

RATTLER MIDSTREAM OPERATING LLC

LOCAL TARIFF

CONTAINING

RULES, REGULATIONS AND RATES

**GOVERNING THE INTRASTATE GATHERING
OF
CRUDE PETROLEUM
BY PIPELINE**

The Rules and Regulations published herein apply only under tariffs making specific reference to this tariff; such reference will include supplements hereto and successive issues hereof. Specific rules and regulations published in individual tariffs will take precedence over the Rules and Regulations published herein.

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

Operated by Diamondback E&P LLC (P-5 # 217012) under T-4 Permit Nos. 08928 and 09893

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RULES AND REGULATIONS

SECTION I

Railroad Commission of Texas Rules 1 through 19

- 1. ALL MARKETABLE OIL TO BE RECEIVED FOR TRANSPORTATION.** By the term "marketable oil" is meant any Crude Petroleum adapted for refining or fuel purposes, properly settled and containing not more than 2.0% of basic sediment, water, or other impurities above a point six inches below the pipeline connection with the tank. Pipelines shall receive for transportation all such "marketable oil" tendered; but no pipeline shall be required to receive for shipment from any one person an amount exceeding 3,000 barrels of petroleum in any one day; and, if the oil tendered for transportation differs materially in character from that usually produced in the field and being transported therefrom by the pipeline, then it shall be transported under such terms as the shipper and the owner of the pipeline may agree or the commission may require.
- 2. BASIC SEDIMENT, HOW DETERMINED—TEMPERATURE.** In determining the amount of sediment, water, or other impurities, a pipeline is authorized to make a test of the oil offered for transportation from an average sample from each such tank, by the use of centrifugal machine, or by the use of any other appliance agreed upon by the pipeline and the shipper. The same method of ascertaining the amount of the sediment, water, or other impurities shall be used in the delivery as in the receipt of oil. A pipeline shall not be required to receive for transportation, nor shall consignee be required to accept as a delivery, any oil of a higher temperature than 90 degrees Fahrenheit, except that during the summer oil shall be received at any atmospheric temperature, and may be delivered at like temperature. Consignee shall have the same right to test the oil upon delivery at destination that the pipeline has to test before receiving from the shipper.
- 3. "BARREL" DEFINED.** For the purpose of these sections, a "barrel" of Crude Petroleum is declared to be 42 gallons of 231 cubic inches per gallon at 60 degrees Fahrenheit.
- 4. OIL INVOLVED IN LITIGATION, ETC.—INDEMNITY AGAINST LOSS.** When any oil offered for transportation is involved in litigation, or the ownership is in dispute, or when the oil appears to be encumbered by lien or charge of any kind, the pipeline may require of shippers an indemnity bond to protect it against all loss.
- 5. STORAGE.** Each pipeline shall provide, without additional charge, sufficient storage, such as is incident and necessary to the transportation of oil, including storage at destination or so near thereto as to be available for prompt delivery to destination point, for five days from the date of order of delivery at destination.
- 6. IDENTITY OF OIL, MAINTENANCE OF OIL.** A pipeline may deliver to consignee either the identical oil received for transportation, subject to such consequences of mixing with other oil as are incident to the usual pipeline transportation, or it may make delivery from its common stock at destination; provided, if this last be done, the delivery shall be of substantially like kind and market value.

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7. MINIMUM QUANTITY TO BE RECEIVED. A pipeline shall not be required to receive less than one tank car-load of oil when oil is offered for loading into tank cars at destination of the pipeline. When oil is offered for transportation for other than tank car delivery, a pipeline shall not be required to receive less than 500 barrels.

8. GATHERING CHARGES. Tariffs to be filed by a pipeline shall specify separately the charges for gathering of the oil, for transportation, and for delivery.

9. MEASURING, TESTING, AND DEDUCTIONS.

(A) Except as provided in subparagraph (B) of this paragraph, all Crude Petroleum tendered to a pipeline shall be gauged and tested by a representative of the pipeline prior to its receipt by the pipeline. The shipper may be present or represented at the gauging or testing. Quantities shall be computed from correctly compiled tank tables showing 100% of the full capacity of the tanks.

(B) As an alternative to the method of measurement provided in subparagraph (A) of this paragraph, Crude Petroleum and condensate may be measured and tested, before transfer of custody to the initial transporter, by:

(i) lease automatic custody transfer (LACT) equipment, provided such equipment is installed and operated in accordance with the latest revision of American Petroleum Institute (API) Manual of Petroleum Measurement Standards, Chapter 6.1, or;

(ii) any device or method, approved by the commission or its delegate, which yields accurate measurements of Crude Petroleum or condensate.

