

BUTTE PIPE LINE COMPANY

LOCAL PIPELINE TARIFF

Containing

RULES AND REGULATIONS

Governing the Transportation of

CRUDE PETROLEUM

By Pipeline

GENERAL APPLICATION

Carrier will receive petroleum for trunk line interstate transportation through its own pipelines only when destined for further transportation beyond, subject to the conditions contained herein. Specific rules and regulations published in individual tariffs will take precedence over rules and regulations published herein.

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

FERC ICA Oil Tariff

Filed in compliance with 18 C.F.R. 342.3 (Indexing)

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

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RULES AND REGULATIONS

ITEM NO. 5 DEFINITIONS

“Carrier” as herein used means Butte Pipe Line Company.

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

“Financial Assurances” as herein used means the Financial Assurances provided by Shippers and accepted by Carrier in accordance with Item No. 90 (FINANCIAL ASSURANCES).

“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 and which when mixed in or for transit with other petroleum has a resultant vapor pressure not exceeding thirteen (13) pounds Reid at one hundred degrees (100°) Fahrenheit.

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

ITEM NO. 10 COMMODITY

The Carrier will transport Petroleum as defined in Item No. 5, exclusively, and will not accept any other commodity for transportation.

ITEM NO. 15 SPECIFICATION AS TO QUALITY RECEIVED

No Petroleum will be accepted for transportation except good merchantable Petroleum of the gravity of twenty degrees (20°) A.P.I. (American Petroleum Institute) or higher which is properly settled and contains not more than one percent (1%) of basic sediment, water and other impurities above a point four inches (4”) below the pipeline connection with the tank from which it enters Carrier’s facilities. No Petroleum will be accepted unless its gravity, viscosity and other characteristics are such that it will be readily susceptible to transportation through the Carrier’s existing facilities, and it will not materially affect the quality of other shipments or cause disadvantage to other Shippers and/or the Carrier.

ITEM NO. 19 LINE FILL REQUIREMENT

Carrier will require each Shipper to supply a pro rata share of Petroleum for line fill and tankage 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

Petroleum will be accepted for transportation only on condition that it shall be subject to such changes in gravity, quality or characteristics while in transit as may result from its mixture with other Petroleum in the pipelines or tanks of the Carrier or those of any connecting company. Subject to the foregoing, the Carriers will use its best efforts to deliver Petroleum of a grade and gravity equivalent to that accepted from the Shipper; however, the Carrier shall be under no obligation to make delivery of the identical Petroleum received but may make delivery out of common stock.

ITEM NO. 21 LIGHT SWEET SEGREGATION

Carrier will transport, in a batch mode, an additional common stream, designated the "Light Sweet" stream, or "LS," which shall have no more than .20% Sulfur by weight and no less than 36° API gravity when tendered for transportation at Carrier's Baker and Alzada Stations. Carrier shall receive, transport and deliver such LS separately from its other streams, for which service Carrier shall charge an amount as stated in the applicable tariff. This charge will be in addition to the line-haul transportation rate and any other applicable charges stated in the tariff. Carrier shall transport such a segregated batch provided that: (1) Carrier will not be liable to Shipper or Consignee for change in the quality of such grade of Crude Petroleum while it is in transit; and (2) the interface generated between such batches shall be divided equitably between those shipments that precede and follow the interface.

ITEM NO. 22 SEGREGATED SHIPMENTS, BUFFERS

When requested by one or more Shippers, and if operationally feasible in Carrier's sole determination, Carrier will endeavor to segregate a batch of crude petroleum of a certain kind and/or quality on the condition that all requesting Shipper(s) shall supply buffers before and after the batch in proportion to the amount of each Shipper's share of said batch. Said buffers shall be crude oil of the type and in the quantities specified by Carrier in order to prevent changes in the quality of preceding and subsequent crude oil. Carrier will make delivery at destination of said buffers and batch, which batch Carrier will endeavor to keep as substantially the same crude petroleum as that received by Carrier at the origin, but Carrier shall not be liable for failure to deliver the identical crude petroleum or for variations in the gravity and/or quality of crude petroleum occurring while such batch is in Carrier's custody. Consignee(s) shall accept at destination such leading and trailing buffers as mixed in transit together with its batch. Neither shall Carrier be liable for variation in the gravity and/ or quality of crude in prior or subsequent batches.

