
SALA GATHERING SYSTEMS, LLC
LOCAL, PROPORTIONAL AND
JOINT TARIFFS WITH EL DORADO PIPELINE COMPANY, LLC

Containing

RULES AND REGULATIONS

APPLYING TO THE GATHERING AND/OR TRANSPORTATION OF

CRUDE OIL

(as defined herein)

BY PIPELINE

The rules and regulations have been brought forward unchanged from Lion Oil Trading & Transportation, Inc.'s F.E.R.C. No. 1.1.0 in accordance with SALA Gathering Systems, LLC's Adoption Notice F.E.R.C. No. 1.0.0, effective November 7, 2012.

Issued in compliance with 18 C.F.R. § 341.6(c).

Rules and regulations published herein apply only under tariffs making specific reference by number to this tariff; such reference will include reissues hereof. Specific rules and regulations published in individual tariffs will take precedence over the rules and regulations published herein.

ISSUED: December 7, 2012

EFFECTIVE: January 7, 2013

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

ISSUED BY:	COMPILED BY:
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10. DEFINITIONS

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

“Business Day” means any day that is not a Saturday, Sunday, or other day on which banks are authorized or required to close in the State of New York.

“Carrier” as herein used means [W] SALA Gathering Systems, LLC. ~~Lion Oil Trading & Transportation, Inc.~~

“Crude Oil” as herein used means crude oil with an American Petroleum Institute specific gravity of 20-60 degrees.

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

“Governmental Authority” means any federal, state, local or foreign government or any provincial, departmental or other political subdivision thereof, or any entity, body or authority exercising executive, legislative, judicial, regulatory, administrative or other governmental functions or any court, department, commission, board, bureau, agency, instrumentality or administrative body of any of the foregoing.

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

“Nomination” as herein used means an offer by a Shipper to the Carrier of a stated quantity of Crude Oil for gathering and/or transportation from a specified origin or origins to a specified destination or destinations over a period of one operating month in accordance with these rules and regulations.

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

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

“System” as used herein means the pipeline(s) that Carrier owns an interest in and to which the rules and regulations stated herein apply.

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

20. NOMINATION

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

(b) Any Shipper desiring to tender Crude Oil for gathering and/or transportation shall make a Nomination to the Carrier in writing by 5:00 p.m. (Central Time) on or before the last Business Day of the month preceding the month during which the gathering and/or transportation under the

Nomination is to begin. Unless such notification is made, the Carrier will be under no obligation to accept Crude Oil for gathering and/or transportation.

(c) When Nominations submitted by Shippers to Carrier on or before the last Business Day of the month preceding the operating month do not exceed the capacity of the System or any line segment thereof, additional Nominations may be accepted by the Carrier to fill capacity. These additional Nominations will be accepted only if they do not impair the movement of Crude Oil Nominated before the last Business Day of the preceding month.

30. TITLE

The Carrier shall have, on a nondiscretionary basis, the right to reject any Crude Oil, when Nominated for gathering and/or transportation, which may be involved in litigation, or the title of which may be in dispute, or which may be encumbered by a lien or charge of any kind, and it may require of the Shipper satisfactory evidence of its perfected and unencumbered title or satisfactory indemnity bond to protect Carrier. By nominating Crude Oil, the Shipper warrants and guarantees that the Shipper has good unencumbered title thereto free and clear of all liens or charges of any kind and agrees to indemnify and hold Carrier harmless for any and all loss, cost, liability, damage and/or expense (including reasonable attorney fees) resulting from any breach or alleged breach of such warranty and guaranty; provided, that acceptance for gathering and/or transportation shall not be deemed a representation by the Carrier as to title.

40. SPECIFICATIONS AS TO QUALITY RECEIVED

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

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

(c) If, upon investigation, Carrier determines that a Shipper has delivered to Carrier's facilities Crude Oil that has been contaminated by the existence of and/or excess amounts of impure substances, including but not limited to, chlorinated and/or oxygenated hydrocarbons, arsenic, lead and/or other metals, such Shipper will be excluded from further entry into applicable segments of the System until such time as quality specifications are met. Further, Carrier reserves the right to dispose of any contaminated Crude Oil blocking its System. Disposal thereof, if necessary, may be made in any reasonable commercial manner, and any liability, costs and expenses associated with the contamination or disposal of any Crude Oil shall be borne by the Shipper introducing the contaminated Crude Oil into Carrier's System.