(C) Adjustments to the quantities determined by the methods described in subparagraphs (A) or (B) of this paragraph shall be made for temperature from the nearest whole number degree to the basis of 60 degrees Fahrenheit and to the nearest 5/10 API degree gravity in accordance with the volume correction Tables 5A and 6A contained in API Standard 2540, American Society for Testing Materials 01250, Institute of Petroleum 200, first edition, August 1980. A pipeline may deduct the basic sediment, water, and other impurities as shown by the centrifugal or other test agreed upon by the shipper and pipeline; and 1.0% for evaporation and loss during transportation. The net balance shall be the quantity deliverable by the pipeline. In allowing the deductions, it is not the intention of the commission to affect any tax or royalty obligations imposed by the laws of Texas on any producer or shipper of Crude Petroleum.

(D) A transfer of custody of crude between transporters is subject to measurement as agreed upon by the transporters.

10. DELIVERY AND DEMURRAGE. Each pipeline shall transport oil with reasonable diligence, considering the quality of the oil, the distance of transportation, and other material elements, but at any time after receipt of a consignment of oil, upon 24 hours' notice to the consignee, may offer oil for delivery from its common stock at the point of destination, conformable to paragraph (6) of this section, at a rate not exceeding 10,000 barrels per day of 24 hours. Computation of time of storage (as provided for in paragraph (5) of this section) shall begin at the expiration of such notice. At the expiration of the time allowed in paragraph (5) of this

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section for storage at destination, a pipeline may assess a demurrage charge on oil offered for delivery and remaining undelivered, at a rate for the first 10 days of \$.001 per barrel; and thereafter at a rate of \$.0075 per barrel, for each day of 24 hours or fractional part thereof.

11. UNPAID CHARGES, LIEN FOR AND SALE TO COVER. A pipeline shall have a lien on all oil to cover charges for transportation, including demurrage, and it may withhold delivery of oil until the charges are paid. If the charges shall remain unpaid for more than five days after notice of readiness to deliver, the pipeline may sell the oil at public auction at the general office of the pipeline on any day not a legal holiday. The date for the sale shall be not less than 48 hours after publication of notice in a daily newspaper of general circulation published in the city where the general office of the pipeline is located. The notice shall give the time and place of the sale, and the quantity of the oil to be sold. From the proceeds of the sale, the pipeline may deduct all charges lawfully accruing, including demurrage, and all expenses of the sale. The net balance shall be paid to the person lawfully entitled thereto.

12. NOTICE OF CLAIM. Notice of claims for loss, damage, or delay in connection with the shipment of oil must be made in writing to the pipeline within 91 days after the damage, loss, or delay occurred. If the claim is for failure to make delivery, the claim must be made within 91 days after a reasonable time for delivery has elapsed.

13. TELEPHONE-TELEGRAPH LINE—SHIPPER TO USE. If a pipeline maintains a private telegraph or telephone line, a shipper may use it without extra charge, for messages incident to shipments. However, a pipeline shall not be held liable for failure to deliver any messages away from its office or for delay in transmission or for interruption of service.

14. CONTRACTS OF TRANSPORTATION. When a consignment of oil is accepted, the pipeline shall give the shipper a run ticket, and shall give the shipper a statement that shows the amount of oil received for transportation, the points of origin and destination, corrections made for temperature, deductions made for impurities, and the rate for such transportation.

15. SHIPPER'S TANKS, ETC.—INSPECTION. When a shipment of oil has been offered for transportation the pipeline shall have the right to go upon the premises where the oil is produced or stored, and have access to any and all tanks or storage receptacles for the purpose of making any examination, inspection, or test authorized by this section.

16. OFFERS IN EXCESS OF FACILITIES. If oil is offered to any pipeline for transportation in excess of the amount that can be immediately transported, the transportation furnished by the pipeline shall be apportioned among all shippers in proportion to the amounts offered by each (as further described in Section 2, Item 24 below); but no offer for transportation shall be considered beyond the amount which the person requesting the shipment then has ready for shipment by the pipeline. The pipeline shall be considered as a shipper of oil produced or purchased by itself and held for shipment through its line, and its oil shall be entitled to participate in such apportionment.

17. INTERCHANGE OF TONNAGE. Pipelines shall provide the necessary connections and facilities for the exchange of tonnage at every locality reached by two or more pipelines, when

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the commission finds that a necessity exists for connection, and under such regulations as said commission may determine in each case.

18. RECEIPT AND DELIVERY—NECESSARY FACILITIES FOR. Each pipeline shall install and maintain facilities for the receipt and delivery of marketable Crude Petroleum of shippers at any point on its line if the commission finds that a necessity exists therefor, and under regulations by the commission.

19. REPORTS OF LOSS FROM FIRES, LIGHTNING, AND LEAKAGE.

(A) Each pipeline shall immediately notify the commission district office, electronically or by telephone, of each fire that occurs at any oil tank owned or controlled by the pipeline, or of any tank struck by lightning. Each pipeline shall in like manner report each break or leak in any of its tanks or pipelines from which more than five barrels escape. Each pipeline shall file the required information with the commission in accordance with the appropriate commission form within 30 days from the date of the spill or leak.

