

PTE PIPELINE LLC

LOCAL TARIFF

Containing

RULES AND REGULATIONS

**Governing the Transportation of
Crude Petroleum on the
Point Thomson Export Pipeline**

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

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

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RULES AND REGULATIONS

Item No. 1. DEFINITIONS.

“**API**” – American Petroleum Institute.

“**ASTM**” – American Society for Testing Materials.

“**Average Regular Shipper Volume**” – the average volume (measured in Barrels per Day) actually shipped by a Regular Shipper during the Rolling Period.

“**Available Capacity**” – capacity plus or minus any adjustments estimated by Operator to the capacity available to Carrier for the applicable Tender Period.

“**Barrel**” – 42 United States standard gallons of Petroleum at a temperature of sixty degrees (60°) Fahrenheit provided that, unless otherwise specifically stated, Barrel shall be a volumetric measure, with no adjustment for characteristics of Petroleum that affect throughput.

“**Business Day**” – a Day that is Monday through Friday of any week excluding observed holidays.

“**Carrier**” – Point Thomson Export Pipeline (PTEP).

“**Carrier Business Day**” – a regularly scheduled work day for Carrier’s scheduling department.

“**Connection**” – a connection to the System for the purpose of receiving Petroleum into the System.

“**Day**” – the period of time commencing at 0000 hours of one (1) day and running until 2400 hours on the same day according to Deadhorse, Alaska, local time.

“**Decreased Nomination**” – a Nomination that reduces the number of Barrels previously nominated to Carrier by a Shipper.

“**Gravity**” – the gravity of Petroleum expressed in API degrees at sixty degrees (60°) Fahrenheit.

“**Increased Nomination**” – a Nomination that increases the number of Barrels previously nominated to Carrier by a Shipper.

“**Month or Monthly**” – a calendar month commencing at 0000 hours on the first day thereof and running until 2400 hours on the last day thereof according to Deadhorse, Alaska, local time.

“**New Shipper**” – any Shipper that does not qualify as a Regular Shipper. A New Shipper becomes a Regular Shipper when it satisfies the conditions to be a Regular Shipper based on documented volumes shipped in prior months.

“**Nomination**” – See definition of “Tender” below.

“**Operator**” – Point Thomson Export Pipeline (PTEP).

“**Operator Business Day**” – a regularly scheduled work Day for Operator’s scheduling department.

“**Petroleum**” – unrefined liquid hydrocarbons including gas liquids. Any references to crude oil shall mean Petroleum as defined herein.

“**Regular Shipper**” –, A Shipper who ships volumes each Month during any consecutive twelve (12) Month period; provided, however, that once a Shipper becomes a Regular Shipper, it will lose its Regular Shipper status only if it does not ship volumes at all during a period of twelve (12) consecutive Months. Regular Shippers not shipping volumes for a Tender Period will be credited with zero (0) Barrels accepted for that Tender Period in establishing their Average Regular Shipper Volume.

“**Reserved Capacity**” – for any Month in which prorationing applies, the greater of (i) eighty-five percent (85%) of the Available Capacity, or (ii) the percentage of Available Capacity for which no New Shipper nominations have been received.

“**Rolling Period**” – the twelve (12) Month period beginning fourteen (14) Months prior to the Month requiring proration.

“**Shipper**” – a party that tenders Petroleum to Carrier for transportation and thereafter actually delivers Petroleum to Carrier for transportation.

"System" – the pipeline operated by PTEP.

"Tender" or "Nomination" – a written offer (in form and content specified by Carrier) made by a Shipper to Carrier of a stated quantity of Petroleum for transportation from a specified origin to a specified destination and supplemental information related to receipt of same at destination, all in accordance with Carrier's applicable tariff or tariffs.

"Tender Period" – the Month in which the Barrels are shipped.

"Volume" – quantity expressed in Barrels.

"Week" or "Weekly" – seven (7) consecutive days commencing on Monday at 0000 hours and running until 2400 hours on the next succeeding Sunday according to Deadhorse, Alaska, local time.

