be allocated to Shippers that submit such Nominations on a pro-rata basis. If Carrier agrees to accept a Shipper's proposed Nomination pursuant to this section, Carrier is not obligated to accept Shipper's Tender until the business day following the day Carrier's approval is granted.

8. APPLICATION OF RATES

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

9. PAYMENT OF RATES AND LIEN FOR UNPAID CHARGES

- (a) Shipper shall be responsible for payment of transportation and all other charges and costs as provided for in this tariff or otherwise lawfully due to Carrier relating to the transportation of Shipper's Crude Petroleum by Carrier. Shipper shall pay such charges and costs upon receipt of Carrier's invoice respecting such charges and costs. If required by Carrier, Shipper shall pay such charges and costs before Delivery, or before acceptance of a transfer, of Shipper's Crude Petroleum by Carrier.
- (b) Carrier shall have a general lien on all of a Shipper's Crude Petroleum that is in possession of Carrier to secure the payment of all charges and costs as provided for in this tariff or otherwise lawfully due to Carrier relating to the transportation of Shipper's Crude Petroleum by Carrier. The general lien provided herein shall

be in addition to any lien or security interest otherwise provided by law or contract. Carrier may withhold Shipper's Crude Petroleum from Delivery and may exercise any other rights and remedies provided at law or by contract, until all such charges and costs have been paid.

- (c) If charges remain unpaid for ten (10) days after notice of demand for payment of such charges and costs is made to such Shipper by Carriers, then Carrier shall have the right to remove and sell any or all of such Shipper's Crude Petroleum that is in the possession of Carrier in such lawful manner as deemed appropriate by Carrier.
- (d) Carrier shall pay from the proceeds of such sale all charges and costs accruing or due relating to the transportation of such Shipper's Crude Petroleum by Carrier and all costs incurred by Carrier with respect to the storage, removal and sale of such Shipper's Crude Petroleum. The remainder of such proceeds, if any, shall be held by Carrier for Shipper and any other party lawfully entitled to such proceeds.
- (e) When required, Carrier shall, with or without notice to Shipper, appoint agent(s) to retain possession of Shipper's Crude Petroleum on behalf of Carrier for the purpose of enforcing the general lien described in this Item.

10. GAUGING, TESTING, AND DEDUCTIONS

- (a) Carrier may cause to be gauged or metered, Shipper's Crude Petroleum in accordance with Carrier's standard operating procedure, upon receipt by North Dakota Pipeline Company at the receipt point on the North Dakota Pipeline. At Carrier's option, measurements and tests may be made on composite samples. The results of such gauging or metering and testing shall be final.
- (b) If tank gauges are used, quantities shall be computed from correctly compiled tank tables on a one hundred percent volume basis. Shipper or its consignee may be present or represented at such gauging or metering and testing. A representative of Carrier shall have the right to enter upon the premises where such Crude Petroleum is received and have access to any and all tanks, storage receptacles or meters for the purpose of such gauging or metering and testing and to make any examination, inspection, measurement or test authorized by these regulations.
- (c) Crude Petroleum shall be received with volume corrected as to temperature from observed degrees Fahrenheit to sixty degrees (60°) Fahrenheit. A centrifuge or other methods agreed upon shall be used for ascertaining the percentage of basic sediment, water or other impurities in the Crude Petroleum, and the full amount of basic sediment, water and other impurities shall be deducted from the corrected volume.
- (d) A further deduction of ONE QUARTER OF ONE PERCENT (.25%) as allowance oil shall be made on each barrel received from the Shipper to cover losses inherent in the transportation of Crude Petroleum by the pipeline.

11. EVIDENCE OF RECEIPTS AND DELIVERIES

Carrier shall evidence the Receipt of Crude Petroleum by tickets showing volume, temperature, basic sediment and water, and any other data with respect to such Crude Petroleum as may be specified from time to time by Carrier. Unless otherwise agreed by Carrier, Shipper and/or its consignee, such tickets shall be signed by a representative of Carrier, as appropriate, and shall be conclusive evidence of the information set forth therein.

