

PALINE PIPELINE COMPANY, LLC

LOCAL AND PROPORTIONAL TARIFF

Containing

RULES, REGULATIONS, AND RATES

APPLYING TO THE TRANSPORTATION OF

CRUDE OIL

(as defined herein)

BY PIPELINE

Service is subject to the rules and regulations contained herein.

ISSUED: May 29, 2020

EFFECTIVE: July 1, 2020

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

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

| | |
|--|--|
| ISSUED BY: Odely Sakazi Senior Vice President Paline Pipeline Company, LLC 7102 Commerce Way Brentwood, TN 37027 (615) 224-1118 | COMPILED BY: Odely Sakazi Senior Vice President Paline Pipeline Company, LLC 7102 Commerce Way Brentwood, TN 37027 (615) 224-1118 |
|--|--|

10. DEFINITIONS

“Barrel” as herein used means forty-two (42) net U.S. gallons measured at 60°F.

“Business Day” means any day other than a Saturday, Sunday, or holiday on which Federal Reserve member banks in New York City, New York are open for business. A Business Day shall open at 8:00 a.m. and close at 5:00 p.m. Central Prevailing Time.

“Carrier” as herein used means Paline Pipeline Company, LLC.

“Central Prevailing Time” shall mean central daylight savings time or Central Standard Time, as the case may be.

“Crude Oil” as herein used means crude oil with an American Petroleum Institute specific gravity of 30-60 degrees.

“Demurrage” as herein used means all charges associated with the disposition of Crude Oil, including all damages borne or incurred by Carrier as a result of such disposition.

“Governmental Authority” means any federal, state, local, tribal, municipal body or any other governmental, regulatory or administrative agency, commission, body or other authority exercising or entitled to exercise any administrative, executive, judicial, legislative, policy, regulatory, or taxing authority or power, or any court or governmental tribunal.

“Late Charges” as herein used has the meaning set forth in Item 160(b).

“Nomination” as herein used means an offer by a Shipper to the Carrier of a stated quantity of Crude Oil from a specified origin or origins to a specified destination or destinations for transportation that begins in the Transportation Month and is provided in accordance with these rules and regulations.

“Prime Rate” means the rate of interest quoted in *The Wall Street Journal*, Money Rates Section as the Prime Rate.

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

“System” as used herein means the pipeline system that Carrier owns from the Hanks Station at Kilgore, Texas to the Mid-Valley Pipeline Terminal at Longview, Texas, and from the La Gloria Station near Longview, Texas to the Mid-Valley Pipeline Terminal at Longview, Texas.

“Transportation Month” means the month in which the transportation of Crude Oil tendered by a Shipper begins.

“Tender” as used herein means a shipment of Crude Oil presented by a Shipper to the Carrier for movement by the Carrier in accordance with these rules and regulations.

20. NOMINATION, MINIMUM QUANTITY

(a) Unless otherwise stated on a tariff making reference to these rules and regulations, Nominations for the transportation of Crude Oil for which Carrier has facilities will be accepted into Carrier's System under these rules and regulations in quantities not less than 5,000 Barrels, in aggregate, from one or more Shippers as operations permit and provided such Crude Oil is of similar quality and characteristics as is being transported on the System. Carrier reserves the right to accept any quantity of Crude Oil from lease tanks or other facilities to which Carrier's facilities are connected if such quantity can be consolidated with other Crude Oil such that Carrier can make a single delivery of not less than 5,000 Barrels, and Carrier will not be obligated to make any single delivery of less than 5,000 Barrels, unless Carrier's operations permit otherwise. The term "single delivery" as used herein means a delivery of Crude Oil in one continuous operation to one or more Shippers into a single facility, furnished by such Shipper or Shippers, to which Carrier is connected.

(b) Crude Oil will be transported only under a Nomination accepted by the Carrier from origins to destinations when a tariff covering the movement is lawfully in effect and on file with the FERC as to interstate traffic.

