

ARROWHEAD OFFSHORE PIPELINE, LLC

LOCAL TARIFF

CONTAINING

RATES, ITEMS AND REGULATIONS

GOVERNING THE TRANSPORTATION AND HANDLING

OF

CRUDE PETROLEUM

TRANSPORTED BY PIPELINE

FROM AND TO POINTS NAMED HEREIN

The rules and regulations published herein shall apply only to those tariffs that specifically incorporate this tariff by reference; such references will include successive reissues thereof.

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

Filed pursuant to 18 C.F.R. § 342.3 (Establishing Initial Rates)

Request for Special Permission

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SECTION I RULES AND REGULATIONS

ITEM 5 – DEFINITIONS

“**Affiliate**” means with respect to any specified Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person or, in the case of a Person that is a limited partnership, an “Affiliate” shall include any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with the general partner of such limited partnership. For the purposes of this definition, “control” means the ownership, directly or indirectly, of more than fifty percent (50%) of the voting stock or other ownership interest of such Person; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“**A.P.I.**” means American Petroleum Institute.

“**Available Capacity**” means the total capacity of the System, or a particular segment thereof, available to transport Crude Petroleum in a Proration Month.

“**Barrel**” means forty-two (42) United States gallons at sixty degrees (60°) Fahrenheit and zero P.S.I.G.

“**Batch**” or “**Batches**” means a quantity of Crude Petroleum of like characteristics delivered by Shipper for transportation by Carrier as an identifiable unit.

“**Carrier**” means Arrowhead Offshore Pipeline, LLC.

“**Committed Shipper**” means a Shipper that has an effective TSA with Carrier.

“**Consignee**” means an entity that Shipper has authorized in writing to accept the delivery from Carrier of an amount of Crude Petroleum at the Delivery Point.

“**Crude Petroleum**” means the direct liquid product of oil or gas wells that meets Carrier’s product Quality Specifications set forth in Item 15.

“**Delivery Point**” means those point(s) of delivery on Carrier’s System, as specified in Section II of this tariff.

“**Encumbered Crude Petroleum**” shall have the meaning set forth in Item 45.

“**Force Majeure**” means acts of God; acts of federal, state or local government or any agencies thereof, compliance with rules, regulations or orders of any Governmental Authority or any office, department, agency or instrumentality thereof; strikes; lockouts or other industrial disturbances; acts of the public enemy; acts of terrorism; wars; blockades; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; extreme cold; storms; hurricanes; floods; or other extreme weather

conditions; washouts; arrests and restraint of rulers and people; civil disturbances; explosions; freezing of wells or lines of pipes; requisitions, orders, directives, diversions, embargoes, priorities or expropriations of Governmental Authorities transportation embargoes; and any other similar cause or causes, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming suspension.

“**Fungible Batch**” shall mean a Batch of Crude Petroleum meeting Carrier’s quality specifications set forth in Item 15, which Carrier may commingle with other Batches of Crude Petroleum meeting the same specifications pursuant to Paragraph B(i) of Item 30.

“**Governmental Authority**” means (i) the United States of America, (ii) any state, county, parish, municipality or other governmental subdivision within the United States of America, and (iii) any court or any governmental department, commission, board, bureau, agency or other instrumentality of the United States of America or of any state, county, or municipality having applicable jurisdiction.

“**Law**” shall mean all applicable local, state and federal constitutions, laws (including common law), treaties, statutes, orders, decrees, rules, regulations, codes, and ordinances issued by any Governmental Authority, and including judicial or administrative orders, consents, decrees, and judgments, and determinations by, or interpretations of any of the foregoing by any Governmental Authority having jurisdiction over the matter in question.

“**Maximum Daily Volume**” has the meaning specified in a Committed Shipper’s TSA.

“**Nomination**” means a written offer (in form and context specified by Carrier) made by a Shipper to Carrier of a stated quantity of Crude Petroleum for transportation from a specified Receipt Point to a specified Delivery Point pursuant to the terms of this tariff.

“**Person**” shall mean any individual, corporation, partnership, joint venture, association, joint stock company, or limited liability company.

“**Proration Month**” means the month for which capacity on Carrier’s System is subject to prorationing under Item 60 of this tariff.

“**Quality Specifications**” shall have the meaning set forth in Item 15 of this tariff.

“**Receipt Point**” means the point or points where Crude Petroleum is received into Carrier’s System, as specified in Section II of this tariff.

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

“**System**” means Carrier’s pipeline system and all related facilities to which the rules and regulations stated herein apply.

“**Tender,**” “**Tenders,**” or “**Tendered**” shall mean the presentation by a Shipper to Carrier of a stated quantity of Crude Petroleum for transportation from a specified Receipt Point to a specified Delivery Point in accordance with this tariff.

“**TSA**” means a transportation services agreement or transportation agreement entered into between a Committed Shipper and Carrier during the open season Carrier held beginning in March 2016.

“**Uncommitted Shipper**” means any Shipper that is not a Committed Shipper.

ITEM 10 – COMMODITY

Carrier is engaged in the transportation of Crude Petroleum, as that term is defined herein, and therefore, will not accept any other commodity for transportation hereunder.

ITEM 15 – QUALITY SPECIFICATIONS AND ACCEPTANCE OF CRUDE PETROLEUM

- A. The specifications set forth in this Item 15 are the required specifications for all Crude Petroleum delivered to Carrier’s System and shall apply to each Barrel of Shipper’s Tender, and shall not be limited to the composite sample of the Tender.
- B. Shipper shall deliver Crude Petroleum to Carrier’s System that meets the following specifications:
- i. is merchantable, properly settled, and contains not more than one percent (1%) of basic sediment, water, and other impurities;
 - ii. is not contaminated by the existence of or excess amounts of impure substances, including but not limited to, chlorinated or oxygenated hydrocarbons, arsenic, lead, or other metals;
 - iii. has a temperature less than or equal to one hundred and twenty degrees (120°) Fahrenheit;
 - iv. has a gravity, viscosity, pour point, and other characteristics that make it readily susceptible to transportation through Carrier’s System;
 - v. has a Reid vapor pressure less than or equal to 10 psi at a temperature of 100 degrees Fahrenheit;
 - vi. has a sulfur content less than 0.42%;
 - vii. has a true vapor pressure that will not result in Carrier’s noncompliance with Federal, State, or local requirements regarding hydrocarbon emissions;
 - viii. will not materially affect the quality of other shipments on the System or cause disadvantage to other Shippers or Carrier; and
 - ix. will not, in Carrier’s sole judgment, expose Carrier’s employees and/or its

representatives or the System to an undue risk of harm or property damage.

