



ROSEFIELD OPERATING COMPANY, LLC

LOCAL AND PROPORTIONAL TARIFF

CONTAINING

RULES AND REGULATIONS

GOVERNING THE GATHERING OF

PETROLEUM

**BY
PIPELINE**

GENERAL APPLICATION

Carrier will undertake the gathering of Petroleum, only as defined herein, receiving and delivering such Petroleum through its own pipelines and pipelines of connecting carriers and not otherwise, subject to the Rules and Regulations contained in this tariff publication.

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

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Issued By:

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RULES AND REGULATIONS

5. Definitions

"Barrel" as herein used means forty-two (42) United States gallons at sixty degrees (60°) Fahrenheit and zero (0) gauge pressure if the vapor pressure of the Petroleum is at or below atmospheric pressure, or at equilibrium pressure if the vapor pressure of the Petroleum is above atmospheric pressure.

"Carrier" as herein used means Rosefield Operating Company, LLC

"Consignor" as herein used means the party from whom a Shipper has ordered the receipt of Petroleum.

"Consignee" as herein used means the party to whom a Shipper has ordered the delivery of Petroleum.

"Petroleum" as herein used means the direct liquid products of oil wells, or a mixture of the direct liquid products of oil wells with the indirect liquid products of oil and gas wells including gasoline and liquefied petroleum gases.

"Shipper" as herein used means a party who contracts with Carrier for the gathering of Petroleum, as defined herein and under the terms of these Rules and Regulations.

"Nomination", or variations thereof, as herein used means an offer by a Shipper to the Carrier of a stated quantity of Petroleum for gathering from a specified origin or origins to a specified destination in accordance with these Rules and Regulations.

10. Nomination Required

Petroleum will be gathered by Carrier only under a Nomination accepted by Carrier. Any Shipper desiring to Nominate Petroleum for gathering shall make such Nomination to Carrier prior to 12 Noon Central Standard Time/Central Daylight Saving Time, whichever is applicable, on the twentieth (20th) day of the month preceding the month during which gathering under the Nomination is to begin; except that, if space is available for current movement, Carrier has the right to accept a Nomination of Petroleum for gathering after the twentieth (20th) day of the month preceding the month during which gathering under the Nomination is to begin. When the twentieth (20th) day of the month falls on a weekend or a holiday, Nominations will be required prior to 12 Noon Central Standard Time/Central Daylight Saving Time, whichever is applicable, on the preceding workday.

15. Reserved for Future Use

20. Title

The Carrier shall have the right to reject any Petroleum 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 require satisfactory evidence of Shipper's perfect and unencumbered title or satisfactory indemnity bond to protect Carrier. By

Nominating Petroleum, the Shipper warrants and guarantees that the Shipper has unencumbered title thereto or the right to cause the Petroleum to be gathered and that unencumbered title or right remains in effect throughout the movement covered by this tariff. In addition, Shipper agrees to hold Carrier harmless for any and all loss, cost, liability, damage or expense resulting from failure of title or Shipper's failure to have the right to cause the Petroleum to be gathered; and Shipper agrees that acceptance by the Carrier of the Petroleum for gathering shall not be deemed a representation by the Carrier as to title.

25. Shipment Quality

Carrier reserves the right to reject:

- A. Petroleum having a Reid vapor pressure in excess of 8.6.
- B. Petroleum containing water, sediment and other impurities totaling in excess of one percent (1%) as determined by industry accepted tests, or by such other tests as may be agreed upon by the Shipper and Carrier.
- C. Petroleum where the Shipper or Consignee has failed to comply with all applicable laws, rules and regulations made by any governmental authorities regulating shipments of Petroleum.
- D. 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 such as methanol, or arsenic, lead, and/or other metals which cause harm to other Shippers, connecting carriers, users of the contaminated Petroleum or Carrier.
- E. Petroleum where gravity, viscosity, pour point, or other characteristics are such that it is not readily susceptible to gathering through the Carrier's existing facilities.
- F. Petroleum which may materially affect the quality of other shipments or cause disadvantage to other Shippers and/or the Carrier.

Further, Carrier requires that all Crude Petroleum shall meet the quality specifications set forth in Exhibit A. Carrier reserves the right to reject any Crude Petroleum that is found to be out of compliance with these specifications.

Carrier may require the Shipper to furnish certified laboratory reports showing the results of tests of the Crude Petroleum offered for transportation. Carrier may also make such tests of the Crude Petroleum as it deems necessary, but shall not be required to make such tests. In the event of variances between Shipper's report and Carrier's test, Carrier's test shall prevail.