(B) No risk of fire, storm, flood, or act of God, and no risk resulting from riots, insurrection, rebellion, war, or act of the public enemy, or from quarantine or authority of law or any order, requisition or necessity of the government of the United States in time of war, shall be borne by a pipeline, nor shall any liability accrue to it from any damage thereby occasioned. If loss of any Crude Petroleum from any such causes occurs after the oil has been received for transportation, and before it has been delivered to the consignee, the shipper shall bear a loss in such proportion as the amount of his shipment is to all of the oil held in transportation by the pipeline at the time of such loss, and the shipper shall be entitled to have delivered only such portion of his shipment as may remain after a deduction of his due proportion of such loss, but in such event the shipper shall be required to pay charges only on the quantity of oil delivered. This section shall not apply if the loss occurs because of negligence of the pipeline.

(C) Common carrier pipelines shall mail (return receipt requested) or hand deliver to landowners (persons who have legal title to the property in question) and residents (persons whose mailing address is the property in question) of land upon which a spill or leak has occurred, all spill or leak reports required by the commission for that particular spill or leak within 30 days of filing the required reports with the commission. Registration with the commission by landowners and residents for the purpose of receiving spill or leak reports shall be required every five years, with renewal registration starting January 1, 1999. If a landowner or resident is not registered with the commission, the common carrier is not required to furnish such reports to the resident or landowner.

SECTION II

**Supplemental Rattler Midstream Operating LLC Rules and Regulations
Governing Intrastate Gathering of Crude Petroleum By Pipeline**

The requirements of Section II will be in addition to the requirements of Section I. In case of discrepancies in the requirements between the Sections, Section II will govern to the fullest extent permitted by applicable law.

1. DEFINITIONS

- “API” means American Petroleum Institute.
- “Applicable Law” means any law, rule, regulation, ordinance, code, order, writ, judgment, decree or rule of common law or any judicial or administrative interpretation thereof or other legal or regulatory determination by a Governmental Authority of competent jurisdiction.
- “ASTM” means the American Society for Testing Materials.
- “Barrel” means forty-two (42) United States gallons at sixty (60) degrees Fahrenheit and zero (0) gauge pressure if the vapor pressure of the Crude Petroleum is at or below atmospheric pressure, or at equilibrium pressure if the vapor pressure of the Crude Petroleum is above atmospheric pressure.
- “Carrier” means and refers to Rattler Midstream Operating LLC.
- “Consignee” means anyone to whom custody is to be given at the specific instructions of a Shipper when Crude Petroleum is delivered out of Carrier’s system.
- “Consignor” means the Person from whom a Shipper has ordered the receipt of Crude Petroleum.
- “Crude Petroleum” means the direct liquid product of oil wells, oil processing plants, or a mixture of such products, but does not include natural gas liquids, or refined petroleum products.
- “Governmental Authority” or “Governmental Authorities” means any federal, state, local, municipal, tribal or other government; any governmental, regulatory or administrative agency, commission, body or other authority exercising or entitled to exercise any administrative, executive, judicial, legislative, regulatory or taxing authority or power; and any court or governmental tribunal, including any tribal authority having or asserting jurisdiction.
- “Nomination” means a written designation by Shipper to Carrier of a stated quantity of Crude Petroleum to be tendered to Carrier for gathering from a specified origin point(s) to a specified destination point(s) over a period of one operating month in accordance with these rules and regulations.
- “Party” means Carrier or a Shipper, as applicable, and “Parties” means both Carrier and a Shipper.
- “Prime Rate” means the variable annual rate of interest charged by Citibank, New York (or its successor) to calculate interest on variable rate commercial loans made in the United States to its most creditworthy customers.
- “Shipper” means the party who uses Carrier’s system for the gathering of Crude Petroleum, subject to and in accordance with this tariff and any other applicable tariffs of Carrier.
- “System” means that portion of Carrier’s pipeline system, including all appurtenances thereto, related to the provision of gathering services provided by Carrier pursuant to this tariff.
- “Tender” means an offer by a Shipper to Carrier of a stated quantity of Crude Petroleum for gathering from a specified origin point(s) to a specified destination point(s).

2. QUALITY SPECIFICATIONS

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(A) Carrier shall have no obligation to accept, gather, or deliver any commodity other than Crude Petroleum that meets the quality specifications herein, and Shipper shall not Tender to Carrier Crude Petroleum that does not meet such specifications. Except where Carrier determines, in its sole discretion, that accepting non-conforming Crude Petroleum for gathering will not adversely affect its system operations, Carrier will not knowingly accept any Crude Petroleum offered for gathering other than good and merchantable Crude Petroleum of acceptable character which, when measured and tested by Carrier or Carrier’s representative at the origin point, meets all of the following specifications:

Quality	Units	Min	Max	Reference Test Method
A.P.I. Gravity (60F)	deg. API	36	44	ASTM D287 AND API MPMS CHAPTER 9
Sulfur Content	Weight %		≤ 0.4	ASTM D4294
Reid Vapor Pressure	PSIA		9.5	ASTM D6377
True Vapor Pressure	PSIA		11.0	ASTM D6377
Basic Sediment and Water	% of Volume		≤ 1.0%	API MPMS CHAPTER 10.4

In addition, Crude Petroleum tendered for gathering by Shipper shall not contain sand, dust, dirt, gums, impurities, or other objectionable matter in quantities that may be injurious to Carrier or downstream facilities, or which otherwise may interfere with the gathering of Crude Petroleum in Carrier’s system. The presence of contaminants in Crude Petroleum including, but not limited to, chemicals such as chlorinated and/or oxygenated hydrocarbons, arsenic, lead, waste oil, lube oil, crankcase oil, PCB’s, dioxins, or excessive paraffin or hydrogen sulfide shall be reason for Carrier to reject any Crude Petroleum.