In addition, Carrier reserves the right to reject any shipment or portion of a shipment of Crude Petroleum for which Shipper or Consignee has failed to comply with applicable laws, rules, and regulations made by government authorities regulating shipment of Crude Petroleum.

If Crude Petroleum is accepted from tankage,

- i. settled bottoms in such tanks must not be above a point six inches (6") below the bottom of the pipeline connection with the tank from which it enters Carrier's System; and
- ii. such Crude Petroleum must not contain basic sediment, water or other impurities in excess of one percent (1%) average in suspension above the pipeline connection.

The requirements set forth in this Item 15(B) are collectively referred to herein as the "**Quality Specifications.**"

- C. If, upon investigation, Carrier determines that a Shipper has delivered Crude Petroleum to Carrier's System that does not comply with the Quality Specifications, Carrier may (i) require that Shipper transport such Crude Petroleum as a segregated Batch, separate and apart from the Fungible Batch then being transported by Carrier, in accordance with terms and conditions to be agreed upon by Carrier and Shipper; (ii) accept such delivery if Carrier determines that the quality of the Crude Petroleum, when commingled as a Fungible Batch, will nonetheless meet the Quality Specifications; (iii) exclude such Crude Petroleum and any future deliveries of Crude Petroleum from Shipper until such time as the Shipper returns the quality of its Crude Petroleum to a level satisfactory to Carrier in accordance with this tariff; and/or (iv) dispose of any Crude Petroleum delivered into its System that does not meet the Quality Specifications. Carrier may dispose of any Crude Petroleum not meeting the Quality Specifications in any reasonable commercial manner, and any liability associated with the contamination or disposal of any such Crude Petroleum shall be borne by the Shipper that introduced the contaminated Crude Petroleum into Carrier's System. Such Shipper's liability in such an event includes, but is not limited to, claims from other Shippers, carriers, or users of the contaminated Crude Petroleum and the costs of any regulatory or judicial proceeding. Upon determination that Shipper's Crude Petroleum does not conform to the Quality Specifications, Carrier shall notify the Shipper of such non-conformance to the Quality Specifications, including a reasonable description of such non-conformance.
- D. Where Crude Petroleum is delivered to Carrier's System through automatic custody transfer measurement facilities, Carrier may require use of a monitor that rejects Crude Petroleum containing in excess of one percent (1%) basic sediment and water.
- E. In addition to having the other rights set forth in this Item 15, if Crude Petroleum received by Carrier does not meet the Quality Specifications, Carrier reserves the right to charge the Shipper (i) the actual costs and expenses incurred by Carrier to treat, handle, or otherwise dispose of all such contaminated Crude Petroleum, and (ii) a one-hundred (100) cents per Barrel charge for the volume of contaminated Crude Petroleum transported by Carrier ("**Off-**

Spec Penalty”). The Off-Spec Penalty is a penalty intended to discourage deliveries of Crude Petroleum to Carrier’s System that violate Carrier’s Quality Specifications.

- F. Shipper shall be liable for any contamination or damage to other Crude Petroleum in Carrier’s custody and/or to Carrier’s System and other facilities directly caused by failure of the Crude Petroleum Tendered to meet the Quality Specifications.

ITEM 20 - TESTING AND MEASURING

- A. All Crude Petroleum transported by Carrier shall be measured at the applicable Receipt Point and Delivery Point, and may also be measured at any other time deemed appropriate by Carrier, with such measurement made in accordance with applicable A.P.I. Manual of Petroleum Measurement Standards. All measurements and tests shall be performed by Carrier, but Shipper or its representative may be present to witness such measurements and tests.
- B. Crude Petroleum received from Shipper and Crude Petroleum delivered to Shipper shall, in each instance, be evidenced by tickets, showing opening and closing meter readings or tank gauges, as applicable, temperature, pressure, and any other data essential to the determination of quantity. Such tickets shall be jointly signed by representatives of Carrier and Shipper, and shall constitute full receipt for: (i) the Crude Petroleum received and (ii) the Crude Petroleum delivered.
- C. A representative of Carrier shall have the right to enter upon the premises where Shipper’s Crude Petroleum is received or delivered and have access to any and all storage receptacles or meters for the purposes of measuring and testing and to make any examination, inspection, measurement or test required.

ITEM 25 – DEDUCTIONS AND ADJUSTMENTS

- A. In measuring the quantity of Crude Petroleum received and delivered, corrections shall be made from volumes at actual or observed temperature to volumes at 60 degrees Fahrenheit and for pressure to 14.696 psia. Quantities shall be corrected for this purpose by use of applicable API-ASTM volume correction factor tables.
- B. The quantity available for delivery from Carrier to Shipper at the Delivery Point shall be the net balance of Shipper’s Crude Petroleum received at the Receipt Point, less (i) an adjustment for temperature and deduction for basic sediment, water, and other impurities, and less (ii) a pipeline loss allowance deduction equal to 0.2% (“PLA”) of the total volume of Shipper’s Crude Petroleum received at the Receipt Point.

ITEM 30 – VARIATIONS IN QUALITY AND GRAVITY

- A. Shipper’s Crude Petroleum delivered by Carrier to Shipper at the Delivery Point shall be of a substantially similar grade and quality to the corresponding Crude Petroleum delivered by Shipper to Carrier at the Receipt Point. Subject to the other provisions herein, Carrier will

maintain a segregated Batch mechanism to separate each Shipper's Crude Petroleum from each other Shipper's Crude Petroleum for purposes of maintaining such quality.

