

NAVAJO NATION OIL AND GAS COMPANY

RULES AND REGULATIONS
GOVERNING
THE TRANSPORTATION
OF
CRUDE PETROLEUM
BY
PIPELINE

The rules and regulations published herein apply only under tariffs making specific reference by FERC number 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 rules and regulations published herein.

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Explanation of Reference Marks:

- [N] New
[W] Change in wording only
[C] Cancel

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

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ITEM NO.	SUBJECT	RULES AND REGULATIONS
5	Definitions	<p>API: American Petroleum Institute.</p> <p>API Gravity: Gravity determined in accordance with ASTM designation and expressed in degrees API.</p> <p>Assay: A laboratory analysis of a liquid hydrocarbon to include API gravity, Reid vapor pressure, pour point, sediment and water content, sulfur content, viscosity at 100 degrees Fahrenheit, and other characteristics as may be required by Company.</p> <p>ASTM: American Society for Testing and Materials.</p> <p>Barrel: Forty-two (42) United States gallons of a liquid hydrocarbon at a temperature of sixty (60) degrees Fahrenheit.</p> <p><u>[N] Commercial Storage: Commercial crude oil storage services that may be provided by Carrier. Shippers must nominate volumes pursuant to the applicable tariffs to obtain such commercial storage services, and must pay the applicable tariff rate(s) for use of such services.</u></p> <p>Common Stream: Crude Petroleum moved through Company’s pipeline and pipeline facilities that is commingled or intermixed with other Crude Petroleum of like quality and characteristics based on Crude Petroleum Assays and other pertinent analytical data.</p> <p>Company or Carrier: Navajo Nation Oil and Gas Company and other pipeline companies which may, by proper concurrence, be parties to joint tariffs incorporating these regulations by specific reference.</p> <p>Connecting Carrier: A connecting pipeline company as named or referred to herein.</p> <p>Consignee: The party to whom a Shipper has ordered the delivery of crude oil, condensate or indirect liquid products.</p> <p>Crude Petroleum: The direct liquid hydrocarbon crude oil and condensate production from oil or gas wells, or blend of such, in its natural form, not having been enhanced or altered in any manner or by any process that would result in misrepresentation of its true value for adaptability to refining as a whole crude oil or for acceptability to be commingled with other Crude Petroleum. For purposes herein, Crude Petroleum shall also include synthetic crude oils derived or produced by chemical or physical transformation of oil shale, coal or oil sands.</p> <p>Dioxins: Any member of a family of toxic chemicals which share a similar chemical structure and a common mechanism of toxic action.</p> <p>Fahrenheit: The temperature scale that registers the freezing point of water as 32°F and the boiling point as 212°F at one atmosphere of pressure.</p> <p>FERC: Federal Energy Regulatory Commission.</p> <p>Final Nomination Deadline: 3:00 pm (MST) on the fifth (5th) working day (excluding Carrier holidays) before the first day of the month in which Shipper desires to ship.</p>

<p>[W] 5</p>	<p>[W] Definitions</p>	<p>First Nomination Deadline: 3:00 p.m. (MST) on the twelfth (12th) working day (excluding Carrier holidays) before the first day of the month in which Shipper desires to ship.</p> <p>Indirect Liquid Products: Liquid products resulting from the operation of gasoline recovery plants, gas recycling plants, or condensate or distillate recovery equipment in gas or oil fields, or a mixture of such products; often referred to simply as “Indirect Products”.</p> <p>Intrasystem Transfer: A transfer of title to liquid hydrocarbons in the custody of Company from one party (the “Transferor”) to a second party (the “Transferee”).</p> <p>MST: Mountain Standard Time.</p> <p>PCBs or Polychlorinated Biphenyls: A group of organic chemicals which can be odorless or mildly aromatic solids or oily liquids.</p> <p>Reid Vapor Pressure or RVP: A standardized measurement of volatility as determined in accordance with ASTM designation and expressed in pounds per square inch.</p> <p>Saybolt Universal Seconds: A standardized measurement of viscosity determined in accordance with ASTM test methods.</p> <p>Segregated Batch: A Tender of liquid hydrocarbons having specific identifiable characteristics, different from the Common Stream which is moved through the Company’s pipeline and pipeline facilities so as to maintain its identity.</p> <p>Shipper: A party who contracts with the Company for transportation of liquid hydrocarbons under the terms of this tariff, or pursuant to item No. 115 (INTRASYSTEM TRANSFERS) hereof, a party who is recognized as having title to liquid hydrocarbon in Company’s custody.</p> <p><u>[N] Storage in Transit: Operational storage utilized by the Carrier to provide the services offered in its tariffs. Storage in transit shall be within the sole control of the Carrier. Shippers shall have no rights to nominate for the use of, or to utilize, such storage capacity.</u></p> <p>Tender: A nomination by a Shipper to Company of a stated quantity and grade of liquid hydrocarbons for transportation from a specified origin or origins to a specified destination or destinations in accordance with these Rules and regulations.</p> <p>Transferee: In an Intrasystem Transfer, the designated party receiving title to the liquid hydrocarbons that are transferred from a Transferor.</p> <p>Transferor: In an Intrasystem Transfer, the party relinquishing title to the liquid hydrocarbons that are transferred to a designated Transferee.</p> <p>U.S.: The United States of America.</p>
<p>7</p>	<p>Nominations</p>	<p>[W] All Shippers and Consignees desiring to ship, or receive, or store liquid hydrocarbons through the pipelines or facilities of Carrier shall provide Carrier, in writing, with the following information needed by Carrier to schedule, store, and dispatch each shipment of liquid hydrocarbons: the kind, quantity, receipt point, sequence of delivery, delivery point, volumes to be stored, and Shipper of each proposed liquid hydrocarbons shipment. <u>[N] All nominations for transportation</u></p>