Item No. 2. COMMODITY. Carrier will transport Petroleum exclusively and will not accept any other commodity for transportation.

Item No. 3. SPECIFICATIONS AS TO QUALITY. Carrier reserves the right to reject any Petroleum for transportation if (1) it contains more than five one hundredths of 1% (0.05%) by volume of sediment and water, (2) its temperature exceeds one hundred seventy degrees (170⁰) Fahrenheit, (3) its hydrogen sulfide (H₂S) content in solution exceeds fifty (50) parts per million by weight, (4) the H₂S content, in solution in the calculated combined stream of Petroleum of any Shipper at any given entry point in the System, at any given time, exceeds ten (10) parts per million by weight, or (5) the vapor pressure in the calculated combined stream of Petroleum of any Shipper at any given entry point in the System at any given time exceeds the greater of atmospheric pressure or 14.7 psia at one hundred twenty degrees (120⁰) Fahrenheit. In no event will Petroleum be accepted for transportation unless its gravity, viscosity, pour point, vapor pressure, temperature, and all other characteristics are such that it is suitable for refining or use as a fuel and is readily susceptible to safe and efficient transportation through the System. Carrier reserves the right to reject for shipment any and all Petroleum whose gravity, viscosity, and/or other characteristics are such that it will damage the quality and/or value of other shipments unless, at the time such Petroleum is tendered, just and reasonable monetary adjustments for differences in the quality or value of such Petroleum and the Petroleum then being transported in the System are provided for in this tariff.

Item No. 4. TENDERING NEW GRADE OF PETROLEUM. A Shipper tendering Petroleum to Carrier from a producing reservoir or processing plant from which Petroleum has not previously been accepted for transportation in the System, shall notify Carrier of the date shipments will commence and shall furnish an assay of such Petroleum to Carrier at least sixty (60) days prior to the date the Shipper desires to commence shipment of such Petroleum. If Petroleum offered for transportation differs materially in character from that being transported in Carrier's pipeline, then it will be transported, if at all, only under such terms as the Carrier and Shipper may agree.

Item No. 5. TITLE, PETROLEUM INVOLVED IN LITIGATION. By tendering Petroleum, the Shipper warrants and guarantees that the Shipper has good title thereto and agrees to hold Carrier harmless from any and all loss, cost, liability, damage, and/or expense resulting from disputes, encumbrances or failure of title thereto; but Carrier's acceptance of Petroleum for transportation shall not be deemed a representation by Carrier as to the title of the Petroleum accepted. Shipper further warrants that all Petroleum tendered to Carrier has been produced and handled in accordance with the laws of the State in which produced and of the United States and the orders, rules, and regulations of all regulatory agencies, State and Federal, having jurisdiction. Carrier shall have the right to reject any Petroleum tendered for transportation which may be involved in litigation or the title of which may be in dispute, or which may be encumbered by lien or charge of any kind. In the alternative and at Carrier's option, Carrier may either require of the Shipper satisfactory evidence of its perfect and unencumbered title or a satisfactory indemnity bond to protect Carrier.

Item No. 6. IDENTITY OF PETROLEUM. All Petroleum transported through the System may be subject to intermixing with other Petroleum in the system. Petroleum accepted for transportation shall be subject to such changes in gravity, quality, or other characteristics as may result from its mixture with other Petroleum in the System. Carrier will be under no obligation to deliver the identical Petroleum received and reserves the right to make deliveries out of common stock.

Item No. 7. TRANSFER OF TITLE. Carrier will not recognize, nor account for, transfers of title to Petroleum while in the System.

Item No. 8. GAUGING, MEASUREMENTS, AND TESTS. Petroleum accepted for transportation through the System and Petroleum delivered from the System will be measured and tested by Carrier or its representative prior to, or at the time of, its receipt or delivery. Its Volume will be determined by meters or other methods acceptable in the industry. The Volumes so determined will be corrected by calculation from observed temperatures to sixty degrees (60⁰) Fahrenheit and reduced by the full amount of sediment, water, and other impurities as ascertained from tests in accordance with accepted API and ASTM practices.

