

**BELLE FOURCHE PIPELINE COMPANY**

**LOCAL PIPELINE TARIFF  
Containing**

**RULES AND REGULATIONS**

**Governing The Transportation of**

**PETROLEUM  
By Pipeline**

The rules and regulations published herein apply only under tariffs making specific reference by F.E.R.C. or State Commission number to this tariff; such reference will include successive issues hereof.

FERC ICA Oil Tariff

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

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## GENERAL APPLICATION

Rules and regulations published herein apply only under tariffs which make specific reference by F.E.R.C. number or State Commission number to this circular; such reference will include supplements hereto and successive issues hereof.

Petroleum will be transported through Carrier's facilities only as provided in this rules and regulations circular, except that specific rules and regulations published in individual tariffs will take precedence over rules and regulations published herein.

## RULES AND REGULATIONS

### Item No. 5 Definitions

"A.P.I." as herein used means American Petroleum Institute.

"Barrel" as herein used means forty-two (42) United States gallons at sixty degrees (60°) Fahrenheit.

"Carrier" as herein used means Belle Fourche Pipeline Company.

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

"Early Expansion Capacity" has the meaning set forth in subpart (a)(3) of Item No. 48 of this tariff.

"Existing Capacity" as herein used means the capacity on Carrier's system that existed prior to the addition of the Expansion Capacity.

"Existing Capacity Prorationing Procedures" as herein used means the prorationing procedures set forth in subpart (b) of Item No. 48 of this tariff.

"Expansion Capacity" as herein used means the capacity added or to be added to Carrier's system as a result of an Expansion Project.

"Expansion Capacity Prorationing Procedures" has the meaning set forth in subpart (a)(3) of Item No. 48 of this tariff

"Expansion Project(s)" as herein used means those expansion, refurbishment, reversal, and construction projects and changes in product service for which Carrier held open seasons seeking volume commitments.

"Expansion Project In-Service Date" has the meaning set forth in subpart (a)(3) of Item No. 48 of this tariff.

"Financial Assurances" as herein used means the Financial Assurances provided by Shippers and accepted by Carrier in accordance with Item No. 72 herein.

"Force Majeure" – an event which is unforeseen, and beyond the control of Shipper or Carrier, as applicable, that prevents Shipper from being able to tender Barrels for transportation on Carrier's system equal to its allocation pursuant to Item No. 48 or prevents Carrier from being able to accept Barrels from Shipper equal to Shipper's allocation pursuant to Item No. 48. Examples of Force

Majeure events include, but are not limited to, earthquakes, floods; landslides; riots; sabotage; acts of public enemies; war; blockades; insurrections; epidemics; an act by any governmental authority claiming jurisdiction to curtail such delivery, inability of Carrier to accept all of Shipper's Barrels equal to its allocation pursuant to Item No. 48; fire; explosion; breakdown or failure of pipe or equipment; absence of sufficient electric power. Shipper's lack of funds; state-imposed frost laws; election to go to a different market; rejection of non-conforming petroleum, by way of examples, do not constitute events of Force Majeure.

"Petroleum" as herein used means: (1) any crude petroleum adapted for refining or fuel purposes which by A.S.T.M. (American Society for Testing Materials) methods substantially distills below seven hundred degrees (700°) Fahrenheit; or (2) any petroleum product which by A.S.T.M. methods substantially distills below four hundred degrees (400°) Fahrenheit.

"Shipper" as herein used means the party who contracts with Carrier for the transportation of Petroleum subject to and in accordance with these rules and regulations subject to the rate provided in the applicable tariff.

"Nomination," "Nominate," or "Nominated" as herein used means an offer (in a form and context specified by Carrier) made by a Shipper to Carrier of a quantity of Petroleum for transportation from [a] specified origin[s] to [a] specified destination point[s] in accordance with these rules and regulations.

"Nomination Deadline" as used herein means the date by which a shipper wishing to ship on Carrier's system must submit a Nomination to Carrier. The Nomination Deadline will occur in the month preceding the month of transportation.

"Transferor" as herein used means the party who or which requests Carrier to recognize and record a change in ownership of Petroleum from his or its account to a designated transferee's account.

"Vapor Pressure" means the pressure above the surface of a liquid relative to zero pressure (absolute), also called true vapor pressure, as determined by ASTM D6377, which is the current version of the standard test method for determination of vapor pressure of crude oil: VPCR<sub>x</sub> (Expansion Method).

#### **Item No. 10            Commodity**

Carrier will transport Petroleum as defined in Item No. 5 and that meets the quality specifications set forth in Item No. 15, exclusively and will not accept any other commodity for transportation.

#### **Item No. 15            Specifications as to Quality Received**

Carrier reserves the right to reject any individual tender of Petroleum that does not meet the conditions set forth below. Each Shipper shall Nominate and tender for transportation only good and merchantable Petroleum. Petroleum Nominated and tendered for transportation shall (1) have an A.P.I. gravity of greater than fifteen degrees (15°) but less than 54.9 degrees (54.9°), provided that Carrier may, in its sole discretion, accept Petroleum with a higher A.P.I. gravity if operating conditions permit (2) contain not more than one half of one percent (1/2 of 1%) of basic sediment, water and other impurities, no more than two tenths of one percent (.2%) of which is water (3) have a temperature of one hundred twenty (120) degrees Fahrenheit or less; (4) have gravity, viscosity and other characteristics are such that it will be readily susceptible of transportation through Carrier's existing facilities; and (5) not materially affect the quality of other shipments or cause disadvantage to other Shippers and/or Carrier. Shipper or its Consignee must also be in compliance with laws, rules and regulations applicable to the shipment of Petroleum on Carrier's facilities and made by government

authorities or agencies with valid jurisdiction over such shipments or Carrier's facilities. In addition to the above requirements, Carrier may require Shippers to meet the quality specifications of connecting facilities if the applicable connecting facility's quality specifications differ from or are more stringent than those specified herein.

Carrier may, from time to time, undertake to transport other or additional grades of Petroleum (as such other or additional grades of Petroleum shall be specified in the applicable tariff) and if, in the opinion of Carrier, sufficient quantities are not Nominated or facilities are not available to justify continued transportation of other or additional grades, Carrier may, after giving reasonable notice to Shippers who may be affected, cease transporting particular grades of Petroleum.

(a) The presence of contaminants in Petroleum, including but not limited to chemicals such as chlorinated and/or oxygenated hydrocarbons, arsenic, lead and/or other metals, shall be reason for Carrier to reject any Petroleum, and Carrier will not knowingly accept contaminated Petroleum. If, upon investigation, Carrier determines that a Shipper has delivered to Carrier's facilities contaminated Petroleum, such Shipper will be excluded from further entry into applicable segments of the pipeline system until such time as the quality specifications are met to the satisfaction of Carrier. Further, Carrier reserves the right to dispose of any contaminated Petroleum blocking its pipeline system. Disposal thereof, if necessary, may be made in any reasonable commercial manner, and any liability associated with the contamination or disposal of any Petroleum shall be borne by the Shipper introducing the contaminated Petroleum into Carrier's system. Such Shipper shall also be liable for any and all direct and consequential damages resulting therefrom and such Shipper shall save Carrier harmless from any and all claims, suits, costs, expenses, and/or judgments, arising from, directly or indirectly, the presence of contaminated Petroleum.