(d) Carrier will from time to time determine which grades of Crude Oil it will regularly gather and/or transport as a common stream between particular receipt points and destination points on

its pipeline System. Carrier will inform all subscribers to tariffs for the System affected by such determination, will file tariff amendments accordingly, and this will constitute the sole holding out of the Carrier in regard to the grades of Crude Oil gathered and/or transported.

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

50. COMMON STREAM CRUDE OIL - CONNECTING CARRIERS

When both receipts from and deliveries to a connecting pipeline of substantially the same grade of Crude Oil are scheduled at the same interconnection, Carrier reserves the right, with the cooperation of the operator of the connecting pipeline, to offset like volumes of such common stream Crude Oil in order to avoid the unnecessary use of energy which would be required to physically pump the offsetting volumes. When this right is exercised, Carrier will make the further deliveries for the Shipper involved from Carrier's common stream Crude Oil.

60. SHIPMENTS, MAINTENANCE OF IDENTITY

(a) Carrier shall not be liable to Shipper for changes in gravity or quality of Shipper's Crude Oil which may occur from commingling or intermixing Shipper's Crude Oil with other Crude Oil in the same common stream while in transit. Carrier is not obligated to deliver to Shipper the identical Crude Oil Nominated by Shipper, provided that Carrier will deliver the grade of Crude Oil it is regularly gathering and/or transporting as a common stream.

(b) Carrier shall have no responsibility in, or for, any revaluation or settlements which may be deemed appropriate by Shippers because of mixing or commingling of Crude Oil shipments between the receipt and delivery of such shipments by Carrier within the same common stream.

70. MIXTURES

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

80. ADDITIVES

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

90. DUTY OF CARRIER

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

100. ORIGIN FACILITIES REQUIRED FOR AUTOMATIC CUSTODY TRANSFER

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

110. RECEIPT AND DESTINATION FACILITIES REQUIRED

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

120. SHIPPER FAILURE TO RECEIVE CRUDE OIL AT DESTINATION

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

130. APPORTIONMENT WHEN NOMINATIONS ARE IN EXCESS OF FACILITIES

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

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

1. The capacity of the line segment being prorated shall be divided by the total of all volumes Nominated by Regular Shippers and New Shippers. The resultant fraction will be the "proration factor".
2. Each New Shipper shall be allocated space equal to its Nominated volumes multiplied by the proration factor, except that in any month for which Carrier is allocating capacity on the System, the capacity allocated to Regular Shippers shall not be reduced by more than 10 percent of the System capacity. If the application of the proration factor calculated in paragraph 1 results in an allocation to New Shippers greater than 10 percent of the system capacity then each New Shipper shall be allocated space equal to its pro rata share of 10 percent of segment

capacity, to be determined by dividing each New Shipper's volumes Nominated by the total of all volumes Nominated by New Shippers.

3. The remaining capacity shall be allocated among Regular Shippers in proportion to their base period shipments.

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

(d) In no event will any portion of allocated capacity to a New Shipper be used in such a manner that it will increase the allocated capacity of another Shipper beyond the allocated capacity that Shipper is entitled to under the provisions stated in this Item No. 130. Carrier may require, on a nondiscriminatory basis, written assurances from responsible officials of Shippers regarding use of allocated capacity stating that this requirement has not been violated. In the event any New Shipper shall, by any device, scheme or arrangement whatsoever, make its allocated capacity available to another Shipper, or in the event any Shipper shall receive and use any allocated capacity from a New Shipper, then, in the month following discovery of such violation, the allocated capacity of a New Shipper will be reduced to the extent of the excess capacity made available and the allocated capacity of a Shipper will be reduced to the extent of excess capacity used.

(e) No Nominations shall be considered beyond the amount that the nominating party has readily accessible for shipment. If a Shipper is unable to tender Crude Oil equal to the space allocated to it, Carrier will reduce that Shipper's volumes for the succeeding month by the amount of allocated throughput not utilized during the preceding month if apportionment is necessary.

