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MODA INGLESIDE OIL PIPELINE, LLC

LOCAL TARIFF

CONTAINING

RULES, REGULATIONS AND RATES

GOVERNING THE TRANSPORTATION

OF

CRUDE PETROLEUM

(as defined herein)

BY PIPELINE

Rules and regulations published herein apply only under tariffs making specific reference by number to this tariff; such references will include subsequent reissues thereof.

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

P-5 Operator ID: 572937

T-4 Permit Information: 09382 (expires February 16, 2021)

Moda Ingleside Oil Pipeline, LLC is the owner of the pipeline providing service under this tariff.

EFFECTIVE DATE: July 1, 2020

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SECTION I
RULES AND REGULATIONS OF RAILROAD COMMISSION OF TEXAS
RULE §3.71 PIPELINE TARIFFS

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 two percent (2%) of basic sediment, water, or other impurities above a point six (6) 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 three thousand (3,000) barrels of petroleum in any one (1) 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 ninety degrees Fahrenheit (90° F), 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 this section, a “barrel” of crude petroleum is declared to be forty-two (42) gallons of 231 cubic inches per gallon at sixty degrees Fahrenheit (60° F).

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 (5) 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.

7. MINIMUM QUANTITY TO BE RECEIVED:

A pipeline shall not be required to receive less than one (1) 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 five hundred (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 oil 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 oil 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 oil 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 oil.

- 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 twenty-four (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 ten thousand (10,000) barrels per day of twenty-four (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 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 ten (10) days of one-tenth of one cent (\$0.001) per barrel; and thereafter at a rate of three-fourths of one cent (\$0.0075) per barrel, for each day of twenty-four (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 ninety-one (91) days after the damage, loss, or delay occurred. If the claim is for failure to make delivery, the claim must be made within ninety-one (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; 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 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, LIGHTENING, 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 oil 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 RULES AND REGULATIONS

The requirements of this Section II will be in addition to the requirements set forth in Section I. In case of discrepancies in the requirements between the Sections, the requirements in Section II will take precedence and govern over the requirements in Section I, to the extent permitted by Applicable Law.

1. DEFINITIONS:

“Additional Grade of Crude Petroleum,” as used herein, has the meaning set forth in Rule 5(A) of Section II of this tariff.

“A.P.I. Gravity,” as used herein, means gravity determined in accordance with American Society for Testing Materials Designation D-287 and with the American Petroleum Institute MPMS Chapter 9 or updates thereto.

“Applicable Law,” as used herein, means all applicable: laws, statutes, directives, requirements, codes, ordinances, rules (including the rules of any securities exchange), regulations and municipal by-laws; and judicial, arbitral, administrative, ministerial, departmental or regulatory judgments, orders, decisions, rulings or awards, consent orders, consent decrees and policies of any Governmental Authority.

“Barrel,” as used herein, means a barrel of forty-two (42) gallons, United States measurement at 60 degrees Fahrenheit and zero pounds per square inch gauge pressure.

“Carrier,” as used herein, means Moda Ingleside Oil Pipeline, LLC.

“Committed Shipper,” as used herein, means a Shipper that has entered into and has an effective T&D with Carrier.

“Common Stream(s)” as used herein means Crude Petroleum moved through Carrier’s System and associated facilities which is commingled or intermixed with other Crude Petroleum in said System.

“Consignee,” as used herein, means the party to whom a Shipper has ordered delivery of Crude Petroleum.

“Crude Petroleum,” as used herein, means either Direct Products, or a mixture of Direct Products with Indirect Liquid Products, including natural gasoline and liquefied petroleum gases, as provided in Rule 5 of this section.

“Deficiency Payment,” as used herein, means a payment due by a Committed Shipper to Carrier, in accordance with the Committed Shipper’s T&D.

“Direct Products,” as used herein, means the direct liquid products of oil wells.

“Force Majeure,” as used herein, has the meaning set forth in Rule 6(B) of Section II of this tariff.

“Governmental Authority” or “Governmental Authorities,” as used herein, means any governmental, administrative or regulatory entity, authority, commission, board, agency, instrumentality, bureau or political subdivision, and any court, tribunal or judicial or arbitral body (whether national, federal, state or local or, in the case of an arbitral body, whether governmental, public or private), having jurisdiction over Shipper or Carrier.

“Indirect Liquid Products,” as used herein, means the liquid products resulting from the operation of natural gasoline recovery plants, gas recycling plants, and condensate or distillate recovery equipment in gas or oil fields.

“Line Fill,” as used herein, has the meaning set forth in Rule 8(A) of Section II of this tariff.

“Nomination,” as used herein, means a written offer (in form and context specified by Carrier) made in accordance with the terms of this tariff by a Shipper to Carrier of a stated quantity of Crude Petroleum for transportation from an origin point to a destination point identified in the Table of Rates in Section III of this tariff.

“Notification,” as used herein, has the meaning set forth in Rule 8(D) of Section II of this tariff.

“Person,” as used herein, means any individual, corporation, limited liability company, partnership, trust or other entity, or any Governmental Authority.

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

“System,” as used herein, means Carrier’s pipeline system and all related facilities, including tankage.

“T&D,” as used herein, has the meaning set forth in Rule 6(B) of Section II of this tariff.

2. COMMODITY:

Carrier is engaged in the transportation of Crude Petroleum only and therefore will not accept any other commodity for transportation under this tariff.

3. APPLICATION OF RATES FROM AND TO INTERMEDIATE POINTS:

For Crude Petroleum accepted for transportation from any origin point on Carrier’s System not named in this tariff which is intermediate to an origin point from which rates are published herein, through such unnamed point, the rate published herein from the next more distant origin point will apply. For Crude Petroleum accepted for transportation to any destination point not named in this tariff which is intermediate to a destination point to which rates are published herein, through such unnamed point, the rate published herein to the next more distant destination point will apply. Continuous use of intermediate point rate application for more than 30 days requires

establishment of a rate for the transportation service.