(b) Carrier reserves the right to reject any Petroleum received or offered for transportation that exceeds a Vapor Pressure of 13.7 pounds per square inch absolute at all receipt points into Carrier's system. Carrier shall exercise this discretion in a manner that is not unduly discriminatory or unduly preferential.

(c) Carrier reserves the right to reject any Petroleum received or offered for transportation that exceeds 0.2% sulfur content by weight at the Patterson Station receipt point located in Stark County, North Dakota.

(d) Carrier reserves the right to reject any Petroleum received or offered for transportation that exceeds 10 ppm hydrogen sulfide (H<sub>2</sub>S) at the Patterson Station receipt point located in Stark County, North Dakota using ASTM D5705-12 methodology.

#### **Item No. 19            Line Fill Requirement**

Carrier will require each Shipper to supply a pro rata share of Petroleum for line fill necessary for the efficient operation of Carrier's system.

Such line fill Petroleum may be withdrawn from Carrier's system only after ninety (90) days and subsequent to: (1) Shipper having ceased tendering shipments and notified Carrier in writing that it would no longer tender shipments to Carrier; (2) Shipper balances having been reconciled between Shipper and Carrier; and (3) Shipper having paid Carrier for all services.

#### **Item No. 20            Responsibility for Quality Delivered**

Carrier shall not be liable for changes in gravity, quality or characteristics which may occur from commingling or intermixing Shipper's Petroleum with other Petroleum in the same common stream while in transit. Subject to the foregoing, Carrier will use its best efforts to deliver Petroleum to

Shipper at the designated destination point that is of a type equivalent to that accepted from Shipper; however, Carrier shall be under no obligation to make delivery of the identical Petroleum received from Shipper at the applicable origin point but rather may make delivery out of the common stream.

Carrier shall have no responsibility in, nor for, any revaluations or settlements which may be deemed appropriate by Shippers and/or Consignees because of mixing or intermingling of Petroleum shipments between the receipt and delivery of such shipments by Carrier, other than furnishing volume and gravity data on the Petroleum received and delivered.

**Item No. 25            Title**

Shipper shall not tender and Carrier will not accept any Petroleum for transportation, the title to which is in litigation or as to which a dispute of title exists or which is encumbered by any lien (except for the lien created in favor of Carrier pursuant to Item No. 50), and Carrier may require Shipper to provide satisfactory evidence of Shipper's perfect and unencumbered title or sufficient indemnity to protect Carrier against any loss whatsoever from having transported and/or delivered Petroleum, title to which is or may be in dispute. By Nominating and/or tendering Petroleum, Shipper warrants and guarantees that Shipper has perfect and unencumbered title thereto and agrees to hold Carrier harmless for any and all loss, cost, liability, damage and/or expense which may in any manner arise or grow out of Shipper's breach of warranty or representation with respect to any shipment tendered by Shipper and transported by Carrier. Acceptance for transportation shall not be deemed a representation by Carrier as to title.

Shipper shall also be liable to Carrier for property damage, including damage for loss of use of any facilities which may in any manner arise or grow out of Shipper's breach of warranty or representation with respect to any shipment tendered by Shipper and transported by Carrier.

**Item No. 30            Gauging, Testing and Volume Corrections**

(a) Petroleum transported hereunder shall be measured and tested by representatives of Carrier or by automatic equipment approved by Carrier. Quantities shall be determined by dynamic or static measurement methods in accordance with appropriate A.P.I. standards, latest revision, and adjusted to base (reference or standard) conditions. Corrections will be made for temperature from observed degrees Fahrenheit to 60 degrees Fahrenheit and for pressure to 14.696 psia. Deductions will be made for the full amount of basic sediment, water and other impurities as ascertained by centrifuge or other tests agreed upon.

(b) As to Petroleum trucked into truck unloading facilities at any of Carrier's truck stations for shipment through Carrier's pipelines, each Shipper shall allow Carrier to run, and obtain the results of, an "indicator test" of one sample from a discrete quantity of Petroleum which Shipper desires Carrier to transport, and Carrier shall not accept such Petroleum unless Carrier's indicator test does not show the presence of chlorinated or oxygenated hydrocarbon contamination. Carrier may charge [U] Sixty Dollars (\$60.00) per test for each such test run by Carrier.

If Carrier's indicator test shows the presence of said contamination, Carrier shall submit, via surface transportation, said sample to a professional testing laboratory experienced in testing for contaminants in Petroleum and acceptable to both Shipper and Carrier for definitive analysis, and if said laboratory finds any contaminants, then such Petroleum shall not be accepted by Carrier and Shipper shall be responsible for proper disposition of the contaminated Petroleum and Shipper shall pay Carrier all costs incurred in obtaining the analysis, plus an additional ten (10) percent thereof for Carrier's handling costs, but if said laboratory does not find contaminants in such sample Carrier shall bear such costs and accept the Petroleum for transportation.

Nothing in this Item No. 30(b) requires Carrier to run an indicator test prior to accepting any Petroleum; nor does it excuse any Shipper from complying with any requirement in any other Item in this tariff, or from liability for failing, in whole or in part, to comply therewith, whether or not an indicator test is run. Carrier does not hold itself out to be, and is not in the business of performing chemical analyses, and neither Carrier nor any employee thereof shall be liable for any claims, demands, losses, or damages suffered by any Shipper because of the running, or results of, any tests or analyses, except such as may arise from the willful negligence of, or acts in bad faith by, Carrier or any employee thereof.

- (c) When, in Carrier's opinion, Shipper's, lease operator's, or connecting carrier's tanks are unsafe or unsuitable for use in custody transfer because of improper connections, high bottom accumulations of any extraneous matter, incrustations on the inside of tank walls, or any other conditions unacceptable to Carrier, Carrier may reject the use of such tank until the unacceptable conditions have been corrected.
- (d) From the net quantities so determined for acceptance, unless otherwise provided in the applicable rates tariff, a further deduction of two-tenths of one per cent (.2%) will be made to cover evaporation and loss during transportation, and the balance will be the net quantities deliverable, except that Barrels gathered on the Bell Creek Gathering System shall be further reduced by an additional two-tenths of one per cent (.2%), for a total of four-tenths of one per cent (.4%). An additional five per cent (5%) will be deducted from all indirect products received into the system to allow for inherent shrinkage and evaporation. In addition, any Petroleum having an A.P.I. gravity in excess of 54.9 degrees (54.9°) that Carrier agrees to accept for transportation on its system may be subject to an additional deduction to cover incremental evaporation and shrinkage associated with such higher-A.P.I. gravity Petroleum. To the extent Carrier elects to assess such additional deduction, Carrier shall submit a tariff filing that sets for such applicable deduction.

In the case of unweathered Petroleum, Carrier may determine a further reduction factor to reflect the additional amount of shrinkage Carrier estimates will occur because of the lack of weathering.

The net quantities so determined for acceptance will be the net quantities deliverable.

### **Item No. 35            Points of Origin, Destination, and Facilities**

Carrier will receive Petroleum from Shippers only at established receiving points on its system. Petroleum will be received only from facilities provided or arranged for by Shipper at pressures and pumping rates required by Carrier. Carrier will determine and advise Shippers of the facilities to be provided at the point of a receipt to meet the operating conditions of Carrier's facilities at such point. Carrier will not accept Petroleum for transportation unless such facilities have been provided.