		<p><u>services must be for a quantity of not less than 10,000 barrels to any destination point on its trunk lines. All nominations for Commercial Storage shall be for a quantity of not less than 10,000 barrels for any specific month. For any month, Carrier may accept nominations for less than 10,000 barrels when, in Carrier's sole discretion, it is necessitated by pipeline operations, when it is operationally feasible, or when a smaller amount is authorized by an individual tariff as may be issued by the Carrier. Waiver of the quantity requirements for any particular month shall not waive such requirements for any future months, and shall not constitute any form of precedent for any future months.</u></p> <p>Nominations must be received by the Final Nomination Deadline. Nominations or changes in nominations received after the Final Nomination Deadline will not be accepted from the Final Nomination Deadline date to the first day of the following month. After the first of the month, changes will be accepted only in writing and only if space is available and the additional or changed nominations do not impair the movement of Crude Petroleum nomination prior to the Final Nomination Deadline.</p> <p>[W] All nominations must contain a final destination point or be designated for storage in transit Commercial Storage as set forth in Item No. 275 (Storage in Transit Commercial Storage). Liquid hydrocarbons which do not have a final destination or are not designated for storage in transit Commercial Storage as set forth in Item No. 275 (Storage in Transit Commercial Storage) by the Final Nomination Deadline are the responsibility of the Shipper originally tendering the liquid hydrocarbons into the system and may not be able to be shipped or stored. Such liquid hydrocarbons will be considered new nominations occurring after the first of the month and are subject to the restrictions contained in the above paragraphs.</p> <p>[W] Shipper also must satisfy Carrier that offers to ship or store are in good faith and that shipments can be transported or stored in conformance with Carrier's tariffs.</p> <p>[W] Carrier shall not be obligated to accept, store or deliver liquid hydrocarbons unless Shipper and Consignee have complied with the provisions of this Item No. 7 (Nominations).</p> <p>[W] In the event the total nominations submitted for shipment in a pipeline segment exceed the capacity of that segment, or total nominations for Commercial Storage services exceed the Commercial Storage capacity, the available capacity will be prorated equitably among all shipments according to the proration procedure set forth in Item No. 140 (Proration).</p>
10	Establishment of Quality	<p>[W] Carrier will only accept for transportation or Commercial Storage in a Segregated Batch liquid hydrocarbons that do not meet the Common Stream quality provided that the conditions set forth in Item No. 82 (Segregated Batch Operations) are met. Crude Petroleum quality includes, but is not limited to, whole crude oil properties such as API Gravity, sulfur, sediment and water, Reid Vapor Pressure, pour point viscosity, hydrogen sulfide, metals, nitrogen, chlorinated and/or oxygenated hydrocarbons, salt content, and product yields. Crude Petroleum with an API Gravity of less than 35.0° shall not exceed 8.0 pounds per square inch (psi) Reid Vapor Pressure. Crude Petroleum with an API Gravity of 35.0° or greater shall not exceed 13.0 psi Reid Vapor Pressure. Refer to Item No. 15 (Indirect Liquid Products) for blending quality specifications. After giving reasonable notice to persons who may be affected, Carrier may from time to time undertake to gather commercially store or transport other or additional qualities of liquid hydrocarbons and Carrier may from time to time cease to gather commercially store or transport particular qualities of liquid hydrocarbons.</p>
15	Indirect Liquid	<p>[W] Indirect Liquid Products will be accepted and transported or stored only under the</p>