ITEM NO. 25 MINIMUM TENDER, SHIPMENTS

Tenders for the transportation of any kind of mixture of such Petroleum for which the Carrier has facilities for segregating will be accepted under this tariff in quantities of not less than ten thousand (10,000) barrels from one Shipper consigned to one consignee and destination. If Carrier's facilities and operating conditions permit, Petroleum in lots of less than ten thousand (10,000) barrels will be received for trunk line transportation within a 60-day period. The Carrier will not be obliged to forward Petroleum so tendered until it has received from one or more Shippers, to be delivered at a single destination, a sufficient quantity of Petroleum of the same quality or different qualities to be commingled – provided that the Shippers agree to said commingling, to permit handling as a segregated movement through Carrier's existing facilities.

ITEM NO. 27 PRORATIONING

(a) **Proration Procedures:** When Carrier determines that the aggregate Initial Nominations of Petroleum exceed Available Capacity during the month immediately prior to the production month on a line segment, the allocation of Available Capacity shall be subject to prorationing, and Carrier shall notify in writing by electronic mail each nominating Existing Shipper of its Existing Shipper 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 Existing Shipper will submit a revised nomination for that line segment that is equal to or less than such 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 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 by Carrier. Each Shipper's revised nomination or revised deemed nomination shall be its "Binding Nomination."

If the aggregate of the Binding Nominations by Existing Shippers is less than the Existing Shippers' portion of Available Capacity, Carrier shall distribute the unused capacity for the applicable line segment on a per capita basis among Existing Shippers that are not subject to capped Initial Nominations pursuant

to Subpart (e)(ii) of this Item No. 27 for the production month to which the Initial Nominations apply; if the aggregate of the Binding Nominations by New Shippers is less than the New Shippers' portion of the Available Capacity, Carrier shall distribute the unused capacity for the applicable line segment on a per capita basis among New Shippers that are not subject to capped Initial Nominations pursuant to Subpart (e)(ii) of this Item No. 27 for the production month to which the Initial Nominations apply. If there still remains unused Existing Shipper capacity on the applicable line segment, such capacity will be distributed on a per capita basis to Existing Shippers that are subject to capped Initial Nominations pursuant to Subpart (e)(ii) of this Item No. 27 for the production month to which the Initial Nominations apply. If there still remains unused New Shipper capacity on the applicable line segment, such capacity will be distributed on a per capita basis to New Shippers that are subject to capped Initial Nominations pursuant to Subpart (e)(ii) of this Item No. 27 for the production month to which the Initial Nominations apply. Any Shipper accepting additional capacity must amend its Binding Nomination with an "Amended Binding Nomination" reflecting the increased allocation to the Shipper.

If the aggregate Binding or Amended Binding Nominations are less than Available Capacity following implementation of this process, the pipeline segment will no longer be in apportionment and Subpart (e) of this Item No. 27 shall not apply with respect to the production month applicable to this allocation process. If the aggregate Binding or Amended Binding Nominations are equal to Available Capacity following implementation of this process, Subpart (e) of this Item No. 27 shall apply with respect to the production month applicable to this allocation process.

