

**Hawthorn Oil Transportation (Oklahoma), Inc.**

**LOCAL PIPELINE TARIFF**

CONTAINING

**RULES AND REGULATIONS**

GOVERNING THE TRANSPORTATION AND HANDLING

OF

**CRUDE PETROLEUM**

TRANSPORTED BY PIPELINE

FROM AND TO POINTS NAMED HEREIN

This Tariff shall apply to those tariffs which specifically incorporate this Tariff by reference; such reference includes supplements to this Tariff and successive reissues thereof.

The rates named in the Tariff are expressed in cents per Barrel of 42 U.S. Gallons and are subject to change as provided by law.

[N] This is a baseline tariff filed in compliance with FERC Order 714, 124 FERC ¶61,270 (2008).

The matter published herein will have no adverse effect on the quality of the human environment.

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## **GENERAL RULES AND REGULATIONS**

### **TARIFF REISSUE AND SUPPLEMENTATION**

#### **ITEM 5 - METHOD OF CANCELING ITEMS**

As this Tariff is supplemented, numbered items with letter suffixes cancel corresponding numbered items in the original Tariff or in a supplement. Letter suffixes will be used in alphabetical sequence starting with "A."

Example - Item 60-A cancels Item 60; and Item 90-B cancels 90-A in a prior supplement which, in turn, canceled Item 90.

#### **ITEM 10 - METHOD OF DENOTING REISSUED MATTER IN SUPPLEMENTS**

Matters brought forward without change from one supplement to another will be redesignated as "Reissued" by a reference mark in the form of a square enclosing a number, the number being that of the supplement in which the reissued matter first appeared in its currently effective form. To determine the supplement's original effective date, refer to the explanation of reference marks in the supplement. For further details, consult the supplement in which the reissued matter first became effective.

#### **ITEM 15 - REFERENCE TO ITEMS, NOTES, RULES, ETC.**

When reference is made in this Tariff, and supplements thereto, to items, notes, rules, etc., such references are continuous and include supplements to and successive reissuances of such items, notes, rules, etc.

## **DEFINITIONS**

#### **ITEM 20 - DEFINITIONS**

"**API**" means American Petroleum Institute.

"**ASTM**" means American Society for Testing Materials.

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

"**Carrier**" means Hawthorn Oil Transportation (Oklahoma), Inc.

For explanations of abbreviations, see page 13.

**GENERAL RULES AND REGULATIONS (continued)**

**DEFINITIONS (continued)**

“**Carrier’s Crude Petroleum Pipeline**” means Carrier’s pipeline originating at the interconnection with the facilities of EOG Resources Railyard (Oklahoma), Inc. in Stroud, Oklahoma, and terminating at the interconnection with the facilities of Enbridge Pipelines (Ozark) LLC in Cushing, Oklahoma.

“**Consignee**” means the party that Shipper has authorized to accept the Delivery from Carrier of Crude Petroleum at the Destination.

“**Crude Petroleum**” means the commodities which satisfy the applicable quality specifications set forth in Item 25.

“**Delivery**” means the transfer of physical and legal custody of Crude Petroleum from Carrier at the Destination to Shipper or its Consignee.

“**Destination**” means the point of interconnection between Carrier's Crude Petroleum Pipeline and the facilities of Enbridge Pipelines (Ozark) LLC, where Carrier makes Delivery.

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

“**Origin**” means the point of interconnection between the facilities of EOG Resources Railyard (Oklahoma), Inc. and Carrier's Crude Petroleum Pipeline.

“**Receipt**” means the transfer of physical and legal custody of Crude Petroleum from Shipper at the Origin to Carrier for transportation.

“**Regular Shipper**” means a Shipper which shipped Crude Petroleum on Carrier’s Crude Petroleum Pipeline each month of the twelve (12)-month period preceding the first day of the month in which capacity on Carrier's pipeline is prorated.

“**Shipper**” means the party which contracts with Carrier for transportation of Crude Petroleum pursuant to the terms of this Tariff.

“**Tender**” means an offer by a Shipper to Carrier of a stated quantity of Crude Petroleum from the Origin to the Destination pursuant to the terms of this Tariff.