[C] 15-	Products [C] Indirect Liquid Products (continued)	following conditions: 1. Shipper must mix such Indirect Liquid Products with Crude Petroleum in its facilities prior to entering the Carrier's system. The Indirect Liquid Products shall not exceed 20% by volume of the total volume of a mixture of Indirect Liquid Products and Crude Petroleum, except where Carrier's facilities and operating conditions permit. Carrier reserves the right to accept mixtures containing more than 20% by volume of Indirect Liquid Products; and 2. Carrier has the facilities to ship <u>or store</u> and line availability to segregate such mixture while in <u>Carrier's custody transit</u> from all other grades of product; and 3. The vapor pressure of the Indirect Liquid Products prior to mixing with Crude Petroleum shall not exceed 25.0 psi RVP at a temperature of 100° Fahrenheit; and 4. The resulting mixture with an API Gravity of less than 35.0° shall not exceed 8.0 psi RVP. A mixture with an API Gravity of 35.0° or greater shall not exceed 13.0 psi RVP; and 5. Blends will be analyzed using an ASTM D-86 Distillation. Blends will be accepted if they meet or exceed the temperatures established by Carrier at the 10%, 30% and 50% volumes in the D-86 Distillation for the applicable API Gravity; and 6. Carrier will not accept blends or Crude Petroleum containing any of the following; waste oils, lube oils, crankcase oils, PCBs or Dioxins. Nothing in this rule shall require Company to receive, transport, <u>store, or and</u> deliver unmixed Indirect Liquid Products; however, unmixed Indirect Liquid Products may be transported <u>or stored</u> for subsequent mixing with direct products in accordance with this rule where facilities exist and operating conditions permit transporting <u>or storing</u> such Indirect Liquid Products.
17	Scheduling	[W] For each calendar month Carrier will establish a sequence for pumping liquid hydrocarbons through its trunk lines <u>or for storing liquid hydrocarbons in its storage tanks</u> . Carrier will inform each Shipper of the time within each calendar month when liquid hydrocarbons will be received from such Shipper at origin points and Carrier will inform each Shipper or his Consignee of the approximate time within each calendar month when liquid hydrocarbons will be delivered to such Shipper or Consignee at destination points. A change in destination point may be made without charge, if requested by the Shipper, prior to arrival at original destination subject to the rates, rules and regulations applicable from point of origin to point of final destination, provided the current pipeline operations of the Carrier will permit such a change of destination. Such request must be in writing.
[N] 18	[N] <u>Acceptance of Deliveries</u>	[N] <u>At the end of the month in which a Shipper received Commercial Storage services, if the Shipper has not appropriately obtained continued Commercial Storage services or transportation services for the following month pursuant to the nominations procedures in Carrier's tariff, Carrier has the right to either: (1) transport the subject volumes to a destination on Carrier's system and charge Shipper the appropriate transportation rate(s); or (2) sell the Crude Petroleum in the storage tanks to the first available purchaser at the best price obtainable.</u> <u>Whether Carrier transports volumes to the destination point pursuant to the paragraph above or pursuant to a valid nomination submitted by the Shipper or Consignee and accepted by Carrier, Carrier shall provide Shipper or Consignee 24 hours' notice regarding the arrival of such volumes at the destination. Upon that 24 hours' notice, Carrier may begin delivery of such shipment to Shipper or Consignee at Carrier's current rate of pumping. If a Shipper or Consignee is not able to receive Crude Petroleum from Carrier at the time when Carrier has scheduled a delivery, then Carrier shall have the right to sell such Crude Petroleum to the first available purchaser at the best price obtainable.</u> <u>Shipper shall be liable to Carrier for all storage and transportation charges pursuant to the applicable tariff(s). In the event that Carrier sells shipper's Crude Petroleum pursuant to this Item, Carrier shall have to right to use the proceeds thereof to pay pipeline Commercial Storage and/or transportation charges as if</u>