(B) Carrier or its representative shall test all Crude Petroleum tendered for gathering on Carrier’s System for compliance with the Quality Specifications. All such tests shall be performed by Carrier, but Shipper, Consignor, or Consignee may be present or represented at the testing provided such witnessing does not unreasonably interfere with Carrier’s operation of the System. Carrier shall provide reasonable advance notice of any such testing (other than the continuous monitoring of the System) to Shipper. Quantities shall be tested in accordance with applicable A.P.I./ASTM standards and pipeline industry practice or such other tests as may be agreed upon by Carrier and Shipper. All tests performed by Carrier shall be determinative unless Shipper, Consignor, or Consignee submits to Carrier, within sixty (60) days of the date of the test, appropriate documentation contesting the test.

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(C) Carrier reserves the right to reject all deliveries of Crude Petroleum and refuse to perform gathering service if Carrier determines that Shipper has delivered Crude Petroleum that (i) does not conform to the Quality Specifications, (ii) is not merchantable, (iii) is not readily acceptable for gathering through Carrier's System, (iv) would otherwise adversely affect Carrier's System or other Crude Petroleum on Carrier's System and/or (v) would expose any Person or property (including Carrier's System) to an undue risk of harm or property damage ("Off-Spec Crude Petroleum"), all of which shall be determined by Carrier, in Carrier's reasonable discretion.

(D) In the event Shipper delivers Off-Spec Crude Petroleum to the System: (i) Carrier may accept such delivery if Carrier determines, in its sole discretion, that the quality of the Off-Spec Crude Petroleum, when commingled as a common stream, will nonetheless meet the Quality Specifications; *provided, however*, that Carrier shall not knowingly accept Shipper's delivery of Off-Spec Crude Petroleum if Carrier determines that the quality of Off-Spec Crude Petroleum, when commingled as a common stream, would not meet the Quality Specifications. If Carrier does not accept such Off-Spec Crude Petroleum, Carrier may exclude such Shipper from further entry into Carrier's System until such time as Shipper returns the quality of its Crude Petroleum to a level satisfactory to Carrier in accordance with this tariff.

(E) Carrier reserves the right to dispose of any Off-Spec Crude Petroleum (other than such Crude Petroleum accepted by Carrier as provided in Item No. 2.D. herein). Disposal thereof may be made in any reasonable manner, including, but not limited to, commercial sales. Shipper shall be liable for and shall defend, indemnify and hold Carrier harmless from and against any and all claims, actions, suits, losses, demands, costs and expenses (including attorney's fees and costs of repairing, inspecting, cleaning and decontaminating Carrier's System or the facilities of third parties) of every kind, nature or description to the extent caused by Off-Spec Crude Petroleum (other than such Crude Petroleum accepted by Carrier as provided in Item No. 2.D. herein) that Shipper has delivered into Carrier's System.

(F) Carrier shall have the right to change or modify the Quality Specifications in order to conform to the quality specifications of downstream connecting facilities.

3. SHIPMENTS AND MAINTENANCE OF IDENTITY

Crude Petroleum offered for gathering shall be received by Carrier only on the condition that it shall be subject to such changes in gravity or quality while in transit as may result from the gathering thereof or the mixture of said Crude Petroleum with other Crude Petroleum in the pipelines or facilities of Carrier.

Carrier is not obligated to deliver to Shipper the identical Crude Petroleum tendered by Shipper; Carrier will deliver the grade of Crude Petroleum it is regularly gathering as a common stream.

Carrier shall have no responsibility in, or for, any revaluation or settlements which may be deemed appropriate by Shippers and/or Consignees because of mixing or commingling of Crude Petroleum shipments between the receipt and delivery of such shipments by Carrier within the same common stream.

4. NOMINATIONS

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Any Shipper desiring to Tender Crude Petroleum for gathering shall make a Nomination to the Carrier in writing by 7:00 a.m. central clock time on or before the twentieth (20th) day prior to the end of the month preceding the month during which the gathering under the Nomination is to begin. If the twentieth (20th) day prior to the end of the month falls on a weekend or federal holiday, then the Nomination shall be due on the last day preceding the twentieth (20th) day prior to the end of the month that is not a weekend or federal holiday. The Nomination shall specify the origin point, the destination point, the Consignee (if any), and the amount of Crude Petroleum to be gathered. Unless Shipper submits a Nomination, the Carrier will be under no obligation to accept Crude Petroleum for gathering.