For explanations of abbreviations, see page 13.

**GENERAL RULES AND REGULATIONS (continued)****COMMODITY DESCRIPTION AND MEASUREMENT****ITEM 25 - QUALITY SPECIFICATIONS**

Crude Petroleum shall be accepted for transportation only when such Crude Petroleum meets the following minimum quality specifications:

- (a) the maximum allowable sulfur content shall be two tenths percent (0.2%) by weight;
- (b) API gravity of between thirty-nine (39) degrees and forty-four (44) degrees at sixty (60) degrees Fahrenheit;
- (c) Reid Vapor Pressure which does not exceed:
  - (1) Summer (April 1 – Sep. 30): 9.4 pounds per square inch absolute (psia);
  - (2) Winter (Oct. 1 – March 31): 11.0 psia;
- (d) basic sediment, water, and other impurities of one half (½) of one (1) percent (0.05%) or less, with a maximum of three tenths percent (0.3%) free water; and
- (e) readily susceptible to transportation through Carrier's existing facilities.

If Crude Petroleum tendered for transportation differs materially in character from that being transported in Carrier's pipeline, then it will be transported only if there will not be unreasonable degradation of other crude types taking into account the operation of Carrier's pipeline system and if adequate capacity exists.

Carrier reserves the right to reject Crude Petroleum which does not meet the quality specifications referenced above. In addition, Carrier shall reject Crude Petroleum containing contaminants including, but not limited to, chemicals such as chlorinated and/or oxygenated hydrocarbons and/or lead.

**ITEM 30 [C] A (cancels Item 30) - VOLUME CORRECTIONS AND TENDER DEDUCTIONS**

In measuring the quantity of Crude Petroleum received and delivered, corrections shall be made from volumes at actual or observed temperature to volumes at sixty (60) degrees Fahrenheit. Quantities shall be corrected for this purpose by use of applicable API-ASTM volume correction factor tables. Full deduction will be made for all sediment, water and other impurities. The net balance, after applicable deduction, will be the quantity deliverable by Carrier.

To the extent Carrier experiences a gain or loss of Crude Petroleum volume in any month due to pipeline operations, each Shipper shall be responsible for such gain or loss, as determined by Carrier, in the same proportion as each Shipper's share of the total quantity of Crude Petroleum transported by Carrier over the prior twelve (12) months.

For explanations of abbreviations, see page 13.

**ITEM 35 - COMMODITY**

Carrier is engaged in the transportation of Crude Petroleum as specified and described in Items 20 and 25 and, therefore, will not accept any other commodities for transportation. No Crude Petroleum will be received for transportation except good merchantable Crude Petroleum of substantially the same kind and quality as that being currently transported through Carrier's facilities for other Shippers. Shipper (or its consignor) warrant to Carrier that any Crude Petroleum tendered to Carrier conform with the quality specifications set forth in Item 25.

**ITEM 40 - TESTING AND MEASURING**

Prior to or during Receipt of Crude Petroleum for transportation, and prior to or during release thereof for Delivery, such quantities shall be measured and tested by a representative of Carrier. At Carrier's option, Crude Petroleum may be measured by metering or gauging.

All shipments tendered to Carrier for transportation shall be gauged or metered by a representative of Carrier prior to, or at the time of, Receipt from the Shipper. Shipper or Consignee shall have the option of being present or represented during the testing, gauging, or metering. The results of such testing, metering or gauging shall be final.

**ITEM 45 - LINE FILL**

Each Shipper shall supply its quantity of line fill, as determined by Carrier from time to time on a non-discriminatory basis.

**ITEM 50 - SCHEDULING OF SHIPMENTS**

Shippers desiring to Tender quantities for transportation shall submit, on Carrier's prescribed Notice of Proposed Shipment form, a separate Tender for each calendar month on or before the 15th day of the preceding month. On or before December 31 of each year, Shippers desiring to Tender quantities for transportation during the following year shall submit, on Carrier's prescribed Notice of Proposed Shipment form, a blanket Tender for the following year. A Notice of Proposed Shipment form can be obtained by contacting: Director, Marketing Administration, Hawthorn Oil Transportation (Oklahoma), Inc., (713) 651-7000.