- B. However, where, despite reasonable efforts acting as a prudent operator, Carrier is operationally unable to maintain the segregated Batch mechanism, Carrier shall promptly notify Shipper of such inability.
- i. It is inherent in the operation of a batched pipeline system that interface mixtures will occur between Batches. Therefore, in the event Carrier is operationally unable to maintain the segregated Batch mechanism despite reasonable efforts acting as a prudent operator, Carrier is not obligated to deliver to Shipper the identical Crude Petroleum Nominated by Shipper and Carrier shall not be liable for variation in gravity or the quality of Crude Petroleum occurring while in Carrier's custody, resulting from any cause other than and to the extent of the gross negligence of Carrier. In such instance, Carrier will deliver the Crude Petroleum as a Fungible Batch common stream.
 - ii. In addition, in the event Carrier is operationally unable to maintain the segregated Batch mechanism, Carrier shall institute the gravity bank procedures outlined in Item 125.
- C. 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.
- D. Carrier may, from time to time and at its sole discretion, change which grades of Crude Petroleum it will transport as a Fungible Batch between particular Receipt Points and Delivery Points on its System after obtaining written approval from Shippers that may be affected. Provided, however, in no event shall a change under this Paragraph D of Item 30 serve as the basis for Carrier's inability to maintain a segregated Batch mechanism under this tariff.

ITEM 35 – NOMINATIONS

- A. Crude Petroleum for shipment through Carrier's System will be received only on properly executed Nominations from Shipper showing the point at which the Crude Petroleum is to be received, the point at which the Crude Petroleum is to be delivered, and the amount of Crude Petroleum to be transported. Carrier may refuse to accept Crude Petroleum for transportation if Shipper has not furnished documentation demonstrating that it has made provision for prompt receipt thereof at the Nominated Delivery Point.
- B. Any Shipper desiring to nominate Crude Petroleum for transportation shall make such Nomination to Carrier in writing on or before the twenty-fifth (25th) day of the month preceding the month during which the transportation under the Nomination is to begin; except that, if space is available for current movement, Carrier shall accept changes to a Nomination from Shipper for transportation of Crude Petroleum submitted after the twenty-fifth (25th) day of the month preceding the month during which the transportation under the

Nomination is to begin. Carrier also shall accept changes to a Nomination during the shipping month, subject to capacity limitations.

- C. Carrier may refuse to accept Crude Petroleum for transportation if Shipper is not in compliance with other provisions of this tariff or where Shipper has failed to comply with all applicable Law regulating shipments of Crude Petroleum.

ITEM 40 – FINANCIAL ASSURANCES

- A. Upon the request of Carrier, all prospective and existing Shippers must submit sufficient financial information to allow Carrier to establish their creditworthiness. If, in Carrier's sole discretion, a prospective Shipper is not creditworthy, or if a current Shipper's credit deteriorates, Carrier may require such Shippers to provide financial assurances, and shall accept as assurance of payment any of the following: (a) prepayment of transportation charges; (b) a guaranty in a form and amount sufficient to ensure payment of transportation charges and in a form and from a third-party acceptable to Carrier; or (c) a letter of credit or surety bond from an appropriate financial institution in a form and amount acceptable to Carrier sufficient to ensure payment of transportation charges.
- B. If an existing 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, Carrier shall not be obligated to accept Crude Petroleum, or a Nomination, for transportation until such requirement is fully met.

ITEM 45 – TITLE

At the time of Nomination, Shipper shall inform Carrier if any Crude Petroleum Nominated and/or Tendered to Carrier for transportation may be (i) encumbered by a lien or charge of any kind, (ii) may be involved in litigation or, (iii) may be subject to a title dispute ("**Encumbered Crude Petroleum**"). When any Encumbered Crude Petroleum is Nominated for transportation, Carrier may require Shipper to provide one or more of the following: (i) satisfactory evidence of its perfected and unencumbered title, (ii) satisfactory indemnity bond to protect Carrier against any and all loss, (iii) pre-payment of transportation charges, or (iv) subordination agreement from the applicable lienholder. Carrier also has the right to refuse any shipment of Encumbered Crude Petroleum. By Nominating Crude Petroleum, Shipper warrants and guarantees that Shipper has good title thereto and agrees to hold Carrier harmless for any and all loss, cost, liability, damage and/or expense resulting from failure of title thereto; provided that acceptance for transportation shall not be deemed a representation by Carrier as to title.

In addition, Shipper shall not cause or permit any lien, security interest or other form of burden be filed or created with respect to Crude Petroleum in Carrier's possession, except for the lien created in favor of Carrier under Item 85 of this tariff.

ITEM 50 – MINIMUM NOMINATION

- A. A Nomination by Shipper for transportation as part of a Fungible Batch shall equal at least 25,000 Barrels. Carrier may, in its sole discretion, decide to accept Nominations below the

minimum Nomination provided that space is available and operating conditions permit lots less than 25,000 Barrels.

- B. Crude Petroleum will be scheduled through Carrier's System in repetitive cycles. Normal cycles for Crude Petroleum handled will be established by Carrier in order to meet operating conditions. Shippers may be required to schedule their Crude Petroleum for delivery into Carrier's System at a Receipt Point to meet the cycle within which the Crude Petroleum will move.

ITEM 55 – LINEFILL

Each Shipper shall supply its pro rata share of Crude Petroleum necessary for linefill for efficient operation of Carrier's System in amounts and at times determined by Carrier. Subject to Shipper's compliance with Item 85, Crude Petroleum provided by a Shipper for this purpose may be withdrawn from Carrier's System only after shipments have ceased and if written notice to discontinue shipments in Carrier's System is received on or before the 25th day of the month preceding the last calendar month in which the Shipper intends to ship. Such withdrawal shall be made by Carrier over a reasonable period, not to exceed 12 months after such notice to discontinue shipments is received.