When Carrier determines that the aggregate Initial Nominations of Petroleum do not exceed Available Capacity during the month immediately prior to the production month on a line segment, Carrier shall allocate the unused capacity for the applicable line segment on a per capita basis to Shippers that are subject to capped Initial Nominations pursuant to Subpart (e)(ii) of this Item No. 27 for the production month to which the Initial Nominations apply. By 2 P.M. Mountain Time, on the next business day after such allocation, each nominating Shipper subject to capped Initial Nominations pursuant to Subpart (e)(ii) of this Item No. 27 for the production month to which the Initial Nominations apply will submit a revised nomination for that line segment that is equal to or less than its allocation. If Carrier does not receive a response from Shipper by the specified time, Carrier will deem Shipper to have conclusively agreed to the Shipper's allocation by Carrier. Each Shipper's revised nomination or revised deemed nomination shall be its "Binding Nomination." If the aggregate Binding Nominations are less than Available Capacity following implementation of this process, the pipeline segment will no longer be in apportionment and Subpart (e) of this Item No. 27 shall not apply with respect to the production month applicable to this allocation process. If the aggregate Binding Nominations are equal to Available Capacity following implementation of this process, Subpart (e) of this Item No. 27 shall apply with respect to the production month applicable to this allocation process.

(b) Existing Shipper Allocation: The percentage of Available Capacity to be allocated to each Existing Shipper will be calculated by using data from the Base Period and dividing the sum of the shipments made for the account of each Existing Shipper on such line segment in the Base Period by the total shipments made for all Shippers on such line segment during the Base Period. The resulting percentages will then be applied to the line segment to determine the capacity allocation for each Existing Shipper ("Existing Shipper Capacity Allocation"). Each Existing Shipper will receive the lesser of its actual nomination or its Existing Shipper Capacity Allocation, the lesser of which is the "Existing Shipper Allocation." The Existing Shipper Allocation will be subject to pro rata reduction on the basis of the percentages calculated in this Subpart (b), if required, to accommodate New Shippers.

(c) New Shipper Allocation: Up to two and one-half percent (2.5%) of Available Capacity on a line segment will be allocated to any New Shipper (including capacity allocated to any Affiliated Shipper of such New Shipper), subject to a cap of ten percent (10%) of Available Capacity for all New Shippers. During periods of prorating, New Shippers will be allocated pipeline capacity as follows:

- (i) If less than four (4) New Shippers have submitted 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 Capacity or its nominated volume ("New Shipper Allocation").

(ii) In the event that four (4) or more New Shippers have submitted nominations for the affected line segment, the nominated volumes for each New Shipper shall be totaled and divided into ten percent (10%) of the Available Capacity. The resulting percentage shall be the initial New Shipper Proration Factor. Each New Shipper will be allocated pipeline segment capacity equal to the lesser of:

(1) two and one-half percent (2.5%) of Available Capacity, or

(2) its nominated volumes, or

(3) its nominated volumes multiplied by the initial New Shipper Proration Factor (also "New Shipper Allocation").

(iii) Affiliated Shippers as a group are prohibited from obtaining in the aggregate an allocation of more than 2.5% of Available Capacity on an apportioned line segment pursuant to this New Shipper allocation. Carrier will assess whether any New Shipper has any Affiliated Shippers and will implement this limitation on New Shipper allocations between the deadline for nominations and the end of the nomination month.

(d) **Definitions:** For purposes of Carrier's prorationing policies, the following definitions will be applicable:

(i) "Affiliated Shipper" - Any Shipper who is directly or indirectly controlled by, under the common control of, or otherwise affiliated with any other Shipper. In order to determine if a Shipper is controlled by, under the common control of, or otherwise affiliated with another Shipper for purposes of this Item No. 27, Carrier will consider a number of factors, including but not limited to, whether the two Shippers share common owners, parent companies, affiliates, registered agents, directors, officers, managers, organizers, employees, schedulers, mailing addresses, email addresses, telephone numbers, fax numbers, internet protocol addresses, financial information.

(ii) "Available Capacity" - The total capacity of the applicable pipeline segment usable to transport Petroleum in a given month, given operating conditions in that month.

(iii) "Base Period" - The "Base Period" is the 12-month period beginning 13 months prior to the month of prorationing.

(iv) "Deficient Volume" - The actual barrels delivered to Carrier when a Shipper delivers to Carrier a volume of barrels less than ninety percent (90%) of the greater of its Binding Nomination or its Amended Binding Nomination, as applicable, which is not caused by an event of Force Majeure.

