

ELG OIL LLC

LOCAL PIPELINE TARIFF

**CONTAINING RULES AND REGULATIONS
GOVERNING THE INTRASTATE TRANSPORTATION OF
CONDENSATE**

GENERAL APPLICATION

This tariff shall apply only to those agreements that specifically incorporate this tariff, supplements to this tariff and successive issues hereof, by reference.

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RULES AND REGULATIONS

Transporter will receive Condensate for intrastate transportation through its own lines, subject to the following conditions:

1. Definitions.

“ASTM” means American Society for Testing Materials.

“Agreement” shall mean the agreement entered into between Shipper and Transporter pursuant to Section 3 of this Tariff.

“Barrel” means 42 United States gallons at 60 degrees Fahrenheit and zero gauge pressure.

“Condensate” means hydrocarbons that separate from the natural gas stream and become liquid.

“Default Rate” means a rate per annum equal to the lesser of (a) a varying rate per annum that is equal to the interest rate publicly quoted by JPMorgan Chase from time to time as its prime commercial or similar reference interest rate, with adjustments in that varying rate to be made on the same date as any change in that rate, plus ten percent (10%) or (b) the maximum rate permitted by applicable law.

“Delivery Point” means the point at which Transporter re-delivers Condensate to Shipper for downstream transportation.

“Downstream Transporter” shall mean a third party receiving Shipper’s Condensate at the Delivery Point(s).

“Firm Service Shipper” means a Shipper that has (a) committed under a separate gas gathering and treating agreement with Transporter’s affiliate to tender at least two hundred seventy-five million cubic feet (275 MMcf) of natural gas per Day (“Dedicated Production”) for a term of at least fifteen (15) years and (b) has entered into an Agreement with Transporter prior to the later of the commencement of construction of Transporter’s facilities or May 10, 2012, for a Primary Term of at least fifteen (15) years for the transportation of Condensate associated with the Dedicated Production. The successors and assigns of any Firm Service Shipper shall also be considered Firm Service Shippers.

“Regular Shipper” means a Shipper that is not a Firm Service Shipper.

“Receipt Point” means the point at which Condensate is tendered by, or on behalf of, Shipper for transportation by Transporter.

“Shipper” as herein used means any party tendering and thereafter actually delivering Condensate, or on whose behalf Condensate is tendered and actually delivered, for transportation by Transporter in accordance with the terms of this tariff and Shipper’s Agreement.

“Shipper’s MDQ” means the maximum daily quantity of Condensate that a Firm Service Shipper is entitled to ship.

“Tender” or “tender” as herein used means an offer by, or on behalf of, a Shipper of the Transporter of a stated quantity of Condensate for transportation from a specified Receipt Point or Receipt Points to a specified Delivery Point in accordance with these rules and regulations.

“Transporter” means ELG Oil LLC.

2. **Commodity.** Transporter will transport Condensate as defined in Section 1 hereof, exclusively, and will not accept any other commodity for transportation.
3. **Agreement.** Prior to acceptance of Condensate from Shipper, Shipper shall enter into an Agreement with Transporter setting forth additional terms and conditions as mutually agreed by the parties.
4. **Line-fill.** Shipper shall provide in-kind, at Shipper’s sole cost and expense, all Condensate needed as line-fill for transport and redelivery of Shipper’s Condensate from the Receipt Point(s) to the Delivery Point(s); provided, however, if any of the facilities are utilized to move condensate for more than one Shipper, line-fill required for the facilities will be allocated among Shippers on a pro rata basis. Shipper and Transporter agree to provide to the other Party data in its possession reasonably required to calculate such line-fill. Title to all Condensate provided by Shipper hereunder as line-fill will be retained by Shipper. To the extent that Shipper’s required amount of line-fill is reduced because of the contributions from other Shippers, or other operational or system changes, Shipper’s share of excess line-fill shall be returned at the Delivery Point(s) and, within thirty (30) days after expiration or any earlier termination of Shipper’s Agreement, Transporter shall return and deliver all of Shipper’s share of line-fill at the Delivery Point(s).
5. **Quality Specifications.** Transporter shall have the right to reject any Condensate received from a Shipper that (a) does not meet the quality specifications of such Shipper’s Downstream Transporter or (b) materially affects the quality of other shipments or causes disadvantage to other Shippers or the Transporter.

To establish a base line for understanding the nature of Condensate being carried in Transporter's facilities, each Shipper, upon request of Transporter, shall provide Transporter with an analysis of the Condensate typically tendered for transportation by such Shipper at each Receipt Point on Transporter's facilities. Each Shipper so providing an analysis is obligated to notify Transporter and provide an updated analysis whenever such Shipper's typical Condensate at any Receipt Point changes. Before any Condensate is accepted for transportation through Transporter's facilities from any producing reservoir or processing plant from which Condensate has not previously been accepted for transportation by Transporter, Transporter may require Shipper tendering such Condensate to give Transporter written notice thereof at least 30 days in advance of such proposed shipment.