4. SHIPMENTS OF INDIRECT LIQUID PRODUCTS:

Indirect Liquid Products will be accepted for transportation only on condition that they have been mixed with Direct Products, or on condition that they can be mixed with Direct Products in the tanks or lines of Carrier at the point offered, and provided that both the Indirect Liquid Products and the Direct Products with which they are so mixed are owned by the same Shipper and are consigned to the same destination. Carrier reserves the right to require that all deliveries of Indirect Liquid Products with a vapor pressure in excess of atmospheric pressure be made from atmospheric tanks, provided the vapor pressure of the resulting mixture does not exceed that permitted by Carrier’s facilities and operating conditions.

5. SPECIFICATIONS AS TO QUALITY AND LEGALITY OF SHIPMENTS:

A. No Crude Petroleum will be accepted for transportation except merchantable Crude Petroleum which is properly settled and contains not more than one percent (1%) of basic sediment, water, and other impurities, has a temperature not in excess of one hundred and twenty degrees (120°) Fahrenheit, its gravity, viscosity, and other properties are such that it will be readily susceptible to transportation through Carrier’s System, and will not adversely affect the quality of Crude Petroleum from other Shippers or damage the Common Stream or Carrier’s System. Except as otherwise noted below. Carrier will not accept or transport Crude Petroleum that does not meet the specifications set forth in the table below:

Specification	West Texas Intermediate (WTI)
API Gravity, ° API	36 – 44
Sulfur Content, Weight %	<= 0.45
Maximum Reid Vapor Pressure in pounds per square inch absolute vapor pressure exerted by a liquid at a temperature of 100°F in accordance with ASTM D-323	9.5
Maximum True Vapor Pressure in pounds per square inch absolute vapor pressure exerted by a liquid at a temperature of 85°F	11.0

The specifications set forth in this Rule 5 shall apply to each Barrel of the Nomination and not be limited to the composite sample of the Nomination. Carrier will from time to time determine the quality and general characteristics of Crude Petroleum it will regularly transport as a Common Stream between particular origin and destination points on its System. Changes in Crude Petroleum quality and characteristics will be made by new tariff filings. For clarity, Carrier shall have the right, in its sole discretion, to designate an additional grade or grades of Crude Petroleum for transportation on Carrier’s System that

otherwise does not meet the specifications set forth in this Rule 5 (“Additional Grade of Crude Petroleum”). To the extent Carrier determines that acceptance of such Additional Grade of Crude Petroleum would result in the Common Stream not meeting the above-noted specifications, Carrier shall have the right to implement a batching process to transport such Additional Grade of Crude Petroleum and provide for segregated deliveries of the Common Stream from the Additional Grade of Crude Petroleum.

A Shipper may also request that Carrier transport an Additional Grade of Crude Petroleum. If Carrier agrees to accept Shipper’s request, then Shipper will be responsible for all additional costs resulting from Carrier’s acceptance of the Additional Grade of Crude Petroleum, and Carrier may require Shipper to supply, at its sole cost, additional storage or pumping infrastructure to accommodate the shipment of that Additional Grade of Crude Petroleum.

Shipper is required to furnish Crude Petroleum assays upon the request of Carrier so that quality determinations can be made. If Carrier determines that the Crude Petroleum tendered for transportation does not meet the specifications contained herein or, in the opinion of Carrier, differs materially in character from Crude Petroleum being transported by Carrier as a Common Stream, transportation may be either refused or only offered under such terms and conditions agreed to by Carrier and Shipper and consistent with this tariff.

Carrier reserves the right to reject all Nominations or any part thereof, if Carrier determines, in its discretion, reasonably exercised, that Shipper has delivered:

1. Crude Petroleum having a true vapor pressure which will result in Carrier’s noncompliance with Applicable Law.
 2. Crude Petroleum received from tanks containing basic sediment, water, or other impurities in excess of one percent (1%) average in suspension above a sample point located four inches below the pipeline connection with the tank. Where Crude Petroleum is delivered to the System through automatic custody transfer measurement facilities, Carrier may require use of a monitor which rejects Crude Petroleum containing in excess of one percent (1%) basic sediment and water.
 3. Crude Petroleum that has been contaminated by the existence of and or excess amounts of impure substances, including but not limited to chlorinated and/or oxygenated hydrocarbons, hydrogen sulfide, arsenic, lead and/or other metals which results in harm to other Shippers and/or Consignees, facilities downstream of the System, any Person with an in interest in the contaminated Crude Petroleum, or Carrier.
 4. Crude Petroleum where Shipper or Consignee has failed to comply with any Applicable Law made by any Governmental Authority regulating shipments of Crude Petroleum.
- B. Carrier shall have the discretion to exclude any Shipper that nominates or tenders Crude Petroleum for shipment on Carrier’s System that does not meet the quality specifications

set forth in this Rule 5, from further entry into Carrier's System until such time as the quality of the Crude Petroleum is to the satisfaction of Carrier.

- C. Quality specifications of a connecting facility may be imposed upon Carrier. When such limitations of the connecting facility vary from that of Carrier, the limitations of the connecting facility may be enforced.
- D. Carrier is not responsible for monitoring receipts or deliveries of Crude Petroleum for contaminants. Further, Carrier reserves the right to reject or dispose of any contaminated Crude Petroleum in Carrier's System. Disposal thereof may be made in any reasonable manner including but not limited to commercial sales, and any liability associated with the contamination or disposal of any Crude Petroleum shall be borne by the Shipper introducing the contaminated Crude Petroleum into Carrier's System. Shipper liability includes, but is not limited to, claims from other Shippers and/or Consignees, connecting facilities downstream of Carrier's System, any Person with an interest in the contaminated Crude Petroleum, Carrier, and the costs of any regulatory or judicial proceeding.
- E. Mixtures will be transported and delivered as Crude Petroleum. Carrier will not receive, transport and deliver unmixed Indirect Liquid Products.