(c) Any Shipper desiring to tender Crude Oil for transportation shall make a Nomination to the Carrier in writing by 5:00 p.m. (Central Prevailing Time) on or before the 19th day of each calendar month preceding the Transportation Month. Carrier will confirm such Nomination no later than the 25th day of the calendar month preceding the Transportation Month. Carrier will be under no obligation to accept Crude Oil tendered for transportation until a Nomination has been submitted to and confirmed by Carrier.

(d) When Nominations submitted by Shippers to Carrier by the 19th day of the calendar month preceding the Transportation Month do not exceed the capacity of the System or any line segment thereof for a particular Transportation Month, additional Nominations may be accepted by the Carrier to fill capacity. Nominations will become operative in the order in which they are received. Additional Nominations will be accepted only if they do not impair the movement of Crude Oil Nominated prior to the 19th day of the calendar month preceding the Transportation Month.

30. TITLE

The Carrier shall have, on a nondiscretionary basis, the right to reject any Crude Oil, 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 Oil, the Shipper warrants and guarantees that the Shipper has good unencumbered title thereto free and clear of all liens or charges of any kind and agrees to indemnify and hold Carrier harmless for any and all loss, cost, liability, damage and/or expense (including reasonable attorney fees) resulting from any breach or alleged breach of such warranty and guaranty; provided, that acceptance for transportation shall not be deemed a representation by the Carrier as to title.

40. SPECIFICATIONS AS TO QUALITY RECEIVED

(a) Quality specifications of a connecting carrier may be imposed upon Shipper when such specifications are more restrictive than that of Carrier, in which case the specifications of the connecting carrier will be applied.

(b) Carrier may, from time to time, undertake to transport other or additional grades of crude oil and will file a tariff defining the grade(s), terms and conditions. If, in the opinion of Carrier, sufficient quantities are not Nominated or facilities are not available to justify continued transportation of other or additional grades, Carrier may, after giving reasonable notice to Shippers who may be affected, cease transporting particular grades of crude oil.

(c) If, upon investigation, Carrier determines that a Shipper has delivered to Carrier's facilities Crude Oil 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, arsenic, lead and/or other metals, such Shipper will be excluded from further entry into applicable segments of the System until such time as quality specifications are met. Further, Carrier reserves the right to dispose of any contaminated Crude Oil blocking its System. Disposal thereof, if necessary, may be made in any reasonable commercial manner, and any liability, costs and expenses associated with the contamination or disposal of any Crude Oil shall be borne by the Shipper introducing the contaminated Crude Oil into Carrier's System.

(d) Carrier will from time to time determine which grades of Crude Oil it will regularly transport as a common stream between particular origins and destinations on its System. Carrier will inform all subscribers to tariffs for the System affected by such determination, will file tariff amendments accordingly, and this will constitute the sole holding out of the Carrier in regard to the grades of Crude Oil transported.

(e) Unless stated otherwise in written notice provided by Carrier to all subscribers to tariffs for the System affected, Carrier will not segregate crude oil of a kind and/or quality not currently transported through Carrier's facilities.

50. COMMON STREAM CRUDE OIL - CONNECTING CARRIERS

When both receipts from and deliveries to a connecting pipeline of substantially the same grade of Crude Oil are scheduled at the same interconnection, Carrier reserves the right, with the cooperation of the operator of the connecting pipeline, to offset like volumes of such common stream Crude Oil in order to avoid 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 the Shipper involved from Carrier's common stream Crude Oil.

60. SHIPMENTS, MAINTENANCE OF IDENTITY

(a) Carrier shall not be liable to Shipper for changes in gravity or quality of Shipper's Crude Oil transported through the System. Carrier is not obligated to deliver to Shipper the identical Crude Oil Nominated by Shipper, provided that Carrier will deliver the grade of Crude Oil 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 because of mixing or commingling of Crude Oil shipments between the receipt and delivery of such shipments by Carrier within the same common stream.

70. MIXTURES

The indirect liquid products of oil and gas wells, including gasoline and liquefied Oil gases, hereinafter referred to as indirect products, will not be accepted by Carrier.