ITEM 60 – PRORATIONING OF CAPACITY

- A. **When capacity will be prorated.** When Carrier receives more Nominations in a month for transportation of Crude Petroleum on a line segment of the System than Carrier is able to transport, Carrier shall allocate the Available Capacity of the line segment under the provisions of this Item 60.
- B. **Division of Capacity between Shipper classes.** Available Capacity will initially be allocated among Committed Shippers as a class and Uncommitted Shippers as a class; any remaining capacity will be allocated in accordance with the provisions of Paragraph E.
- C. **Allocation of Capacity to Committed Shippers.** Carrier shall allocate up to ninety percent (90%) of the Available Capacity to Committed Shippers. The allocation to each Committed Shipper shall be calculated as follows:
- i. Carrier shall allocate each Committed Shipper an amount of capacity each Proration Month that is equal to the lesser of the Committed Shipper's Nomination or its Maximum Daily Volume; and
 - ii. in the event that an event of Force Majeure or other operational issue causes the capacity of a line segment to be reduced below its design capacity for a Proration Month, the allocation of capacity under Paragraph C(i) to each Committed Shipper shall be reduced proportionately to the reduction in capacity.

- D. **Allocation of Capacity to Uncommitted Shippers.** Following the allocations of capacity set forth in Paragraph C, Carrier shall allocate each Uncommitted Shipper an amount of capacity in the Proration Month that is equal to:
- i. its Nomination, if the total volume Nominated by all Uncommitted Shippers is less than or equal to ten percent (10%) of the Available Capacity; or
 - ii. its pro rata share, in accordance with its Nomination, of ten percent (10%) of the Available Capacity, if the total volume Nominated by all Uncommitted Shippers is greater than ten percent (10%) of the Available Capacity.
- E. **Remaining Capacity.** Any remaining capacity that is not allocated through the application of Paragraphs C and D shall be allocated first among all Committed Shippers having unmet Nominations on a pro rata basis, according to the level of each Committed Shipper's Maximum Daily Volume, and then to Uncommitted Shippers having unmet Nominations on a pro rata basis, according to the level of the initial capacity allocation each Uncommitted Shipper received pursuant to Paragraph D.
- F. **Basis for allocation; notification.** During periods when Carrier applies the provisions of this Item 60:
- i. The capacity allocated to a Shipper will be provided as a daily or monthly value, at Carrier's discretion, and will be calculated for the Proration Month; and
 - ii. Carrier will use its reasonable efforts to notify each Shipper of its allocation not later than three (3) days prior to the first (1st) day of the Proration Month.
- G. **Failure to use allocated capacity.**
- i. If a Shipper does not use the capacity allocated to it under this Item 60 at the times and in the amounts designated by Carrier, Carrier shall have the right to use Shipper's unused capacity to fulfill the unmet Nominations of other Shippers.
 - ii. If an Uncommitted Shipper does not use at least ninety-five percent (95%) of the capacity allocated to it under this Proration Policy in a Proration Month, such Shipper shall pay Carrier a per Barrel penalty equal to the then-current transportation rate on the System for each Barrel of capacity that the Uncommitted Shipper was allocated but did not use in the Proration Month. Notwithstanding the foregoing, Carrier has the discretion to waive or modify application of this Paragraph G (ii) when Carrier determines that the Uncommitted Shipper's failure to use such allocated capacity was due to factors beyond the Shipper's control
- H. **Transfers of Capacity and Shipment History.** A Shipper may not assign, convey, loan, transfer, or allow another Shipper to use in any manner (i) the capacity allocated to Shipper under this Item 60, or (ii) the shipment history accumulated by a Shipper, which is used by Carrier for purposes of administering this Item 60; provided, however, that a Shipper's allocation of capacity or shipment history may be transferred as an incident of the bona fide

sale of the Shipper's business or to a successor to the Shipper's business by the operation of law, such as an executor or trustee in bankruptcy.

- I. **Use of Affiliates.** A Shipper may not use an Affiliated Shipper or any other cooperating entity to increase its allocation of capacity under this Item 60.

ITEM 65 – STORAGE; ORIGIN AND DESTINATION FACILITIES

- A. Carrier only provides working tankage that is incidental and necessary to the transportation of Crude Petroleum, but does not provide or offer storage service, whether in transit or/at points of Receipt Point or the Delivery Point.
- B. Carrier shall accept Crude Petroleum only when Shipper has provided the necessary equipment and facilities for receipt of Crude Petroleum into Carrier's System and delivery of Crude Petroleum from Carrier's System at pressures and pumping rates required by Carrier. The cost of such facilities shall be provided at the sole cost of Shipper seeking access to Carrier's System. Carrier may require evidence showing that the necessary facilities are available for delivering shipments onto Carrier's System at the Receipt Point(s) and receiving shipments from Carrier's System at the Delivery Point(s) before any obligation to furnish transportation service shall arise.

ITEM 70 – PIPEAGE OR OTHER CONTRACTS

Separate agreements in association with pipeline connections or other facilities ancillary to Carrier's System and in accordance with this tariff shall be required of any Shipper before any obligation to provide transportation shall arise. A pipeage contract may include additional charges for reimbursement for facilities necessary to receive/or deliver Shipper's shipments.