6. APPLICATION OF RATES, DEFICIENCY PAYMENTS, AND FORCE MAJEURE:

- A. Crude Petroleum accepted for transportation shall be subject to the rates in effect on the date of receipt by Carrier, irrespective of the date of the Nomination.
- B. If an event of Force Majeure occurs on Carrier's System that prevents Carrier from performing any obligation under this tariff, such event shall not be considered to be a default of such obligation. The term "Force Majeure" means an event or occurrence beyond the reasonable control of Carrier that prevents Carrier from being able to perform its obligations under this tariff or a T&D, as applicable. Force Majeure shall include, but not be limited to (a) delayed actions, denials, rejections, failure to issue certificates, permits, licenses, or any required approvals related to transportation services on the System, the rates for transportation service set forth in this tariff, or environmental compliance, injunctions, orders, rules, legislation or regulations of Governmental Authorities; (b) quarantine, insurrections, wars, rebellion, riots, disturbances, sabotage, acts of public enemies, blockades, condemnation, epidemics, strikes, lockouts or labor disturbances or difficulties (the settlement of strikes, lockouts or labor difficulties being entirely within the Carrier's discretion); (c) acts of God or other unanticipated adverse weather conditions and actions of the elements including, without limitation, fires, explosions, earthquakes, storms, floods, freezing conditions, washouts, lightning, hurricanes, tornadoes, or landslides; (d) disruptions to, breakages of, or destruction of all or any portion of Carrier-owned or third party-owned machinery, lines of pipe, or facilities or disruptions to the services provided by third parties, in each case relied upon or contributing to provision of transportation service under this tariff, including the inability to obtain electric power, water, fuel, equipment, parts, repairs or other items or services; (e) breakdowns or failure of pipe, plant, machinery or equipment, (f) inability or delays in obtaining the necessary authorizations of any Governmental Authority, or (g) acts of

federal, state or local Governmental Authorities, compliance with rules, regulations or orders of any Governmental Authority, requisitions, directives, diversions, embargoes, priorities or expropriations of Governmental Authorities, legal or de facto, whether purporting to act under some constitution, decree, law or otherwise. The term "T&D" means a throughput and deficiency agreement or similar agreement entered into between Carrier and a Committed Shipper.

7. NOMINATIONS REQUIRED:

- A. Crude Petroleum for shipment through lines of Carrier will be received only on properly executed Nominations from Shipper showing the point at which the Crude Petroleum is to be received, point of delivery, Consignee, and amount of Crude Petroleum to be transported. Carrier may refuse to accept Crude Petroleum for transportation unless satisfactory evidence is furnished that Shipper or Consignee has made provision for prompt receipt thereof at the destination.
- B. Any Shipper desiring to nominate Crude Petroleum for transportation shall make such Nomination to Carrier in writing on or before 12:00 noon Central Standard Time/Central Daylight Saving Time, whichever is applicable, on the fifteenth (15th) day of the month preceding the month during which the transportation under the Nomination is to begin. When the fifteenth (15th) day of the month falls on a weekend, Nominations will be required prior to 12:00 noon Central Standard Time/Central Daylight Saving Time, whichever is applicable, on the last workday before the fifteenth (15th) day of the month. When the fifteenth (15th) day of the month falls on a holiday, Nominations will be required prior to 12:00 noon Central Standard Time/Central Daylight Saving Time, whichever is applicable, three (3) workdays prior to the holiday. Unless such notification is made, Carrier will be under no obligation to accept Crude Petroleum from Shipper for transportation under this tariff. If operating conditions permit, Carrier, in its sole discretion, may consider and accept Nominations submitted after the date specified above.
- C. Quantities of Crude Petroleum will be accepted for transportation as a single shipment to destinations shown herein in amounts of not less than 50,000 Barrels. Quantities of less than 50,000 Barrels may be accepted for transportation if operating conditions permit and if such Crude Petroleum is of like quality and characteristics of that currently being transported on Carrier's System.
- D. Carrier may refuse to accept Crude Petroleum for transportation if Shipper is not in compliance with the provisions of this tariff.

8. LINE FILL AND TANK BOTTOM INVENTORY:

- A. Each Shipper shall be required to supply a pro rata share of Crude Petroleum ("Line Fill") and inventory necessary for efficient operation of Carrier's System.
- B. In the event reasonable additional minimum quantities are required or Shipper's Line Fill balance drops below its pro rata share of the volume of Crude Petroleum necessary for the efficient operation of Carrier's System, Carrier will notify Shipper of the amount of

Line Fill that Shipper owes and Shipper shall supply such Line Fill to Carrier before Carrier is obligated to accept Shipper's Nominations or tenders or make deliveries or shipments on behalf of Shipper.

C. Line Fill furnished by a Shipper may be withdrawn from Carrier's System only after:

(1) (a) Shipper has ceased shipments and Shipper has notified Carrier in writing that it intends to discontinue shipments in Carrier's System for the foreseeable future or (b) Shipper is "no longer shipping" on Carrier's System, as described below.

(2) Shipper inventory balances and all outstanding amounts due have been reconciled between Shipper and Carrier.

D. A Shipper that has issued a formal notification to Carrier that it will no longer be a Shipper on Carrier's System; or a Shipper that is considered to be "no longer shipping" based on a lack of Nominations in the name of Shipper over a continuous 6-month time period shall be deemed to be "no longer shipping."