(v) "Existing Shipper" - Subject to the limitation set forth in Subpart (d)(x), a Shipper that has tendered Petroleum or petroleum products for transportation on a specific line segment during the entirety of the Base Period.

(vi) "Existing Shipper Allocation" - The lesser of each Existing Shipper's actual nomination or its Existing Shipper Capacity Allocation as calculated pursuant to the formula set forth in Subpart (b) of this Item.

(vii) "Existing Shipper Capacity Allocation" - The capacity allocation for a line segment for each Existing Shipper calculated pursuant to the formula set forth in Subpart (b) of this Item.

(viii) "Force Majeure" - an event which is unforeseen, and beyond the control of the Shipper, that either prevents the Shipper from delivering all of the Allocated Nomination to Carrier or prevents the Carrier from accepting all of the Allocated Nomination from Shipper. Examples of Force Majeure events are 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 the Allocated Nomination; 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.

(ix) "Initial Nomination" – A Shipper's first nomination for a given month.

(x) "New Shippers" – A Shipper that tenders Petroleum for transportation on a specific line segment that does not qualify as an Existing Shipper, as defined in this Item, Subpart (d)(v). Effective May 1, 2014 and for a period of twenty-four (24) months thereafter, shippers that are not Existing Shippers on May 1, 2014 will not be able to obtain Existing Shipper status until the later of the date on which the New Shipper has tendered Petroleum for transportation on a specific line segment during the entirety of the Base Period, or when the system is no longer subject to prorating based on the Binding Nominations received by Carrier.

(xi) "New Shipper Allocation" – (a) The lesser of: (A) two and one-half percent (2.5%) of Available Capacity or (B) the New Shipper's nominated volume as set forth in Subpart (c)(i) or (b) The lesser of: (A) two and one-half percent (2.5%) of Available Capacity, or (B) the New Shipper's nominated volumes, or (C) the New Shipper's nominated volumes multiplied by the initial New Shipper Proration Factor.

(xii) "New Shipper Proration Factor" – The percentage calculated by totaling the nominated volumes for all New Shippers and divided into ten percent (10%) of the Available Capacity as set forth in Subpart (c)(ii) of this Item.

(xiii) "Penalty Volume" – The volume of barrels equal to the difference between the Binding Nomination or the Amended Binding Nomination, whichever is greater, and the Deficient Volume.

(e) **Nomination Penalties:** During a production month in which Carrier is required to pro-rate under this rule, if any Existing or New Shipper delivers to Carrier a volume of barrels equal to or more than ninety percent (90%) of the greater of its Binding Nomination or its Amended Binding Nomination as to each applicable line segment, the Shipper shall be considered to have met its Binding Nomination or Amended Binding Nomination. During a month in which Carrier is required to pro-rate under this Item, with respect to each applicable line segment, if any New or Existing Shipper delivers to Carrier a volume of barrels less than ninety percent (90%) of the greater of its Binding Nomination or Amended Binding Nomination which is not caused by an event of Force Majeure or by failure to provide Financial Assurances in accordance with Item No. 90 (FINANCIAL ASSURANCES) ("Deficient Tender") the following penalties shall apply during any rolling 12-month period:

(i) Upon the first Deficient Tender on a line segment during such rolling 12-month period, Shipper shall be invoiced for and pay for its delivered volumes for that month, plus the product of the rate applicable to the Binding Nomination or, where applicable, the Amended Binding Nomination, and the Penalty Volume.

(ii) Upon the second Deficient Tender on a line segment during such rolling 12-month period: (1) Shipper shall be invoiced for and pay for its delivered volumes for that month, plus the product of the rate applicable to the Binding Nomination or, where applicable, the Amended Binding Nomination, and the Penalty Volume and (2) Shipper's Initial Nomination for the three (3) consecutive months beginning the first complete month after the second Deficient Tender becomes known to Carrier shall be limited to the Deficient Volume; provided, however, that the penalty set forth in Subpart e(iii) below with respect to the third Deficient Tender shall apply if a third Deficient Tender occurs during the referenced three-month period. Provided, however, that Shipper's Initial Nominations during any month of this three (3) consecutive month period shall not be limited to the Deficient Volume under the circumstances set forth in Subpart (a) of this Item No. 27.

