

**ENTERPRISE INTERSTATE CRUDE LLC**

**LOCAL PIPELINE TARIFF**

**Containing**

**RATES, GENERAL RULES AND REGULATIONS**

**Governing**

**THE INTRASTATE TRANSPORTATION**

**of**

**CRUDE PETROLEUM**

**by**

**PIPELINE**

**WITHIN THE STATE OF NEW MEXICO**

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**EFFECTIVE: JULY 1, 2022**

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**Issued and Compiled by:**

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## RULES AND REGULATIONS

### ITEM 1 – ABBREVIATIONS AND DEFINITIONS

“Affiliate” means any person or entity that, directly or indirectly: (i) controls Shipper; (ii) is controlled by Shipper; or (iii) is under common control with Shipper. As used in this definition the terms “control,” “controls,” and “controlled by” mean the power to direct or cause the direction of the management and policies of another person or entity whether through the ownership of shares, a contract, trust arrangement, or any other means, either directly or indirectly, which results in control in fact, but notwithstanding the foregoing includes the ownership of shares or equity interests carrying not less than 50% of the voting rights regardless of whether such ownership occurs directly or indirectly, as contemplated above. Affiliates are also persons or entities with common mailing or business addresses, business telephone numbers, or bank accounts.

“API” means American Petroleum Institute.

“ASTM” means American Society for Testing and Material.

“Barrel” means 42 United States gallons at 60° Fahrenheit and equilibrium vapor pressure of the liquid.

“Binding Nomination” means the volumes allocated to a Shipper during a period of prorationing.

“Business Day” means any day other than Saturday, Sunday, and any other day when banks are closed for business in Texas.

“Carrier” means Enterprise Interstate Crude LLC.

“Collateral” has the meaning set forth in Item 8.b.

“Common Stream(s)” as herein used means Product moved through Carrier’s Pipeline and associated facilities which is commingled or intermixed with other Product in said Pipeline or facilities. Carrier’s Common Streams and the characteristics of each shall be determined by the Carrier.

“Crude Petroleum” means the direct liquid product of oil wells, oil processing plants, the indirect liquid petroleum products of oil or gas wells, oil sands, or a mixture of such products.

“Destination Point” means the inlet flange of HEP’s pipeline at Carrier’s Hobbs Station located in Lea County, New Mexico.

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

“Financial Obligations” has the meaning set forth in Item 20.a.

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

“Gravity Shrinkage Deduction” has the meaning set forth in Item 9.g.

“HEP” means Holly Energy Partners - Operating, L.P.

“Minimum Volume” means a minimum continuous volume of 15,000 Barrels of Product received or delivered at one time.

“NMPRC” means New Mexico Public Regulation Commission.

“Nomination” means a written communication from a Shipper to Carrier requesting that Carrier transport for Shipper in a given month a stated quantity and type of Product from an Origin Point to the Destination Point under the terms and conditions of this tariff.

“Obligations” has the meaning set forth in Item 8.b.

“Origin Point” means the inlet flange of the Pipeline at Carrier’s Lynch Station in Lea County, New Mexico.

“Pipeline” means Carrier’s pipeline system that extends from its Lynch Station in Lea County, New Mexico, to the inlet of HEP’s pipeline at Carrier’s Hobbs Station in Lea County, New Mexico.

“Pipeline Loss Allowance” or “PLA” has the meaning set forth in Item 9.f.

“Product” means Crude Petroleum.

“Reid Vapor Pressure” means the vapor pressure of Product at 100 degrees Fahrenheit as determined by the latest edition of ASTM D6377 (RVPE): Standard Test Method for Determination of Vapor Pressure of Crude Oil.

“Services” means the transportation of Product for a Shipper’s account on the Pipeline from an Origin Point and the delivery of such Product to the Destination Point.

“Shipper” means a party who ships on the Pipeline pursuant to a Nomination accepted by Carrier under the terms of this tariff.

“Standard Conditions” means 60° degrees Fahrenheit and 14.696 pounds per square inch absolute, which are the standardized temperature and pressure measured Product volumes are corrected to, as if the Product were at those conditions.