- 6. Shipments, Maintenance of Identity.** Condensate will be accepted for transportation only on the condition that it may be subject to such changes in gravity or quality while in transit as would result from its mixture with other Condensate in the pipelines or tanks of the Transporter. In this regard, Transporter shall be under no obligation to deliver the identical Condensate received but may make delivery out of common stock or out of Transporter's pipeline stream in each case of substantially like Condensate.
- 7. Title.** Transporter shall have the right to reject any Condensate, when tendered for transportation, which may be involved in litigation, or the title to which may be in dispute, or which may be encumbered by lien or charge of any kind, and it may require of Shipper satisfactory evidence of Shipper's good, marketable and unencumbered title or satisfactory indemnity bond to protect Transporter. By tendering Condensate, Shipper warrants and guarantees that Shipper has good title thereto and agrees to hold Transporter harmless from any and all loss, cost, liability, damage and/or expense to the extent resulting from failure of title thereto; provided that, acceptance for transportation shall not be deemed a representation by Transporter as to title.
- 8. Gauging, Testing and Volume Corrections.** Condensate shipped hereunder shall be measured and tested at the Receipt Point(s) by representatives of Transporter or by automatic equipment approved by Transporter and subject to this Section 8. Quantities will be determined from correctly compiled tank table or Transporter-approved automatic equipment and adjusted to the temperature of 60 degrees Fahrenheit. Where measurement is made by meter, a further correction will be made for pressure in accordance with A.P.I. (American Condensate Institute) Standard 1101 – Measurement of Condensate Liquid Hydrocarbons by Pipeline Displacement Meters. Deductions will be made for the actual amount of suspended basic sediment, water and other impurities as ascertained by centrifuge or other tests, if other tests are agreed upon. Condensate will not be accepted from pressurized vessels.

Transporter shall deduct a percentage of the volume of all Condensate the gravity of which equals or exceeds 46 degrees API in accordance with the following table:

<u>Degrees API Gravity</u>	<u>Percentage Deduction</u>
20 to 45	None
46 to 54	1
55 to 60	2
61 to 75	3
76 and above	4

However, in the event the application of the volume deduction above to all Shippers results in a cumulative net volume gain or net volume loss for the Transporter on a system-wide basis, the net volume gain or net volume loss will be allocated among all Shippers based their respective pro-rata share of volume shipped through the Receipt Points to the system.

- 9. **Destination Facilities Required.** Transporter will accept Condensate for transportation only to the extent that Shipper has secured transportation for such Condensate downstream of Transporter’s facilities.

- 10. **Receipt Point Facilities Required for Automatic Custody Transfer.** If a Regular Shipper elects to deliver Condensate to Transporter at a Receipt Point through automatic custody transfer facilities (in lieu of tankage), such Shipper shall furnish the required automatic measuring and sampling facilities, and the design, construction, and calibration of such facilities must be approved by Transporter and any appropriate regulatory body. For all Regular Shippers, in the event automatic custody transfer is made by meters, Shipper shall also furnish whatever pumping service is necessary to ensure that the Condensate being delivered to the meter is at a pressure in excess of the bubble point of the liquid.

- 11. **Application of Rates and Charges.** Condensate accepted for transportation shall be subject to the rates and charges in effect on the date of receipt of such Condensate by Transporter. All charges will be collected on the basis of the net quantities of Condensate delivered to Shipper at the Delivery Point. All net quantities will be determined in the manner provided in Section 8 hereof.

- 12. **Notice of Arrival, Delivery at Destination.** The obligation of Transporter is to deliver at the Delivery Point the quantity of Condensate to be transported, less deductions, and such delivery may be made upon 24 hours’ notice to Shipper, who shall accept and receive said Condensate from Transporter with all possible dispatch into the tanks or receptacles to be provided by Shipper. If Shipper is unable or refuses to receive Condensate as it arrives at the Delivery Point, Transporter reserves the right to make whatever arrangements for disposition of the Condensate in deems appropriate in order to clear its pipeline. Any expenses incurred by Transporter in making such arrangements shall be borne by Shipper.