80. ADDITIVES

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

90. DUTY OF CARRIER

Carrier shall not be required to transport Crude Oil except with reasonable diligence, considering the quality of the Crude Oil, the distance of transportation and other material elements. Carrier cannot commit to delivering Crude Oil at a particular time.

100. ORIGIN FACILITIES REQUIRED FOR AUTOMATIC CUSTODY TRANSFER

Where Shipper elects to deliver Crude Oil to the Carrier at point of origin through automatic custody transfer facilities (in lieu of tankage), the Shipper shall furnish the required automatic measuring and sampling facilities and the design, construction, and calibration of such facilities must meet industry standards, regulatory requirements and be hydraulically compatible with Carrier's system at the point of proposed transfer. In the event automatic custody transfer is made by meters, the Shipper shall also furnish whatever pumping service is necessary to insure that the Crude Oil being delivered to the meter is at a pressure in excess of the bubble point of the liquid.

110. RECEIPT AND DESTINATION FACILITIES REQUIRED

The Carrier will accept Crude Oil for transportation only when the Shipper has provided the necessary facilities for delivering Crude Oil into the System at the point of origin at a pressure, volume and flow rate compatible with system hydraulics at the proposed point of delivery, and has made the necessary arrangements for shipment beyond or has provided the necessary facilities for receiving said Crude Oil as it arrives at the destination.

120. SHIPPER FAILURE TO RECEIVE CRUDE OIL AT DESTINATION

If the Shipper is unable or refuses to receive said Crude Oil as it arrives at the specified destination, the Carrier reserves the right to make whatever arrangements for disposition of the Crude Oil it deems appropriate in order to clear its pipeline. Any additional expenses incurred by the Carrier in making such arrangements shall be borne by the Shipper.

130. APPORTIONMENT WHEN NOMINATIONS ARE IN EXCESS OF FACILITIES

(a) When there shall be Nominated to Carrier for transportation more Crude Oil than can be immediately transported on a line segment, the transportation furnished by Carrier shall be apportioned among Shippers on an equitable basis. Line segments will be prorated separately, if necessary.

(b) Space in each segment will be allocated among “Regular Shippers” and any “New Shippers” as follows:

1. The capacity of the line segment being prorated shall be divided by the total of all volumes Nominated by Regular Shippers and New Shippers. The resultant fraction will be the “proration factor”.
2. Each New Shipper shall be allocated space equal to its Nominated volumes multiplied by the proration factor, except that in any month for which Carrier is allocating capacity on the System, the capacity allocated to Regular Shippers shall not be reduced by more than 10 percent of the System capacity. If the application of the proration factor calculated in paragraph 1 results in an allocation to New Shippers greater than 10 percent of the system capacity then each New Shipper shall be allocated space equal to its pro rata share of 10 percent of segment capacity, to be determined by dividing each New Shipper’s volumes Nominated by the total of all volumes Nominated by New Shippers.
3. The remaining capacity shall be allocated among Regular Shippers in proportion to their base period shipments.
4. In the event that there is remaining capacity that has not been allocated upon completion of step #3 above, such remaining capacity shall be allocated among all Shippers who have received an allocation that is less than the applicable Nomination on a pro rata basis, to be determined by dividing each such Shipper’s volumes Nominated by the total of all volumes Nominated.

(c) The “base period” is a period of 12 months beginning 13 months prior to the month of allocation and excluding the month preceding the month of allocation. A “Regular Shipper” is any Shipper having a record of movements in the line segment being prorated, during eleven of the 12 months in the base period. If the segment being prorated has been in service less than 13 months a Regular Shipper is any Shipper having a record of movements in at least 83% of all months during which the segment has been active. A “New Shipper” is a Shipper who is not a Regular Shipper.