“West Texas Intermediate” means the Product meeting the specifications set forth in Item 4.a.3.

“Working Stock” means the volume and grade of product required by Carrier for pipeline line fill and, at an Origin Point, locations along the Pipeline, or at the Destination Point where Carrier owns tankage, to float tank roofs to working levels and to maintain such levels and for terminal piping.

## **ITEM 2 – COMMODITY**

This tariff applies only to the transportation of Product by Carrier, and no commodity other than Product will be transported under this tariff unless Carrier provides its consent in writing.

## **ITEM 3 – ACCEPTANCE OF PRODUCT**

- a. Subject to the further provisions of this tariff, Carrier will only accept Product for transportation on the Pipeline:
  1. that originates on the Pipeline at an Origin Point; and
  2. when the party taking delivery of the Product has been specified in writing to Carrier.
- b. Except where Carrier provides such facilities, Carrier will only accept Product for transportation when Shipper has provided evidence satisfactory to Carrier that Shipper has the necessary facilities to deliver Product to an Origin Point and accept delivery of such Product promptly on arrival at the Destination Point at pressures and volumetric flow levels required by Carrier.
- c. Carrier reserves the right to reject any and all Product where Shipper has failed to comply with all applicable laws, items, and regulations made by any Governmental Authority regulating shipments of Product.

## **ITEM 4 – SPECIFICATIONS AS TO QUALITY**

- a. Unless the specifications as to quality of a connecting carrier at the Destination Point are less than those of Carrier and are imposed upon Carrier, in which case the limitations of the connecting carrier will be applied to Shipper, a Shipper shall not deliver to Carrier, and Carrier is not obligated to accept Product where, as determined by Carrier on receipt:
  1. the Reid Vapor Pressure of the Product exceeds 9.0 pounds per square inch absolute, or might result in Carrier’s noncompliance with federal, state, or local requirements regarding hydrocarbon emissions;
  2. the kinematic viscosity exceeds 350 millimeters squared per second;
  3. the Product is not in accordance with the following:

Grade	Minimum API Gravity (at 60°F or above)	Maximum API Gravity (at 60°F or above)	Maximum Sulfur (%)
West Texas Intermediate	38.0	44.0	0.4

4. the Product contains basic or foreign sediment and water and other impurities exceeding 1% by volume or in which the volume of water exceeds 0.5% of the volume offered for transportation;
5. the surface of settled sediment and water and other impurities in tanks is less than four inches below the bottom of the pipeline connection from which it enters Carrier’s facilities;
6. the nickel and vanadium in the Product, taken together, exceed three parts per million, as tested by ASTM Standard D5708-15, Test Method B, or its latest revision;

7. the micro method carbon residue in the Product exceeds 0.85% by mass, as tested by ASTM Standard D4530-15, or its latest revision;
  8. the organic chlorides in the Product exceeds three parts per million (naphtha cut) as tested by Microcoulometry or Sodium Biphenyl methods;
  9. the Product contains any other excessive metals, chemicals, salts, refinery or chemical plant process or by-product materials, or any other material that may adversely affect downstream markets or pipelines, as determined by Carrier; or
  10. the Product does not meet specifications of connecting carriers.
- b. Carrier may, from time to time at its sole discretion, on a not unduly discriminatory basis, undertake to transport other or additional grades of Product and will determine what additional facilities, if any, will be required to be supplied by Shipper to accommodate its shipment of such different grade. Carrier will maintain separate streams for Product accepted by Carrier outside of the quality specifications in Item 4.a.3.
- c. A Shipper shall, as required by Carrier, provide to Carrier a certificate with respect to the specifications of Product to be received by Carrier from Shipper. If a Shipper fails to provide Carrier with such certificate, then Carrier is not obligated to accept Shipper's Product. Carrier reserves the right to sample and/or test any such shipment prior to acceptance or during receipt, and in the event of variance between Shipper's certificate and Carrier's test, the latter will prevail.
- d. Carrier reserves the right to refuse to accept any Product (or other product) for transportation that does not meet Carrier's specifications in Item 4.a. or that is not good, merchantable Product readily acceptable for transportation through the Pipeline.
- e. If Carrier determines that a Shipper does not comply with the provisions of paragraph a of this Item 4, then such Shipper shall remove its Product from the facilities of Carrier as directed by Carrier, and if Shipper fails to do so by the date and time directed by Carrier, then Carrier will have the right, at its sole discretion, to any remedy available, including the right without notice of liability to return, divert, sell, or dispose of such Product. Shipper shall reimburse Carrier for all costs and expenses incurred by Carrier in returning or otherwise disposing of such non-conforming Product.
- f. If, upon investigation, Carrier determines that Shipper has delivered to Carrier's facilities Product that has contaminated a Common Stream, rendering all or a portion of the Product in such Common Stream undeliverable, Carrier reserves the right to treat or otherwise dispose of all contaminated Product in any reasonable commercial manner at Shipper's sole expense.
- g. On Product received by Carrier that does not meet Carrier's deliverability requirements, Carrier reserves the right to charge an additional [U] 100 cents per Barrel treating and handling charge.