Carrier will deliver Petroleum to Shippers or their Consignees at established destination points on its system. Petroleum will be delivered only into facilities which are provided by or arranged for by Shipper or its Consignee at pressures and pumping rates required by Carrier. Carrier will determine and advise Shippers and Consignees of the size and capacity of facilities to be provided at point of delivery to meet the operating conditions of Carrier's facilities at such point. Carrier will not accept Petroleum for transportation unless such facilities have been provided.

Carrier has working tanks that are needed by Carrier to transport Petroleum but has no other tanks and, therefore, does not have facilities for rendering, nor does it offer, a storage service. Provisions for storage during transit in facilities furnished by Shipper at points on Carrier's system will be permitted to the extent authorized under individual tariffs.

**Item No. 36 Access and Use of Shipper's and Producer's Facilities**

Carrier shall have the right to install, in suitable locations, and to operate and maintain, pipe lines, pumping equipment, other auxiliary pipe line equipment, and power service facilities upon and across surface lands held by Shipper or a producer in connection with Petroleum tendered for transportation under this tariff.

Carrier, by its representative, shall have the right to go upon the premises where Petroleum tendered for shipment is produced or stored, and shall have access to any metering installations or storage receptacles for the purpose of making examinations, inspections, measurements, or tests authorized by, or necessary to effectuate, these regulations.

Carrier shall be allowed full and free use of roads and airstrips built, owned or leased by Shipper or producer when, in Carrier's opinion, their use is required for access to, and the operation and maintenance of, Carriers pumping equipment and pipe line system. The Shipper or producer shall maintain such roads in a reasonable condition.

**Item No. 40 Application of Rates and Charges**

Petroleum accepted for transportation shall be subject to the rates and charges in effect on the date of delivery of such Petroleum by Carrier. Transportation and all other lawful charges will be collected on the basis of the net quantities of Petroleum delivered, and said net quantities will be determined in the manner provided in Item No. 30.

**Item No. 41 Pipage or Other Contracts Required**

Separate pipage and other contracts covering further details may be required by Carrier before any duty for transportation shall arise.

**Item No. 42 Compliance with OSHA Regulations**

When OSHA regulations require the presence of a second Carrier employee at a site because of H2S levels, Shipper shall be assessed an additional fee of **[D] 18.47 (\$0.1847)** Cents per Barrel. This fee may be waived if Shipper provides a permanent alternative mechanism to comply with such rules that does not require the presence of a second Carrier employee. Any alternative must be approved and agreed to by Carrier.

**Item No. 45 Nominations Required**

(a) Petroleum for shipment through lines of Carrier will be received only on a properly executed Nomination showing the point at which the Petroleum is to be received, point or points of delivery, Consignee, amount of Petroleum to be gathered and transported, and, following the Expansion Project In-Service Date, whether Shipper is seeking transportation on the Existing Capacity or the applicable Expansion Capacity. Any Shipper desiring to tender Petroleum for transportation, with exception of those tenders having a destination of Platte Pipeline (Guernsey Station, Platte Co., WY), shall submit a Nomination to Carrier in writing on or before the Nomination Deadline applicable to the month of transportation. Prior to the beginning of each calendar year, Carrier will distribute to all current Shippers a schedule of the Nomination Deadlines applicable to each transportation month during the upcoming calendar year. Carrier will also provide a copy of the yearly schedule of Nomination Deadlines to any interested Shipper or potential shipper upon request.

- (b) Any Shipper desiring to tender Petroleum for transportation having a destination of Platte Pipeline (Guernsey Station, Platte Co., WY) shall make a Nomination to Carrier in writing on or before the Nomination Deadline applicable to the month of transportation. Prior to the beginning of each calendar year, Carrier will distribute to all shippers on Carrier's system having a destination of Platte Pipeline a schedule of the Nomination Deadlines applicable to each transportation month during the upcoming calendar year, and such Nomination Deadlines shall correspond to the nomination deadlines required by Platte Pipeline. Carrier will also provide a copy of this yearly schedule of Nomination Deadlines to any interested Shipper or potential shipper upon request.
- (c) If space is available and operating conditions permit, Carrier may accept Nominations for transportation after the Nomination Deadline for that month.
- (d) Carrier may refuse to accept Petroleum for gathering and transportation unless satisfactory evidence has been furnished that Shipper or Consignee has made provisions for prompt receipt thereof at destination.

**Item No. 46            Intrasystem Transfers**

[D] 1.66 cents (\$0.0166) per Barrel will be charged for intrasystem transfers to the Transferors involved in intrasystem transfers who do not pay Carrier transportation charges or are not listed as the last Consignee for the particular movement including the transfer(s).

In any such transfer, Carrier shall not be liable for any loss or damage in connection therewith. Any transfer request pursuant to this Item No. 46, which shall be confirmed in writing, shall specify the quantity, type, grade, and location of the Petroleum transferred. All deliveries shall be made to and for the account of the last Consignee.

A transfer of Shipper's rights and obligations under this Item No. 46 respecting its Petroleum 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 No. 72 herein.

**Item No. 48            Prorationing**

**(a) Summary of Carrier's Prorationing Procedures**

The following procedures shall govern how Carrier will allocate the capacity of a line segment when Carrier receives more Nominations in a month for transportation on the line segment than Carrier is able to transport:

- (1) Carrier will allocate the available Existing Capacity and the Expansion Capacity that is available on the affected line segment independently of one another, in the manner described in subparts (a)(2) – (a)(3) below, respectively. Carrier will allocate the available PRB Expansion Capacity independently in the manner described in subpart (d) below.
- (2) Carrier shall use its Existing Capacity Prorationing Procedures, which are set forth in subpart (b) of this Item No. 48, to allocate the available Existing Capacity that is available on the affected line segment.

- (3) To the extent that a portion of the Expansion Capacity related to a particular Expansion Project becomes available for use on the affected line segment prior to the completion of the Expansion Project related to such Expansion Capacity (“Early Expansion Capacity”), Carrier will immediately make such capacity available for use by all Shippers that have made a reasonable request for service in accordance with the terms and conditions of Carrier’s applicable tariff or tariffs. The Existing Capacity Prorationing Procedures shall govern allocations of the Early Expansion Capacity until the date the entirety of the Expansion Capacity related to such Expansion Project is available for use (“Expansion Project In-Service Date”). Following the Expansion Project In-Service Date, Carrier will use the prorationing procedures set forth below in subpart (c) of this Item No. 48 (“Expansion Capacity Prorationing Procedures”) to allocate the entirety of the Expansion Capacity on the affected line segment that is related to such Expansion Project, including any Early Expansion Capacity. Subsequent to the Expansion Project In-Service Date, any shipments that a Shipper made using the Early Expansion Capacity will not be considered by Carrier when allocating the Expansion Capacity pursuant to the Expansion Project Prorationing Procedures; however, such shipments will be used by Carrier for purposes of administering the Existing Capacity Prorationing Procedures.
- (4) A Shipper’s commitment to ship on Expansion Capacity pursuant to an open season that was held for the Expansion Project shall have no effect (through increase or decrease) on its share of available Existing Capacity, if there is such Existing Capacity, upstream of Sandstone Terminal.

For the avoidance of doubt, in the event there is an operational disruption or force majeure event that results in the reduction of capacity on a pipeline segment that has tranches of capacity that are separately apportioned pursuant to the provisions set forth in this Item No. 48, the reduction in capacity on such pipeline segment will be made in the proportion that each tranche of capacity bears to the total capacity of the affected pipeline segment.