Notwithstanding the above, Carrier may accept Petroleum from Shipper that does not meet the above conditions due to, but not limited to, operational circumstances (i.e. offshore deep water well maintenance or production facility upsets), emergencies, or events of force majeure (such as sea storms or shut-in platforms). In such case, however, Shipper must notify Carrier fully, in writing, of the characteristics of such Petroleum and Shipper shall then secure from the producer or connecting carrier or shall provide itself, in writing, to Carrier an assumption of all liability and agree to hold Carrier harmless from and against any loss, cost or disadvantage to other Shippers, and other pipelines or downstream facilities, or to Carrier arising from such gathering.

If Carrier determines that a Shipper has delivered to Carrier's facilities 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, such as methanol, or arsenic, lead, and/or other metals which cause harm to other Shippers, connecting carriers, users of the contaminated Petroleum or Carrier, such Shipper will be excluded from further entry into applicable segments of the pipeline system until such time as the quality of the Petroleum is to the satisfaction of the Carrier. Carrier is not responsible for monitoring receipts or deliveries for contaminants. Further, Carrier reserves the right to dispose of any contaminated Petroleum blocking its pipeline 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 Petroleum shall be borne by the Shipper who introduced into Carrier's system such Petroleum that does in any way not comply with the above conditions.

Notwithstanding the foregoing, in general, the Shipper who introduced into Carrier's system Petroleum that does in any way not comply with the above conditions is liable towards Carrier for all consequences of gathering by Carrier of such Petroleum, including but not limited to, damages, costs and expenses of disposal, costs and expenses necessary to return the Carrier's system facilities to service, claims from other Shippers, connecting carriers, or users of the non-complying Petroleum and the costs of any regulatory or judicial proceeding.

30. Mixing of Petroleum in Transit

Petroleum will be accepted for gathering only on condition that it may be subject to such changes in gravity or quality while in transit as would result from its mixture with other Petroleum in the pipelines or tanks of the Carrier. Carrier shall not be liable for such changes. Carrier shall be under no obligation to deliver the identical Petroleum received but may make delivery out of common stock or out of Carrier's pipeline stream.

35. Reserved for Future Use

40. Additives and Pigging

Carrier reserves the right to require, approve or reject the injection of corrosion inhibitors, viscosity or pour point depressants or other such additives in Petroleum to be gathered.

Carrier reserves the right to require, approve or reject maintenance pigging programs for pipeline facilities upstream of the Origin Point.

45. Duty of Carrier

Carrier shall gather Petroleum with reasonable diligence, considering the quality of the Petroleum, the distance of gathering, the safety of operation, and other material elements. Carrier cannot commit to delivering Petroleum to a particular destination at a particular time.

50. Origin Facilities Required for Automatic Custody Transfer

Shipper shall furnish the necessary facilities at origin points capable of delivering Petroleum into the Carrier's system at pressures and pumping rates required and determined solely by the Carrier.

Where Consignor (or Shipper) elects to deliver Petroleum to the Carrier at point of origin through automatic

custody transfer facilities (in lieu of tankage), the Consignor (or Shipper) shall furnish the required automatic measuring and sampling facilities and the design, construction, and calibration of such facilities must be approved by the Carrier and any appropriate regulatory body. In the event automatic custody transfer is made by meters, the Consignor (or Shipper) shall also furnish whatever pumping service is necessary to ensure that the Petroleum being delivered to the meter is at a pressure in excess of the bubble point of the liquid.

55. Destination Facilities Required

The Carrier may refuse to accept Petroleum for gathering unless satisfactory written evidence is furnished that the Shipper or Consignee has made the necessary arrangements for shipment beyond or has provided the necessary facilities for receiving said Petroleum as it arrives at the destination. Notwithstanding other conditions, at minimum such facilities shall have adequate available capacity and be capable of receiving said Petroleum at pressures and pumping rates required and determined solely by the Carrier.

60. Notice of Arrival, Delivery at Destination

Delivery may be made upon twenty-four (24) hours' notice to the Shipper or Consignee who shall accept and receive said Petroleum from the Carrier with all possible dispatch.

If the Shipper, or Consignee, is unable or refuses to receive said Petroleum as it arrives at the destination, the Carrier reserves the right to make whatever arrangements for disposition of the Petroleum 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 or Consignee.

65. Inventory Requirements

Carrier will supply all Petroleum necessary to ensure efficient operation of Carrier's pipeline system.