#### **ITEM 5 – CHANGES IN QUALITY**

- a. Carrier shall operate the Pipeline as a Common Stream system. Carrier will from time to time determine which grades of Product it will regularly transport as a Common Stream between particular origin(s) and destination(s).
- b. Carrier shall endeavor to deliver substantially the same type of Product as that received from a Shipper; provided, however, Carrier is not obligated to make delivery of the identical Product received by Carrier.
- c. Product tendered to Carrier for transportation will be received by Carrier on the condition that it will be subject to such changes in density or quality while in transit as may result from the transportation, commingling, or intermixing thereof, including the mixing of a Shipper's Product with other Product in the facilities of Carrier. Carrier is not liable for any damage, loss, or consequential loss resulting from a change in the density or other quality of a Shipper's Product as a result of Carrier's transportation, commingling, or intermixing of such Product, as long as such actions are done in accordance with Items 4 and 5.

#### **ITEM 6 – NOMINATIONS AND QUANTITIES ACCEPTED**

- a. All Shippers desiring to ship Product through the lines of Carrier shall promptly provide Carrier a Nomination with all information needed by Carrier to schedule and dispatch each shipment of Product Shipper offers to make, to satisfy Carrier that offers to ship are in good faith, and to satisfy Carrier that shipments can be transported in conformance with Carrier's tariffs. Carrier may refuse to receive Product for transportation until Shipper has provided Carrier with such information. Notwithstanding the foregoing, Carrier will carefully examine all Shipper Nominations to ensure they are accurate and genuine. Carrier may reject Nominations to the extent Carrier believes they may be unrealistic or unrepresentative.
- b. Carrier is not obligated to accept Product for transportation during any calendar month unless Shipper has provided to Carrier, on or before the 15th day of the preceding calendar month, its Nomination for the following month. If the 15th day of the preceding calendar month is a non-Business Day, then such notification will be due on the last Business Day immediately prior to the 15th day of the preceding calendar month.

- c. A Shipper shall, upon notice from Carrier, provide written third-party verification as required by Carrier in support of such Shipper's Nomination to satisfy Carrier that offers to ship are in good faith, and to satisfy Carrier that shipments can be transported in conformance with Carrier's tariffs. Carrier is not obligated to accept a Shipper's Product where such verification is, in the sole discretion of Carrier, unacceptable to Carrier.
- d. Carrier is not be obligated to accept a Nomination or Shipper's Product if the volume of such Product is less than the Minimum Volume or if the receipt flow rate at which such Product is received by Carrier is less than or greater than the receipt flow rates specified from time to time by Carrier for the applicable Origin Point.
- e. Carrier is not obligated to make a delivery of a Shipper's Product of less than the Minimum Volume or at a delivery flow rate less than or greater than the delivery flow rates specified from time to time for the Destination Point.
- f. Any applicant that is not currently shipping on the Pipeline system and is seeking approved Shipper status with Carrier in order to become a new Shipper is required, as a condition to such approved status, to certify to Carrier that the applicant is not an Affiliate of any existing Shipper on the pipeline system.