(iii) Upon the third Deficient Tender on a line segment and for any Deficient Tender thereafter during such rolling 12-month time period: (1) Shipper shall be invoiced for and pay for its delivered volumes for that month, plus the product of the rate applicable to the Binding Nomination or, where applicable, the Amended Binding Nomination, and the Penalty Volume and (2) Shipper shall be prohibited from submitting for one month any nomination for transportation of Petroleum on the line segment to which the Deficient Tender applies beginning the first complete month after the third Deficient Tender or any Deficient Tender thereafter becomes known to Carrier during any rolling 12-month period.

ITEM NO. 30 TITLE

No Petroleum will be accepted for transportation the title to which is in litigation or as to which dispute of title exists or which is encumbered by any lien, unless sufficient indemnity to protect the Carrier has been furnished by Shipper or consignee. Tender of Petroleum shall be deemed a warranty of title but acceptance for transportation shall not be deemed a representation by the Carrier as to title.

ITEM NO. 35 GAUGING, TESTING AND VOLUME CORRECTIONS

Petroleum shipped hereunder shall be measured and tested by representatives of the Carrier or by automatic equipment approved by the Carrier. Quantities shall be determined by dynamic or static measurement methods in accordance with appropriate American Petroleum Institute (API) standards, latest revision, and adjusted to base (reference or standard) conditions.

The base conditions for the measurement of liquids, such as crude petroleum and its liquid products, having a vapor pressure equal to or less than atmospheric pressure at base temperature are as follows:

Pressure – 14.696 psia (101.325 kPa)

Temperature – 60.0 F (15.56 C)

For liquids, such as liquid hydrocarbons, having a vapor pressure greater than atmospheric pressure at base temperature, the base pressure shall be the equilibrium vapor pressure at base temperature.

Deductions will be made for the actual amount of non-merchantable quantities, specifically basic sediment and water and/or other impurities as ascertained by centrifuge test method or other tests agreed upon.

When indirect liquid products are received from pressure vessels using static measurements methods, a further adjustment will be made to cover evacuation losses if a gas blanket at or in excess of the vapor pressure of the liquid is not used.

From the net quantities so determined for acceptance, a further deduction of fifteen-hundredths of one-percent (0.15%) will be made to cover evaporation and loss during transportation. The balance shall be the net quantities deliverable.

ITEM NO. 40 DESTINATION FACILITIES REQUIRED

The Carrier will accept Petroleum for transportation only when the Shipper or consignee has provided the necessary facilities for receiving said Petroleum as it arrives at destination.

ITEM NO. 45 APPLICATION OF RATES AND CHARGES

Petroleum accepted for transportation shall be subject to the rates and charges in effect on the date of receipt of such Petroleum by the originating 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. 35.

ITEM NO. 50 NOTICE OF ARRIVAL, DEMURRAGE CHARGES

The obligation of the Carrier is to deliver at destination the quantity of Petroleum to be transported, less deductions, and such delivery may be made upon twenty-four (24) hours' notice to the Shipper or consignee who shall accept and receive said Petroleum from the Carrier with all possible dispatch into the tanks or receptacles to be provided by the Shipper or consignee. After the expiration of twenty-four (24) hours' notice from the Carrier a demurrage charge of **[I] 1.79 cents (\$0.0179)** per barrel will accrue on all Petroleum not received by the Shipper or consignee for each delay of twenty-four (24) hours, or fractional part thereof, until said Petroleum is received.