(d) In no event will any portion of allocated capacity to a New Shipper be used in such a manner that it will increase the allocated capacity of another Shipper beyond the allocated capacity that Shipper is entitled to under the provisions stated in this Item No. 130. Carrier may

require, on a nondiscriminatory basis, written assurances from responsible officials of Shippers regarding use of allocated capacity stating that this requirement has not been violated. In the event any New Shipper shall, by any device, scheme or arrangement whatsoever, make its allocated capacity available to another Shipper, or in the event any Shipper shall receive and use any allocated capacity from a New Shipper, then, in the month following discovery of such violation, the allocated capacity of a New Shipper will be reduced to the extent of the excess capacity made available and the allocated capacity of a Shipper will be reduced to the extent of excess capacity used.

(e) Shippers shall not make Nominations for an amount of Crude Oil in excess of that readily accessible by the nominating Shipper. Carrier may require, on a nondiscriminatory basis, written assurances from responsible officials of a Shipper, stating that this requirement has not been violated. In addition, Nominations in excess of this limit will be reduced accordingly. If a Shipper is allocated capacity for a month when Carrier is apportioning capacity and Shipper fails to use all such capacity allocated, Carrier will reduce such Shipper's volumes for the following month by the amount of allocated capacity not utilized during such month.

140. APPLICATION OF RATES & CHARGES

Crude Oil accepted for transportation shall be subject to the rates and charges in effect on the date of receipt of such Crude Oil by the Carrier, irrespective of the date of Nomination.

150. APPLICATION OF RATES FROM AND TO INTERMEDIATE POINTS

For Crude Oil accepted for transportation from any point on Carrier's lines not named in a particular tariff, which is intermediate to a point from which rates are published in said tariff, through such unnamed point, the rate published from the next more distant point specified in such tariff will apply. For Crude Oil accepted for transportation to any point not named in a particular tariff which is intermediate to a point to which rates are published in said tariffs, through such unnamed point, the rate published therein to the next more distant point specified in the tariff will apply.

160. PAYMENT OF DELIVERY RATES AND OTHER CHARGES

(a) Carrier shall invoice Shipper monthly. Shipper will make payments to Carrier on a monthly basis upon the later of (i) ten (10) days after its receipt of such invoice and (ii) thirty (30) days following the end of the calendar month during which the invoiced services were performed.

(b) Any past due payments owed to Carrier shall accrue Late Charges in the form of interest, payable on demand, at the Prime Rate from the due date of the payment through the actual date of payment. All payments shall be made by wire transfer of immediately available funds to an account designated in writing by Carrier. If any such fee shall be due and payable on a day that is not a Business Day, such payment shall be due and payable on the next succeeding Business Day.

(c) Carrier shall have a lien and security interest on all Crude Oil accepted for transportation to cover payment of all charges, including Demurrage and Late Charges and may refuse to make delivery of the Crude Oil until all charges have been paid. If said charges, or any part thereof, shall remain unpaid for thirty days after notice of readiness to deliver, the Carrier may sell the Crude Oil at public auction for cash. Carrier shall have a lien and security interest on Crude Oil when there shall be failure to take the Crude Oil at the point of destination as provided in Item No. 120 (SHIPPER FAILURE TO RECEIVE CRUDE OIL AT DESTINATION). Carrier shall have the right to sell said Crude Oil at public auction, for cash. The auction will be held between the hours of ten o'clock a.m. and four o'clock p.m. on any day not a weekend or legal holiday, and not less than twenty-four hours after the Shipper has been officially notified in writing of the time and place of such sale and the quantity, general description, and location of the Crude Oil to be sold. Carrier may be a bidder and purchaser at such sale. Out of the proceeds of said sale, Carrier shall pay itself for all delivery, Demurrage, and other lawful charges, expenses of notice, advertisement, sale and other necessary expenses, and expenses of caring for and maintaining the Crude Oil, and the balance shall be held for whomsoever may be lawfully entitled thereto after the auction. If the proceeds of said sale do not cover all expenses incurred by Carrier, the Shipper is liable to Carrier for any deficiency. Carrier's rights under this item are not exclusive but shall be in addition to any other rights or remedies available hereunder or under applicable law.