12. LINEFILL AND STORAGE

- (a) Each Shipper shall supply its quantity of Linefill and Working Stock as determined from time to time by Carrier.
- (b) In the event Shipper fails to supply the Linefill and Working Stock volumes as requested by Carrier in Item 12(a), Carrier will halt all Deliveries to Shipper until such time as the Linefill and Working Stock volumes are provided.

13. DELIVERY AND DEMURRAGE; OWNERSHIP OF CRUDE PETROLEUM; IMPORT AND EXPORT OBLIGATIONS

- (a) Carrier shall transport and Deliver Crude Petroleum with reasonable diligence and dispatch, but shall not be required to transport Crude Petroleum in time for any particular market.
- (b) Under no circumstances will Carrier be deemed to have acquired legal or beneficial ownership in any Crude Petroleum delivered to the Pipeline. Nothing in the foregoing shall limit or affect the lien or other rights of Carrier set forth in Item 9.
- (c) Shipper shall comply with all applicable Import and Export Laws with respect to Services provided by Carrier. Further, as and where restricted by applicable Import and Export Laws, Shipper shall not deliver into the Pipeline Crude Petroleum that is the product of or contains the product of a country or entity subject to such economic sanctions or similar restrictions under the Import and Export Laws. For the avoidance of doubt, Carrier is not the importer nor the exporter of Crude Petroleum transported in the Pipeline. Shipper shall indemnify, hold harmless and reimburse Carrier for any and all duties, taxes, penalties, interest, costs and/or other amounts incurred by or which become payable by Carrier as a result of Shipper's failure to comply with its obligations under this Item.

14. LIABILITY OF CARRIER

- (a) Except where caused by the direct negligence of Carrier, Carrier shall not be liable to a Shipper for any delay, damage or loss resulting from any cause while Carrier is in possession or control of such Shipper's Crude Petroleum, including

the breakdown of the facilities of Carrier. Notwithstanding anything to the contrary contained herein, Carrier shall not be liable or responsible to any Shipper or such Shipper's affiliates for any indirect, consequential, incidental, or punitive damages, or for loss of profits or revenues incurred by such Shipper or its affiliates that arise in relation to the transportation of Crude Petroleum under this tariff, regardless of whether such claim arises under or results from contract, tort or strict liability.

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

15. INDEMNIFICATION BY SHIPPER

To the fullest extent permitted by applicable law and except as otherwise specified in this tariff, Shipper shall indemnify, defend, and hold Carrier harmless from claims, demands, and causes of action asserted against Carrier by any other person for personal injury, for physical loss of or physical damage to property, or for violations of law resulting from Shipper's failure to comply with the provisions of this tariff and the willful or negligent acts or omissions of the Shipper. Where personal injury, death, or physical loss of or physical damage to property is the result of the joint negligence or misconduct of the parties hereto, the parties expressly agree to indemnify each other in proportion to their respective share of such joint negligence or misconduct.

16. SHIP OR PAY OBLIGATION

- (a) In the event that a Committed Shipper fails to Nominate and/or Tender a volume of Crude Petroleum equal to the Monthly Volume, it shall nevertheless pay to Carrier the Deficiency Payment in accordance with the TSA.
- (b) Whether Nominations and Tenders by Committed Shippers meet their Monthly Volume requirements will be assessed relative to Receipts at the Receipt Point.
- (c) Committed Shippers who fail to meet their Committed Volume requirement in a month will be subject to uniform provisions as set out in the TSA with respect to their ability to ship Make-up Volumes in subsequent months. A Committed Shipper's ability to ship Make-up Volumes may be terminated pursuant to its TSA.

17. PRORATIONING

- (a) If more Crude Petroleum is nominated to Carrier than can be transported by Carrier in a given month, then each Shipper shall be allocated a share of the Available Monthly Capacity in the Pipeline equal to its pro rata share of the total volume nominated in that month; provided, however, that no Shipper will be allocated a volume of capacity in the Pipeline that exceeds the volume of capacity that such Shipper has the right to use in the Enbridge Bakken Canada Pipeline in the same month.
- (b) In a month where volumes of Crude Petroleum are prorated in accordance with Item 17(a), if less than ninety percent of the Uncommitted Volumes that are Nominated by Shipper and accepted for shipment by Carrier are physically Tendered to Carrier by Shipper, then the Nomination that will be accepted by the Carrier from such Shipper in each of the next three months, beginning two months after the month of non-performance, will be limited to no more than the Uncommitted Volumes that the Shipper actually shipped during the month of prorationing, provided that Carrier is in apportionment during each of the three months.