		<u>storage and/or transportation services were provided to Shipper or Consignee; to pay any other reasonable costs which shall be due by Shipper or Consignee to Carrier; and to hold the balance of such proceeds for whomsoever may be entitled hereto.</u>
20	Additives	[W] Company reserves the right to approve or reject the injection of corrosion inhibitors, viscosity or pour point depressants, drag reducing additives or other such additives in the liquid hydrocarbons to be transported <u>or stored.</u>
25	Storage In Transit	[W] Storage in transit of Crude Petroleum <u>shall be utilized by Carrier to provide the transportation services specified in its tariffs and for the items specified in Item No. 120 (Line Fill and Tank Bottom Inventory Requirements). Storage in transit shall be used solely by Carrier for operational purposes. Shippers shall have no rights to nominate for the use of, or to use, capacity that is designated for storage in transit for Commercial Storage purposes.</u> —Item No. 7 (Nominations), and Item No. 92 (Invoices) rules and other applicable rules and regulations contained herein. Volumes for storage in transit shall be accepted by Carrier based on system availability. Such volumes, if accepted, will be allocated on a “first come, first served” basis. Such volumes will be accepted in thousand barrel increments only. Requirements of Item No. 120 (Line Fill and Tank Bottom Inventory Requirements) must be met before storage in transit volumes will be accepted for storage. Volumes must be renominated if storage is desired for more than one month.
[N] 27	[N] <u>Commercial Storage</u>	[N] <u>Carrier offers Commercial Storage services to Shippers who are currently shipping within Carrier’s pipeline systems for a fee, as specified in the applicable tariff(s). Shippers must submit a nomination for the Commercial Storage services pursuant to Item No. 7 (Nominations). Shippers are required to submit a nomination for each month in which storage services are required pursuant to Carrier’s nomination procedures outlined in Item No. 7 (Nominations). In the event the total nominations submitted for Commercial Storage exceed the Commercial Storage capacity, the Commercial Storage capacity will be prorated equitably among all shipments according to the proration procedure set forth in Item No. 140 (Proration).</u> <u>Once a nomination has been accepted by Carrier, Shipper shall be charged the rate(s) specified in the applicable tariff(s) for the full volumes nominated by Shipper regardless of whether Shipper delivers the full volumes nominated. In the event a Shipper withdraws its volumes from Commercial Storage prior to the end of the month, Shipper shall nonetheless be charged the applicable Commercial Storage fee for the entire month.</u> <u>Commercial Storage services are subject to Item No. 7 (Nominations) and Item No. 92 (Invoices) rules and other applicable rules and regulations contained herein. Requirements of Item No. 120 (Line Fill and Tank Bottom Inventory Requirements) must be met before Commercial Storage volumes will be accepted.</u> <u>Volumes for Commercial Storage will be accepted in thousand barrel increments only, and shall be accepted for storage in monthly increments only.</u> <u>Shippers may not submit nominations for Commercial Storage services for multiple months at a time. Nominations may only be submitted in monthly increments pursuant to Carrier’s tariff(s). At the end of the month in which a Shipper received Commercial Storage services, if volumes are not renominated on Carrier’s system in a timely fashion pursuant to Carrier’s tariff(s), Carrier shall have the to right to deliver and/or sell the subject volumes pursuant to Item No. 18</u>

		<u>(Acceptance of Deliveries).</u>
30	Origination Facilities	[W] Carrier will receive Crude Petroleum from Shippers at stations on its <u>trunk gathering</u> lines; at leases or plants to which its <u>trunk gathering</u> lines connect; and at origin points on its trunk lines. Crude petroleum will be received only from pipelines, tanks, or other facilities that are provided by Shipper. Carrier will determine and advise Shippers of the size and capacity of pipelines, tanks and/or metering facilities to be provided by Shipper 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 <u>or storage</u> unless such facilities have been provided.
32	[W] Quantity of Deliveries	Carrier will not make a delivery of less than 10,000 barrels of crude oil and condensate at any destination point on its trunk lines except when necessitated by pipeline operations or except where a smaller delivery is authorized by an individual tariff as may be subsequently issued by Carrier. <u>[N] Waiver of these quantity requirements for any particular month shall not waive such requirements for any future months, and shall not constitute precedent for any future months.</u>
35	Destination Facilities	[W] Carrier will deliver Crude Petroleum to Shipper or its Consignee at destinations on its <u>gathering lines or</u> trunk lines. <u>All destination facilities must be approved by Carrier to ensure that Carrier is operationally able to deliver into such facilities.</u> Crude Petroleum will be delivered only to pipelines, tanks, or other facilities that are provided by Shipper or Consignee. Carrier will determine and advise Shippers and Consignees of the size and capacity of pipelines, tanks, or other facilities to be provided by Shipper or Consignee at point of delivery 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.
52	Rates Applicable	<u>[N] For transportation services, Carrier shall charge Shipper or Consignee an amount equal to the applicable rate(s) multiplied by the volumes that were delivered by Carrier, plus any other applicable fees or charges. The rate(s) applicable for transportation service shall be the rate in effect for the month in which delivery occurred.</u> <u>For Commercial Storage services, Carrier shall charge Shipper or Consignee an amount equal to the applicable rate(s) multiplied by the nominated volumes that were accepted by Carrier, plus any other applicable fees or charges, regardless of whether Shipper or Consignee delivers the full accepted volume during the month for Commercial Storage, and regardless of whether Shipper or Consignee utilizes the allocated Commercial Storage space for the entire month. In the event that Shipper or Consignee does not deliver the full accepted volumes for Commercial Storage, or does not utilize the Commercial Storage space for the full month, Carrier retains the right to resell the available space to another party without impacting the amounts charged to the Shipper or Consignee, or the Shipper or Consignee's payment obligations. The rate(s) applicable for Commercial Storage services shall be the rate(s) in effect during the month of storage.</u> [W] The rate that shall apply to the transportation of the liquid hydrocarbons shall be the rate in effect on the date the liquid hydrocarbons are <u>delivered received</u> by Carrier <u>for transportation</u> . Likewise, The rules and regulations which shall govern the transportation of the liquid hydrocarbons shall be the rules and regulations in effect on the date the liquid hydrocarbons are received by Carrier for transportation. <u>[N] The rate(s), rules and regulations applicable to Commercial Storage services shall be the rate(s), rules and regulations in effect for the month in which the services are being provided.</u>