170. DIVERSION

Subject to Item 20 (NOMINATION, MINIMUM QUANTITY), a change in destination or routing will be permitted without additional charge, when operational circumstances permit, upon written request from the Shipper, provided an applicable tariff is in effect for any requested destination or routing, and provided that no back-haul is required.

180. LIABILITY OF CARRIER

(a) The Carrier while in possession of any of the Crude Oil herein described shall not be liable for any loss thereof or damage thereto, including, but not limited to, any spill or leakage of any Crude Oil from the System.

(b) Notwithstanding (a) above, Carrier will reimburse Shipper annually for losses associated with the normal transportation of Crude Oil on the System which exceed [U] 0.3% of the annual amount tendered for transportation based on the average value of the Crude Oil transported during such year.

(c) Carrier shall not be liable for failure to perform or delay in performing its obligations under this Tariff if such failure or delay are caused by events beyond the reasonable control of and not due to the fault or negligence of the Carrier, including, without limitation, acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, storms, floods, washouts, arrests, the order of any court or Governmental Authority having jurisdiction while the same is in force and effect, civil disturbances, explosions, breakage, accident to machinery, storage tanks or lines of pipe, inability to obtain or unavoidable delay in obtaining material or equipment, and any other causes whether

of the kind herein enumerated or otherwise not reasonably within the control of the Carrier and which by the exercise of due diligence the Carrier is unable to prevent or overcome.

(d) Carrier shall not be liable for any injury, disease or death of any person or damage to or loss of any property, fine or penalty, any of which arises from the shipment of Crude Oil on behalf of Shipper, provided any such loss or damages (i) do not arise out of, result from, or in any way are connected with Carrier's ownership of the System or making capacity available to the Shipper or (ii) are caused solely by the gross negligence or willful misconduct of the Carrier, its affiliates, or any of their respective employees, representatives, agents, or contractors.

(e) In no event is Carrier liable to Shipper for consequential, incidental, punitive, exemplary, indirect or special damages, or for loss of profits or revenues incurred by Shipper or its affiliates that arise out of the transportation of Crude Oil under this Tariff, regardless of whether any such claim arises under or results from statute, contract, tort, or strict liability.

190. CLAIMS, SUITS, AND TIME FOR FILING

As a condition precedent to recovery, claims must be filed in writing with the Carrier within nine (9) months after delivery of the Crude Oil, 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 the Carrier only within two (2) years and one (1) day from the day when notice in writing is given by the Carrier to the claimant that the Carrier has disallowed the claim or any part or parts thereof specified in the notice. Where claims are not filed or suits are not instituted thereon in accordance with the foregoing provisions, Carrier will not be liable and such claims will not be paid.

200. 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 transportation by the Carrier shall arise.

210. 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 generally accepted industry standards and all regulatory standards for design and construction and will meet the hydraulic requirements necessary to protect the safety, security, integrity and efficient operation of Carriers pipeline(s) at the point of connection. Acceptance of any request for connection will be subject to compliance with governmental regulations. Successful connection requests will require throughput and deficiency agreements or other capital recover arrangements.

| TABLE OF RATES | | |
|--|--|-------------|
| RATES IN CENTS PER BARREL OF 42 UNITED STATES GALLONS | | |
| From | To | Rate |
| Hanks Station (Kilgore, TX) | Mid-Valley Pipeline Terminal (Longview, TX) | [I] 14.88 |
| La Gloria Station (Longview, TX) | Mid-Valley Pipeline Terminal (Longview, TX) | [I] 15.19 |
| La Gloria Station (Longview, TX) | Exxon Northline Tie-In (Longview, TX) | [I] 11.68 |
| La Gloria Station (Longview, TX) | Plains Marketing Interconnection (Longview, TX) | [I] 11.68 |

Explanation of abbreviations and reference marks:

- [C] Cancel
- [D] Decrease
- [I] Increase
- [N] New
- [U] Unchanged Rate
- [W] Change in Wording
- F.E.R.C. Federal Energy Regulatory Commission
- ICA Interstate Commerce Act
- No. Number