A Nomination shall be accepted only when the total quantity of Crude Petroleum shall be made available by Shipper on a ratable basis over the course of the month, or in such quantities and at such times specified by Carrier.

When timely Nominations submitted by Shippers to Carrier do not exceed the operating capacity of Carrier's system or any line segment thereof as determined by Carrier, additional Nominations may be accepted by Carrier to fill capacity, on a nondiscriminatory basis. These additional Nominations will be accepted only if they do not impair the movement of Crude Petroleum that was nominated on a timely basis.

Crude Petroleum will be gathered only under a Nomination accepted by Carrier from origins to destinations when a tariff covering the pipeline movement is lawfully in effect and on file with the FERC as to interstate traffic and with the appropriate state commission covering intrastate traffic.

5. APPORTIONMENT OF CAPACITY

When there shall be nominated to Carrier, for transportation, more Crude Petroleum than can be immediately transported, based on Carrier's determination of its system capacity or the capacity of any line segments thereof, the transportation furnished by Carrier shall be apportioned among Shippers on an equitable basis. Operating segments will be prorated separately, if necessary.

Space in each segment will be allocated as follows:

1. Up to 90% of the available capacity shall be allocated to Shippers on a pro-rata basis using the lesser of volumes nominated or their Representative Volume.
2. The remaining available capacity shall be allocated to all Shippers on a pro-rata basis using the volume of Nominations that remain unfulfilled, if any, following step 1, immediately above.

For the purposes of this section, "Representative Volume" means the average of the Shipper's twelve consecutive month volumes consisting of (a) the current Nomination for the next operating month, (b) the accepted Nomination for the instant operating month and (c) the net volume received from such Shipper by Carrier in the 10 operating months immediately prior to the instant month.

No Nominations shall be considered beyond the amount that the nominating party has readily accessible for shipment. If a Shipper is unable to deliver Crude Petroleum equal to the capacity

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allocated to it, Carrier will reduce that Shipper's volumes for the succeeding month by the amount of allocated throughput not utilized during the preceding month if apportionment is necessary.

Each Shipper whose Representative Volume consists only of the current Nomination for the next operating month shall be required to certify that it is not affiliated with any other Shipper before Carrier will accept a Nomination from such Shipper. For purposes of this provision, the term "affiliate" includes any person or entity that, directly or indirectly, controls another Shipper, is controlled by another Shipper, or is controlled by the same person or entity that controls another Shipper, and the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of any person or entity whether through the ownership of voting securities or by contract or otherwise.

6. TITLE; CRUDE PETROLEUM INVOLVED IN LITIGATION

Carrier shall not be obligated to accept any Crude Petroleum, when nominated for gathering, which may be involved in litigation, or the title of which may be in dispute, or which may be encumbered by a lien or charge of any kind, and Carrier may require of Shipper a satisfactory indemnity bond to protect Carrier. Shipper warrants and guarantees that the Shipper has good title or the right to deliver all Crude Petroleum tendered for gathering service and agrees to hold Carrier harmless for any and all loss, cost, liability, damage and/or expense resulting from failure of title thereto; provided, that acceptance for gathering shall not be deemed a representation by Carrier as to title.

7. GAUGING, TESTING AND DEDUCTIONS

Crude Petroleum shipped hereunder shall be measured and tested by representatives of Carrier or by automatic equipment approved by Carrier prior to its acceptance from Shipper at the origin point, and at the applicable delivery point. Shipper may have a representative present at the measurement and testing, and Carrier shall provide Shipper with two (2) days' advance notice of such measurement and testing. Quantities shall be determined by dynamic or static measurement methods in accordance with appropriate API standards, latest revision, and adjusted to base (reference or standard) conditions. Carrier shall have the right to enter upon the premises where Crude Petroleum is received and have access to any and all tanks, storage receptacles, or meters for the purpose of gauging, metering or testing and to make any examination, inspection, measurement or test authorized in this tariff.

When Carrier determines that a lease operator 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 the tank walls, or any other similar conditions unacceptable to Carrier, Carrier shall reject the use of such tanks until the unacceptable conditions have been corrected. Alternatively, in the case of incrustation inside any tank, Carrier may determine and apply a correction factor to ascertain the correct tank capacity.

Corrections will be made for temperature from observed degrees Fahrenheit to 60 degrees Fahrenheit and standard pressure. Carrier will deduct the full amount of sediment, water and other impurities as the centrifugal or other test may show.

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Unless otherwise indicated on a rate tariff, Carrier will allocate any overage or shortage, including losses or gains resulting from shrinkage, evaporation, expansion, and losses or gains inherent in the operation of the system on a monthly basis to Shipper in the proportion that Shipper's volume bears to the volume of all Shippers. Allocations may be made on an operating segment basis when convenient to Carrier.

After consideration of all of the factors herein, a net balance will be determined as the quantity of Crude Petroleum received or delivered by Carrier.