- 13. Apportionment When Tenders Are In Excess of Facilities.** When there shall be tendered to Transporter for transportation more Condensate than can be currently transported, the transportation furnished by Transporter shall be first apportioned among all Firm Service Shippers pro rata based on such Firm Service Shippers' MDQs, and then apportioned among Regular Shippers equitably after Transporter has satisfied all Firm Service Shipper(s)' transportation requirements.
- 14. Payment of Transportation and Other Charges.** Shipper shall pay all applicable transportation and other lawful charges accruing on Condensate delivered to and accepted by Transporter for shipment, and if required by Transporter, shall pay or furnish guaranty of payment of same satisfactory to Transporter before acceptance of shipment. On or before the fifteenth (15th) day of each month, Transporter shall deliver to Shipper a statement or invoice for the Condensate delivered during the preceding month that includes any fees, charges, and shrink and loss calculations. If the actual quantity delivered is not available, the statement will be prepared based upon estimates. Transporter shall make appropriate adjustments to reflect the actual quantity delivered on the following month's statement or as soon thereafter as actual delivery information is available. Shipper or Transporter will pay by wire transfer, check or ACH transfer to the account or remittance address set forth herein or according to the instructions set forth in the applicable statement or invoice, the full amount payable according to such statement, on the later of: (a) the twenty-fifth (25th) day (or the next business day if such day is on a weekend or bank holiday) of the month following the month of delivery of the Condensate, or (b) on or before ten (10) days following receipt of such invoice by Shipper. Transporter or Shipper, as the case may be, may recover any overpayments or collect any amounts due to it from the other party for any reason at any time under this Tariff by deducting them from any proceeds payable to such party. In addition to any audit right set forth in Shipper's Agreement, if either party disputes in good faith all or any portion of any invoice or statement delivered by the other party pursuant to this Tariff, such party may deliver written notice of such dispute to the other party within thirty (30) days of receipt of the same, setting forth in reasonable detail the reasons for such dispute. If it is determined by the parties or otherwise that any amount paid by a party was improperly paid, then the other party shall promptly reimburse such party the amount of such improper payment plus interest thereon at the Default Rate from the date such incorrect amount was paid.
- 15. Liability of Transporter.** Unless Shipper and Transporter have agreed otherwise in Shipper's Agreement, Transporter shall not be liable for any loss, damage, or delay of Condensate in its possession, except to the extent that liability therefore is imposed on Transporter by law. In case of loss of Condensate for which Transporter is not responsible, Shipper shall bear the loss. Where such loss occurs in a tank containing Condensate which is the property of more than one Shipper, or in a line to a segregated batch of Condensate which is the property of more than one Shipper, each Shipper shall bear the loss in such proportion as its total volume in said tank or batch bears to the total loss.

- 16. Claims, Suits, and Time for Filing.** As a condition precedent to recovery for any claim by Shipper or Transporter, claims must be filed in writing with Transporter or Shipper, as applicable, within two (2) years following the end of the year in which the Condensate is delivered or in case of failure to make delivery then within two (2) years following the end of the year in which Shipper tendered the Condensate for transportation hereunder. Where claims are not filed or suits are not instituted thereon in accordance with the foregoing provisions, Transporter, or Shipper, as applicable, will not be liable and such claims will not be paid.
- 17. Receipts From Tank Car Facilities.** Transporter will not undertake to receive Condensate at Receipt Points from tank car facilities.
- 18. Duty of Transporter.** Unless Shipper and Transporter have agreed otherwise in Shipper's Agreement, Transporter shall not be required to transport Condensate except with reasonable diligence, considering the quality of Condensate, the distance of transportation, the safety of operation, and other material factors. Transporter shall transport Condensate in accordance with the provisions of this tariff.
- 19. Application of Rates from and to Unnamed Points.** For a shipment accepted for transportation from any point on Transporter's facilities not named in this tariff, Transporter will apply the rate published from the next more distant Receipt Point specified in the tariff. For a shipment accepted for transportation to any point on Transporter's facilities not named in this tariff, Transporter will apply to such unnamed point the rate published to the next more distant Delivery Point specified in the tariff.
- 20. Diversion.** Change in Delivery Point or routing will be permitted without additional charge, on written request from Shipper, provided any such change is to a Delivery Point for which an applicable tariff rate is in effect and provided that no back-haul is required.
- 21. Additives.** Transporter reserves the right to inject and to approve or reject the injection of corrosion inhibitors, viscosity or pour point suppressants or other such additives in Condensate to be transported; provided the foregoing actions do not detract from and/or otherwise diminish the value of the Condensate to be transported.
- 22. Evidence of Receipts and Deliveries.** Condensate received from or delivered to a Regular Shipper shall, in each instance, be documented by tickets showing volumes, temperatures, basic sediment and water, and any other data essential to the determination of quantity and quality. Unless waived, such tickets shall be jointly signed by representatives of Transporter and Shipper, as appropriate, and shall be conclusive evidence of the Condensate received or of the Condensate delivered, as the case may be. Failure of Shipper to have a representative

present shall constitute a waiver, and Shipper shall be bound by the information and data on such tickets.

23. Intrasystem Transfers. Intrasystem transfers will be allowed at a fee of two hundred dollars (\$200.00) to be charged to the transferee. The last party accepting volumes on an intrasystem transfer shall be the Shipper of record. Transporter shall not be obligated to recognize any Intrasystem transfer and shall incur no liability with respect thereto or for any losses or damages accruing to any party involved in an Intrasystem transfer. Any transfer request, if recognized, shall be confirmed by fax in writing by both the transferor and the transferee within forty-eight (48) hours after the transfer request. Such transfer request shall indicate the party to which the transfer is to be made, the amount of Condensate to be transferred, and its location and grade.

EXPLANATION OF REFERENCE MARKS:

[W] Change in Wording Only