70. Gauging, Testing, and Volume Corrections

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

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

Pressure 14.696 psia (101.325 kPa) Temperature 60.0 F (15.56 C)

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

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

When indirect liquid products are received from pressure vessels using static measurement methods, a further

adjustment will be made to cover evacuation losses if a gas blanket at or in excess of the vapor pressure of the liquid is not used.

The following Pipeline Loss Allowance will be used:

From the net quantities so determined for acceptance, a further deduction of two-tenths of one percent (0.2%) will be made to cover evaporation and loss during gathering. The balance shall be the net quantities deliverable. The Pipeline Loss Allowance will be periodically, but not less than once a year, reviewed and revised, as necessary.

All receipts of Petroleum and indirect liquid products having an API gravity of 45 degrees or above shall also be subject to a deduction to cover the shrinkage and incremental evaporation resulting from the mixture thereof, in Carrier's facilities, with Petroleum having an API gravity of 44.9 degrees or less. Such deduction shall be determined in accordance with the following table:

<u>API Gravity, Degrees</u>	<u>Deduction for Incremental Evaporation & Shrinkage</u>
45 through 54.9	0.50%
55 through 64.9	1.00%
65 through 74.9	1.50%
75 and above	2.00%

After consideration of all of the factors set forth in this Item No. 70, a net balance will be determined as the quantity deliverable by Carrier, and gathering charges will be assessed on this net balance.

75. Apportionment When Nominations are in Excess of Facilities

On such day(s) as Carrier determines that it may be necessary to allocate space in a pipeline segment due to Nominations exceeding pipeline capacity, the available capacity shall be apportioned, on a pro-rata basis, among Shippers in proportion to the three (3) prior months' average of the daily volumes nominated by each Shipper. Such pro-rata capacity apportionment to Shippers will continue on the basis of such three (3) months daily average of Nominations for each Shipper until the available capacity in the pipeline returns to the level prior to when such capacity restrictions were put in place under this Section 75.

No Nominations shall be considered beyond the amount which the party requesting shipment has available for shipment. Carrier reserves the right to require Shipper to show sufficient evidence of available volume.

80. Application of Rates and Charges

Petroleum accepted for gathering shall be subject to the posted rates and charges in effect on the date of receipt of such Petroleum by the Carrier. Carrier may discount such rates on a non-discriminatory basis. Trunk line gathering and all other lawful charges will be collected on the basis of the net quantities of Petroleum delivered. All net quantities will be determined in the manner provided in Item 70 (GAUGING, TESTING, AND VOLUME CORRECTIONS).

85. Application of Rates From and To Intermediate Points

For Petroleum accepted for gathering 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 Petroleum accepted for gathering to any point not named in a particular tariff which is intermediate to a point to which rates are published in said tariff, through such unnamed point, the rate published therein to the next more distant point specified in the tariff will apply.

Carrier will file a tariff applicable to such gathering movements within 30 days of the start of the service if the intermediate point is to be used on a continuous basis for more than 30 days.

90. Quality Bank

Because of the commingling that occurs in the common stream, all shippers shall be required to participate in the attached quality bank as a condition of transportation on the system. A fee of \$0.002 per Barrel, in addition to all other tariff fees, will be assessed to cover costs for administration of the quality bank for shippers.

95. Commodity

The Carrier will gather Petroleum and has no obligation to accept any other commodity for gathering.

100. Payment of Gathering and Other Charges

Shipper shall be responsible for payment of gathering and all other charges applicable to the shipment, and Carrier shall have the right to require Shipper to prepay such charges or furnish guaranty of payment satisfactory to Carrier. Petroleum accepted for gathering shall be subject to the rates in effect on the date of receipt by Carrier, irrespective of the date of the Nomination.

Except where pre-payment is required, all charges shall be paid by Shipper within ten (10) days from the date of invoice from Carrier. All charges that remain unpaid for more than ten (10) days from the date of Carrier's invoice shall accrue an interest charge equal to 125% of the prime rate as quoted by a major New York bank or the maximum non-usurious interest rate that may then be charged under applicable law.

Carrier shall have a lien on all Petroleum accepted for gathering to secure payment of all charges, including demurrage charges, and may refuse to accept future Nominations and/or make delivery of any Petroleum until all charges have been paid. If such charges, or any part thereof, remain unpaid five (5) days after notice and demand therefor or when there shall be failure to take the Petroleum at the point of destination within five (5) days per Item 60 (NOTICE OF ARRIVAL, DELIVERY AT DESTINATION) of these Rules and Regulations, the Carrier, or its representatives, shall have the right to sell such Petroleum. The Carrier may be a bidder and purchaser at such sale. From the proceeds of the sale, the Carrier may deduct all charges lawfully accruing, including demurrage, and all expenses of the sale. The net balance shall be held without interest for whomsoever may be lawfully entitled thereto.