8. EVIDENCE OF RECEIPTS AND DELIVERIES

Crude Petroleum received for the account of Shipper and delivered to Consignee shall, in each instance, be evidenced by a ticket, showing quantity received or delivered as the case may be, temperature, basic sediment and water, and any other data essential to the determination of quantity. Unless otherwise agreed by the Carrier, Shipper and/or Consignee, such tickets shall be signed by representatives of the Carrier, as appropriate, and shall constitute full receipt for the Crude Petroleum received or delivered.

9. ORIGIN AND DESTINATION FACILITIES REQUIRED

Carrier will receive Crude Petroleum only at established origin points on its pipeline, only when tendered for shipment to established destination points on Carrier's system, and only when Shipper has provided necessary facilities for handling receipts and deliveries, which facilities shall conform to the operating requirements of Carrier, in Carrier's reasonable discretion. Crude Petroleum will be received only from pipelines, tanks, or other facilities which are provided by Shipper or connecting carrier. Shipper or Shipper's representative, as applicable, shall be required, at Carrier's request, to enter into a connection agreement governing the responsibilities associated with the design, fabrication, installation, construction, ownership, and operations of the interconnection between Carrier and Shipper or Shipper's representative, as the case may be, in form and substance acceptable to Carrier. Carrier will determine and advise Shippers of the size and capacity of pipelines, tanks, and other pertinent facilities to be provided at a point of origin to meet the operating conditions of Carrier's facilities at such point.

10. STORAGE IN TRANSIT

Carrier does not provide storage for Crude Petroleum and does not offer a storage service.

11. TAMPERING

Carrier shall have the right to install and monitor, to Carrier's satisfaction, sealing devices on the components of measuring devices for the purpose of discouraging tampering. Installation of sealing devices by Carrier shall not absolve the owner of measurement facilities of any responsibilities with respect to the security of its owned equipment.

In addition to any other remedies provided for herein or at law or equity, if any Shipper or Consignee, without prior permission from Carrier, tampers with any property owned or used by Carrier to provide services, this shall constitute reason for Carrier to refuse acceptance of further Crude

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Petroleum from such Shipper, or to deliver further Crude Petroleum to such Consignee, or, at the option of Carrier, to impose additional terms and conditions prescribed by Carrier. Upon discovery of tampering, there will be a presumption of violation by the party receiving the benefit of Carrier's service. As used herein, tamper means to rearrange, break, injure, alter, interfere with, or otherwise to prevent from performing normal or customary function(s).

12. NOTICE OF ARRIVAL, DELIVERY AT DESTINATION, DEMURRAGE

The obligation of the Carrier shall be to deliver the quantity of Crude Petroleum to be gathered, less deductions, at the specified destination. Such delivery may be made upon twenty-four (24) hours notice to the Shipper or Consignee who shall accept and receive said Crude Petroleum from the Carrier with all possible dispatch. Commencing at 7:00 a.m. on the day immediately following the expiration of said 24-hour notice, Carrier shall assess a demurrage charge on any part of said Crude Petroleum shipment offered for delivery and not taken by Shipper or Consignee; the demurrage charge will be one cent (\$0.01) per Barrel per day for each day of 24 hours or fractional part thereof. After expiration of said 24-hour notice, Carrier's liability for loss, damage or delay with respect to Crude Petroleum offered for delivery but not taken by Shipper or Consignee shall be that of a warehouseman only.

If the Shipper, or Consignee, is unable or refuses to receive said Crude Petroleum as it arrives at the specified destination, Carrier reserves the right to make arrangements for disposition of the Crude Petroleum in accordance with the procedures set forth in Item No. 15 below in order to clear its system.

13. LINE FILL AND WORKING INVENTORY REQUIREMENTS

Each Shipper will be required to supply a pro rata share of Crude Petroleum necessary for pipeline fill and working stock to ensure efficient operation of Carrier's system, which Barrels shall be submitted to Carrier in advance of any shipments by Shipper, pursuant to the schedule determined by Carrier. Crude Petroleum provided by Shippers for this purpose may be withdrawn only after: (1) shipments have ceased and the Shipper has notified Carrier in writing at least sixty (60) days in advance of its intention to discontinue shipments in Carrier's system, and (2) Shipper balances have been reconciled between Shipper and Carrier. Carrier shall require advance payment of any unpaid accounts receivable, before final delivery will be made. Carrier shall have a reasonable period of time from the receipt of said notice, not to exceed six months, to complete administrative and operational requirements incidental to Shipper withdrawal.

Crude Petroleum Barrels delivered to Carrier for Carrier's initial pipeline fill and working stock shall be charged a gathering fee at the time such Barrels are removed from Carrier's system. The amount shall be the applicable rate(s) and charges then in effect for shipments from the origin point where Shipper's line fill and working stock volumes were received into Carrier's system to the destination point where such volumes were delivered by Carrier.