**(b) Existing Capacity Prorationing Procedures**

- (1) When Carrier receives more Nominations in a month for transportation of Petroleum on a line segment than Carrier is able to transport, Carrier shall apportion the available Existing Capacity in such line segment in the following manner:
  - (i) **Regular Shippers:** The percentage of available Existing Capacity in the affected line segment to be allocated to each Regular Shipper will be calculated by dividing the sum of the Total Shipments of each Regular Shipper on such line segment by the Total Throughput for such line segment. The resulting percentages will then be applied to the Existing Capacity of the line segment to determine the available Existing Capacity allocation for each Regular Shipper. Each Regular Shipper’s “Existing Shipper Capacity Allocation” will be equal to the lesser of its Existing Capacity Nomination or its allocation resulting from the above calculation. In the event that the above calculation results in any Shipper being allocated more Existing Capacity than its actual Existing Capacity Nomination, the excess of the calculated allocation over Shipper’s Existing Capacity Nomination will be reallocated per capita among all other New Shippers and Regular Shippers whose Existing Capacity Nominations would not be fulfilled through the allocations calculated in subparts (b)(1)(i) and (b)(1)(ii) of this Item No. 48, and not subject to any

percentage cap. Carrier will repeat this reallocation process until all of the available Existing Capacity has been allocated. Allocations for Regular Shippers will be subject to pro rata reduction on the basis of the percentages calculated in this subpart (b)(1)(i), if required, to accommodate New Shippers.

- (ii) New Shippers: Up to two and one-half percent (2.5%) of available Existing Capacity on the affected line segment will be allocated to each New Shipper, subject to a cap of ten percent (10%) of available Existing Capacity for all New Shippers. During periods of prorating, New Shippers will be allocated Existing Capacity as follows:

If less than four (4) New Shippers have submitted Existing Capacity Nominations for the affected line segment, each New Shipper will be allocated the lesser of either two and one-half percent (2.5%) of available Existing Capacity or its Existing Capacity Nomination. In the event that four (4) or more New Shippers have submitted Existing Capacity Nominations for the affected line segment, the Existing Capacity Nominations for each New Shipper shall be totaled and divided into ten percent (10%) of the available Existing Capacity on the affected line segment. The resulting percentage shall be the initial New Shipper's Proration Factor. Each New Shipper will be allocated available Existing Capacity equal to the lesser of:

- (a) 2.5% of available Existing Capacity, or
- (b) its Existing Capacity Nomination, or
- (c) its Existing Capacity Nomination multiplied by the initial New Shipper Proration Factor.

The amount of capacity allocated to a New Shipper pursuant to this subpart is referred to as the "New Shipper Allocation." Any remaining available Existing Capacity on the affected line segment, subject to the maximum cap of ten percent (10%) of all available Existing Capacity, as outlined above, will be allocated equally among the New Shippers whose Existing Capacity Nominations were not fulfilled under the allocations calculated in subpart (b)(1)(ii) of this Item No. 48.

- (2) When Carrier determines that the aggregate initial Nominations of Petroleum from all Shippers exceed the available Existing Capacity during the month immediately prior to the transportation month, Carrier shall notify in writing by electronic mail each nominating Regular Shipper of its Existing Shipper Capacity Allocation and each nominating New Shipper of its New Shipper Allocation. By 2 p.m. Mountain Time, on the next business day after such notification: (1) each nominating Regular Shipper will submit a revised Nomination for that line segment that is equal to or less than such Regular Shipper's Existing Shipper Allocation, and (2) each nominating New Shipper will submit a revised Nomination for that line segment that is equal to or less than such New Shipper's New Shipper Allocation. If Carrier does not receive a Shipper's Binding Nomination by the specified time, Carrier will deem Shipper to have conclusively agreed to the Shipper's allocation as set forth in Carrier's notice to Shipper.

- (3) The following definitions will apply only to the Existing Capacity Prorating Procedures set forth in this subpart (b) of Item No. 48. To the extent a term has not been defined in this subpart (b)(3), the general definition for such term set forth in Item No. 1 of this tariff shall apply.

“Base Period” – The “Base Period” will be the twelve (12)-calendar month period beginning thirteen (13) months prior to the month of prorating and excluding the month preceding the Proration Month.

“Existing Capacity Monthly Shipments” – the volumes a Regular Shipper or New Shipper, as applicable has shipped in the Existing Capacity of the affected line segment, plus any volumes such Shipper shipped in the Early Expansion Capacity of the affected line segment, if applicable, during a given month of the Base Period.

“Existing Capacity Nomination” - A written communication from a Shipper to Carrier that meets the requirements of Item No. 45 of this tariff and requests that Carrier transport for Shipper, in the Existing Capacity of the affected line segment in a given month, a stated volume of Petroleum from a specified origin or origins to a specified destination under the terms and conditions of this tariff.

“Regular Shipper” – A shipper that has shipped Petroleum or Petroleum products in either the Existing Capacity or the Early Expansion Capacity or in a combination thereof of the affected line segment during the entirety of the Base Period.

“New Shipper” – A Shipper that tenders Petroleum for transportation in the affected line segment that does not qualify as a Regular Shipper, as defined in this subpart (b)(2) of Item No. 48.

“Proration Month” - The calendar month for which Existing Capacity on the affected line segment is to be allocated under this subpart (b) of Item No. 48.

“Total Shipments” - The sum of Existing Capacity Monthly Shipments during the entire Base Period.

“Total Throughput” – The “Total Throughput” equals the sum of the Total Shipments of all Regular Shippers and New Shippers during the Base Period.

### **(c) Expansion Capacity Prorating Procedures**

- (1) Subject to application of the prorating procedures set forth in subpart (d) regarding the allocation of PRB Expansion Capacity, when Carrier receives more Nominations in a month for transportation of Petroleum on a line segment than Carrier is able to transport, Carrier shall apportion the Expansion Capacity in such line segment in the following manner:
- (i) During the Proration Month, each New Shipper will be allocated a portion of the Expansion Capacity equal to its Expansion Capacity Nomination on the apportioned line segment multiplied by the Proration Factor, up to the level of its Expansion Capacity Nomination. The total aggregate volumes allocated to all New Shippers on such line segment under this procedure shall not exceed ten percent (10%) of Expansion Capacity. Each New Shipper will be allocated no

more than two and one-half percent (2.5%) of the Expansion Capacity; provided, however, that this limitation shall not be applicable if it would result in an allocation to New Shippers of less than ten percent (10%) of Expansion Capacity.