55	Warranty of Title	<p>[W] The act of delivering liquid hydrocarbons into Carrier’s pipeline for transportation <u>or storage</u> shall constitute a warranty by Shipper that Shipper has unencumbered title thereto and that unencumbered title shall remain with Shipper until such liquid hydrocarbons is delivered out of Carrier’s pipeline. By tendering liquid hydrocarbons, the Shipper warrants and guarantees that it has good title thereto and agrees to hold Company harmless for any and all loss, cost, liability, damage and/or expense resulting from failure of title thereto; provided, that acceptance for transportation <u>or storage</u> shall not be deemed a representation by Company as to title.</p>
60	Measuring, Testing and Deductions	<p>[W] All measurements and tests shall be determined by Carrier, but Shipper and Consignee or their representatives may be present to witness them. The Carrier shall provide 72 hours notice to Shippers prior to conducting measurements and tests. Failure of a Shipper and Consignee to have a representative present will, however, constitute a waiver, and the Shipper and Consignee shall be bound by the information and data on the tickets. The volume of liquid hydrocarbons received and delivered by Carrier will be measured in Barrel units by meter or by gauge. Measured volumes at recorded or observed temperatures will be converted to net volumes at 80 degrees Fahrenheit. The volume of impurities in liquid hydrocarbons received and delivered by Carrier will be measured by physical test in accordance with the latest revision of API Standard 2500 covering the measuring, sampling, and testing of liquid hydrocarbons, such volume of impurities to be deducted from the volume of such receipts and deliveries. Unless specifically authorized by individual tariffs, Shipper shall not tender volumes to Carrier for transportation <u>or storage</u> in which the total volume of impurities and water exceeds one percent (1%). Limitations on impurities and water of a Connecting Carrier may be imposed by Company when such limits are less than that of Company. If such liquid hydrocarbons are received by Carrier for transportation <u>or storage</u>, Shipper shall be liable for any and all costs incurred as a result of such impurities and water. No liquid hydrocarbons will be accepted for transportation <u>or storage</u> which has a pour point greater than 40 degrees Fahrenheit or viscosity greater than 60 Saybolt Universal Seconds at 100 degrees Fahrenheit unless under terms and conditions acceptable to Company. If such liquid hydrocarbon is accepted by Company, Shippers will be subject to a charge in addition to trunk line transportation <u>or storage</u> rates if such a charge is provided in published tariffs on file with FERC. Any liquid hydrocarbons tendered to Company from field tank batteries shall be heated, if necessary, to raise its temperature to the minimum temperature required to readily move the liquid hydrocarbons out of tankage and into Company’s facilities; such heating shall be the sole responsibility of the Shipper. Company may, at its discretion, reject liquid hydrocarbons having a temperature higher than 160 degrees Fahrenheit. A deduction of one-tenth of one percent (0.1%) at point of origin will be made to cover evaporation, interface losses, and other normal losses during transportation <u>or storage</u>. After consideration of all the factors set forth in this Item No. 60, a net balance will be determined as the quantity deliverable by Company, and transportation <u>or storage</u> charges will be assessed on this net balance.</p>
65	Evidence of Receipts and Deliveries	<p>Liquid hydrocarbon received from a Shipper and liquid hydrocarbon delivered to Consignee shall, in each instance, be evidenced by Company tickets or statements containing data essential to the determination of quantity.</p>
75	Liability for Losses	<p>[W] Carrier will not be liable for any loss of liquid hydrocarbon while in the possession of Carrier or for any delay in receiving, <u>storing</u>, or delivering liquid hydrocarbon, including any damages associated therewith, if caused by any of the following: Act of God, the public enemy, quarantine, authority of law, strikes, riots, requisition by Government, war, the act of Shipper or Consignee, or any other cause not attributable to the negligence or misconduct of Carrier. If such loss of liquid hydrocarbon occurs in a Segregated Batch having only one Shipper, then the Shipper and Consignee thereof shall bear the entire loss, damage or delay that occurs. If such loss of liquid hydrocarbon occurs in a Common Stream or in a Segregated Batch having more than</p>