ITEM NO. 55 PAYMENT OF TRANSPORTATION AND OTHER CHARGES

(a) The Shipper or consignee shall pay all applicable and other lawful charges accruing on Petroleum delivered to and accepted by the Carrier for shipment, and, if required, shall furnish Financial Assurances satisfactory to Carrier in accordance with Item No. 90 (FINANCIAL ASSURANCES) of this tariff. The Carrier shall have a lien on all Petroleum belonging to the Shipper or consignee to secure the payment of any and all unpaid transportation and other charges that are due to the Carrier by the Shipper or consignee, and may withhold such Petroleum from delivery until all unpaid charges shall have been paid. If such charges remain unpaid five (5) days after notice and with five (5) days after expiration of notice of arrival at destination as provided in Item No. 50, the Carrier shall have the right, through an agent, to sell such Petroleum at a public auction on any day not a legal holiday, and not less than forty-eight (48) hours after notice stating the time and place of such sale and the quality, general description and location of the Petroleum to be sold has been published in a daily newspaper of general circulation published in the town or city where the sale is to be held, and notice sent by telegraph to the Shipper. The Carrier may be a bidder and purchaser at such sale. Out of the proceeds of said sale Carrier may pay itself all transportation, demurrage and other lawful charges, and all expenses incident to the sale, and the balance shall be held for whoever may be lawfully entitled hereto.

(b) Carrier may, with or without notice to Shipper, appoint agent(s) to retain possession of Shipper's Crude Petroleum on behalf of Carrier for the purpose of enforcing the general lien described in this Item.

ITEM NO. 60 LIABILITY OF CARRIER

The Carrier while in possession of any of the Petroleum herein described shall not be liable for any loss thereof, damage thereto, or delay, except to the extent that liability therefore is imposed on the Carrier by law. In case of loss of Petroleum for which Carrier is not responsible, the Shipper shall bear the loss. Where such loss occurs in a tank containing Petroleum which is the property of more than one Shipper, or in a line containing a segregated batch of Petroleum which is the property of more than one Shipper, each Shipper shall bear the loss in such proportion as its total volume is in said tank or batch bears to the total volume in said tank or batch.

ITEM NO. 65 CLAIMS, SUITS, AND TIME FOR FILING

As a condition precedent to recovery for loss, damage, or delay to shipments, claims must be filed in writing with the Carrier within nine (9) months after delivery of the property, or in case of failure to make delivery, then within (9) months after a reasonable time for delivery has elapsed; and suits arising out of such claims shall be instituted against the Carrier only within two (2) years and one (1) day from the day when notice is given in writing by the Carrier to the Claimant that the Carrier has disallowed the claim or any part or parts thereof specified in the notice. Where claims are not filed or suits are not instituted thereon in accordance with the foregoing provisions, no Carrier hereunder will be liable and such claims will not be paid.

ITEM NO. 70 DUTY OF CARRIER

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

ITEM NO. 75 APPLICATION OF RATES FROM UN-NAMED ORIGINS

Pending the issue of new rates from any new points of origin that may be established along the lines of the originating Carrier participating in the tariff, the following rule will govern: From any such origin not named in this tariff, to a named destination, apply the rate published from the next more distant origin point named herein.

ITEM NO. 80 DIVERSION

Subject to Item No. 25, change in destination or routing will be permitted without additional charge on written request from the Shipper, provided an applicable tariff is in effect for any requested destination or routing, and provided that no back-haul is required.

ITEM NO. 85 INTRASYSTEM TRANSFERS

[I] 1.57 cents (\$0.0157) 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, except for the negligence of the Carrier. Any verbal transfer shall be confirmed in writing within five (5) days by Transferee and Transferor, who 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 Item No. 85 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. 90 (FINANCIAL ASSURANCES) of this tariff.

Item No. 90. 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 Crude 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 Crude 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 Crude 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 Crude 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. 90(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 a 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 Crude 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 Crude 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 Crude 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. 90(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 such a determination by Carrier, the Financial Assurance provided in accordance with Item No. 90(b)(i) shall be returned to such Shipper or prospective shipper.

EXPLANATION OF REFERENCE MARKS:

[I] Increase.