- (ii) In the event that the total aggregate volumes allocated to New Shippers using the procedure described in subpart (1)(i) of this subpart (c) exceeds ten percent (10%) of Expansion Capacity on the apportioned line segment, each New Shipper will receive a pro rata reduction in its allocated Expansion Capacity such that the total allocated Expansion Capacity for all New Shippers on such line segment equals ten percent (10%) of the Expansion Capacity.
  - (iii) Following the allocation of Expansion Capacity to New Shippers described in subparts (c)(1)(i) and (c)(1)(ii) above, all of the remaining Expansion Capacity on the apportioned line segment will be allocated to Regular Shippers. A Regular Shipper's Total Shipments on such line segment divided by the Total Throughput on such line segment equals the percentage of the remaining Expansion Capacity each Regular Shipper is entitled to ship during the Proration Month on such line segment.
  - (iv) Each Regular Shipper will receive an allocation that is the lesser of its allocation under subpart (c)(1)(iii) above or its Expansion Capacity Nomination. In the event that, under the calculation in subpart (c)(1)(iii) above, any Regular Shipper is allocated more capacity than its Expansion Capacity Nomination, the excess of its allocation over its Expansion Capacity Nomination will be reallocated pro rata among all other Regular Shippers that did not receive an allocation in excess of their Expansion Capacity Nominations, up to the level of each Regular Shipper's Expansion Capacity Nomination. If there still remains unused capacity after such reallocation among Regular Shippers, such unused Expansion Capacity shall be distributed pro rata among all New Shippers, up to the level of each New Shipper's Expansion Capacity Nomination, and not subject to any percentage cap. If there still remains unused Expansion Capacity after such reallocation among New Shippers, the line segment shall no longer be subject to prorationing with respect to the Expansion Capacity and subpart (c) of this Item No. 48 shall be inoperative.
- (2) The following definitions will apply only to the Expansion Capacity Prorationing Procedures set forth in this subpart (c) of Item No. 48. To the extent a term has not been defined in this subpart (c)(2), the general definition for such term set forth in Item No. 1 of this tariff shall apply.

“Base Period” is the twelve (12)-calendar month period beginning thirteen (13) months prior to the Proration Month and excluding the month preceding the Proration Month.

“Expansion Capacity Monthly Shipments” – for a given month of the Base Period, the greater of the volumes that a Regular Shipper has shipped on the Expansion Capacity during that month or the volumes for which a Regular Shipper must pay as required by its Expansion Project TSA, during that month or as stated on a monthly basis.

“Expansion Project TSA” means a Transportation Services Agreement executed by Carrier and a Shipper pursuant to one of the open seasons held by Carrier seeking volume and term commitments for transportation on the Expansion Capacity.

“Expansion Capacity Nomination” means a written communication from a Shipper to a Carrier that meets the requirements of Item No. 45 and requests that Carrier transport for Shipper, in the Expansion Capacity of the affected line segment in a given month, a stated volume of Petroleum from a specified origin or origins to a specified destination under the terms and conditions of this tariff.

“New Shipper” means a Shipper that has shipped Petroleum in the Expansion Capacity of the affected line segment that does not qualify as a Regular Shipper, as that term is defined in this subpart (c) of Item No. 48.

“Monthly Shipments” means the

“Proration Factor” means a fraction calculated by dividing the amount of Expansion Capacity on the affected line segment under this subpart (c) of Item No. 48 by the total Expansion Capacity Nominations.

“Proration Month” means the calendar month for which Expansion Capacity is to be allocated under this subpart (c) of Item No. 48.

“Regular Shipper” means a Shipper that has shipped Petroleum or otherwise is required, by its Expansion Project TSA, to pay for the transportation of Petroleum in the Expansion Capacity of the affected line segment under this subpart (c) of Item No. 48 during the entirety of the Base Period; provided, however, that a Shipper that has executed a Expansion Project TSA shall be deemed to be a Regular Shipper for purposes of this subpart (c) as of the first month of service following the Expansion Project In-Service Date but may thereafter lose its status as a Regular Shipper if it does not ship Petroleum, or otherwise pay for the transportation of Petroleum, on the Expansion Capacity of the line segment to be prorated as required by such shipper’s Expansion Project TSA.

“Total Shipments” means the sum Expansion Capacity Monthly Shipments during the entire Base Period, provided however, that during the first thirteen (13) months prior to the Expansion Project In-Service Date, a Shipper that has executed a Expansion Project TSA shall be deemed to have shipped Shipper’s volume commitment set forth in the Expansion Project TSA.

“Total Throughput” equals the sum of all Regular Shippers’ Total Shipments, as that term is defined in this subpart (c) of Item No. 48.

**(d) Prorating Procedures Applicable to Movements on Carrier’s Expansion Capacity Created Through the PRB Expansion Project**

- (1) When Carrier receives more Nominations in a month for transportation of Petroleum on the PRB Expansion Project than Carrier is able to transport, Carrier shall apportion the PRB Expansion Capacity in the following manner:
  - (i) During the Proration Month, each New Shipper will be allocated a portion of the PRB Expansion Capacity equal to its PRB Expansion Capacity Nomination multiplied by the Proration Factor, up to the level of its PRB Expansion Capacity Nomination. The total aggregate volumes allocated to all New Shippers on the PRB Expansion Project shall not exceed ten percent (10%) of PRB Expansion

- Capacity. Each New Shipper will be allocated no more than two and one-half percent (2.5%) of the PRB Expansion Capacity; provided, however, that this limitation shall not be applicable if it would result in an allocation to New Shippers of less than ten percent (10%) of the PRB Expansion Capacity.
- (ii) In the event that the total aggregate volumes allocated to New Shippers using the procedure described in subpart (d)(1)(i) exceeds ten percent (10%) of the PRB Expansion Capacity, each New Shipper will receive a pro rata reduction in its allocated PRB Expansion Capacity such that the total allocated PRB Expansion Capacity for all New Shippers equals ten percent (10%) of the PRB Expansion Capacity.
  - (iii) Following the allocation of PRB Expansion Capacity to New Shippers described in subparts (d)(1)(i) and (d)(1)(ii) above, PRB Expansion Capacity shall next be apportioned to Shippers that have executed a PRB Expansion Project T&D and have submitted a PRB Expansion Capacity Nomination for transportation from the Gathering Systems that deliver into the PRB Expansion Project. Except during events of force majeure or other operational disruptions, Carrier shall allocate each such Shipper an amount of PRB Expansion Capacity equal to the lesser of (1) the amount equal to the Shipper's PRB Expansion Capacity Nomination from the Gathering Systems, or (2) the Shipper's volume commitment, as set forth in the Shipper's PRB Expansion Project T&D, stated on a monthly basis.
  - (iv) Following the allocation of PRB Expansion Capacity pursuant to subparts (d)(1)(i), (d)(1)(ii), and (d)(1)(iii) above, all of the remaining PRB Expansion Capacity on the PRB Expansion Project will be allocated to Regular Shippers. A Regular Shipper's Total Shipments on the PRB Expansion Project divided by the Total Throughput on the PRB Expansion Project equals the percentage of the remaining PRB Expansion Capacity each Regular Shipper is entitled to ship during the Proration Month on the PRB Expansion Project.
  - (v) Each Regular Shipper will receive an allocation that is the lesser of its allocation under subpart (d)(1)(iv) above or its PRB Expansion Capacity Nomination. In the event that, under the calculation in subpart (d)(1)(iv) above, any Regular Shipper is allocated more capacity than its PRB Expansion Capacity Nomination, the excess of its allocation over its PRB Expansion Capacity Nomination will be reallocated pro rata among all other Regular Shippers that did not receive an allocation in excess of their PRB Expansion Capacity Nominations, up to the level of each Regular Shipper's PRB Expansion Capacity Nomination. If there still remains unused capacity after such reallocation among Regular Shippers, such unused PRB Expansion Capacity shall be distributed pro rata among all New Shippers, up to the level of each New Shipper's PRB Expansion Capacity Nomination, and not subject to any percentage cap. If there still remains unused PRB Expansion Capacity after such reallocation among New Shippers, the PRB Expansion Project shall no longer be subject to prorationing with respect to the PRB Expansion Capacity and subpart (d) of this Item No. 48 shall be inoperative.
- (2) The following definitions will apply only to the PRB Expansion Capacity Prorationing Procedures set forth in this subpart (d) of Item No. 48. To the extent a term has not been

defined in this subpart (d)(2), the general definition for such term set forth in Item No. 1 of this tariff shall apply.