For explanations of abbreviations, see page 13.

**GENERAL RULES AND REGULATIONS (continued)**

**PRESHIPMENT REQUIREMENTS AND PROCEDURES (continued)**

**ITEM 55 - PRORATION OF PIPELINE CAPACITY**

(a) When the quantities of Crude Petroleum tendered to Carrier for transportation exceed the capacity of Carrier's Crude Petroleum Pipeline for a particular month ("Proration Month"), then capacity on the affected pipeline shall be prorated among Shippers on the basis set forth below.

(b) The capacity to be prorated shall be divided between Regular Shippers as a class and New Shippers as a class.

(c) After capacity is apportioned to New Shippers, as provided in subsection (d) below, all remaining capacity shall be available to any Regular Shippers which tendered quantities for the Proration Month. Each Regular Shipper's share of such capacity shall be based upon its shipments on Carrier during the immediately preceding twelve (12) months in comparison to the total shipments during the same twelve (12) months by all Regular Shippers tendering quantities for the Proration Month.

(d) Capacity available to New Shippers ("Reserved Capacity") shall not exceed ten percent (10%) of Carrier's total available capacity. Reserved Capacity shall be allocated on a pro rata basis among all New Shippers tendering quantities for the Proration Month; provided, however, that no individual New Shipper may be allocated Reserved Capacity in an amount that exceeds one percent (1%) of Carrier's total available capacity.

(e) Any unallocated capacity, or any allocated capacity that is unutilized, shall be reallocated among Regular Shippers.

**ITEM 60 - ACCEPTANCE FREE FROM LIENS AND CHARGES**

Carrier reserves the right to reject on a non-discriminatory basis any Crude Petroleum tendered for shipment which may be involved in litigation, the title of which may be in dispute, or which may be encumbered by lien or charge of any kind, except to the extent that Shipper submits either satisfactory proof of unencumbered title or a satisfactory indemnity bond.

A Tender for shipment shall be deemed a warranty of title by Shipper, but acceptance shall not be deemed a representation by Carrier as to title. Delivery to Consignee designated by Shipper shall relieve Carrier of all liability as to custody or title.

For explanations of abbreviations, see page 13.

**GENERAL RULES AND REGULATIONS (continued)****PRESHIPMENT REQUIREMENTS AND PROCEDURES (continued)****ITEM 65 – ADDITIVES**

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

**ITEM 70 - FACILITIES REQUIRED AT ORIGIN AND DESTINATION**

Carrier does not own or operate storage tanks and, accordingly, does not provide storage or other tankage services at the Origin or Destination. Crude Petroleum will be accepted for transportation only when Shipper has provided, or arranged for access to, equipment and facilities capable of satisfactorily delivering to the Origin and receiving at the Destination the quantities tendered for transportation.

No duty to transport shall arise until Shipper furnishes to Carrier documentation sufficient to demonstrate that Shipper has provided, or arranged for access to, the necessary equipment and facilities at the Origin and the Destination.

**ITEM 75 – CREDITWORTHINESS OF SHIPPER**

Upon the request of Carrier, all prospective and existing Shippers must submit sufficient financial information to establish creditworthiness. If, in Carrier's judgment, a prospective Shipper is not creditworthy, or if a current Shipper's credit deteriorates, Carrier may require such Shippers to provide financial assurances, including, but not limited to (i) prepayment of transportation charges, (ii) a guaranty in an amount sufficient to ensure payment to Carrier of all such costs and charges that could reasonably accrue, in a form and from a third-party acceptable to Carrier; (iii) a letter of credit from an appropriate financial institution in a form acceptable to Carrier and in an amount sufficient to ensure payment to Carrier of all costs and charges that could reasonably accrue; or (iv) such other enforceable collateral security, including but not limited to, security agreements over assets of Shipper, in a form acceptable to Carrier.