ITEM 75 – DELIVERY

The Shipper or Consignee shall be notified twenty-four (24) hours prior to the arrival of a shipment of Crude Petroleum. If the Shipper or Consignee is unable or refuses to receive the Crude Petroleum shipment as it arrives at the Delivery Point, Carrier shall have the right to curtail the amount of Crude Petroleum it will accept from Shipper until such unremoved Crude Petroleum is removed. Carrier also reserves the right if deemed necessary to clear Carrier's System and to make whatever arrangements for disposition of the unremoved Crude Petroleum that are appropriate, which includes selling the Crude Petroleum to the first available purchaser at a reasonable price, which reasonableness shall be in Carrier's sole discretion, and to use the proceeds from such sale to pay pipeline transportation charges which shall be due as if Shipper had Nominated and Carrier had delivered such quantities. Any expenses incurred by Carrier in making such arrangements shall be borne by Shipper. Shipper shall indemnify Carrier for all losses associated with unremoved Crude Petroleum and Carrier's disposition of the unremoved Crude Petroleum. Carrier shall have no liability to Shipper associated with Shipper's unremoved Crude Petroleum or Carrier's disposition of the unremoved Crude Petroleum.

ITEM 80 – RATES APPLICABLE

Crude Petroleum accepted for transportation shall be subject to the rates in effect on the date of receipt by Carrier, irrespective of the date of delivery or Nomination.

ITEM 85 – PAYMENT OF CHARGES

- A. Carrier will invoice Shipper for transportation rates, fees, and charges and all other amounts accruing on Crude Petroleum accepted in accordance with Carrier's then current invoicing and payment policies and procedures. Transportation and all other lawful charges will be assessed on the net balance of Shipper's Crude Petroleum received at the Receipt Point in a month that remains after the deductions and adjustments set forth in Paragraph B of Item 25.
- B. Shipper shall pay all applicable transportation and other charges as set forth in this Local Tariff accruing on Crude Petroleum related to transportation of such Crude Petroleum by Carrier.
- C. Shipper shall be responsible for the payment of all royalties, overriding royalties, production payments, and other similar amounts due in respect of such Crude Petroleum.
- D. Carrier shall have a lien on all Crude Petroleum in its possession belonging to the Shipper to secure the payment of all unpaid charges due by such Shipper to Carrier, and Carrier may withhold such Crude Petroleum from delivery until all of such unpaid charges shall have been paid. If any charge remains unpaid after the due date specified in Carrier's invoice, then such amount shall bear interest from the day after the date of the invoice until paid, calculated at an annual rate of the lesser of (i) 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 (ii) the maximum rate allowed by law, whichever is the lower.
- E. In the event Shipper fails to pay any charges when due, Carrier shall have the right, until such payments, including interest thereon, are made in full, to: (i) refuse to provide Shipper access to Carrier's System or provide services pursuant to this tariff, (ii) offset the current and future amounts owed by Shipper against any amounts Carrier owes to Shipper, and (iii) exercise any other rights and remedies granted under this tariff or existing under applicable Law.
- F. If any charges owed to Carrier remain unpaid five (5) days after the due date specified in the invoice for such charges, Carrier may, by an agent, sell said Crude Petroleum at public auction for cash on any day not a Sunday or legal holiday, and not less than 48 hours after publication of notice, in a daily newspaper, of the time and place of such sale and the quantity of Crude Petroleum to be sold. Carrier may be a bidder and purchaser at such sale. Out of the proceeds of said sale, Carrier may pay itself all transportation and any other lawful charges, expense of notice, advertisement, sale, and other necessary expense, and of caring for and maintaining the Crude Petroleum, and the net balance shall be held without interest for whomsoever may be lawfully entitled thereto; if the proceeds of said sale do not cover all

expenses incurred by Carrier, Shipper and/or Consignee are liable to Carrier for any deficiency.

ITEM 90 – CHARGES FOR SPILL COMPENSATION ACT

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 change in application of existing Federal, State or local act or regulations or the implementation of any new 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

ITEM 95 – 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.

ITEM 100 – LIABILITY OF CARRIER

- A. Custody of Crude Petroleum by Carrier shall begin when the Crude Petroleum enters the System and shall cease when it passes from the System.
- B. Carrier, while in possession of Crude Petroleum herein described, shall not be liable for, and Shipper hereby waives any claims against Carrier for, any loss, damage, or delay caused by an act of God, the public enemy, the public authority, an event of Force Majeure, an act of Shipper himself, or resulting from any other cause, unless such loss, damage, or delay is due to the gross negligence or willful misconduct of Carrier. Carrier shall not be liable for, and Shipper hereby waives any claims against Carrier for, any loss or damage to Crude Petroleum prior to the delivery of Crude Petroleum to Carrier at the Receipt Points and after delivery of Crude Petroleum to Shipper at the Delivery Points.
- C. In case of loss or damage of any Crude Petroleum from any such causes that are not due to the gross negligence or willful misconduct of Carrier, after it has been received for transportation at the Receipt Point and before the same has been delivered to Shipper at the Delivery Points, such loss will 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 the custody of Carrier for transportation via the lines or other facilities in which the loss occurs. Carrier will be obligated to deliver only that portion of such Crude Petroleum remaining after deducting Shipper's proportion of such

loss determined as aforesaid. In the aforementioned instance, transportation charges will be assessed only on the quantity delivered to Shipper.

- D. Carrier will not be liable for discoloration, contamination, or deterioration of the Crude Petroleum transported hereunder unless and to the extent such discoloration, contamination, or deterioration of Crude Petroleum transported results from the gross negligence of Carrier.
- E. Notwithstanding anything to the contrary in this tariff and except in instances of Carrier's gross negligence or willful misconduct, in no event shall Carrier be liable or responsible to any Shippers, its affiliates, successors in interest, beneficiaries or assignees, for any consequential, incidental, indirect, special or punitive damages, or for loss of profits or revenues, that arise in relation to the transportation of Crude Petroleum under this tariff, regardless of whether such claim arises under or results from contract, tort, or strict liability.

ITEM 105 – LIABILITY OF SHIPPER

As a condition to Carrier's acceptance of Crude Petroleum for transportation on Carrier's System, Shipper agrees to protect and indemnify Carrier against claims or actions for injury and/or death of any and all persons whomever and for damage to property of or any other loss sustained by Carrier, Shipper, Consignee and/or any third party, resulting from or arising out of (i) any breach of or failure to adhere to any provision of Carrier's tariff(s) by Shipper, Consignee, their agents, employees or representatives and (ii) the negligent act(s) or failure(s) to act of Shipper, Consignee, their agents, employees or representatives in connection with delivery or receipt of Crude Petroleum.