The procedure to notify a Shipper who has been designated as "no longer shipping" is as follows:

Carrier will issue a letter (the "Notification") to the Shipper that according to the Carrier's books, Carrier is holding a certain volume of Crude Petroleum on its books in Shipper's name. Shipper will be advised in such letter that Shipper will have 30 days effective with the date of the letter to provide written direction regarding the disposal of Shipper's Crude Petroleum. If at the end of this 30-day period, Carrier has received no written direction, Carrier will assume title to the Crude Petroleum being held on its books in Shipper's name, free and clear of any and all liens, claims or encumbrances, and Shipper agrees and consents to transfer title to Carrier as set forth herein.

If Carrier has been contacted by Shipper within 30 days of Notification, Carrier will grant Shipper an additional 30 days without charge to facilitate the disposal of Shipper's inventory Crude Petroleum. If at the end of this 60-day period, Shipper has not disposed of this Crude Petroleum, Carrier retains the right to charge a liquidated damage fee of [U] \$.10 per Barrel, per month, retroactive to the date of Notification, plus any other fees as allowed in accordance with the published tariff; such fees will be required to be paid before the Crude Petroleum will be released. In addition, if Shipper has not disposed of such Crude Petroleum within 60 days from the date of Notification, Carrier will assume title to such Crude Petroleum free and clear of any and all liens, claims or encumbrances, and Shipper agrees and consents to transfer title to Carrier as set forth herein. If Shipper provides a written request to Carrier after title to Crude Petroleum has been assumed by Carrier but before Carrier has otherwise disposed of Crude Petroleum, Carrier agrees to transfer title back to Shipper for a fee of [U] \$5 per barrel. Such fees will be required to be paid before the Crude Petroleum will be released. Upon transfer of title back to Shipper, Shipper will then be responsible for disposing of Crude Petroleum within 30 days. Failure of Shipper to dispose of said Crude Petroleum within 30 days of the transfer of title back to Shipper will result in title being vested back in Carrier without recourse.

- E. Carrier may require advance payment of transportation charges on the volumes to be delivered from Carrier's System, and satisfactory payment of any unpaid accounts receivable, before final delivery will be made of any Crude Petroleum or Line Fill belonging to Shipper. Carrier shall have a self-executing lien on any and all Crude Petroleum or Line Fill in its possession which shall serve as security for and shall extend to debts due from Shipper to Carrier beginning with Shipper's first receipt of transportation or other services from Carrier.
- F. Carrier shall have a reasonable period of time after the receipt of said notice to complete administrative and operational requirements incident to Shipper's withdrawal of the Crude Petroleum or Line Fill.

9. DEDUCTIONS AND QUANTITIES DELIVERABLE:

- A. As set forth in Rule 18(A) of Section II of this tariff, the quantity delivered shall be reduced by deduction for sediment, water, other impurities, loss for evaporation and loss during transportation.
- B. Where the tank or meter of Shipper is used for volume determination for deliveries into from Carrier's facilities, Carrier reserves the right to require re-strapping or check-strapping of any such tank, the recalculation of any tank table utilized by Shipper in relation to any such tank and the proving or check-proving of any such meter.
- C. Except for arithmetic errors, all measurement and testing by Carrier shall be conclusive whether or not a representative of the Shipper or its Consignee was present during such measuring and testing, provided Shipper received notice of measurement or testing.

10. ADDITIVES:

Carrier reserves the right to require, approve or reject the injection of corrosion inhibitors, viscosity or pour point depressants, drag reducing agent, impurity scavengers, or other such additives in Crude Petroleum to be transported.

11. COMMON STREAM CRUDE PETROLEUM – CONNECTING FACILITIES:

When receipts from and/or deliveries to a connecting facility of substantially the same grade of Crude Petroleum are scheduled at the same interconnection or at interconnections along the same pipeline system, Carrier reserves the right, with cooperation of the connecting facility, to offset like volumes of such Common Stream Crude Petroleum in order to avoid capacity constraints or the unnecessary use of energy which would be required to physically pump the offsetting volumes. When this right is exercised, Carrier will make the further deliveries for Shipper involved from its Common Stream Crude Petroleum.

12. CHARGE FOR FUND COMPENSATION:

In addition to all other charges accruing on Crude 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 by any Federal, State, or local act, regulation or agency for the purpose of providing a fund for the reimbursement of parties who sustain costs or losses resulting from oil pipeline industry operations. Such charge will be included in the appropriate tariff filed with the Railroad Commission of Texas.

13. TRANSFERS WITHIN SYSTEM:

Line transfers or ownership transfers of Crude Petroleum in custody of Carrier within its System from one Shipper (transferor) to another Shipper (transferee) will be permitted provided:

- A. Each transferor will be charged one-half cent ($1/2\phi$) per Barrel for each line transfer or ownership transfer of Crude Petroleum in custody of Carrier within its System.
- B. All intrasystem transfer requests to Carrier must be made in accordance with requirements stipulated in Rule 7 (Nominations Required) of Section II of this tariff. Both transferor and transferee shall provide written notice to Carrier containing like data relative to the kind, quantity, source, location, transferor, and transferee of the Crude Petroleum and the month during which transfer is to occur. Verbal transfer requests will be recognized provided written confirmation is received by the first day of the month during which ownership transfer is requested.
- C. Any party involved in an intrasystem transfer hereunder shall be subject to any and all applicable provisions or requirements contained in this tariff.

14. OFFERS IN EXCESS OF FACILITIES:

- A. If Crude Petroleum is nominated to Carrier for transportation in excess of the amount that can be immediately transported, Carrier shall apportion capacity among all Shippers in accordance with Carrier's Proration Policy titled Moda Ingleside Oil Pipeline, LLC Proration Policy (dated May 24, 2019) and attached hereto.
- B. No nomination shall be considered beyond the amount which the person requesting the shipment then has ready for shipment. Carrier will not recognize for apportionment purposes any Nomination by a Shipper which exceeds Carrier's System capacity.