Carrier shall not be obligated to accept Crude Petroleum for transportation from an existing or prospective Shipper if the Shipper or prospective Shipper fails to provide financial assurances within ten (10) days of Shipper's receipt of Carrier's written request for such assurances.

For explanations of abbreviations, see page 13.



**GENERAL RULES AND REGULATIONS (continued)****PRESHIPMENT REQUIREMENTS AND PROCEDURES (continued)****ITEM 80 - PAYMENT OF TRANSPORTATION AND OTHER CHARGES**

Transportation charges will be assessed and collected by Carrier at the rates established by Carrier at the time of Receipt on the basis of the quantity received at the Origin after making adjustments as provided for herein.

The transportation and all other applicable charges accruing on Crude Petroleum accepted for transportation shall be paid before release of Crude Petroleum from the custody of Carrier. If required by Carrier, all such applicable charges shall be prepaid at the Origin. Crude Petroleum accepted for transportation shall be subject to a lien for all applicable current and antecedent lawful charges. If such charges are not paid by the due date stated on the invoice, Carrier shall have the right to assess finance charges on the entire past due balance (including principal and accumulated but unpaid finance charges) until paid in full at the rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

Carrier reserves the right to set off any such charges against any money owed to Shipper by Carrier or against any Crude Petroleum of Shipper in Carrier's custody.

**TRANSPORTATION SERVICES AND RELATED REQUIREMENTS****ITEM 85 - MINIMUM SHIPMENT**

A Tender from any individual Shipper will be accepted only when the total quantity covered thereby equals or exceeds 5,000 Barrels. If space is available and operating conditions permit Carrier may, at its discretion on a non-discriminatory basis, accept monthly tenders and take delivery of Crude Petroleum in lots less than 5,000 barrels. However, in no event shall Carrier be obligated to make a single delivery of less than 5,000 barrels. A single delivery is a delivery in one continuous operation into a single facility to which Carrier is connected.

**ITEM 90 - IDENTITY OF SHIPMENT**

All Crude Petroleum transported by Carrier on Shipper's behalf may be commingled with Crude Petroleum transported for other Shippers and shall be subject to changes in gravity, quality and other characteristics as may result therefrom. No Shipper shall be entitled to receive at the Destination the identical Crude Petroleum as tendered to Carrier at the Origin.

For explanations of abbreviations, see page 13.

**GENERAL RULES AND REGULATIONS (continued)****TRANSPORTATION SERVICES AND RELATED REQUIREMENTS (continued)****ITEM 95 - DEMURRAGE AND DISPOSITION OF COMMODITIES ON FAILURE TO ACCEPT DELIVERY**

After any shipment has arrived at Destination, Carrier may begin Delivery at its current rate of pumping. Since Carrier does not own or operate storage or tankage facilities, it is essential that Shipper or its Consignee promptly accept any shipment offered for Delivery. A demurrage charge of four-tenths of one cent (\$0.004) per barrel shall accrue for each day on which any part of said shipment offered for Delivery is not promptly taken by Shipper or its Consignee.

In the event that Shipper or its Consignee fail to promptly accept any shipment offered for Delivery or any portion thereof, then Carrier shall also have the right to divert, reassign, or make whatever arrangements for disposition of the subject Crude Petroleum that it deems appropriate to clear its pipeline facilities, including the right to sell the subject Crude Petroleum at private or public sale. Carrier may be a purchaser at any such sale. From the proceeds of any such sale, Carrier may pay itself all transportation and other charges and expenses in caring for and maintaining the subject Crude Petroleum and the costs of sale, and the balance shall be held for whomsoever may be lawfully entitled thereto.

**ITEM 100 - EVIDENCE OF RECEIPTS AND DELIVERIES**

The Receipt and Delivery shall be evidenced, in each instance, by a ticket showing the quantities received or delivered as the case may be, temperature, basic sediment and water, and any other data essential to the determination of quantity. Such tickets shall be jointly signed by representatives of Carrier and Shipper or its Consignee, as appropriate, and shall constitute full receipt for the Crude Petroleum received or delivered.

For explanations of abbreviations, see page 13.