Item No. 9. DEDUCTIONS FROM QUANTITIES DELIVERABLE. Carrier shall account to each Shipper for Petroleum received. Any shortages or losses and any gains experienced by Carrier will be allocated among the Shippers in the proportion that the total Barrels delivered by Carrier from the System for each Shipper bears to the total number of Barrels delivered by Carrier from the System for all Shippers during the calendar Month the loss, shortage, or gain occurs. Only such portion of a Shipper's Petroleum as may remain after deduction of its allocated part of such net losses and shortages shall be deliverable from the System. Deductions for such losses and shortages and additions for any gains will initially be made on the basis of estimates and adjusted to actual at the end of each calendar Month. Carrier will not be liable for any such net losses and shortages except as provided in Item No. 16.

Item No. 10. LINE FILL. Either prior to or after the acceptance of Crude Petroleum for transportation, Carrier will require each Shipper to provide a *pro rata* part of the volume of Crude Petroleum necessary for pipeline fill. Crude Petroleum provided by a Shipper for this purpose may be withdrawn after reasonable written notice of Shipper's intention to discontinue shipment in the system pursuant to Carrier's applicable tariff or tariffs. Carrier may require advance payment of final transportation charges and settlement of any unpaid accounts receivable, before final delivery will be made.

In the event a Shipper's Line Fill drops below its *pro rata* part of the volume of Crude Petroleum necessary for pipeline fill, then Carrier will require such Shipper to provide the necessary volume to meet its *pro rata* part of such volume of Crude Petroleum.

In the event that Shipper maintains Line Fill after Shipper ceases movements on the system or Shipper gives written notice of its intent to cease movements over the system and such Shipper is unable to schedule appropriate shipments to clear the inactive Line Fill, Shipper will be required to settle the inactive Line Fill through Carrier. In the event Shipper does not give such notice, Carrier may require either an adjustment in Shipper's Line Fill in accordance with this Line Fill provision or settlement of the Shipper's Line Fill at any time after Shipper has ceased making movements over the system for a period of six (6) Months. Such settlement will be based upon the fair market value of the Crude Petroleum, as published by Platts, at the time Shipper informs Carrier in writing of its intention to discontinue shipments on the system pursuant to Carrier's applicable tariff or tariffs; or if no such written notice is given, then at such time as Carrier calls for the settlement of the Shipper's Line Fill.

Item No. 11. APPLICATION OF RATES. Petroleum accepted by Carrier for transportation shall be subject to Carrier's rates in effect on the date of the receipt of the Petroleum by Carrier into the System, irrespective of the date of the Tender. The withdrawal of Petroleum provided by a Shipper for line fill shall be subject to the payment of Carrier's applicable rates from the initial point of origin in effect on the date of its withdrawal.

Item No. 12. PAYMENT OF TARIFF CHARGES. The Shipper or Consignee shall pay, as provided below, all applicable gathering, transportation, and all other charges accruing on Crude Petroleum delivered to and accepted by Carrier for shipment.

1. All payments are due within ten (10) days of receipt of the invoice, unless the Carrier determines, in a manner not unjustly discriminatory, that the financial condition of Shipper or Shipper's guarantor (if any) is or has become impaired or unsatisfactory, or Carrier determines, in a manner not unjustly discriminatory, that it is necessary to make payment on another date, in which case the payment due date shall be that specified in a written notice to the Shipper.

2. If any charge remains unpaid after the due date specified in Carrier's invoice, then such amount due may bear interest from the day after the due date until paid, calculated at an annual rate equivalent to the lesser of (a) one hundred twenty-five percent (125%) of the prime rate of interest, as of the date of Carrier's invoice, charged by the Citibank N.A. of New York, New York, for ninety (90) day loans made to substantial and responsible commercial borrowers or (b) the maximum rate allowed by law. In addition Shipper shall pay all documented costs incurred by Carrier to collect any unpaid amounts.