15. CRUDE PETROLEUM INVOLVED IN LITIGATION, ETC. – INDEMNITY AGAINST LOSS:

- A. Carrier shall have the right to reject any Crude Petroleum, when nominated for transportation, 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 it may require of the Shipper satisfactory evidence of its perfected and unencumbered title or satisfactory indemnity bond to protect Carrier. By nominating Crude Petroleum, Shipper warrants and guarantees that Shipper has good title thereto and agrees to hold Carrier harmless for any and all loss, cost, liability, damage and/or expense resulting from Shipper's failure to have good title thereto; provided that acceptance for transportation shall not be deemed a representation by Carrier as to acceptance of Shipper's good title.

- B. AS A CONDITION TO CARRIER'S ACCEPTANCE OF CRUDE PETROLEUM UNDER THIS TARIFF, EACH SHIPPER AGREES TO DEFEND, INDEMNIFY, AND HOLD HARMLESS CARRIER AND ITS AFFILIATES, MEMBERS, MANAGERS, PARTNERS, OFFICERS, DIRECTORS, EMPLOYEES, REPRESENTATIVES, AND AGENTS, FROM AND AGAINST ANY AND ALL CLAIMS, ACTIONS, PENALTIES, TREATING OR BLENDING FEES, LOSSES, COSTS, EXPENSES, LIABILITIES, OR DAMAGES OF ANY KIND OR NATURE (INCLUDING REASONABLE ATTORNEYS' FEES, THE COSTS OF ANY REGULATORY OR JUDICIAL PROCEEDING, INJURY OR DEATH OF ANY AND ALL PERSONS WHOMEVER, AND DAMAGE TO PROPERTY OR ANY OTHER LOSS SUSTAINED BY CARRIER, SHIPPER, CONSIGNEE, OTHER SHIPPERS, DOWNSTREAM FACILITIES, AND ANY THIRD PARTY), RESULTING FROM OR ARISING OUT OF (1) ANY BREACH OF OR FAILURE TO ADHERE TO ANY PROVISION OF THIS TARIFF (INCLUDING WITHOUT LIMITATION FAILURE TO MEET THE QUALITY SPECIFICATIONS UNDER THIS TARIFF) BY SHIPPER OR CONSIGNEE, OR THEIR RESPECTIVE EMPLOYEES, AGENTS, OR REPRESENTATIVES, AND (2) THE NEGLIGENT ACT OR FAILURE TO ACT OF SHIPPER OR CONSIGNEE, OR THEIR RESPECTIVE EMPLOYEES, AGENTS, OR REPRESENTATIVES, IN CONNECTION WITH THE DELIVERY AND RECEIPT OF CRUDE PETROLEUM UNDER THIS TARIFF.

16. STORAGE OF CRUDE PETROLEUM IN TRANSIT:

Carrier may provide working tankage that is incident and necessary to the transportation of Crude Petroleum, but does not provide or offer storage service. Upon delivery of Crude Petroleum into Carrier's working tankage, title to such Crude Petroleum in Carrier's working tankage shall remain with Shipper and not with Carrier. Carrier shall continue to have the right to gauge and examine such Crude Petroleum from time to time as desired while it is in said tanks.

17. IDENTITY OF CRUDE PETROLEUM, MAINTENANCE OF:

- A. Carrier shall not be liable to Shipper for changes in gravity or quality of Shipper's Crude Petroleum which may occur from commingling or intermixing Shipper's Crude Petroleum with other Crude Petroleum in the same Common Stream while in transit or storage. Carrier is not obligated to deliver to Shipper the identical Crude Petroleum nominated by Shipper; Carrier will deliver the grade of Crude Petroleum it is regularly transporting as a Common Stream.
- B. 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.
- C. Carrier shall not be required to transport Crude Petroleum except with reasonable diligence, considering the quality of the Crude Petroleum, the distance of transportation and other material elements. Carrier cannot commit to delivering Crude Petroleum to a particular destination, at a particular time.

- D. Carrier may reject any Crude Petroleum which does not meet the quality criteria of the Common Stream.
- E. Carrier will from time to time determine which grades of Crude Petroleum it will regularly transport as a Common Stream between particular receipt points and destination points on its System. Carrier will inform all subscribers to tariffs for the System affected by such determination and this will constitute the sole holding out of the Carrier in regard to the grades of Crude Petroleum transported.

18. GAUGING, TESTING, AND DEDUCTIONS:

- A. Carrier or its representative may measure and/or test all Crude Petroleum tendered for transportation and may measure and test such Crude Petroleum at any time thereafter. Shipper may be present or represented at the gauging and testing. Quantities shall be determined in accordance with applicable A.P.I. Manual of Petroleum Measurement Standards. Carrier may deduct sediment, water, and other impurities as shown by the centrifugal method or other test methods outlined in API MPMS Chapter 10 as agreed upon and two-tenths of one percent (.20%) for evaporation and loss during transportation. The net balance shall be the quantity deliverable by Carrier.
- B. In determining the amount of sediment, water, or other impurities, Carrier is authorized to make a test of the Crude Petroleum offered for transportation from an average sample from each such tank, by the use of centrifugal machine, or by the use of any other composite sampling or analytical appliance agreed upon by Carrier and 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 Crude Petroleum.

19. NOTICE OF ARRIVAL, DELIVERY AT DESTINATION:

After a shipment has had time to arrive at the destination and on 24 hours' notice to Shipper or Consignee, Carrier may begin delivery of such shipment from its Common Stream to Shipper or Consignee at Carrier's current rate of pumping. If Shipper or Consignee is unable or refuses to receive said shipment, a demurrage charge of [U] two and five-tenths cents (2.5¢) per Barrel per 24 hours shall accrue from the time said notice expires on that part of such shipment which is not received by Shipper or Consignee. Carrier reserves the right, if deemed necessary to clear Carrier's System, to make whatever arrangements for disposition of the shipment that are appropriate which includes selling the shipment to the first available purchaser at the best price obtainable. Any expenses incurred by Carrier in making such arrangements shall be borne by Shipper or Consignee, in addition to any demurrage charges.