**GENERAL RULES AND REGULATIONS (continued)****SPECIAL AND ANCILLARY SERVICES AND RELATED REQUIREMENTS****ITEM 105 - CHARGES FOR SPILL COMPENSATION ACTS AND REGULATIONS**

In addition to the transportation charges and all other charges accruing on Crude Petroleum accepted for transportation, a per barrel charge will be assessed and collected in the amount of any tax, fee, or other charge levied against Carrier in connection with such a commodity, pursuant to any Federal, State or local act or regulation which levies a tax, fee or other charge on the Receipt, Delivery, transfer or transportation of such commodities within their jurisdiction for the purpose of creating a fund for the prevention, containment, cleanup and/or removal of spills and/or the reimbursement of persons sustaining loss therefrom. If such a tax, fee, or other charge is levied against Carrier, Carrier shall file with the Federal Energy Regulatory Commission to place into effect a per barrel rate to recover such tax, fee, or other charge. Carrier shall be under no obligation to contest or protest on behalf of Shipper or its Consignee the legality of such tax, fee, levy or other charges.

**LIABILITY AND CLAIM SETTLEMENT****ITEM 110 - DUTY OF CARRIER**

Carrier shall transport and Deliver the quantity of Crude Petroleum accepted for transportation (less the appropriate deductions), with reasonable diligence, considering the quantity of Crude Petroleum, the distance of transportation, the safety of operation, and other material factors.

CARRIER MAKES NO WARRANTY AS TO MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR ANY OTHER WARRANTY OR REPRESENTATION WITH RESPECT TO THE GRADE OR QUALITY OF CRUDE PETROLEUM TRANSPORTED UNDER THIS TARIFF.

For explanations of abbreviations, see page 13.

**GENERAL RULES AND REGULATIONS (continued)****LIABILITY AND CLAIM SETTLEMENT (continued)****ITEM 115 - LIABILITY OF CARRIER**

Carrier shall not be liable for any loss or damage to Crude Petroleum, or delay in the transportation thereof, caused by an act of God, war or act of public enemy, quarantine, authority of law or public order, riots, fire, floods, explosions, sabotage, or act of default of any Shipper or Consignee, or for any other cause not due to negligence of Carrier or not within Carrier's reasonable control.

Any losses of Crude Petroleum shall be charged proportionately to each Shipper in the ratio that its Crude Petroleum or portion thereof, received and undelivered at the time the loss occurs, bears to the total of all Crude Petroleum then in Carrier's possession. Carrier shall be obligated to Deliver only that portion of such Crude Petroleum remaining after deducting Shipper's proportion of such loss.

**ITEM 120 - LIABILITY OF SHIPPER**

Shipper shall indemnify and save Carrier harmless from any and all personal injuries, property damage (including full or partial loss of use of property), damages, claims, suits, costs and recoveries, fines, penalties and expenses (including reasonable attorneys' fees and expenses) of any kind or character arising from, or related to, negligent or willful acts, breaches of warranties and representations, or omissions on the part of Shipper or its Consignee, its officers, employees, agents, or contractors with respect to any shipment tendered by Shipper and transported by Carrier ("Loss"). In the event of any suit or action brought against Carrier for such Loss, Shipper shall appear and defend against any such suit or action and pay any judgment that may be obtained against Carrier.

**ITEM 125 - CLAIMS, TIME FOR FILING**

Claims for any delay, damage to, or loss of Crude Petroleum must be made in writing to Carrier within nine (9) months after Delivery or, in the case of failure to make Delivery, then within nine (9) months after a reasonable time for Delivery has elapsed. Suits shall be instituted against Carrier only within two (2) years and one (1) day from the date 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. The foregoing provisions shall be conditions precedent to any suit. Where claims are not filed or suits are not instituted in accordance with the foregoing provisions, Carrier shall not be liable and such claims shall not be paid.

For explanations of abbreviations, see page 13.

**EXPLANATION OF ABBREVIATIONS [W] AND LETTER DESIGNATIONS**

F.E.R.C. Federal Energy Regulatory Commission

No. Number

[C] Cancel

[N] New

[W] Wording Change