140. APPLICATION OF RATES & CHARGES

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

150. APPLICATION OF RATES FROM AND TO INTERMEDIATE POINTS

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

160. PAYMENT OF GATHERING AND DELIVERY RATES AND OTHER CHARGES

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

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

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

170. DIVERSION

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

180. LIABILITY OF CARRIER

(a) The Carrier while in possession of any of the Crude Oil herein described shall not be liable for any loss thereof, damage thereto, or delay, caused by: acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, storms, floods, washouts, arrests, the order of any court or Governmental Authority having jurisdiction while the same is in force and effect, civil disturbances, explosions, breakage, accident to machinery, storage tanks or lines of pipe, inability to obtain or unavoidable delay in obtaining material or equipment, inability to obtain Crude Oil because of a failure of third-party pipelines, and any other causes whether of the kind

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

(b) In addition, the Carrier shall not be liable for any injury, disease or death of any person or damage to or loss of any property, fine or penalty, any of which is caused by the gross negligence or willful misconduct of Shipper, its affiliates or any of their respective employees, representatives, agents or contractors in shipment of Crude Oil under this Tariff or the handling, storage, transportation or disposal of any of the Crude Oil herein described.

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

(d) In case of gain of Crude Oil each Shipper of the grade of Crude Oil so gained via the System in which the gain occurs shall share such gain in the proportion that the amount of such grade of Crude Oil then in the custody of Carrier for the account of such Shipper in such System bears to the total amount of such grade of Crude Oil then in the custody of Carrier in such System. In the case of a loss of Crude Oil up to a maximum of [U] 0.25% of the total amount of such grade of Crude Oil then in the custody of Carrier in such System, each Shipper of the grade of Crude Oil so lost via the System in which the loss occurs shall share such loss in the proportion that the amount of such grade of Crude Oil then in the custody of Carrier for the account of such Shipper in such System bears to the total amount of such grade of Crude Oil then in the custody of Carrier in such System. Statements of quantities ascertained and computed from records in the usual manner by Carrier shall be accepted as prima facie correct in the distribution of losses under this item.

(e) Carrier will be obligated to deliver only that portion of a Crude Oil shipment remaining after deducting such loss. In such event, gathering and delivery rates charges will be made only on quantities of Crude Oil delivered.

(f) If Crude Oil is lost in transit, while in the custody of Carrier, due to causes other than those described in paragraph (a) of this Item and subject to the limitations in paragraph (d) of this Item, Carrier may obtain and deliver to Shipper other Crude Oil of the same quantity and grade as that which was lost, in the proportion that the amount of such grade of Crude Oil then in the custody of Carrier for the account of such Shipper in such System bears to the total amount of such grade of Crude Oil then in the custody of Carrier in such System, but Carrier shall not be obligated to do so. In the alternative, Carrier may compensate Shipper for such loss in money. If Carrier compensates Shipper for such loss in money, the price per barrel shall be determined as of the date of the loss based on the value of the lost Crude Oil. Carrier's liability to Shipper for any claim of negligence or other loss shall be collectively limited to the value of the Crude Oil gathered and/or transported and related gathering and/or delivery charges.

190. CLAIMS, SUITS, AND TIME FOR FILING

As a condition precedent to recovery, claims must be filed in writing with the Carrier within nine (9) months after delivery of the Crude Oil, or, in case of failure to make delivery, then within nine (9) months after a reasonable time for delivery has elapsed; and suits arising out of such

claims shall be instituted against the Carrier only within two (2) years and one (1) day from the day when notice in writing is given by the Carrier to the claimant that the Carrier has disallowed the claim or any part or parts thereof specified in the notice. Where claims are not filed or suits are not instituted thereon in accordance with the foregoing provisions, Carrier will not be liable and such claims will not be paid.

200. PIPEAGE OR OTHER CONTRACTS

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

210. CONNECTION POLICY

Connections to Carrier’s System will only be considered if made by formal written notification to Carrier. All connections will be subject to generally accepted industry standards and all regulatory standards for design and construction and will meet the hydraulic requirements necessary to protect the safety, security, integrity and efficient operation of Carriers pipeline(s) at the point of connection. Acceptance of any request for connection will be subject to compliance with governmental regulations. Successful connection requests will require throughput and deficiency agreements or other capital recover arrangements.

Explanation of abbreviations and reference marks:

- [U] Unchanged Rate
- [W] Change in wording only
- F.E.R.C..... Federal Energy Regulatory Commission
- ICA..... Interstate Commerce Act
- No..... Number