20. PAYMENT OF TRANSPORTATION AND OTHER CHARGES:

- A. Shipper or Consignee shall pay, as provided below, all applicable transportation and other charges accruing on Crude Petroleum handled by Carrier.
- B. All payments are due within 10 days of receipt of the invoice.
- C. If any charge remains unpaid after the due date, then such amount due may bear interest

from the day after the due date until paid, calculated at an annual rate equivalent to the lesser of (1) 125% of the prime rate of interest, as of the date of Carrier's invoice, charged by Citibank, N.A. of New York, New York, for ninety (90) day loans made to substantial and responsible commercial borrowers or (2) the maximum rate allowed by Applicable Law. In addition, Shipper shall pay all documented costs incurred by Carrier to collect any unpaid amounts, including reasonable attorney fees and costs incurred by Carrier.

- D. In the event Shipper fails to pay any such charges when due, Carrier shall not be obligated to provide Shipper access to Carrier's facilities or provide services pursuant to Carrier's tariff until such time as payment is received by Carrier and Shipper meets the requirements of the following paragraph. In addition, in the event Shipper fails to pay any such charges when due, Carrier shall have the right to set off such amounts owed and future amounts owed against those amounts Carrier owes Shipper.
- E. In the event Carrier determines in a manner not unreasonably discriminatory that the financial condition of Shipper or Shipper's guarantor (if any) is or has become impaired or unsatisfactory or Carrier determines in a manner not unreasonably discriminatory it is necessary to obtain security from Shipper, Carrier, upon notice to Shipper, may require any of the following prior to Carrier's delivery of Shipper's Crude Petroleum in Carrier's possession or prior to Carrier's acceptance of Shipper's Crude Petroleum: (1) prepayment of all charges, (2) a letter of credit at Shipper's expense in favor of Carrier in an amount sufficient to ensure payment of all such charges and, in a form, and from an institution acceptable to Carrier, or (3) a guaranty in an amount sufficient to ensure payment of all such charges and in a form and from a third party acceptable to Carrier. In the event Shipper fails to comply with any such requirement on or before the date supplied in Carrier's notice to Shipper, Carrier shall not be obligated to provide Shipper access to Carrier's facilities or provide services pursuant to the applicable tariffs until such requirement is fully met.
- F. Carrier shall have a self-executing lien on all Crude Petroleum delivered to Carrier and in the possession of Carrier to secure the payment of any and all charges and fees owed to Carrier, including, but not limited to, transportation fees, penalties, Deficiency Payments, interest and late payment charges. Such lien shall survive delivery of Crude Petroleum to Shipper. Such lien shall extend to all Crude Petroleum in Carrier's possession beginning with Shipper's first receipt of transportation or other services from Carrier. The lien provided herein shall be in addition to any lien or security interest provided by this tariff or under Applicable Law. Shipper agrees to execute such additional documents as may be reasonably necessary to perfect or evidence such lien. If a bill of lading is required under Applicable Law for such a lien to arise, acceptance of the Nomination will be deemed to be the bill of lading for all Crude Petroleum subject to such Nomination. Carrier may withhold delivery to Shipper of any of Shipper's Crude Petroleum in its possession and exercise any other rights and remedies granted under this tariff or existing under Applicable Law until all such charges have been paid as provided above.
- G. If Shipper fails to pay an invoice by the due date, in addition to any other remedies under this tariff or under Applicable Law, Carrier shall have the right, either directly or through an agent, to sell any Crude Petroleum of such Shipper in Carrier's custody at public

auction, on any day not a legal holiday, not less than 48 hours after publication of notice of such sale in a daily newspaper of general circulation published in the town, city, or general area where the sale is to be held, stating the time and place of sale and the quantity and location of the Crude Petroleum to be sold. At said sale, Carrier shall have the right to bid, and, if it is the highest bidder, to become the purchaser. The proceeds of any sale shall be applied in the following order: (1) To the reasonable expenses of holding, preparing for sale, selling, and to the extent allowed by Applicable Law, reasonable attorneys' fees and legal expenses incurred by Carrier; and (2) To the satisfaction of Shipper's indebtedness including interest herein provided from the date payment is due. The balance of the proceeds of the sale remaining, if any, shall be paid to Shipper or, if there is a dispute or claim as to entitlement, held for whoever may be lawfully entitled thereto. Carrier will have a claim for and against Shipper with respect to any deficiency arising from the debt due to Carrier from Shipper and the proceeds of any sale after reduction as set forth above.

21. 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 Carrier within nine months after delivery of shipment, or, in case of failure to make delivery, then within nine months after a reasonable time for delivery has elapsed; and suits shall be instituted against Carrier only within two years and one day 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 filed or suits are not instituted thereon, in accordance with the foregoing provisions, Carrier shall not be liable and such claims will not be paid.

22. LIABILITY OF CARRIER:

Carrier in possession of Crude Petroleum herein described, shall not be liable for any loss thereof, damage thereto, or delay caused by Force Majeure or default of Shipper or owner. In case of loss of any Crude Petroleum from any such causes, after it has been received for transportation and before the same has been delivered to Shipper or Consignee, Shipper shall stand a loss in such proportion as the amount of its shipment, already delivered to Carrier, bears to all of the Crude Petroleum then in the custody of Carrier, for shipment via the lines or other facilities in which the loss or damage occurs, and Shipper shall be entitled to have delivered only such portion of its shipment as may remain after deduction of his due proportion of such loss, but in such event Shipper shall be required to pay charges only upon the quantity delivered.