#### **ITEM 7 – RULES AND RATES APPLICABLE**

The rates for transportation of Product are the rates in effect on the date Product is received by Carrier for transportation. Likewise, the rules and regulations governing the transportation of Product are the rules and regulations in effect on the date Product is received by Carrier for transportation.

#### **ITEM 8 – PAYMENT OF RATES AND LIEN FOR UNPAID CHARGES**

- a. Shipper shall pay all charges and costs as provided for in this tariff or otherwise lawfully due to Carrier, and, if required by Carrier, shall pay the same before acceptance or delivery by Carrier of Shipper's Product. Carrier may invoice Shipper for charges and costs on a weekly basis. Shipper shall pay all invoiced amounts within ten days of the date of invoice from Carrier. Carrier may require that all payments to Carrier be sent by wire transfer in accordance with the instructions on Carrier's invoice to Shipper. Shipper shall pay such charges and costs based on receipts into the pipeline, or before acceptance by Carrier of Shipper's Product at the Origin Point.
- b. Shipper hereby grants and assigns to Carrier a continuing security interest in, lien upon, and assignment of, all of the following, whether now or hereafter existing or acquired, as collateral security for the prompt and complete payment and performance of the Obligations (as defined below): (a) all Product of Shipper in the possession of Carrier or its agents; (b) all other property of Shipper in the possession of Carrier or its agents; (c) all of Shipper's pre-payments, deposits, balances, and credits with, and any of its claims against, Carrier, at any time existing; and (d) all proceeds of any of the foregoing property in any form (collectively, "Collateral"). The foregoing grant and assignment of Collateral secures all of the following obligations of Shipper (collectively, the "Obligations"): (i) any and all charges and costs owed to Carrier by Shipper under this tariff or otherwise lawfully due to Carrier, including penalties, interest, and late payment charges, whether or not invoiced; (ii) the reimbursement of any amounts Carrier may advance or spend for the storage, preservation, removal, or sale of the Collateral; and (iii) all amounts owed under any modifications, renewals, or extensions of any such Obligations. The security interest, lien, and assignment provided in this tariff is in addition to any lien or security interest provided by applicable law and any and all other rights and remedies Carrier may have at law or in equity. If any amounts accruing and owed to Carrier remain unpaid ten days after written notice and demand therefor, then Carrier or its agent may, in addition to and not in limitation of its other rights and remedies, sell any or all of the Collateral. Carrier shall apply the proceeds of any such sale to the payment of Obligations accruing or due to Carrier and to the reimbursement of expenses associated with the sale of the Collateral, and the balance remaining, if any, will be paid to or held for whomsoever may be lawfully entitled thereto. Carrier may, with or without notice to Shipper, appoint agent(s) to retain possession of Shipper's Product on behalf of Carrier for the purpose of enforcing this security interest, lien, and assignment. Carrier may file all such documents as it deems appropriate in order to perfect or maintain the perfection of the security interest, lien, and assignment granted herein, and Shipper shall cooperate and execute all such documents as may be reasonably requested by Carrier. If Shipper fails to satisfy when due any Obligations to Carrier, then Carrier will have the right, until all such Obligations, including interest thereon, are paid in full to: (i) refuse to provide Shipper access to Carrier's facilities or provide transportation services for Shipper's Product; (ii) set-off (including by set-off, offset, recoupment, combination of accounts, deduction, retention, or counterclaim) any amounts owing to Carrier against any monies owed by Carrier to Shipper or any of its affiliates under this tariff, any contract, or against any Product of Shipper in the custody of Carrier or its agents; and (iii) exercise any other rights or remedies under this tariff, any contract with Shipper or under applicable law or in equity. In addition, Shipper shall pay all documented costs incurred by Carrier to collect any unpaid Obligations, including reasonable attorney fees and costs incurred by Carrier.
- c. If any amounts owed by Shipper are not paid by the due date of Carrier's invoice, Carrier may (i) assess an interest charge on the entire past due balance until paid in full at the rate equal to the lesser of: (a) 18% per annum, or (b) the maximum non-usurious interest rate that may then be charged under New Mexico law; provided, however, that Shipper may withhold payment of disputed amounts subject to: (1) the incurrence of carrying charges thereon as specified above; and (2) Carrier's

right to demand reasonable surety for such payment, and/or (ii) remove and sell any or all of such Shipper's Product that is in the possession of Carrier in such lawful manner as deemed appropriate by Carrier.