“Base Period” means the twelve (12)-calendar month period beginning thirteen (13) months prior to the Proration Month and excluding the month preceding the Proration Month.

“Gathering Systems” means gathering systems located in Campbell, Converse, and Niobrara Counties, Wyoming, or any future new gathering systems that are able to directly or indirectly deliver Petroleum into the PRB Expansion Project.

“New Shipper” means a Shipper that has shipped Petroleum in the PRB Expansion Capacity that does not qualify as a Regular Shipper, as that term is defined in this subpart (d) of Item No. 48.

“PRB Expansion Capacity” means the capacity available on the PRB Expansion Project extending from Highway 450 station and Highway 59 station, Wyoming to Guernsey, Wyoming.

“PRB Expansion Capacity Monthly Shipments” means, for a given month of the Base Period, the greater of the volumes that a Regular Shipper has shipped on the PRB Expansion Capacity during that month or the volumes for which a Regular Shipper must pay as required by its PRB Expansion Project T&D, during that month or as stated on a monthly basis.

“PRB Expansion Project” means Carrier’s Powder River Basin Expansion Project, as described and approved by FERC in *Belle Fourche Pipeline Co.*, 151 FERC ¶ 61,139 (2015).

“PRB Expansion Project T&D” means a Throughput and Deficiency Agreement executed by Carrier and a Shipper pursuant to the open season held by Carrier seeking volume and term commitments for transportation on the PRB Expansion Capacity.

“PRB Expansion Capacity Nomination” means a written communication from a Shipper to Carrier that meets the requirements of Item No. 45 and requests that Carrier transport for Shipper, in the PRB Expansion Capacity in a given month, a stated volume of Petroleum from a specified origin or origins to a specified destination under the terms and conditions of this tariff.

“Proration Factor” means a fraction calculated by dividing the amount of PRB Expansion Capacity by the total PRB Expansion Capacity Nominations.

“Proration Month” means the calendar month for which PRB Expansion Capacity is to be allocated under this subpart (d) of Item No. 48.

“Regular Shipper” means a Shipper that has shipped Petroleum or otherwise is required, by its PRB Expansion Project T&D, to pay for the transportation of Petroleum in the PRB Expansion Capacity during the entirety of the Base Period; provided, however, that a Shipper that has executed a PRB Expansion Project T&D shall be deemed to be a Regular Shipper for purposes of this subpart (d) as of the first month of service following the PRB Expansion Project In-Service Date but may thereafter lose its status as a Regular

Shipper if it does not ship Petroleum, or otherwise pay for the transportation of Petroleum, on the PRB Expansion Capacity to be prorated as required by such Shipper's Expansion Project TSA.

"Total Shipments" means the sum of the PRB Expansion Capacity Monthly Shipments during the entire Base Period, provided however, that during the first thirteen (13) months prior to the PRB Expansion Project in-service date, a Shipper that has executed a PRB Expansion Project T&D shall be deemed to have shipped the Shipper's volume commitment, as set forth in the Shipper's PRB Expansion Project T&D, during that month or as stated on a monthly basis.

"Total Throughput" equals the sum of all Regular Shippers' Total Shipments, as that term is defined in this subpart (d) of Item No. 48.

#### **Item No. 50            Payment of Charges**

Shipper shall be responsible for the payment of transportation and all other charges associated with transportation of Shipper's Petroleum on Carrier's system. Payment of such charges and fees shall be made in accordance with invoice terms and these rules and regulations. Shipper shall, if required, furnish Financial Assurances satisfactory to Carrier in accordance with Item No. 72 herein.

Carrier shall have a lien on all Petroleum belonging to Shipper to secure the payment of any and all unpaid transportation and other charges that are due to Carrier by Shipper, and Carrier may withhold such Petroleum from delivery to Shipper to cover payment of all charges and may refuse to make delivery of the Petroleum until all charges have been paid. If said charges, or any part thereof, shall remain unpaid for five (5) days after payment is due pursuant to the invoice, Carrier shall have the right, through an agent, to sell the Petroleum at a public auction. Carrier shall have the right to sell said Petroleum at public auction, for cash. The auction will be held between the hours of ten o'clock a.m. and four o'clock p.m. on any day not a weekend or legal holiday, and not less than twenty-four (24) hours after Shipper has been officially notified of the time and place of such sale and the quantity, general description, and location of the Petroleum to be sold. Carrier may be a bidder and purchaser at such sale. Out of the proceeds of said sale, Carrier shall pay itself for all transportation, demurrage, and other lawful charges, expenses of notice, advertisement, sale and other necessary expenses, and expenses of caring for and maintaining the Petroleum, and the balance shall be held for whomsoever may be lawfully entitled thereto after the auction. If the proceeds of said sale do not cover all expenses incurred by Carrier, Shipper and/or Consignee are liable to Carrier for any deficiency.

If any charge remains unpaid after the payment due date, then Shipper may also be assessed interest on the unpaid amounts from the payment due date of the invoice to the date payment is received by Carrier, with such interest calculated at an annual rate equivalent to one hundred twenty-five percent (125%) of the prime rate as quoted by a major New York bank.

Carrier may, with or without notice to Shipper, appoint agent(s) to retain possession of Shipper's Petroleum on behalf of Carrier for the purpose of enforcing the general lien described in this Item No. 50.

#### **Item No. 51            Charge for Spill Compensation**

In addition to the transportation charges and all other charges accruing on Petroleum 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 which 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.

**Item No. 55            Liability of Carrier**

Carrier, while in possession of any of the Petroleum herein described, shall not be liable for any loss thereof, damage thereto or delay caused by fire, storm, flood, epidemics, acts of God, riots, war, sabotage, strikes, the authority of law, public enemy, or the act of default of Shipper or Consignee, or from any cause whatsoever, whether enumerated herein or not, except to the extent that liability is imposed on Carrier by law. In case of the loss of Petroleum for which Carrier is not responsible, Shipper shall bear a loss in such proportion as the amount of his Petroleum or portion thereof, received and undelivered at the time the loss occurs, bears to all the Petroleum then in the custody of Carrier for transportation via the lines or other facilities in which the loss occurs; and Shipper shall be entitled to have delivered only such portion of his shipment as may remain after deduction of his due proportion of such loss. Transportation charges will be assessed only on the net quantities of Petroleum delivered.

**Item No. 60            Claims, Suit and Time for Filing**

Claims for loss or damage must be made in writing to Carrier within nine (9) months after delivery of the property, or in case of failure to make delivery, then within nine (9) months after a reasonable time for delivery has elapsed; and suits for recovery of claims for loss or damage shall be instituted only within two (2) years and one (1) day from the day when notice in writing is given by Carrier to claimant that Carrier has disallowed the claim, in whole or in part. Claims not filed and suits not instituted thereon as aforesaid shall be null and void and Carrier shall have no liability therefore.