23. DESTINATION FACILITIES:

Carrier will accept Crude Petroleum for transportation only when Shipper or Consignee has provided the necessary facilities for receiving the shipment as it arrives at the destination.

24. EVIDENCE OF RECEIPTS AND DELIVERIES:

Crude Petroleum received from Shipper and Crude Petroleum delivered to Shipper or Consignee shall, in each instance, be evidenced by tickets, showing opening and closing meter readings or tank gauges, as applicable, temperature, pressure, basic sediment and water, and any other data

essential to the determination of quantity. Such tickets shall be jointly signed by representatives of Carrier and Shipper or Consignee, as appropriate, and shall constitute full receipt for: (a) the Crude Petroleum received and (b) Crude Petroleum delivered.

25. ORIGIN FACILITIES REQUIRED FOR AUTOMATIC CUSTODY TRANSFER

Where Shipper elects to deliver Crude Petroleum to Carrier at the point of origin through automatic custody transfer facilities (in lieu of tankage), Shipper shall furnish the required automatic measuring and sampling facilities and the design, construction, and calibration of such facilities must be approved by Carrier and any appropriate Governmental Authority. In the event automatic custody transfer is made by meters, Shipper shall also furnish whatever pumping service is necessary to insure that the Crude Petroleum being delivered to the meter is at a pressure in excess of the bubble point of the liquid.

26. ORIGIN FACILITIES

Carrier will receive Crude Petroleum from Shippers at origins on Carrier's System. Crude Petroleum will be received only from pipelines, tanks or other facilities that are provided by Shipper or Shipper's designee, or a connecting carrier. Carrier will determine and advise Shippers of the size and capacity of pipelines and tanks to be provided at the point of receipt to meet the operating conditions of Carrier's facilities at such point. Carrier will not accept Crude Petroleum for transportation unless such facilities have been provided.

27. CONNECTION POLICY

Connections to Carrier's System will only be considered if made by formal written notification to Carrier. All connections will be subject to design requirements necessary to protect the safety, security, integrity, and efficient operation of Carrier's System in accordance with generally accepted industry standards. Acceptance of any request for connection will be subject to compliance with governmental regulations of any Governmental Authority.

28. SEPARATE PIPELINE AGREEMENTS

Separate agreements, if applicable, in association with pipeline connections or other facilities ancillary to the Carrier's System and in accordance with this tariff shall be required of any Shipper or consignee before any obligation to provide transportation shall rise.

**SECTION III
TABLE OF RATES**

FROM	TO	RATE IN DOLLARS PER BARREL	
		BASE RATE	COMMITTED RATE (NOTE 1)
Viola Station, Nueces County, Texas	Ingleside Terminal, San Patricio County, Texas	[I] \$0.2092 <u>0.2226</u>	[I] \$0.2292 <u>0.2338</u>

NOTE 1: The Committed Rate contained herein is the contract rate applicable to the volumes of Crude Petroleum committed to be shipped under a T&D by a Committed Shipper.

Explanation of Reference Marks:

- [U] Unchanged rate.
- [I] Increased rate.

MODA INGLESIDE OIL PIPELINE, LLC
PRORATION POLICY (“PRORATION POLICY”)
Effective: May 24, 2019

If the total Nominations received by Carrier for transportation exceed the amount Carrier determines in its sole discretion it can transport, Carrier shall equitably allocate capacity among all Shippers in accordance with this Proration Policy.

A. DEFINITIONS

Terms used in this Proration Policy but not defined herein shall have the meaning given in Carrier’s rules, regulations and rates tariff, Moda Ingleside T.R.R.C. Tariff No. 1.0.0, as such tariff may be revised or supplemented from time to time.

“Affiliate” means, with respect to any individual, company, entity, organization, joint venture, partnership, or other similar arrangement (any of the foregoing, a “Person”), another Person that directly or indirectly controls, is controlled by, or is under common control with such Person. The term “control” (including the terms “controlled by” or “under common control with”) means the possession of the power to direct or cause the direction of the management and policies of a Person, whether through ownership, by contract, or otherwise (including acting as a general partner of a limited partnership).

“Base Period” means the 12 calendar month period immediately preceding the Calculation Month.

“Base Shipment Percentage” for each Regular Shipper means the total deliveries of Crude Petroleum by the Regular Shipper during the Base Period on Carrier’s System divided by the total deliveries on Carrier’s System during the Base Period.

“Calculation Month” means the calendar month immediately preceding the Proration Month.

“Committed Shipper” means a Shipper that has entered into and has an effective T&D with Carrier.

“Committed Volume” means the daily volume of Barrels of Crude Petroleum a Committed Shipper has agreed to ship, or make a Deficiency Payment for, on Carrier’s System during the term of the T&D and as set forth in such T&D.

“Confirmed Capacity” has the meaning set forth in Section B.

“Cooperating Shipper” means any Shipper or prospective Shipper that is (i) an Affiliate or (ii) acts in concert with, pursuant to the direction of, or in coordination with, another Shipper, whether written or verbal.

“Current Nomination Basis” means that the portion of capacity available to New Shippers will be allocated among all New Shippers in proportion to each New Shipper’s Nomination received by Carrier for the Proration Month.

“Good faith” has the meaning set forth in Section B.

“New Shipper” means any Shipper that is not a Regular Shipper.

“Non-Reserved Capacity” means the amount of System capacity available for allocation to New Shippers and Regular Shippers each Proration Month following the allocation of Reserved Capacity to Committed Shippers; provided, however, that the Non-Reserved Capacity shall equal at least ten percent of the total available capacity of the System, assuming Carrier receives sufficient Nominations from New Shippers and Regular Shippers.