ITEM 110 -- CLAIMS, TIME FOR FILING

As a condition precedent to recovery by Shipper for loss, damage or delay in receipt or delivery of Shipper's Crude Petroleum for which Carrier may be responsible, Shipper's claim must be filed in writing with Carrier within nine (9) months after delivery of the affected Crude Petroleum, or, in case of Carrier's failure to make delivery of Shipper's Crude Petroleum, then within nine (9) months after a reasonable time for delivery has elapsed. Suit against Carrier shall be instituted only within two (2) years and one (1) day from the day when notice in writing is given by Carrier to Shipper that 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 by Shipper on such claims in accordance with the foregoing provisions, such claims will not be paid and Carrier shall not be liable.

ITEM 115 – APPLICATION OF RATES TO INTERMEDIATE POINTS

- A. Carrier will receive Crude Petroleum for transportation only from and to established Receipt Points and Delivery Points.
- B. For shipments of Crude Petroleum accepted for transportation from any point on Carrier's System not named in this tariff, but which is intermediate to an Receipt Point from which rates are published in this tariff, through such unnamed origin, will be assessed the rate in effect from the next more distant Receipt Point published in this tariff.

- C. For shipments accepted for transportation to any point on Carrier's System not named in this tariff, but which is intermediate to a Delivery Point to which rates are published in this tariff, through such unnamed destination, will be assessed the rate in effect to the next more distant Delivery Point published in this tariff.

ITEM 120 – INTERRUPTION OF OPERATIONS.

- A. Carrier may, without liability to Shipper, interrupt the operations of the System for the purposes of performing inspections, pigging, maintenance, testing, alterations, modifications, expansions, connections, repairs or replacements, but any such interruption shall be for only such time as may be reasonable. Carrier shall provide Shipper, to the extent practicable, with at least thirty (30) days' prior written notice of any scheduled interruption of operations and of the estimated time thereof.
- B. Upon the occurrence of any unscheduled interruption of operations, Carrier shall give Shipper written notice thereof, including the nature of such interruption and the estimated duration thereof, which shall be done as soon as practicable after the occurrence of an unscheduled interruption but in any event within one (1) day thereof.

ITEM 125 – GRAVITY BANK

- A. In order to insure that Shipper will not be materially damaged or allowed to benefit from changes in gravity as a result of Carrier's inability to maintain a segregated Batch mechanism, Carrier has established a gravity bank to calculate, collect, and remit monetary adjustments among all Shippers tendering within the System resulting from changes in gravity as a consequence of Carrier's inability to maintain a segregated Batch mechanism.
- B. During times when Carrier is unable to maintain a segregated Batch mechanism, each Shipper is required to participate in the gravity bank. Each Shipper agrees to pay Carrier for the computed adjustments due from said Shipper in accordance with these rules and regulations.
- C. Carrier shall administer the gravity bank providing adjustments for the value of crudes in different gravities in the manner specified below:
- i. Fungible Batch Common Stream Calculation.
At the end of each month, the weighted average gravity value of the gravity bank will be determined for all Crude Petroleum being received (Receipt Bank) into the Fungible Batch commingled common stream system and similarly for the Crude Petroleum being delivered (Delivery Bank) out of the system. This value will be determined by dividing the total number of Barrels received into the sum total of the products obtained by multiplying each Receipt volume in such stream by the gravity value per Barrel obtained from the gravity value table in Item 125C(vii). Similar calculations will be made with respect to the deliveries.
 - ii. Shipper Calculation.

At the end of each month, each Shipper’s gravity value will be determined by multiplying the quantity of Barrels received from such Shipper by the gravity value per Barrel obtained from the gravity value table in Item 125C(vii). Similar calculations will be made with respect to deliveries.

iii. Receipt Bank.

- a. If the weighted average gravity value per Barrel for a Shipper as determined under Paragraph C(ii) of this Item 125 is greater than that determined for the Fungible Batch common stream under Paragraph C(i) of this Item 125, the Shipper will be credited an amount which shall be calculated by multiplying the differences in gravity value per Barrel by the total Barrels received from such Shipper.
- b. If the weighted average gravity value per Barrel for a Shipper as determined in Paragraph C(ii) of this Item 125 is less than that determined for the Fungible Batch common stream under Paragraph C(i) of this Item 125, the Shipper will be debited an amount as calculated by multiplying the differences in gravity value per Barrel by the total Barrels received from such Shipper.
- c. The sum of debits and credits for all Shippers is zero.
- d. At the end of each month during which Carrier was unable to maintain a segregated Batch mechanism, Carrier will provide a record of Shipper’s calculation and debit or credit amount.

iv. Delivery Bank.

- a. If the weighted average gravity value per Barrel for a Shipper as determined under Paragraph C(ii) of this Item 125 is greater than that determined for the Fungible Batch common stream under Paragraph C(i) of this Item 125, the Shipper will be debited an amount which shall be calculated by multiplying the difference in gravity value per Barrel by the total Barrels delivered.
- b. If the weighted average gravity value per Barrel for a Shipper as determined under Paragraph C(ii) of this Item 125 is less than that determined for the Fungible Batch common stream under Paragraph C(i) of this Item 125, the Shipper will be credited an amount which shall be calculated by multiplying the difference in gravity per Barrel by the total Barrels delivered.
- c. The sum of the debits and credits for all Shippers is zero.
- d. At the end of each month during which Carrier was unable to maintain a segregated Batch mechanism, Carrier will provide a record of Shipper’s calculation and debit or credit amount.

v. Example of Gravity Bank Settlement.

a. Receipt Bank.