14. APPLICATION OF RATES AND CHARGES

Crude Petroleum accepted for gathering shall be subject to the rates and charges in effect on the date of receipt of such Crude Petroleum by the Carrier, regardless of the date of Nomination.

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Gathering and all other lawful charges will be collected on the basis of net quantities of Crude Petroleum received.

Each Shipper shall deliver to Carrier each month a volume of Crude Petroleum equal to the quantity allocated to such Shipper by Carrier, and shall pay to Carrier an amount equal to the product of (i) the applicable tariff rate(s) and charges, times (ii) the greater of: (a) the net quantity of Crude Petroleum received from Shipper, or (b) Shipper's allocated volume.

15. PAYMENT OF GATHERING AND OTHER CHARGES

Shipper shall be responsible for payment of gathering and all other charges applicable to the shipment, and may be required to prepay such charges or furnish guaranty of payment satisfactory to Carrier, as provided in Item No. 16 below. Payments not received by Carrier in accordance with invoice terms shall be subject to a late charge equivalent to the lower of 125% of the Prime Rate or the maximum rate allowed by law. Carrier shall have a lien on all Crude Petroleum accepted for gathering to cover payment of all charges, including demurrage and late charges.

If said charges, or any part thereof, shall remain unpaid for thirty (30) days after the invoice payment date, Carrier may, on a nondiscriminatory basis, suspend further receipts and deliveries of Crude Petroleum to Shipper until the unpaid charges are paid in full, and may sell the Crude Petroleum then in Carrier's possession at public auction. Carrier shall have a lien on Crude Petroleum when there shall be failure to take the Crude Petroleum at the point of destination as provided in this tariff. Carrier shall have the right to sell said Crude 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, provided that the sale takes place not less than twenty-four (24) hours after publication of notice of such sale in a daily newspaper of general circulation published in the area of the proposed sale, with such notice stating the time and place of sale and the quantity, type, and location of Crude Petroleum to be sold; and further provided that Carrier provides Shipper not less than twenty-four (24) hours' notice of the sale. Carrier may be a bidder and purchaser at such sale. Out of the proceeds of said sale, Carrier shall pay itself for all gathering, demurrage, and other lawful charges, expenses of notice, advertisement, sale and other necessary expenses, and expenses of caring for and maintaining the Crude Petroleum, and the balance shall be held for whomsoever may be lawfully entitled thereto after the auction, without any obligation to pay interest. If the proceeds of said sale do not cover all expenses incurred by Carrier, then Shipper shall be liable to Carrier for any deficiency.

If Shipper disputes any amount payable under an invoice, Shipper shall nonetheless pay to Carrier the full amount of such invoice on or before the payment due date. If it is ultimately determined that Shipper's invoice was incorrect and that an overpayment was made, Carrier shall reimburse Shipper for such overpayment, with interest calculated from the date such overpayment was made until the date of reimbursement at the Prime Rate.

16. FINANCIAL ASSURANCES

Carrier may at any time and from time to time request, and Shipper shall provide promptly if Carrier so requests, financial security for the payment of charges to be paid by Shipper to Carrier for gathering service ("Financial Assurances"). If requested by Carrier, Shipper's Financial Assurances must be provided to Carrier prior to Carrier accepting Shipper's initial Nomination for

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gathering of Crude Petroleum. Carrier shall thereafter have the option to refuse Nominations, in whole or in part, from Shipper, and to suspend further receipts and deliveries, until adequate Financial Assurances are provided. Shipper shall provide notice of any change in its financial situation that would adversely affect Shipper's ability to pay Carrier for gathering service.

The Financial Assurances that Carrier may request from Shipper shall include, but shall not be limited to, the following:

1. Prepayment of the charges applicable to such volumes nominated by Shipper; or
2. An irrevocable letter of credit or such other equivalent financial guaranty satisfactory to Carrier, which Financial Assurances shall remain in effect until payment in full for all service has been received by Carrier, at which time Carrier shall, upon request, return and/or cancel such financial guaranty forthwith. The following must be acceptable to Carrier: (i) the terms of any letter of credit; (ii) the adequacy of any equivalent financial guaranty; and (iii) the identity of the issuing institution of any letter of credit or equivalent financial guaranty.

17. INTERRUPTION AND CURTAILMENT

Carrier may interrupt, curtail or reduce gathering service to Shippers for such periods of time as it may reasonably require for the purpose of effecting or allowing any repairs, maintenance, replacement, upgrading or other work related to Carrier's system and related facilities or downstream facilities in circumstances which do not constitute a Force Majeure event. If such interruption is due to a planned outage, Carrier will give Shippers prior notice of such interruption and curtailment as soon as reasonably possible. Carrier will use reasonable commercial efforts to minimize the extent and duration of any interruption and the impact of such interruption on the operation of Carrier's system. During such periods of interruption, Carrier shall curtail gathering and, if necessary, allocate available capacity in accordance with the procedures set forth in Item No. 5.