“Proration Month” means the calendar month for which capacity is being prorated.

“Regular Shipper” means (1) a Shipper that has shipped Crude Petroleum in each calendar month of the Base Period, or (2) a Committed Shipper.

“Reserved Capacity” means the amount of available capacity on the System each month that is not subject to prorationing and is reserved for Committed Shippers, which shall be equal to the total Committed Volumes of all Committed Shippers but in no event shall exceed 90 percent of the total available capacity on the System at any given time.

B. CAPACITY ALLOCATION

Pipeline capacity shall be allocated as follows:

1. (a) Carrier shall first allocate each Committed Shipper an amount of Reserved Capacity equal to its Committed Volume, calculated on a monthly basis. Reserved Capacity is not subject to prorationing. If a Committed Shipper nominates volumes in excess of its Committed Volume in a month, then the excess incremental volumes shall be subject to prorationing under Item (3) below.

(b) If the Reserved Capacity on the System is reduced for the Proration Month, for example, due to Force Majeure or maintenance or other operational disruptions, the allocation of Reserved Capacity to each Committed Shipper pursuant to this Section B(1) shall be reduced by the same percentage as the reduction in Reserved Capacity that is caused by the applicable event.
2. Following the allocation of Reserved Capacity to Committed Shippers pursuant to Section B(1) above, Carrier shall next allocate Non-Reserved Capacity to New Shippers, with such Non-Reserved Capacity limited to 10 percent of the total available capacity of the System. Each New Shipper will be allocated an amount of capacity equal to the lesser of: (a) the New Shipper’s Nomination; (b) 2 percent of the total available capacity of the System; or (c) if the total Nominations submitted by all New Shippers exceed 10 percent of the total available capacity of the System, the New Shipper’s pro-rata share based on a Current Nomination Basis.
3. Following the allocation of Non-Reserved Capacity to New Shippers under Section B(2) above,

any remaining portion of System capacity shall be allocated among all Regular Shippers having unmet Nominations for the Proration Month in proportion to their Base Shipment Percentages. In the event that the capacity that would be allocated to a Regular Shipper on the basis of its Base Shipment Percentage is greater than the quantity stated in its Nomination, the Regular Shipper will be allocated a portion of capacity that is equal to its Nomination, and the difference between the capacity allocation calculated on the basis of its Base Shipment Percentage and the quantity nominated will be reallocated among all other Regular Shippers having remaining unmet Nominations in proportion to their Base Shipment Percentages.

4. Any remaining capacity not allocated through the application of subsections (1), (2) and (3) shall be allocated to all Shippers having remaining unmet Nominations in proportion to each Shipper's unmet Nomination.

After the Carrier completes the capacity allocation described in subsections (1) through (4) above, the scheduler will notify each Shipper of its confirmed allocated capacity ("Confirmed Capacity"). Carrier will accept only good faith Nominations from Shippers, and Carrier shall use whatever reasonable means necessary to determine whether Nominations are made in good faith. "Good faith" means the non-contingent ability and willingness of Shippers to deliver to Carrier at the origin(s) specified in the Nomination all of the Barrels nominated during the month for which the Nomination is made.

If, during a Proration Month, a Shipper fails to deliver to Carrier an amount equal to the Confirmed Capacity, Carrier shall have the right to allocate such unused space to other Shippers in accordance with the procedures in this Section B and Rule 7 of Section II of the Moda Ingleside T.R.R.C. Tariff No. 1.0.0, as such tariff may be revised or supplemented from time to time.

C. SHIPPER OBLIGATION

Shipper will be invoiced and shall be responsible for payment of an amount equal to the product of (a) the Confirmed Capacity allocated to Shipper for the Proration Month, multiplied by (b) the then-current tariff rate applicable to the Confirmed Capacity; provided, however, in the event such Shipper is a Committed Shipper and is a party to a T&D or similar agreement with Carrier at that time, charges under this paragraph shall be without duplication of amounts due under the T&D and shall only apply to the extent they would exceed charges due for the Proration Month under the T&D. Such Shipper obligation arises despite Shipper's failure to deliver to Carrier the entirety of its Confirmed Capacity during the Proration Month, unless such failure has been caused by Force Majeure as declared by the Carrier, in which case Shipper will not be responsible for the portion of undelivered Confirmed Capacity caused by Force Majeure.

D. COOPERATING SHIPPERS

Neither a Shipper's Base Shipment Percentage nor Confirmed Capacity volumes allocated to it during the Proration Month shall be assigned, conveyed, loaned, or transferred to another Shipper. However, a Shipper's Base Shipment Percentage or its Confirmed Capacity allocation may be transferred as an incident of the bona fide transfer of the Shipper's business or to a successor to the Shipper's business by operation of law, such as an executor or trustee in bankruptcy. A Shipper may not use an Affiliate or Cooperating Shipper to increase its Base Shipment Percentage or its Confirmed Capacity. All transfers

made pursuant to this paragraph shall be irrevocable.

In no event will an allocation to a Shipper be used in such a manner that will enhance the allocation of another Shipper beyond the allocation that such Shipper would be entitled to under this Proration Policy.

Shippers shall have the burden of demonstrating that they are not in violation of this Proration Policy. Carrier may require written assurances from a responsible officer of Shipper, through the submission of a notarized affidavit or similar document, regarding its use of its allocated portion of capacity stating that Shipper has not violated this Proration Policy.

In the event any Shipper is in violation of the requirements and prohibitions set forth in this Section D, Carrier will enforce the following penalties, as applicable: (1) deny requested New Shipper status to a Cooperating Shipper; (2) void the Nomination of a Cooperating Shipper for the applicable Proration Month; and (3) upon the second finding by Carrier of a violation by any Shipper of the requirements and prohibitions in this Section D, Carrier shall reject such Shipper's Nomination during the next Proration Month.