<u>Shipper</u>	<u>Shipment Volume (Bbls) Received</u>	<u>Measure Gravity API</u>	<u>Gravity Value*</u>	<u>Volume X Value</u>
A	150	28.1°	3.965	\$594.75

A	<u>50</u> 200	27.4°	3.860	<u>\$193.00</u> \$787.75
B	<u>30</u>	30.8°	4.370	<u>\$131.10</u>
<u>Total All</u>	230			\$918.85

* Using Gravity Adjustment Authorization Table, Item 125C(vii).

Common Stream Value = \$918.85 ÷ 230 Bbl = \$3.995

Shipper A Calculation:

Weighted Average gravity value per bbl. = 787.75 / 200 = 3.9388

(\$3.93875/Bbl - \$3.995/Bbl) x 200 Bbls = Shipper A pays (is debited) \$11.25

Shipper B Calculation: (\$11.25)

(\$4.370/Bbl- \$3.995/Bbl) x 30 Bbls = Shipper B receives (is credited)

Sum of Payments and Receipts is zero \$0.00

b. Delivery Bank.

<u>Shipper</u>	<u>Shipment Volume (Bbls) Received</u>	<u>Measure Gravity API</u>	<u>Gravity Value*</u>	<u>Volume X Value</u>
A	40	24.4°	3.410	\$136.40
A	<u>29</u> 69	24.8°	3.470	\$100.63
B	<u>29</u>	24.2°	3.380	\$98.02
<u>Total All</u>	98			\$335.05

* Using Gravity Adjustment Authorization Table, Item 125C(vii).

Common Stream Value = \$335 ÷ 98 Bbl = \$3.41888

Shipper A Calculation:

Weighted Average gravity value per bbl. = 237.03 / 69 = 3.43522 \$1.13

$(\$3.43522/\text{Bbl} - \$3.4188/\text{Bbl}) \times 69 \text{ Bbls} = \text{Shipper A pays (is debited)}$

Shipper B Calculation:

$(\$3.380/\text{Bbl} - \$3.41888/\text{Bbl}) \times 29 \text{ Bbls} = \text{Shipper B receives (is credited)}$ (\$1.13)

Sum of Payments and Receipts is zero \$0.00

vi. Payments.

- a. At the end of each quarter during which Carrier was unable to maintain a segregated Batch mechanism, a statement shall be delivered to each Shipper setting forth the net debit and credit balance of said Shipper's gravity value account and specifying the amount required to be paid (or received) to settle the account.
- b. All payments due from Shippers shall be made within twenty (20) days of the statement date. All Crude Petroleum which is received from a Shipper who has failed to pay such amount shall be subject to the imposition of a lien to obtain payment of such amounts.
- c. Payments to or from the Shippers as a result of this Item 125 are not part of the transportation tariff rates of Carrier and said payment shall not be offset or otherwise claimed by the Shipper against sums due to Carrier for transportation or other charges collected pursuant to Carrier's tariff rules and regulations.

vii. Table of Gravity Adjustment Authorization Factors.

ADJUSTMENT AUTHORIZATION							
TABLES OF DIFFERENTIALS FOR USE IN DETERMINING ADJUSTMENTS FOR DIFFERENCE IN GRAVITY OF CRUDE PETROLEUM							
API GRAVITY	DIFF \$ PER BBL	API GRAVITY	DIFF \$ PER BBL	API GRAVITY	DIFF \$ PER BBL	API GRAVITY	DIFF \$ PER BBL
20.0	2.750	26.0	3.650	32.0	4.550	38.0	5.060
20.1	2.765	26.1	3.665	32.1	4.565	38.1	5.060
20.2	2.780	26.2	3.680	32.2	4.580	38.2	5.060
20.3	2.795	26.3	3.695	32.3	4.595	38.3	5.060
20.4	2.810	26.4	3.710	32.4	4.610	38.4	5.060
20.5	2.825	26.5	3.725	32.5	4.625	38.5	5.060
20.6	2.840	26.6	3.740	32.6	4.640	38.6	5.060
20.7	2.855	26.7	3.755	32.7	4.655	38.7	5.060
20.8	2.870	26.8	3.770	32.8	4.670	38.8	5.060
20.9	2.885	26.9	3.785	32.9	4.685	38.9	5.060
21.0	2.900	27.0	3.800	33.0	4.700	39.0	5.080
21.1	2.915	27.1	3.815	33.1	4.715	39.1	5.080
21.2	2.930	27.2	3.830	33.2	4.730	39.2	5.080
21.3	2.945	27.3	3.845	33.3	4.745	39.3	5.080
21.4	2.960	27.4	3.860	33.4	4.760	39.4	5.080
21.5	2.975	27.5	3.875	33.5	4.775	39.5	5.080
21.6	2.990	27.6	3.890	33.6	4.790	39.6	5.080
21.7	3.005	27.7	3.905	33.7	4.805	39.7	5.080
21.8	3.020	27.8	3.920	33.8	4.820	39.8	5.080
21.9	3.035	27.9	3.935	33.9	4.835	39.9	5.080
22.0	3.050	28.0	3.950	34.0	4.850	40.0	5.100
22.1	3.065	28.1	3.965	34.1	4.865	40.1	5.100
22.2	3.080	28.2	3.980	34.2	4.880	40.2	5.100
22.3	3.095	28.3	3.995	34.3	4.895	40.3	5.100
22.4	3.110	28.4	4.010	34.4	4.910	40.4	5.100
22.5	3.125	28.5	4.025	34.5	4.925	40.5	5.100
22.6	3.140	28.6	4.040	34.6	4.940	40.6	5.100
22.7	3.155	28.7	4.055	34.7	4.955	40.7	5.100
22.8	3.170	28.8	4.070	34.8	4.970	40.8	5.100
22.9	3.185	28.9	4.085	34.9	4.985	40.9	5.100
23.0	3.200	29.0	4.100	35.0	5.000	41.0	5.100
23.1	3.215	29.1	4.115	35.1	5.000	41.1	5.100
23.2	3.230	29.2	4.130	35.2	5.000	41.2	5.100
23.3	3.245	29.3	4.145	35.3	5.000	41.3	5.100
23.4	3.260	29.4	4.160	35.4	5.000	41.4	5.100
23.5	3.275	29.5	4.175	35.5	5.000	41.5	5.100
23.6	3.290	29.6	4.190	35.6	5.000	41.6	5.100
23.7	3.305	29.7	4.205	35.7	5.000	41.7	5.100
23.8	3.320	29.8	4.220	35.8	5.000	41.8	5.100
23.9	3.335	29.9	4.235	35.9	5.000	41.9	5.100
24.0	3.350	30.0	4.250	36.0	5.020	42.0	5.100
24.1	3.365	30.1	4.265	36.1	5.020	42.1	5.100
24.2	3.380	30.2	4.280	36.2	5.020	42.2	5.100
24.3	3.395	30.3	4.295	36.3	5.020	42.3	5.100
24.4	3.410	30.4	4.310	36.4	5.020	42.4	5.100
24.5	3.425	30.5	4.325	36.5	5.020	42.5	5.100
24.6	3.440	30.6	4.340	36.6	5.020	42.6	5.100
24.7	3.455	30.7	4.355	36.7	5.020	42.7	5.100
24.8	3.470	30.8	4.370	36.8	5.020	42.8	5.100
24.9	3.485	30.9	4.385	36.9	5.020	42.9	5.100
25.0	3.500	31.0	4.400	37.0	5.040	43.0	5.100
25.1	3.515	31.1	4.415	37.1	5.040	43.1	5.100