d. Carrier shall pay from the proceeds of any sale pursuant to Item 8.c.(ii) all charges and costs accruing or due relating to the transportation of such Shipper's Product by Carrier and all costs incurred by Carrier with respect to the storage, removal, and sale of such Shipper's Product. The remainder of such proceeds, if any, will be held by Carrier for Shipper and any other party lawfully entitled to such proceeds.

e. Carrier may require that all payments to Carrier for Services be wire transferred in accordance with the instructions on Carrier's invoice to Shipper.

f. When required, Carrier shall, with or without notice to Shipper, appoint agents to retain possession of Shipper's Product on behalf of Carrier for the purpose of enforcing the lien described in this Item 8.

## **ITEM 9 – MEASURING, TESTING, AND DEDUCTIONS**

a. All Product received at an Origin Point into Carrier's facilities will be tested for basic or foreign sediment and water and other impurities and gauged or metered by Carrier's representative. Shipper may witness all proving of meters used in such measurement. Carrier reserves the right to test and measure and/or witness the testing and measurement of all deliveries from its facilities.

b. Where the measurement is determined by tank gauge, such measurement will be based upon tanks strapped and tables compiled in accordance with Chapter 2, "Tank Calibration", API Manual of Petroleum Measurement Standards, Latest Edition, indicating 100% full capacity. Volume measurements by temperature compensated meters will be further corrected for meter factor and pressure in accordance with the API Manual of Petroleum Liquid Hydrocarbons by Pipeline Displacement Meters.

c. Where the tank or meter of Shipper is used for volume determination for deliveries into or from Carrier's facilities, Carrier reserves the right to require restrapping or check-strapping of any such tank, the recalculation of any tank table utilized by Shipper in relation to any such tank and the proving or check-proving of any such meter.

d. Carrier shall deduct from the volume of Product received into Carrier's facilities the actual amount of suspended basic or foreign sediment, water, and other impurities as ascertained by centrifuge or other tests agreed upon.

e. The net calculated quantity under Standard Conditions less sediment and water and other impurities volume percentage will be the quantity received or delivered by Carrier.

f. 0.2% of the volumes of Product received into Carrier's facilities will be allocated to Carrier to cover loss due to shrinkage and evaporation incident to transportation on Carrier's facilities ("Pipeline Loss Allowance" or "PLA"). PLA is settled financially pursuant to Carrier's then-effective Policy and Procedures Applicable to Shipper Over/Short Balancing and Pipeline Loss Allowance Settlement, which is available upon request. This policy will also be used to settle any over/short balances of Shipper each month.

g. In addition to the Pipeline Loss Allowance set forth above, all Product included in a Nomination for shipment on the Pipeline will be subject to a further deduction of 0.3% starting at 44.0° API at 60 degrees Fahrenheit for West Texas Intermediate, with additional deductions of 0.03% made for every 0.1 degree API thereafter (the "Gravity Shrinkage Deduction"). For example, Product accepted as West Texas Intermediate with a 47.2° API will result in a 1.26% Gravity Shrinkage Deduction.

h. Except for manifest errors, all measurement and testing by Carrier will be conclusive if a representative of Shipper or its consignee was not present during such measuring and testing.

## **ITEM 10 – EVIDENCE OF RECEIPTS AND DELIVERIES**

Carrier shall evidence the receipt and delivery of Product by tickets showing the volume, crude type, temperature, gravity, sediment and water, and any other data with respect to such Product as may be specified from time to time by Carrier.