		<p>one Shipper, then each Shipper of the Common Stream or Segregated Batch so lost shall share such loss in the proportion that the amount of liquid hydrocarbon in the custody of Carrier for the account of such Shipper in such system immediately before the loss occurred, bears to the total amount of liquid hydrocarbon in the custody of Carrier in such system immediately before the loss occurred. In either case, Carrier will be obligated to deliver <u>or store</u> only that portion of liquid hydrocarbon remaining after such loss. Transportation charges will be made only on quantities of liquid hydrocarbon delivered. <u>Commercial Storage charges will be made only on quantities of liquid hydrocarbons remaining in Carrier's custody.</u> If liquid hydrocarbon is lost while in the custody of Carrier due to the negligence or misconduct of Carrier, Carrier may obtain and deliver to the Consignee thereof other liquid hydrocarbon of the same quantity and quality as that which was lost. Carrier shall not, however, be obligated to do so, rather Carrier may compensate Shipper for such loss (less deductions) in money. The dollar value of such loss shall be based upon the market price for liquid hydrocarbon of similar gravity and quality in effect on the date the liquid hydrocarbon was lost.</p>
77	Liability for Non-Compliance With Tariff	Any Shipper or Consignee who does, or permits to be done, any act, matter or thing that violates the terms of this tariff shall be liable to Carrier only for actual losses, damages, or injuries caused thereby or resulting therefrom.
82	Segregated Batch Operations	[W] Carrier will accept liquid hydrocarbons for transportation <u>or storage</u> in a Segregated Batch that differs in quality or characteristics from Carrier's Common Stream provided that: 1. Carrier has the facilities to ship, <u>store</u> , and line availability to segregate such liquid hydrocarbon while in <u>custody of Carrier transit</u> from all other grades of liquid hydrocarbons; and 2. Carrier shall not be liable to Shipper or Consignee for change in the quality of such grade of liquid hydrocarbon while it is in <u>Carrier's custody transit</u> ; and 3. The liquid hydrocarbon offered for transportation <u>or storage</u> is made available at the origin and destination points of shipment in a quantity that equals or exceeds 10,000 barrels.
85	Common Stream Operation, Connecting Carriers	[W] No liquid hydrocarbon will be accepted for transportation <u>or storage</u> as part of a Common Stream unless it is readily susceptible to transportation <u>or storage</u> through <u>or in</u> Company's existing facilities, and will not materially affect the quality of the Crude Petroleum <u>in Carrier's custody being transported</u> as the Common Stream. Upon request of Company, Shippers are required to furnish Assays of individual leases and/or other documentation acceptable to Company and Shippers evidencing the origin of the liquid hydrocarbon from individual oil wells. The Company will not accept Tenders into the Common Stream of any material resulting from certain post production recovery operations (i.e. reclaimed or skimmed oil) unless such material is adaptable to refining as a whole Crude Petroleum and other conditions of Company rules and regulations herein are met, including but not limited to having the ability to trace this material back to the original oil well. If it is determined that the liquid hydrocarbon tendered for transportation <u>or storage</u> differs materially in character from that being transported <u>or stored</u> by Company, then such liquid hydrocarbon will only be transported <u>or stored</u> in the Common Stream with the written consent of all Shippers in the Common Stream and in accordance with these rules and regulations and under such terms to which Company and Shipper may agree. If, upon investigation, Company determines that a Shipper has delivered to Company's facilities, liquid hydrocarbon or Indirect Liquid Products that have 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 Shippers will be excluded from further entry into applicable segments of the pipeline system until such time as quality specifications are met to the satisfaction of Company. If a Shipper delivers to Company liquid hydrocarbon that is not compatible with Company's Common Stream to which it has been tendered, or Crude Petroleum that has been
[W] 85	[W] Common Stream Operation, Connecting	