In addition to all other charges accruing on Petroleum accepted for gathering through Carrier's facilities, a per Barrel charge will be assessed and collected in the amount of any fee or other charge, however denominated, which is levied against Carrier by any federal, state or local agency.

105. Diversion

Subject to Item 15 (MINIMUM NOMINATION), change in destination or routing will be permitted without additional charge, on written request from the Shipper, provided an applicable tariff is in effect for any requested destination or routing, and provided that no back-haul is required.

110. Liability of Carrier

As a condition to Carrier's acceptance of Petroleum, each Shipper agrees that Carrier shall not be liable for any loss thereof, damage thereto, or delay, except to the extent that liability therefor is imposed on the Carrier by law. In case of loss of or damage to Petroleum for which Carrier is not responsible under applicable law, the Shipper shall bear the loss or damage in such proportion as its total volume in Carrier's Pipeline System bears to the total volume in said system.

If Carrier is unable to accept Petroleum for any reason, Carrier will not be liable for delay or damages associated with its inability to accept volumes.

115. Claims, Suits, and Time for Filing

As a condition precedent to recovery for loss, damage, or delay to shipments, claims must be filed in writing with the Carrier within nine (9) months after delivery of the Petroleum, or, in case of failure to make delivery, then within nine (9) months after a reasonable time for delivery has elapsed; and suits arising out of such claims shall be instituted against the Carrier only within two (2) years from the time when the Carrier delivers, or arranges delivery of, the Petroleum or, in case of failure to make or arrange delivery, then within two (2) years after a reasonable time for delivery has elapsed. Any such loss or damage shall be determined solely on the basis of volumetric loss and not on the monetary value of the Petroleum. 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.

120. Pipeage or Other Contracts

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

125. Reserved for Future Use

130. Reserved for Future Use

135. Reserved for Future Use

140. Common Stream Petroleum - Connecting Carriers

When both receipts from and deliveries to a connecting pipeline of substantially the same grade of Petroleum 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 Petroleum 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

Petroleum.

145. Reserved for Future Use

**LIST OF POINTS FROM AND TO WHICH RATES APPLY
AND
RATES ON PETROLEUM IN CENTS PER BARREL OF 42 UNITED STATES GALLONS**

Route No.	Origin	Destination	Rate
01	High Island Area	Texas City, Texas	699.82 [I]

EXPLANATION OF REFERENCE MARKS:

[I] Increased

EXHIBIT A

QUALITY SUPPLEMENT FOR CLOUD POINT MONITORING PARAFFIN TREATMENT PLAN

Rosefield Operating Company, LLC (“*Rosefield*” or “*Gatherer*”) requires that all Crude Oil offered for transportation on the Rosefield High Island Pipeline System shall meet the quality specifications set forth below. Rosefield reserves the right to reject any Crude Petroleum that is found to be out of compliance with these specifications.

The composition and characteristics of Crude Petroleum transported through the Rosefield EI Pipeline System shall not:

1. Cause damage to the Gatherer’s system by internal corrosion, as determined by the copper strip corrosion test ASTM-D-130;
2. Contain water, associated liquids, or any harmful agent, including but not limited to bacteria or bacterial agents, capable of causing operational problems or corrosion on the Gatherer’s system;
3. Contain more than 1% of basic sediment and water by volume as determined by ASTM-D-4007;
4. Have an API gravity such that introduction into the Gatherer’s common stream causes the stream to fail to meet the quality standards of the connecting carrier;
5. Contain a total sulfur content such that introduction into the Gatherer’s common stream causes the stream to fail to meet the quality standards of the connecting carrier;
6. Have a cloud point greater than forty (40) degrees Fahrenheit as determined by ASTM-D-2500. If the cloud point is found to be higher than forty (40) degrees, a Cold Finger Test will be run and a chemical treatment plan will be submitted to the Gatherer for evaluation. Based on the Cold Finger Test results and the Crude Oil conditions, the Gatherer, at its sole discretion, will require a treatment plan to be implemented before the Crude Oil will be accepted into the Gatherer’s system;
7. Contain an asphaltene hydrocarbon content in excess of one half of one percent (0.5%) as determined by ASTM-D-3279M;
8. Contain any environmentally hazardous products such as PCB’s, mercury, or other byproducts known to be environmentally hazardous; and
9. Contain any acid-producing bacteria. Bacteria tests shall be run in accordance with BACTAP-BACTSR standards.