18. ADVERSE CLAIMS AGAINST CRUDE PETROLEUM

- (a) A Shipper shall not Tender to Carrier Crude Petroleum which is involved in litigation, the ownership of which may be in dispute or which is encumbered by a lien or charge of any kind unless Shipper provides written notification to Carrier of such litigation, dispute, lien or charge not less than twenty (20) days before such Tender is made to Carrier.
- (b) Carrier shall not be obligated to accept Crude Petroleum that is involved in litigation, the ownership of which may be in dispute or which is encumbered by a lien or charge of any kind.
- (c) A Shipper shall advise Carrier in writing if, at any time while Shipper's Crude Petroleum is in the possession of Carrier, such Crude Petroleum becomes involved in litigation, the ownership of such Crude Petroleum becomes in dispute or such Crude Petroleum becomes encumbered by a lien or charge of any kind.
- (d) A Shipper shall, upon demand from Carrier, provide a bond or other form of indemnity satisfactory to Carrier protecting Carrier against any liability or loss that may arise as a result of such Shipper's Crude Petroleum that is involved in litigation, the ownership of which may be in dispute or which is encumbered by a lien or charge of any kind. In the event such Shipper fails to provide such bond or other form of indemnity satisfactory to Carrier, Carrier will not be obligated to accept such Crude Petroleum from Shipper for transportation.

19. CLAIMS, SUITS, AND TIME FOR FILING

- (a) A Shipper shall advise Carrier in writing of any claim for delay, damage or loss resulting from the transportation of such Shipper's Crude Petroleum by Carrier within nine (9) months of Delivery of such Crude Petroleum by Carrier or, in the case of a failure to make Delivery, then within nine (9) months after a reasonable time for Delivery has elapsed.
- (b) A Shipper shall institute any action arising out of any claim against Carrier within two (2) years from the date that written notice is given by Carrier to Shipper that Carrier has disallowed such claim or any part of such claim.
- (c) If a Shipper fails to comply with the provisions of paragraph (a) or paragraph (b) of Item 19, then such Shipper waives all rights it has to bring an action against Carrier with respect to such claim.

20. FINANCIAL ASSURANCES

- (a) At any time, upon the request of Carrier, any prospective or existing Shipper shall provide information to Carrier that will allow Carrier to determine the prospective or existing Shipper's capacity to perform any financial obligations that could arise under the terms of this tariff, including the payment of transportation charges, Deficiency Payments, charges for deficient Linefill and negative Shipper's balance positions. Carrier shall not be obligated to accept Crude Petroleum for transportation from an existing or prospective Shipper if Shipper or prospective Shipper fails to provide the requested information to Carrier within ten (10) days of Carrier's written request, or if Carrier's review of the requested information reveals that the existing or prospective Shipper does not have the capacity to perform any financial obligations that could arise under the terms of this tariff, including the payment of transportation charges, Deficiency Payments, charges for deficient Linefill and the reasonably determined value of negative Shipper's balance positions.
- (b) Subject to the provisions of Item 20(c), Carrier, upon notice to Shipper, may require one or more of the following Financial Assurances for the payment of all charges and costs as provided for in this tariff, or otherwise lawfully due to Carrier, to be provided at the expense of Shipper:
 - (i) a letter of credit in favor of Carrier in an amount sufficient to ensure payment of all costs and charges that could reasonably accrue due to Carrier, in a form and from a financial institution acceptable to Carrier;
 - (ii) a guaranty in an amount sufficient to ensure payment of all such costs and charges that could reasonably accrue due to Carrier, in a form and from a third party acceptable to Carrier; or

- (iii) other enforceable collateral security, including security agreements over assets of Shipper, in form and substance acceptable to Carrier

(the “Financial Assurances”).