18. FORCE MAJEURE

Neither Shipper nor Carrier shall be considered in default in the performance of its obligations hereunder (except for Shipper's obligations to make monetary payments or provide Financial Assurances), or be liable in damages or otherwise for any failure or delay in performance, when such failure is caused by an event of Force Majeure.

The term "Force Majeure" as used in this tariff means any cause or causes not reasonably within the control of the Party claiming relief and which, by the exercise of reasonable diligence, such Party is unable to prevent or overcome, including acts of God; strikes, lockouts or other industrial disturbances; acts of the public enemy, acts of terror, sabotage, wars, blockades, military action, insurrections or riots; epidemics; landslides, subsidence, lightning, earthquakes, fires, storms or storm warnings; crevasses, floods or washouts; civil disturbances; explosions, breakage or accident to wells, machinery, equipment or lines of pipe; freezing of wells, equipment or lines of pipe; inability of any Party hereto to obtain, after the exercise of reasonable diligence, necessary materials, supplies, rights of way, or permits; or any action or restraint by any Governmental Authority (so long as the Party claiming relief has not applied for or assisted in the application for, and has opposed where and to the extent reasonable, such action or restraint, and as long as such

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action or restraint is not the result of a failure by the affected Party to comply with Applicable Law).

The settlement of strikes or lockouts shall be entirely within the discretion of the Party affected thereby, and the foregoing requirement that any Force Majeure event shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of the opposing party when such course is inadvisable in the sole discretion of the Party affected thereby.

19. LIABILITY OF CARRIER

Except where caused by the negligence or willful misconduct of Carrier, Carrier shall not be liable to a Shipper for any delay, damage, loss, costs, expenses, or special, indirect, punitive, exemplary or consequential loss resulting from any cause while Carrier is in possession or control of Shipper's Crude Petroleum, including without limitation the breakdown of facilities of Carrier, and under no circumstances shall Carrier have liability to Shipper for special damages.

In case of damage to or loss of Crude Petroleum while Carrier is in possession of such Crude Petroleum, then Carrier may apportion the cost of such damage or loss on a pro rata basis among all Shippers provided such damage or loss is not caused by the negligence or willful misconduct of Carrier. Each Shipper's share of such cost shall be determined by Carrier, based on the proportion of the volume of Shipper's Crude Petroleum in Carrier's possession on the date of such loss to the total volume of all Shippers' Crude Petroleum in the possession of Carrier on the date of such loss. Carrier will be obligated to deliver only that portion of Crude Petroleum remaining after deducting such loss. Gathering charges applicable to such loss shall be credited to Shipper.

20. LIABILITY OF SHIPPER

As a condition to Carrier's acceptance of Crude Petroleum for transportation on Carrier's System, each Shipper agrees to protect and indemnify Carrier against claims or actions for injury and/or death of any and all Persons whomever and for damage to property of or any other loss sustained by Carrier, Shipper, Consignor, Consignee and/or any third party, resulting from or arising out of (i) any breach of or failure to adhere to any provision of Carrier's tariff(s) by such Shipper or any of its Consignors, Consignees, or any of their agents, employees or representatives and (ii) the negligent act(s) or failure(s) to act of such Shipper or any of its Consignors, Consignees, or any of their agents, employees or representatives in connection with delivery or receipt of Crude Petroleum.

21. CLAIMS, SUITS AND TIME FOR FILING

As a condition precedent to recovery from Carrier for loss, damage, or delay to shipments, claims must be filed in writing with Carrier within nine (9) months after delivery of the Crude Petroleum, or, in case of failure to make delivery, then within nine (9) months after a reasonable time for delivery has elapsed; and suits arising out of such claims shall be instituted against Carrier within two (2) years from the day when notice in writing is given by Carrier to the claimant that Carrier has disallowed the claim or any part or parts thereof specified in the notice. Where claims are not

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filed or suits are not instituted thereon in accordance with the foregoing provisions, Carrier will not be liable and such claims will not be paid.

22. PIPEAGE OR OTHER CONTRACTS

Separate pipeage and other contracts may be required of a Shipper, in accordance with the applicable tariff and these rules and regulations, before any duty of gathering by Carrier shall arise.

23. RATES

TABLE OF RATES

Rates in Dollars per Barrel, Payable in U.S. Currency

<u>Origin</u>	<u>Destination</u>	<u>Rate</u>
ReWard Field Receipt Points, Reeves County, Texas	ReWard Station, Reeves County, Texas [N]<u>Corsican Interconnect, Ward County, Texas</u>	[U]\$0.8549
Utah Field Receipt Points, Pecos and Reeves Counties, Texas	Coyanosa Station, Pecos County, Texas	[U]\$0.8549
Spanish Trail Field Receipt Points, Midland County, Texas	West Master Station, Midland County, Texas East Master Station, Midland County, Texas	[U]\$1.0788
Fivestones Field Receipt Points, Glasscock and Reagan Counties, Texas	Garden City South Station, Glasscock County, Texas	[U]\$0.8549

Explanation of reference marks:

[N] New
[U] Unchanged rate