	Carriers- (continued)	altered, or material, including, but not limited to, reclaim or skimmed oil, that cannot be readily documented as being naturally produced and traced to specific oil wells, Company reserves the right to take appropriate actions including, but not limited to: (1) requiring the Shipper to test its liquid hydrocarbon at Company approved laboratory, at Shipper's expense, prior to each tender; (2) suspension; and (3) permanent disconnection. Further, Company reserves the right to dispose of any contaminated, non-compatible or non-acceptable liquid hydrocarbon blocking its pipeline system. Disposal thereof, if necessary, may be made in any reasonable commercial manner, and any liability associated with the contamination or disposal of any liquid hydrocarbon shall be borne by the Shipper introducing the contaminated liquid hydrocarbon into Company's system. When both receipts from and deliveries to a connecting pipeline of substantially the same grade of liquid hydrocarbon are scheduled at the same interconnection, Company reserves the right, with the cooperation of the operator of the connecting pipeline, to offset like volumes of such Common Stream in order to avoid the unnecessary use of energy which would be required to physically pump the offsetting volumes. When this right is exercised, Company will make the further deliveries for the Shipper involved from Company's Common Stream.
87	Liability for Charges	[W] The Shipper shall be liable for the payment of gathering and transportation <u>and Commercial Storage</u> charges, fees, and other lawful charges accruing to or due Carrier by Shipper, including but not limited to, penalties, interest and late payment charges on liquid hydrocarbon delivered <u>or stored</u> by Carrier to Consignee. All accrued charges are due the latter of the 25 th of the month after the month of delivery <u>or storage</u> of liquid hydrocarbon or ten (10) calendar days after receipt of such invoice.
90	Payment Prior to Delivery	[W] Carrier may require a Shipper or Consignee to pay gathering charges, <u>Commercial Storage and</u> transportation charges, fees and other lawful charges accruing to or due Carrier by Shipper or Consignee, including, but not limited to, overdue gathering charges, overdue <u>Commercial Storage and</u> transportation charges, penalties, interest and late payment charges, before making delivery of the liquid hydrocarbon if it appears that the value of the liquid hydrocarbon remaining in the custody of Carrier for Shipper's account after making such delivery will not exceed the total of all such charges.
92	Invoices	[W] Carrier will invoice Shipper each month for gathering charges on Crude Petroleum gathered for Shipper during the previous month. Carrier will invoice Shipper <u>or Consignee</u> each month for transportation charges on liquid hydrocarbon delivered during the previous month, <u>for Commercial Storage charges for the previous month, and for any other lawful charges, penalties, interest, late payment charges, and any other charges or fees owed by Shipper or Consignee to Carrier.</u> Such invoices shall be deposited in the U.S. Post Office, postage prepaid, and sent to the last address provided to Carrier by Shipper. If payment of such invoices is not received by Carrier by the later of the 25 th of the month after the month of delivery <u>or storage</u> of liquid hydrocarbon or ten (10) calendar days after receipt of such invoices, then any unpaid charge shall bear interest from the payment due date until payment is received at the maximum rate allowed by law.
95	Time Limitation of Claims	As a condition precedent to recovery for loss or delay, claims must be filed in writing with the originating or delivering Carrier within nine (9) months and one (1) day after delivery of the property, or in case of failure to make delivery, within nine (9) months and one (1) day after a reasonable time for delivery has elapsed, and suits 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 by Carrier.
97	Liens	[W] Carrier shall have a lien on all liquid hydrocarbon received into Carrier's pipelines. Such lien shall take effect at the point of origin as the liquid hydrocarbon is received

		into Carrier's pipelines. Such lien shall secure the payment of any and all gathering-Commercial Storage charges, transportation charges, fees, and other lawful charges owed to Carrier by Shipper or Consignee, including but not limited to, penalties, interest and late payment charges. Carrier may enforce such lien by any manner referred to in New Mexico Statutes Sections 55-7-308, provided that Carrier's sale of such liquid hydrocarbon to another Shipper or Carrier, or any other person, after ten (10) days prior notice to Shipper and the solicitation of three (3) bids thereon, shall be deemed commercially reasonable. Such lien shall be in addition to any and all other rights and remedies Carrier has at law or in equity.
105	Application of Rates From and to Intermediate Points	Liquid hydrocarbons received from a point on Carrier's lines that is not named in a tariff but which point is intermediate to a point named in a tariff, will be assessed the rate in effect from the next more-distant point named in a tariff. Liquid hydrocarbons delivered to a point on Carrier's lines that is not named in a tariff but which point is intermediate to a point named in a tariff will be assessed the rate in effect to the next more-distant point named in a tariff.
115	Intrasystem Transfer Information and Charges	[W] Carrier shall provide non-confidential information on the Intrasystem Transfers sold, exchanged or otherwise transferred (hereinafter collectively referred to as "Transfers") in writing by the 15 th calendar day of the month after the month of Transfer to those parties involved in such Transfers on the following terms and conditions. 1. A party desiring to receive this information must: (A) on or before the Final Nomination Deadline date, notify the Carrier in writing of the kind, quantity, transfer point and parties involved in the Transfer; and (B) warrant that it has unencumbered title to the liquid hydrocarbon at the time of the Transfer. 2. The fee for the information shall be assessed on the Transferor and shall be one quarter of one cent (\$0.0025) per barrel of liquid hydrocarbon transferred. Carrier will invoice parties involved in such Transfers who request the information and who do not pay Carrier's transportation or storage charges on the liquid hydrocarbon transferred. Carrier shall not be obligated to provide information on the volumes of liquid hydrocarbon transferred unless the party requesting such information had complied with the provisions of this Item.
120	Line Fill and Tank Bottom Inventory Requirements	[W] Each Shipper shall provide its pro rata share of liquid hydrocarbon necessary for pipeline and tankage fill to ensure efficient operation of Company's pipeline system prior to delivery to Consignee. Carrier shall not be obligated to deliver Shipper's liquid hydrocarbon in such pipeline unless Shipper has provided its pro rata share of such pipeline and tankage fill. Liquid hydrocarbon provided by Shippers for this purpose may be withdrawn only after: (1) shipments have ceased and Shippers have notified Company in writing to discontinue shipments in the Company's system, and (2) Shipper balances have been reconciled between Shippers and Company. Company, at its discretion, may require advance payments of transportation or storage charges on the volumes to be cleared from Company's system, and any unpaid accounts receivable, before final delivery will be made. Company shall have a reasonable period of time from the receipt of said notice to complete administrative and operational requirements incidental to Shipper withdrawal.
130	Access and Use of Shipper's and Producers' Facilities	[W] Company shall have the right to install, in suitable locations, and to operate and maintain pipelines, pumping equipment, other auxiliary pipeline equipment, and power service facilities upon and across surface lands held by Shipper (or producer) in connection with the production of Crude Petroleum tendered to Company for transportation or storage . Company, by its representative, shall have the right to go upon the premises where Crude Petroleum tendered for shipment is produced or stored, and shall have access to any metering installations or storage facilities for the purpose of making examinations, inspections, measurements or tests authorized by these rules and regulations. Company shall be allowed full and free use of roads, helicopter pads and airstrips built or owned by Shipper (or producer) when in Company's opinion such use is required for access to, and the operation and maintenance of, Company's