## **ITEM 11 – WORKING STOCK**

a. Each Shipper shall supply its quantity of Working Stock as determined from time to time by Carrier.

b. If Shipper fails to supply the Working Stock volumes as requested by Carrier in Item 11.a., then Carrier will obtain the deficient Working Stock volumes on such Shipper's behalf, and such Shipper shall pay for all charges incurred by Carrier to obtain the deficient Working Stock volumes upon receipt of Carrier's invoice therefor.

c. Subject to Carrier's operating conditions, Working Stock provided by a Shipper may be withdrawn after not less than 60 days' advance written notice to Carrier of Shipper's intention to discontinue shipments through the Pipeline pursuant to this tariff.

d. Carrier may require advance payment of transportation charges on the Working Stock volumes to be delivered from Carrier's pipeline system, and any unpaid accounts receivable, before final delivery will be made. Carrier will have a reasonable period of time after the receipt of said notice to complete administrative and operational requirements incident to Shipper's withdrawal of the Working Stock.

#### **ITEM 12 – DELIVERY AND ACCEPTANCE**

a. Carrier shall transport and deliver Product with reasonable diligence and dispatch, but is not required to transport Product in time for any particular market.

b. A Shipper, or its designee, shall accept and remove such Shipper's Product upon arrival at the Destination Point.

c. After a shipment has had time to arrive at the Destination Point and on 24 hours' notice to Shipper, Carrier may begin delivery of such shipment to Shipper at its current rate of pumping. If all of such shipment cannot be received by Shipper by the end of such applicable 24-hour period, Shipper shall pay a demurrage charge of [U] 150.00 cents per Barrel on the undelivered barrels, and at the end of each 24-hour period thereafter on the remaining balance.

d. If a Shipper fails to accept and remove its Product from the facilities of Carrier in accordance with the provisions of Item 12.b., then Carrier will have the right to remove and sell such Product in such lawful manner as deemed appropriate by Carrier. Carrier shall pay from the proceeds of such sale all costs incurred by Carrier with respect to the storage, removal, and sale of such Product. The remainder of such proceeds, if any, will be held by Carrier for Shipper and any other party lawfully entitled to such proceeds.

#### **ITEM 13 – LIABILITY OF CARRIER**

a. Except where caused by the negligence, gross negligence, or willful misconduct of Carrier, Carrier is not liable to a Shipper for any delay, damage, loss, or consequential loss resulting from any cause while Carrier is in possession or control of such Shipper's Product, including the breakdown of the facilities of Carrier.

b. If damage or loss to Product results from any cause other than the negligence, gross negligence, or willful misconduct of Carrier while Carrier is in possession or control of such Product, 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 will be determined by Carrier based on the proportion of the volume of Shipper's Product in the possession of Carrier on the date of such loss to the total volume of Product in the possession of Carrier on the date of such loss. Carrier will be obligated to deliver only that portion of the Product remaining after such deduction.

c. If Product is lost in transit while in the custody of Carrier due to the negligence, gross negligence, or willful misconduct of Carrier, then Carrier, shall, as full compensation therefor, either obtain and deliver to Shipper thereof other Product of the same quantity and grades as that which was lost, or compensate Shipper for such loss in money.

#### **ITEM 14 – INDEMNIFICATION BY SHIPPER**

A Shipper shall indemnify Carrier for any damages, losses, costs, or consequential losses incurred by Carrier or any other party as a result of such Shipper's failure to comply with any provision of this tariff. This indemnification by Shipper excludes any damage, loss, cost, or consequential loss caused by the negligence, gross negligence, or willful misconduct of Carrier.

#### **ITEM 15 – PRORATIONING**

a. In the event Shippers offer to ship more Product via a particular pipeline or segment of line during any period of time than can be pumped through such line or segment of line during such period, then Carrier shall accept and transport, during such period, only that portion of each good-faith offer to ship that Carrier determines to be equitable to all Shippers.

b. If any Shipper fails to tender volumes during a month equal to 100% of its Binding Nomination for that month, that Shipper shall pay to Carrier, in the aggregate, the tariff charge for 100% of the Binding Nomination.