3. In the event Shipper fails to pay any such charges when due, Carrier shall not be obligated to provide Shipper access to Carrier's facilities or provide services pursuant to Carrier's tariff until such time as payment is received by Carrier and Shipper meets the requirements of the following paragraph. In addition, in the event Shipper fails to pay any such charges when due, Carrier shall have the right to setoff such amounts owed and future amounts owed against those amounts Carrier owes Shipper.

4. In the event Carrier determines, in a manner not unjustly discriminatory, that the financial condition of Shipper or Shipper's guarantor (if any) is or has become impaired or unsatisfactory, or Carrier determines, in a manner not unjustly discriminatory, that it is necessary to obtain security from Shipper, Carrier, upon notice to Shipper, may require any of the following prior to Carrier's delivery of Shipper's Crude Petroleum in Carrier's possession or prior to Carrier's acceptance of Shipper's Crude Petroleum: (a) prepayment of all charges, (b) a letter of credit at Shipper's expense in favor of Carrier in an amount sufficient to ensure payment of all such charges, and in a form, and from an institution, acceptable to Carrier, or (c) a guarantee in an amount sufficient to ensure payment of all such charges and in a form and from a third party acceptable to Carrier. In the event Shipper fails to comply with any such requirement on or before the date supplied in Carrier's notice to Shipper, Carrier shall not be obligated to provide Shipper access to Carrier's facilities or provide services pursuant to this tariff until such requirement is fully met.

5. Carrier shall have a lien on all Crude Petroleum delivered to Carrier to secure the payment of any and all gathering, transportation, or any other charges that are owed Carrier. Such lien shall survive delivery of Crude Petroleum to Shipper. Such lien shall extend to all Crude Petroleum in Carrier's possession beginning with Shipper's first receipt of transportation or other services from Carrier. The lien provided herein shall be in addition to any lien or security interest provided by statute or applicable law. Carrier may withhold delivery to Shipper of any of Shipper's Crude Petroleum in its possession and exercise any other rights and remedies granted under this tariff or existing under applicable law until all such charges have been paid as provided above.

6. If Shipper fails to pay an invoice by the due date, in addition to any other remedies under this tariff or under applicable law, Carrier shall have the right, either directly or through an agent, to sell at a private sale any and all Crude Petroleum of such Shipper in Carrier's custody at fair market value at the time of sale. The proceeds of any sale shall be applied in the following order: (a) to the reasonable expenses of holding, preparing for sale, and selling Shipper's Crude Petroleum, and, to the extent allowed by law, reasonable attorney's fees and legal expenses incurred by Carrier; and (b) to the satisfaction of the Shipper's indebtedness including interest herein provided from the date payment is due. The balance of the proceeds of the sale remaining, if any, shall be paid to Shipper or, if there is a dispute or claim as to entitlement, held for whomever may be lawfully entitled thereto.

Item No. 13. ORIGIN AND DESTINATION FACILITIES. Carrier will accept Petroleum only at designated points and from facilities acceptable to Carrier and only when the Shipper or any consignee has provided, or made arrangements satisfactory for Carrier to provide, without cost to Carrier, the necessary facilities for Carrier to receive the Petroleum into the System- and facilities for receiving the Petroleum as it arrives at destination.

Item No. 14. EVIDENCE OF RECEIPTS AND DELIVERIES. Petroleum received from or delivered to a Shipper or any consignee shall, in each instance, be documented by tickets showing volumes, temperature, sediment and water, and any other data essential to the determination of quantity and quality. Unless waived, such tickets shall be jointly signed by representatives of Carrier and Shipper or any consignee, as appropriate, and shall be conclusive evidence of the Petroleum received or of the Petroleum delivered, as the case may be. Failure of the Shipper or any consignee to have a representative present for signing shall constitute a waiver and the Shipper shall be bound by the information and data on such tickets.