		pumping equipment and pipeline system. The Shipper (or producer) shall maintain such roads in a reasonable condition.
140	Proration	<p>[W] When there shall be tendered to Company, for transportation or storage, more Crude Petroleum than can be immediately transported or stored, the transportation or storage furnished by Company shall be prorated among Shippers on an equitable basis. Company shall be considered as a Shipper of Crude Petroleum owned by itself and shall be entitled to participate in such proration. During any month in which the total nominations submitted for shipment in a pipeline segment or storage in tanks exceed the capacity of that segment or tanks, the capacity will be prorated equitably among all Shippers as described by the following Proration Policy:</p> <ol style="list-style-type: none"> 1. Initial Prorationing. At such times as Carrier determines that it may be necessary to allocate space in a pipeline segment or tanks, Carrier will notify all Shippers of the necessity to prorate the segment or tanks. Carrier also will notify each Shipper of its allocated space for the month. The allocation will be determined according to the procedure described in Section 2 of this Item. 2. Allocation Procedure. When the nominated volumes for any month exceed the capacity of any one or more segments of the system or tanks, the total nominated volumes for the segment(s) or tanks will be divided into each Shipper's nominated volume to determine the 'factor' for that Shipper. Each Shipper's allocation for that segment(s) or tanks shall be determined by multiplying its 'factor' for that segment(s) or tanks by the capacity of the prorated segment or tanks. Capacity will be defined as the throughput limit for the prorated segment in barrels per day, and for the prorated tank capacity in total barrels, as determined by Carrier. 3. Continued Prorationing. Carrier will require Shippers to nominate volumes to be shipped or stored in the prorated line segment or tanks in subsequent months by the First Nomination Deadline. Space each month will be allocated based on the volume nominated for that particular month. Shippers will be informed of their allocations five (5) days after the First Nomination Deadline. All final nominations must be received by the Final Nomination Deadline. Such nominations are subject to provisions contained in Item No. 7 (Nominations). <p>Volumes injected into Carrier's pipeline system or tanks will be limited to throughput or tank capacity as determined by Carrier. Lease sites also will be limited to historic production as determined by Carrier. Shipper must have unencumbered title to all volumes that are nominated. Space allocated to a Shipper may only be used by such Shipper and may not be assigned, sold or otherwise transferred to another Shipper. Any Shipper violating the provision will not be allowed to ship or store in the following month if proration continues. If a Shipper fails to use its total allocated space for the month and if such Shipper is unable to provide a reasonable explanation therefore, then such Shipper's nomination for the following month will be limited to the volume that was actually shipped or stored during the month in which Shipper failed to use its space. This nomination will then be subject to the prorationing procedures contained herein. Any undue preference or advantage Shippers may offer, grant, give, solicit, accept or receive with respect to the allocation of shipping or tankage space, may be a violation of Section 41, Title 49, U.S.C.A., and other applicable laws.</p>
145	Duty of Carrier	<p>[W] Carrier shall not be required to ship or store Crude Petroleum and/or Indirect Liquid Products except with reasonable diligence considering the quantity and quality of the Crude Petroleum and/or Indirect Liquid Product, the distance of shipping or the volume to be stored, and other material elements. Carrier cannot commit to delivering Crude Petroleum and/or Indirect Liquid Products to a particular destination at a particular time.</p>

150	Charge for Tribal Assessments	<p>[W] In addition to all other charges accruing on Crude Petroleum or Indirect Liquid Products accepted for shipping through Carrier's mainline trunk facilities or storing in Carrier's facilities, a charge will be assessed and collected for (i) any tax, fee, assessment or any other charge (individually or collectively referred to as "Assessment"), and (ii) any increase in any Assessment. This applies to any Assessment levied against Carrier, Shipper or Consignee by a tribal authority for any purpose, including but not limited to, the receipt, delivery, storage, transfer or transportation of Crude Petroleum and/or Indirect Liquid Products, or for the purpose of creating a fund for the prevention, containment, cleanup or removal of spills, or reimbursement of persons or entities sustaining such costs or losses therefrom.</p>
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