## **ITEM 16 – REQUESTED CHANGE BY SHIPPER**

Subject to the operating conditions of the facilities of Carrier, Carrier may upon the written request of a Shipper, allow a Shipper to change:

- i. the designated volume of its Product that will originate on the Pipeline at an Origin Point; or
- ii. the designated volume of its Product to be delivered to the Destination Point.

## **ITEM 17 – INLINE CHANGE IN OWNERSHIP**

- a. Carrier will recognize and record notice of change in ownership of Product only where such Product entered Carrier's system and only on a monthly basis. Statements denoting ownership transactions will be provided to the applicable transferors and transferees. Carrier shall not provide any information as to the quality of the Product subject to changes in ownership except for gravity on current receipts when requested. Each transferor shall be charged \$0.0075 per Barrel (which will be applied on a separate invoice) 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 Product requires the recording thereof, and Carrier is entitled to a lien for all such charges and fees.
- b. Carrier is not obligated to recognize and record changes in ownership of Product during any operating month unless the transferor and transferee requesting Carrier to recognize and record the change in ownership have, each, on or before the 15th day of the preceding calendar month provided written notice to Carrier containing like data relative to the kind, quantity, source, location, transferor, and transferee of the Product. Carrier is not 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 Product received during the operating month is not equivalent to the quantity of the Product subject to the notice of change in ownership, Carrier is not required to recognize and record the change in ownership beyond the extent of the quantity received.
- d. A notice of change in ownership of Product will be deemed: (1) a warranty that the transferor has unencumbered title to the Product identified in its notice at the time of change in ownership, and (2) a representation that the change in ownership is effective as of 7:00 o'clock a.m. (Mountain 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 Product.
- f. A transfer of a Shipper's rights and obligations under this Item 17 respecting its Product will not be binding or effective on Carrier until Carrier has provided a notice of acceptance to the transferor and transferee. Carrier will not provide a notice of acceptance of a transfer until such time as the transferee has satisfied Carrier of its capacity to undertake the transferor's obligations and has provided any Financial Assurances requested by Carrier in accordance with Item 20.

## **ITEM 18 – ADVERSE CLAIMS AGAINST PRODUCT**

- a. A Shipper shall not issue a Nomination or deliver to Carrier Product that is involved in litigation, the ownership of which may be in dispute, or that is encumbered by a lien (other than a lien that is subordinated to Carrier's lien described in Item 8.b.) or charge of any kind unless Shipper provides written notification to Carrier of such litigation, dispute, lien, or charge not less than 20 days before such Nomination is made to Carrier.
- b. Carrier is not obligated to accept Product that is involved in litigation, the ownership of which may be in dispute, or that is encumbered by a lien (other than a lien that is subordinated to Carrier's lien described in Item 8.b.) or charge of any kind.
- c. A Shipper shall promptly advise Carrier in writing if, at any time while Shipper's Product is in the possession of Carrier, such Product becomes involved in litigation, the ownership of such Product becomes in dispute, or such Product becomes encumbered by a lien (other than a lien that is subordinated to Carrier's lien described in Item 8.b.) 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 Product that is involved in litigation, the ownership of which may be in dispute, or that is encumbered by a lien (other than a lien that is subordinated to Carrier's lien described in Item 8.b.) or charge of any kind. If Shipper fails to provide such bond or other form of indemnity acceptable to Carrier, then Carrier is not obligated to accept such Shipper's Product for transportation.



## **ITEM 19 – CLAIMS, SUITS, AND TIME FOR FILING**

- a. As a condition precedent to recovery for loss, damage, injury, or delay, a Shipper shall advise Carrier in writing of any claim for delay, damage, injury, or loss resulting from the transportation of such Shipper's Product by Carrier within 91 days of delivery of such Product by Carrier or, in the case of a failure to make delivery, within 91 days after a reasonable time for delivery has elapsed.
- b. A Shipper shall institute any action arising out of any claim against Carrier within two years from the date that written notice is given by Carrier to such Shipper that Carrier has disallowed such claim or any part of such claim specified in the notice.
- c. If a Shipper fails to comply with the provisions of Item 19.a. or Item 19.b., then such Shipper waives all rights it has to bring an action against Carrier with respect to such claim.