Item No. 15. LIABILITY OF CARRIER. Carrier shall not be liable for any loss or shortage of Petroleum in its custody or for damage thereto; or for delay caused by fire, storm, flood, epidemics, Acts of God, riots, strikes, insurrection, rebellion, war, act of the public enemy, quarantine, the authority of law, requisition or necessity of the Government of the United States in time of war, or default of Shipper or Shipper's consignee, or any other cause not due to the sole negligence of Carrier.

Item No. 16. CLAIMS, SUITS, AND TIME FOR FILING. As a condition precedent to recovery of any losses or damages suffered by Shipper for which Carrier may be responsible, the Shipper's claims must be filed in writing with Carrier within nine (9) Months and one (1)

Day after delivery of shipment, or in case of failure of Carrier to make delivery, within nine (9) Months and one (1) Day after delivery should have been made based upon then-existing operating conditions and transit times, or in accordance with the Lifting Schedule; and suits will be instituted against Carrier only within two (2) years and one (1) Day from the day when notice in writing is given by Carrier to the claimant that Carrier has disallowed the claim or any part or parts thereof specified in the notice. If claims are not filed or suits are not instituted thereon, in accordance with the foregoing provisions, Carrier shall not be liable and such claims will not be paid.

Item No. 17. PROCEDURES FOR TENDERING, SCHEDULING AND REVISING MONTHLY NOMINATIONS.

1. No later than 2400 hours Deadhorse, Alaska time on the fifth (5th) Carrier Business Day of each Month a Shipper shall furnish to Carrier the written Tender of the daily Volumes of shipments that Shipper desires to ship during the next succeeding Month. Tenders may be submitted by e-mail at monthlyscheduling@exxonmobil.com. The Monthly Scheduling Analyst can be contacted at (832) 624-0040. Carrier does not accept responsibility for nominations sent but not received. It is the Shipper's responsibility to confirm receipt via telephone.
2. Carrier may consider for acceptance nominations received after the deadline set forth above ("new nominations") as well as revised nominations. New nominations as well as revised nominations that increase the number of nominated Barrels are known as "Increased Nominations." A revised nomination that reduces the number of nominated Barrels is known as a "Decreased Nomination."
3. Nominations will be deemed accepted, unless Carrier notifies Shipper otherwise when Shipper confirms receipt of nominations by telephoning Carrier.
4. Beginning on the fifth (5th) Carrier Business Day of the Month and ending as of 2400 hours Deadhorse, Alaska time on the fifteenth (15th) Day of the Month prior to the Month in which the Nomination is to be effective (or, if the fifteenth (15th) Day is not an Operator Business Day, then on the next succeeding Operator Business Day), any Increased Nomination or Decreased Nomination accepted by Carrier will become effective unless otherwise notified by the Carrier.

Item No. 18. TENDERS GREATER THAN AVAILABLE CAPACITY.

1. **Proration Policy.**

- a. For all Months in which proration of volumes is required, each shipper will be based on the following provisions:
 - i. If the total of all nominations received for a Tender Period is greater than Carrier's Available Capacity in the Tender Period, nominations will be allocated to the balance of the Carrier's Available Capacity remaining after the nominations have been finalized by prorating (A) among Regular Shippers and New Shippers, and (B) among the Shippers in each category based on volumes nominated for each category. The total of all New Shippers' nominations that may be accepted will be limited to fifteen percent (15%) of the Available Capacity remaining for movement in the Tender Period after accounting for nominations ("New Shipper Available Capacity"). The Reserved Capacity will be allocated among all Regular Shippers based on the lesser of each such Shipper's Average Regular Shipper Volume or its actual tender for the Month. Any remaining Available Capacity not allocated through the preceding steps will be allocated *pro rata* among all Shippers whose nominations were not previously accepted in full. To avoid inflated nominations, for all purposes under this rule, a Shipper's nomination will be deemed to be the lesser of (i) the Available Capacity or (ii) such Shipper's actual nomination.
 - b. "New Shipper Proration Factor" shall be calculated by dividing each Shipper's nomination for that category by the total of all nominations for that category.
 - c. Upon acceptance of New Shipper nominations, each New Shipper will be allocated space equal to: (i) the New Shipper Available Capacity multiplied by the New Shipper Proration Factor for that Shipper if the total of all New Shipper nominations is greater than the New Shipper Available Capacity for that Tender Period; or (ii) the volume nominated by that New Shipper if the total of all New Shipper nominations is less than the New Shipper Available Capacity for that Tender Period. New Shipper Available Capacity will be allocated on a current nomination basis among all New Shippers.