- (c) In the event that Carrier reasonably determines that:
 - (i) the existing or prospective Shipper’s financial condition is or has become impaired or unsatisfactory;
 - (ii) any Financial Assurances previously provided by a Shipper no longer provide adequate security for the performance of Shipper’s obligations that could arise under the terms of this tariff; or
 - (iii) Carrier otherwise determines that it is necessary to obtain additional Financial Assurances from Shipper,

then Shipper shall provide Financial Assurances for the payment of the charges and costs as provided for in this tariff or otherwise lawfully due to Carrier relating to the transportation of Shipper’s Crude Petroleum by Carrier. For the purpose of this tariff, and without limiting the generality of the charges and costs lawfully due to Carrier under this tariff, those charges and costs shall include transportation charges, Deficiency Payments, charges for deficient Linefill, and negative Shipper’s balance positions. Carrier shall not be obligated to accept Crude Petroleum for transportation from an existing or prospective Shipper if Shipper or prospective Shipper fails to deliver the Financial Assurances to Carrier within ten (10) days of Shipper’s receipt of Carrier’s written request for such Financial Assurances.

21. DUTY OF CARRIER

Carrier shall not be required to transport Crude Petroleum except with reasonable diligence, considering the quantity of Crude Petroleum, the distance of transportation, the safety of operation, and other material factors.

22. PIPEAGE OR OTHER CONTRACTS REQUIRED

Separate pipeage and other contracts in accord with this tariff and these regulations covering further details may be required by Carrier before any duty of transportation shall arise.

23. INTRASYSTEM CHANGE IN OWNERSHIP

- [N] (a) Notice of change in ownership of Crude Petroleum shall be recognized and recorded only where such Crude Petroleum entered Carrier's system and only on a monthly basis. Statements denoting ownership transactions shall be provided to the applicable transferors and transferees. Carrier shall not provide any

information as to the quality of the Crude Petroleum subject to changes in ownership except for gravity on current Receipts when requested. Each transferor shall be charged one-quarter cent (0.25¢) 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. The transferor, at Carrier's option, shall provide an irrevocable letter of credit satisfactory to Carrier prior to such recognizing and recording. The recognition by Carrier of a change in ownership of Crude Petroleum 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 Petroleum during any operating month unless the transferor and transferee requesting Carrier to recognize and record the change in ownership shall, each, on or before the 15th day of the preceding calendar month provide written notice to Carrier containing like data relative to the kind, quantity, source, location, transferor and transferee of the Crude Petroleum. 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 Petroleum received during the operating month is not equivalent to the quantity of the Crude Petroleum subject to the notice of change in ownership, Carrier shall not be required to recognize and record the change in ownership beyond the extent of the quantity received.
- (d) A notice of change in ownership of Crude Petroleum shall be deemed: (1) a warranty that the transferor has unencumbered title to the Crude Petroleum identified in its notice at the time of change in ownership, and (2) a representation that the change in ownership is effective as of 8:00 o'clock a.m. (Central Standard Time) 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 Petroleum.
- (f) A transfer of a Shipper's rights and obligations under Item 23 respecting its Crude Petroleum will not be binding or effective on the Carrier until the Carrier has accepted the transaction. The Carrier will not accept a transfer until such time as the transferee has satisfied the Carrier of its capacity to undertake the transferor's obligations and has provided any Financial Assurances requested by the Carrier in accordance with Item 20 of this tariff.

~~[C] Intrasystem transfers or changes of custody or ownership of Crude Petroleum will not be permitted, and Carrier will not recognize or record any such transfers or changes.~~

24. INTERPRETATION

- (a) Unless otherwise expressly specified herein, (i) defined terms in the singular will also include the plural and vice versa, (ii) the words “hereof”, “herein”, “hereunder” and other similar words refer to this tariff as a whole, and (iii) references to Rules are to the Rules in this tariff.
- (b) The captions in this tariff are for convenience only and will not in any way affect the meaning or construction of any provision of this tariff.
- (c) Unless the context otherwise requires, “including” means “including without limitation”.

Symbols:

[C] – Cancel

[N] – New

[W] – Change in wording only