## **ITEM 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 all rates, charges, and costs as provided for in this tariff or otherwise lawfully due to Carrier (collectively, "Financial Obligations"). Carrier is not obligated to accept Product for transportation from an existing or prospective Shipper if such Shipper fails to provide the requested information to Carrier within five Business 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 the Financial Obligations.
- b. Carrier, upon notice to Shipper, may require one or more of the following financial assurances ("Financial Assurances") for the payment of the Financial Obligations, to be provided at the expense of Shipper:
  - (1) prepayment (which will be held by Carrier without interest accruing thereon) in an amount and in a form satisfactory to Carrier;
  - (2) a standby irrevocable letter of credit in favor of Carrier in an amount and in a form satisfactory to Carrier and issued by a financial institution acceptable to Carrier;
  - (3) a guaranty in an amount and in a form satisfactory to Carrier and provided by a guarantor acceptable to Carrier; or
  - (4) other enforceable collateral security or credit support, in form and substance acceptable to Carrier.
- c. In the event Carrier determines that:
  - (1) the existing or prospective Shipper's financial condition is or has become impaired or unsatisfactory;
  - (2) any Financial Assurances previously provided by a Shipper no longer provide adequate security for the performance of such Shipper's Financial Obligations; or
  - (3) Carrier otherwise determines that it is necessary to obtain additional Financial Assurances from Shipper;

then Shipper shall provide, at Shipper's expense, Financial Assurances satisfactory to Carrier for the payment of Shipper's Financial Obligations.

- d. Carrier is not obligated to accept Product for transportation from or to provide access to Carrier's facilities to an existing or prospective Shipper if Shipper or prospective Shipper fails to deliver the Financial Assurances to Carrier within five Business Days of Shipper's receipt of Carrier's written request for such Financial Assurances or if Shipper fails to cooperate with Carrier or execute documents to perfect or maintain the perfection of the security interest, lien and assignment granted by Shipper herein.

## **ITEM 21 – DUTY OF CARRIER**

Carrier shall transport Product with reasonable diligence, considering the quantity of Product, the distance of transportation, the safety of operation, and other material factors.

## **ITEM 22 – ADDITIVES**

Carrier reserves the right to inject corrosion inhibitors, viscosity or pour point depressants, drag reducing agents, or other such additives to facilitate Product transportation and/or pipeline operations.

**ITEM 23 – STORAGE IN TRANSIT**

Carrier has working tanks that are needed by Carrier to transport Product, but has no other tanks and, therefore, does not have facilities for rendering, nor does it offer, a storage service.

**ITEM 24 – SEPARATE PIPELINE AGREEMENTS**

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

**ITEM 25 – TITLE OF PRODUCT**

The act of delivering Product to Carrier for transportation will constitute a warranty by Shipper that Shipper has unencumbered title thereto and that the same was produced in accordance with law. Carrier will be deemed to be in control and possession of the Product from the time the Product is delivered to Carrier at an Origin Point until the Product is delivered to Shipper or consignee at the Destination Point.

**ITEM 26 – INTERPRETATION**

- a. Unless otherwise expressly specified herein: (i) defined terms in the singular also include the plural and vice versa; (ii) defined terms also include syntactical variants of such defined term, (iii) the words “hereof,” “herein,” “hereunder,” and other similar words refer to this tariff as a whole; and (iv) references to Items are to the Items 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”.

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**RATES**

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<b>ITEM 30 – LOCAL RATES</b>		
<b>FROM</b>	<b>TO</b>	<b>RATE IN CENTS PER BARREL</b>
Lynch Station, Lea County	HEP’s pipeline at Carrier’s Hobbs Station, Lea County	[I] 127.25

[I] Increase

[U] Unchanged rate