API GRAVITY	DIFF \$ PER BBL	API GRAVITY	DIFF \$ PER BBL	API GRAVITY	DIFF \$ PER BBL	API GRAVITY	DIFF \$ PER BBL
25.2	3.530	31.2	4.430	37.2	5.040	43.2	5.100
25.3	3.545	31.3	4.445	37.3	5.040	43.3	5.100
25.4	3.560	31.4	4.460	37.4	5.040	43.4	5.100
25.5	3.575	31.5	4.475	37.5	5.040	43.5	5.100
25.6	3.590	31.6	4.490	37.6	5.040	43.6	5.100
25.7	3.605	31.7	4.505	37.7	5.040	43.7	5.100
25.8	3.620	31.8	4.520	37.8	5.040	43.8	5.100
25.9	3.635	31.9	4.535	37.9	5.040	43.9	5.100

ADJUSTMENT AUTHORIZATION

TABLES OF DIFFERENTIALS FOR USE IN DETERMINING
ADJUSTMENTS FOR
DIFFERENCE IN GRAVITY OF CRUDE

API GRAVITY	DIFF \$ PER BBL	API GRAVITY	DIFF \$ PER BBL
44.0	5.100	49.9	4.365
44.1	5.100	50.0	4.350
44.2	5.100	50.1	4.335
44.3	5.100	50.2	4.320
44.4	5.100	50.3	4.305
44.5	5.100	50.4	4.290
44.6	5.100	50.5	4.275
44.7	5.100	50.6	4.260
44.8	5.100	50.7	4.245
44.9	5.100	50.8	4.230
45.0	5.100	50.9	4.215
45.1	5.085	51.0	4.200
45.2	5.070	51.1	4.185
45.3	5.055	51.2	4.170
45.4	5.040	51.3	4.155
45.5	5.025	51.4	4.140
45.6	5.010	51.5	4.125
45.7	4.995	51.6	4.110
45.8	4.980	51.7	4.095
45.9	4.965	51.8	4.080
46.0	4.950	51.9	4.065
46.1	4.935	52.0	4.050
46.2	4.920	52.1	4.035
46.3	4.905	52.2	4.020
46.4	4.890	52.3	4.005
46.5	4.875	52.4	3.990
46.6	4.860	52.5	3.975
46.7	4.845	52.6	3.960
46.8	4.830	52.7	3.945
46.9	4.815	52.8	3.930
47.0	4.800	52.9	3.915
47.1	4.785	53.0	3.900
47.2	4.770	53.1	3.885
47.3	4.755	53.2	3.870
47.4	4.740	53.3	3.855
47.5	4.725	53.4	3.840
47.6	4.710	53.5	3.825
47.7	4.695	53.6	3.810
47.8	4.680	53.7	3.795
47.9	4.665	53.8	3.780
48.0	4.650	53.9	3.765
48.1	4.635	54.0	3.750
48.2	4.620	54.1	3.735

TABLES OF DIFFERENTIALS FOR USE IN DETERMINING
ADJUSTMENTS FOR
DIFFERENCE IN GRAVITY OF CRUDE

API GRAVITY	DIFF \$ PER BBL	API GRAVITY	DIFF \$ PER BBL
48.3	4.605	54.2	3.720
48.4	4.590	54.3	3.705
48.5	4.575	54.4	3.690
48.6	4.560	54.5	3.675
48.7	4.545	54.6	3.660
48.8	4.530	54.7	3.645
48.9	4.515	54.8	3.630
49.0	4.500	54.9	3.615
49.1	4.485	55.0	3.600
49.2	4.470		
49.3	4.455		
49.4	4.440		
49.5	4.425		
49.6	4.410		
49.7	4.395		
49.8	4.380		

For API GRAVITY values
above 55.0° API, the
differential continues to
decline .015/bbl per 0.1°
API GRAVITY

This table may be amended from time to time as a result of changes to the majority of posted gravity adjustment schedules. The table is independent of the price of crude oil.

**SECTION II
TABLE OF RATES**

Shipper Status	Receipt Point	Delivery Point	Rate (Dollars per Barrel)
Committed Shipper	West Ranch oil field terminal in Jackson County, Texas	All delivery points located at the Port of Calhoun in Calhoun County, Texas	[N] <u>\$1.75</u>
Uncommitted Shipper	West Ranch oil field terminal in Jackson County, Texas	All delivery points located at the Port of Calhoun in Calhoun County, Texas	[N] <u>\$1.74</u>

Explanation of Reference Marks:

[N] New.