**Item No. 65            Delivery**

Carrier will transport and deliver Petroleum with reasonable diligence and dispatch, considering the quality of the Petroleum, the distance of transportation, the safety of operation, and other material factors. Carrier cannot commit to delivering Petroleum to a particular destination at a particular time. After any shipment has had time to arrive at destination, Carrier may begin delivery at its current rate of pumping.

**Item No. 66            Notice of Arrival, Delivery at Destination, Demurrage**

After expiration of twenty-four (24) hours from the time Carrier provides notice to Shipper that its Petroleum is ready to be accepted at the designated destination point, if Shipper has not accepted such Petroleum, Carrier may assess Shipper a demurrage charge of **[D] 0.95 Cents (\$0.0095)** per Barrel on all Petroleum not received by Shipper for each delay of twenty-four (24) hours, or fractional part thereof, until said Petroleum is accepted by Shipper. After expiration of said twenty-four (24)-hour notice, Carrier's liability for loss, damage or delay with respect to Petroleum offered for delivery but not taken by Shipper shall be that of a warehouseman only.

If Shipper is unable or refuses to receive said Petroleum within twenty-four (24) hours of its arrival at the designated destination point, Carrier reserves the right to make whatever arrangements for disposition of the Petroleum it deems appropriate in order to clear its pipeline. Any additional expenses incurred by the Carrier in making such arrangements shall be borne by Shipper.

**Item No. 68 Common Stream Qualifications and Gravity Bank**

In order to provide a means whereby Shippers and Transferors will not be materially damaged or allowed to benefit due solely to changes in gravity as the result of commingling Petroleum of different gravities within the common streams in the system, Carrier has established a gravity banks to calculate, collect and remit just and nondiscriminatory monetary adjustments among all Shippers or Transferors tendering within a common stream for changes in gravity which result from common stream operations. Each Shipper or Transferor tendering Petroleum for transportation by Carrier within a common stream is required to participate in the Gravity Bank. The services of an appropriate Administrator may be retained to provide computation, clearinghouse and other services required to administer the Gravity Bank. Such Administrator shall be bonded in an amount reasonably determined by Carrier to be sufficient to assure payment by the Administrator under this Item No. 68.

Each Shipper or Transferor authorizes Carrier or its designated Administrator to compute adjustments among all Shippers or Transferors for gravity differences. Each Shipper or Transferor agrees to pay Carrier, its representatives or designated Administrator the computed adjustments due from such Shipper or Transferor in accordance with these rules and regulations.

Petroleum will be received by Carrier and commingled in the appropriate common stream. The current commingled Petroleum common stream maintained by Carrier is:

Wyoming General Sour

With respect to Petroleum gathered by Carrier, “Wyoming General Sour” means Petroleum which contains in excess of one half of one percent (0.5%) sulfur by weight at the wellhead.

The Wyoming General Sour Stream shall have one receipt bank as shown:

**STRUCTURE OF THE BELLE FOURCHE GRAVITY BANK**

<b>COMMON STREAM</b>	<b>RECEIPT LOCATIONS</b>
Wyoming General Sour	Gathered in Campbell and Crook Counties, Wyoming
Banks	1

Gravity values used herein are for the sole purpose of making the required calculations to effect the adjustments required and in no way affect or determine the price of Petroleum. Gravity value formulae for use in determining differentials for gravity adjustments hereunder are as follows:

**GRAVITY VALUE FORMULAE**

<b>COMMON STREAM</b>	<b>GRAVITY RANGE, °API</b>	<b>GRAVITY VALUE, \$/BARREL</b>
Wyoming General Sour	15.0 – 33.9	$4.000 + (°API - 15.0)(0.20)$
	34.0 – 35.9	$7.800 + (°API - 34.0)(.04)$
	36.0 – 39.9	$7.888 + (°API - 36.0)(.02)$
	40.0 – 44.9	7.960
	45.0 +	$7.960 - (°API - 50.0)(0.15)$

The format used is independent of the price of the Petroleum.

All Petroleum gravities are to be recorded to the nearest one-tenth degree (.1°) API for use in the formulae.

**GRAVITY VALUE FORMULAE – EXAMPLES**

Wyoming General Sour

Batch 'A' Gravity is 17.5° which is between 15.0° and 33.9° API.

Gravity Value is:  $4.000 + (17.5 - 15.0)(0.20) = \$4.50$

Batch 'B' Gravity is 46.0°, which is over 45.0° API.

Gravity Value is:  $7.96 - (46.0 - 45.0)(0.15) = \$7.81$

The difference in Gravity Value between Batch 'A' and Batch 'B' is:

$\$7.81 - \$4.50 = \$3.31$

**GRAVITY VALUE DIFFERENCE = \$3.31**

Adjustments among Shippers or Transferors of Petroleum for differences in gravity will be made for Petroleum received into the commingled common stream operations of Carrier's system. Gravity Bank calculations must be made on each shipment at each receipt point, without averaging by Shipper. Adjustment will be made for each commingled common stream as set forth in this Item No. 68, with such adjustments being effected by a process of debits and credits and interchange of funds among the Shippers or Transferors involved in Carrier's gravity banks.

Adjustments will be made for each Shipper's or Transferor's volumes transported in a commingled common stream in the following manner:

The weighted average gravity value of a gravity bank will be determined for all Petroleum being received into each commingled common stream. This value will be determined by dividing the total number of Barrels received in each commingled common stream into the sum total of the products obtained by multiplying each receipt volume in such stream by its appropriate gravity value. Each Shipper's or Transferor's gravity value will be determined by multiplying the quantity of Barrels received in the applicable bank of the commingled common stream by the gravity value per Barrel obtained from the appropriate Petroleum gravity value formula.

**A. Receipts by Carrier**

- I. The weighted average gravity value per Barrel of each Shipper's or Transferor's total Barrels received by Carrier for movement in a commingled common stream will be computed as previously described.
- II. The weighted average gravity value per Barrel of all Shippers' or Transferors' Barrels delivered to Carrier for movement in a commingled common stream will also be computed in a similar manner.
- (a) If the weighted average gravity value per Barrel of a Shipper or Transferor as determined under I is greater than that determined under II, Shipper or Transferor will be credited an amount which shall be calculated by multiplying the differences in gravity value per Barrel by the total Barrels delivered to Carrier by such Shipper or Transferor for movement in the applicable bank of the commingled common stream.
- (b) If the weighted average gravity value per Barrel of a Shipper or a Transferor as determined in I is less than that determined under II, Shipper or Transferor will be debited an amount as calculated in (a) above.

**TYPICAL RECEIPT BANK WYOMING GENERAL SOUR COMMON STREAM**

SHIPPER	VOLUME BBLs	MEASURED GRAVITY * API	*GRAVITY VALUE \$/BBL	VOLUME x VALUE \$
A	10	36.0	7.880	78.80
	20	21.0	5.200	104.00
	10	23.0	5.600	56.00
	40		5.97	238.80
B	20	22.0	5.400	108.00
	20	21.0	5.200	104.00
	40		5.300	212.00
C	5	34.0	7.800	39.00
	5	46.0	7.810	39.05
	5	20.0	5.000	25.00
	5	25.0	6.000	30.00
	20		6.6525	133.05
TOTAL	100		5.8385	583.85

Average Value of Receipts: \$5.8385

Shipper A's average gravity value is 5.970 which is higher than the \$5.8385 average. Therefore, A receives +\$5.26. (40 x (5.97 - 5.8385)).