If Available Capacity remains for the Regular Shipper Category after allocation to all Regular Shippers for a Tender Period and if the total of all New Shipper nominations exceeds the New Shipper Available Capacity for that Tender Period, the fifteen percent (15%) limitation for New Shipper Available Capacity for that Tender Period may be waived by the Carrier.

- d. Any remaining Available Capacity shall be allocated among New Shippers according to their Proration Factor.
- e. No Shipper may use any nomination or allocation of any Available Capacity in any category to supplement, enhance, or benefit the nomination or allocation of any other Shipper beyond the Available Capacity to which such other Shipper may be entitled to nominate or to be allocated. Carrier may require a verified statement regarding utilization of allocated space from a responsible officer of the Shipper stating that no violations of this rule have occurred. Violation of this rule will result in rejection of any nomination by any involved Shipper(s) in the next Tender Period following discovery by the Carrier of the violation.

Item No. 19. PUMPABILITY FACTORS. Shippers are advised that Carrier, when prorating its allotment of Available Capacity to each Shipper for each grade of crude tendered, will utilize relative Pumpability Factors. The Volumes for each grade of crude transported in PTEP by Carrier will be converted to Volumes of equivalent "standard crude" before proration calculations are made. After the proration calculations are made, the allotted Volume of standard crude equivalent will be converted back to actual Volumes of individual crude grades in reports and accounting to the Shipper.

"Standard Crude" is defined as petroleum having the same characteristics which affect throughput as is calculated to result from aggregating the petroleum transported for all Shippers during the Month for which the calculation is made. Alternatively, specific crude transported in the system during the Month may be designated as a standard crude.

Item No. 20. VALID TENDERS. Good-faith nominations will be received and considered for acceptance only if they conform in full to Carrier's requirements. To maintain equity among Shippers and to ensure equitable application of proration when proration shall be required, Carrier does not permit over-tendering. Shippers shall submit valid and realistic Tenders and schedules of shipments which do

not exceed either the volume of petroleum expected to be available for shipment or Carrier's Available Capacity. Carrier reserves the right to take any of the following actions if Carrier reasonably believes that acceptance of Shipper's nomination in the form provided would adversely affect the rights of other Shippers to equitable and fair treatment:

- a. Require an affidavit from Shipper stating under oath that the tender is valid.
- b. Reduce Shipper's Tender to an amount Carrier believes to be the amount of Petroleum which will actually be available at the point of origin for the Tender.
- c. Reject the entire Tender for the Tender Period.

Item No. 21. RATES APPLICABLE FROM AND TO INTERMEDIATE POINTS. Petroleum received from a point on the System which is not named in tariff making reference to this tariff but which point is intermediate to a point from which rates are published in tariffs making reference to this tariff, will be assessed the rate in effect from the next more-distant point published in the tariff making reference to this tariff. Petroleum delivered to a point on the System which is not named in tariffs making reference to this tariff but which point is intermediate to a point to which rates are published in tariffs making reference to this tariff, will be assessed the rate in effect to the next more-distant point published in the tariff making reference to this tariff.

Item No. 22. CONNECTIONS TO THE POINT THOMSON EXPORT PIPELINE SYSTEM. Connections to the System will be allowed, in accordance with laws and regulations applicable to common carrier pipeline companies and requirements in the instruments granting the right of way for the System, for the purpose of transporting Petroleum through the System. All connectors must comply with the RCA Connection Guidelines. A copy of such Guidelines will be available on request to Carrier.