Shipper B's average gravity value is 5.300 which is less than the \$5.8385 average. Therefore, B pays +\$21.54. (40 x (5.300 - 5.8385)).

Shipper C's average gravity value is \$ 6.6525 which is higher than the \$5.8385 average. Therefore, C receives +\$16.28.  $(20 \times (6.6525 - 5.8385))$ .

The sum of payments equals the sum of the receipts. \$0.00.

\* As calculated using the Gravity Value Formulae.

The calculation of each Shipper's or Transferor's debits and credits will be made and a statement provided for each calendar month. This statement will show the total shipments in the bank and each Shipper will receive a tabulation of their shipments in the bank. Total shipments will be shown without identification as to Shippers, but field number, lease number, volume, average gravity and origin by injection point will be given.

The credit and debit balances will be adjusted between all Shippers and Transferors by collecting funds from those Shippers or Transferors having debit balances and by thereafter remitting funds so collected to the Shippers or Transferors having credit balances. Carrier or its Administrator may, at its option, require a Shipper or Transferor to pay all estimated obligations in advance or to provide an irrevocable letter of credit satisfactory to Carrier or Administrator for such obligations. Gravity Bank payments are due on the date specified on the invoice. Carrier or Administrator will pay out only the funds collected.

Gravity Bank payments shall not be an offset or other claim by any Shipper or Transferor against sums due Carrier or Administrator for transportation costs or other fees and charges collected under Carrier's tariffs.

All Gravity Bank payments due from Shippers or Transferors shall be made in accordance with statement terms and these rules and regulations. Carrier or Administrator is entitled to a lien for all unpaid charges and payments due thereunder. Such lien attaches to any Petroleum retained by Carrier or Administrator for Shipper's or Transferor's account.

If any such charges or payments are not settled within thirty (30) calendar days after the payment due date, the Carrier or Administrator shall have the right, either directly or through an agent, to sell any of the Shipper's or Transferor's Petroleum within the custody of the Carrier. From the proceeds of this sale, Carrier or Administrator will deduct all Gravity Bank payments, other lawful charges and interest due to Carrier or its designated Administrator, including expenses incident to said sale, and the balance of the remaining proceeds, if any, shall be held by Carrier or Administrator for whomsoever may be lawfully entitled thereto. If proceeds from such sale are not sufficient, Shipper or Transferor will remain liable for any deficiency including the above interest charges.

In the event any payment is made to a Shipper or Transferor hereunder as determined by Carrier or Administrator and it is subsequently determined by any Federal or State court, administrative agency or other governmental entity having jurisdiction that no other Shipper or Transferor was liable for the adjustment for which the payment was made, the Shipper or Transferor receiving such payment shall upon receipt of an accounting from Carrier or its designated Administrator return the payment to Carrier or its designated Administrator. Carrier or its designated Administrator shall promptly utilize such returned payment to reimburse all Shippers or Transferors who made payments based on such adjustment.

Carrier or its designated Administrator shall acquire all information and data necessary to make the computations under this Item No. 68. through direct measurements at the receipt facilities of Carrier. In the event such measurements become subject to dispute, Carrier reserves the right to acquire such

additional information and data from connecting carriers as Carrier, in its sole discretion, shall determine to be beneficial in the resolution of such disputes. Shippers or Transferors consent to the disclosure by Carrier or its agent of all information and data necessary to make the computations under this Item No. 68 to the designated Administrator.

The payor of the transportation charges for a common stream shipment shall also pay Carrier or its Administrator [U] one-tenth (1/10) of a cent for each Barrel received into a common stream.

**Item No. 70            Application**

Pending the issue of new rates from any origin point or to any new destination point that may be established, the following rule will govern from any such origin or to any such destination not named in this tariff or an individual tariff; the rate published from the next more distant origin point named herein or in an individual tariff will govern transportation from the new origin or to the new destination, as applicable.

**Item No. 72            Financial Assurances**

(a) All prospective shippers shall, twenty-five (25) days prior to making their first nomination, provide information to Carrier that will allow Carrier to determine the prospective shipper's capacity to perform any financial obligations that could arise from the transportation of that prospective shipper's Petroleum under the terms of this tariff, including the payment of transportation charges, equalization obligations, the value of any loss allowance, and any negative balance positions. At any time, upon the request of Carrier, Shipper shall, within ten (10) days of such request, provide information to Carrier that will allow Carrier to determine Shipper's capacity to perform any financial obligations that could arise from the transportation of that Shipper's Petroleum under the terms of this tariff, including the payment of transportation charges, equalization obligations, the value of any loss allowance, and any negative Shipper balance positions. Carrier shall not be obligated to accept Petroleum for transportation from any Shipper or prospective shipper if such Shipper or prospective shipper fails to provide the requested information to Carrier within the time periods set forth herein, or if Carrier's review of the requested information reveals that such Shipper or prospective shipper does not have the capacity to perform any financial obligations that could arise from the transportation of its Petroleum under the terms of this tariff, including the payment of transportation charges, equalization obligations, the reasonably determined value of any loss allowance, and any negative balance positions.

(b) Subject to the provisions of Item No. 72(c), Carrier upon notice to Shipper or prospective 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 such Shipper or prospective shipper:

(i) payment security by wire transfer in an amount equal to two and one-half months of transportation charges based on Shipper's or prospective shipper's likely actual shipments for the production month for each applicable line segment. For purposes of this Item, a prospective shipper's likely actual shipments will be based on the anticipated shipments listed in such prospective shipper's shipper application; or

(ii) 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 an institution acceptable to Carrier;

(c) In the event that Carrier reasonably determines that:

- (i) any Shipper's financial condition is or has become impaired or unsatisfactory;
- (ii) any Financial Assurances previously provided by Shipper no longer provide adequate security for the performance of such Shipper's obligations that could arise from the transportation of its Petroleum under the terms of this tariff; or
- (iii) Carrier otherwise determines that it is necessary to obtain Financial Assurances from any Shipper or prospective shipper, then such Shipper or prospective 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 such Shipper's or prospective shipper's Petroleum by Carrier. For the purpose of this tariff, and without limiting the generality of the charges and costs lawfully due to Carrier relating to the transportation of Shipper's Petroleum, those charges and costs shall include transportation charges, equalization obligations, any negative Shipper balance positions, and any loss allowance.
- (d) Any Financial Assurances received by Carrier in accordance with Item No. 72(b)(i) shall be retained by Carrier in a non-interest-bearing escrow account until such time as Carrier determines that the Shipper or prospective shipper that provided such Financial Assurance is capable of performing its financial obligations to Carrier. Within ten (10) business days of receiving a written request (via e-mail communication or other form of written communication) from Shipper or prospective shipper seeking the return of the Financial Assurances provided by Shipper or prospective shipper in accordance with Item No. 72(b)(i), and subject to Carrier's determination that Shipper or prospective shipper is capable of performing its financial obligations to Carrier, Carrier shall return such Financial Assurances to such Shipper or prospective shipper.

**Item No. 74          Diversion**

A change in destination or routing will be permitted without additional charge, on written request from Shipper, provided an applicable tariff is in effect for any requested destination or routing, and provided that no back-haul is required.

**EXPLANATION OF REFERENCE MARKS**

- [D]    Decreased rate.  
[U]    Unchanged rate.  
[W]    Change in wording only.