

**ORYX SOUTHERN DELAWARE OIL GATHERING AND TRANSPORT LLC'S
CONNECTION POLICY**

Any shipper seeking to obtain a connection to the pipelines and other facilities of Oryx Southern Delaware Oil Gathering and Transport LLC (“Oryx”) (such pipelines and other facilities referred to herein as the “OTP System” or “System”) shall comply with the following requirements.

1. **Application.** Any shipper or person interested in becoming a shipper (“Applicant”) requesting approval for a connection from a production well, pipeline or other facilities (the “Connecting Pipeline”) to the OTP System (referred to herein as the “Connection”) shall submit an application for such Connection to Oryx (the “Application”). For purposes herein, “Party” shall refer to Oryx or Applicant, and “Parties” shall refer to Oryx and Applicant. The Application shall be delivered to the Chief Operating Officer, Martin McHale, 4000 N. Big Spring, Suite 400, Midland, Texas 79705. The Application shall include the following:

(a) Name(s) of Applicant and the owner and the operator of the Connecting Pipeline, listed separately if Applicant is not also the owner and operator of the Connecting Pipeline. If Applicant (or the owner or operator of the Connecting Pipeline) is a legal entity other than an individual, the application shall include documentation establishing the legal status of such entity and the authority and capacity of the officer or manager signing the application.

(b) Sufficient information to determine the creditworthiness and financial strength of Applicant, with such sufficiency to be determined in the sole discretion of Oryx.

(c) A resume covering the experience of Applicant with regard to the operation of facilities similar to the Connecting Pipeline.

(d) Technical data with respect to the crude petroleum to be injected into the System, including, but not limited to, product type and specifications, operating temperatures, average and peak throughput rates, and any operating pressure limitations to be considered in connection with the design.

(e) A complete description (“Project Outline”) of (1) the Connecting Pipeline, and (2) equipment and other facilities necessary or appropriate for measurement and stream analyses, surveillance and/or communication facilities, piping and housing, and any other auxiliary equipment and facilities necessary or appropriate for the Connection.

(f) Designation of the location on the System where Applicant desires to establish the Connection.

(g) A summary of Applicant’s current safety program including training, safety awareness, and operating rules.

(h) A list of all permits, Environmental Impact Statements, approvals, and other compliance documents (collectively, the “Permits”) required by the appropriate governmental, administrative or regulatory entity, authority, commission, board, instrumentality, bureau or political subdivision and any court, tribunal or judicial or arbitral body (federal, state or local or, in case of an arbitral body, whether governmental, public or private) (“Governmental Authority”) for the Connection, with an indication of the status of Applicant’s application for or preparation of such Permits. To the extent that the Permits or preliminary approvals or permits have been or can feasibly be obtained prior to processing the Application, evidence of such Permits or preliminary approvals or permits shall be submitted along with the Application.

(i) If applicable, a statement by Applicant that it has read the currently effective Oryx tariff(s) pertaining to, or that will pertain to, the proposed movement, including the Rules and Regulations Tariff, and acknowledges that the applicable tariff(s), as amended from time to time, will govern the proposed movement and that, in any conflict between the tariff(s) and any connection agreement entered into between Oryx and the Applicant, the tariff(s) shall govern.

2. **Approval of Crude Petroleum.** Crude petroleum to be tendered on the System by Applicant shall meet the requirements of Oryx's currently effective tariff(s), including the Rules and Regulations Tariff, as such tariff(s) may be amended from time to time.

3. **Review and Approval of Applications.** Oryx shall examine each Application for completeness and return any incomplete Application to Applicant with instructions on additional requirements. Within 90 days after its receipt of a complete Application, Oryx shall notify Applicant of the approval or disapproval of the Application. Such approval or disapproval shall be at Oryx's sole discretion.

4. **Connection Facilities.** The "Connection Facilities" means all equipment and other facilities constructed or installed to complete the Connection of the Connecting Pipeline to the System, including but not be limited to, (a) measurement and stream analyses (or sampling) facilities, (b) surveillance and/or communication facilities, including transmitting and receiving facilities and back-up communication facilities that are compatible with other System facilities that will transmit to Oryx or allow Oryx to obtain information on (1) volume and quality of crude petroleum moved through the Connection Facilities, (2) the current operational status of the Connection Facilities, and (3) operational control of delivery/receipt valves, and (c) pumping, piping, housing, and any other auxiliary equipment and facilities necessary or appropriate for the

Connection. To the fullest extent possible, these requirements shall be accomplished using Oryx's SCADA equipment.

5. **Requirements for Approval of Application.** Oryx shall not approve an Application for connection to the System unless the Application includes evidence satisfactory to Oryx in its sole discretion that:

(a) Applicant has sufficient financial resources to comply with Article 9 of this Connection Policy, to pay the costs of building the Connection Facilities and to discharge any liability that could arise in connection with the operation of the Connection, and the portion of the Connecting Pipeline that is in the vicinity of the System, including, but not limited to, damage to the Connection Facilities, to System facilities, to System shippers (including loss or damage to crude petroleum being transported in the System), to property of other parties (including environmental or other damage to the public domain), and death or injury to any individuals;

(b) Applicant can and will obtain insurance in accordance with Oryx's requirements;

(c) Applicant has adequate experience and technical competence to operate the proposed Connecting Pipeline;

(d) the Connection Facilities and Connecting Pipeline can be constructed and operated in a manner that does not pose a threat to the safety or security of System facilities, of the crude petroleum shipped through the System, or of the property or persons of others in the vicinity of the System, the Connection Facilities, or the Connecting Pipeline;

(e) the Connection Facilities and the Connecting Pipeline do not pose a risk of damage to the environment; and

(f) the Connection Facilities and the Connecting Pipeline can be constructed and operated in accordance with all Applicable Law. For purposes of this Connection Policy, “Applicable Law” means all applicable laws, statutes, directives, codes, ordinances, rules, regulations and municipal by-laws; and judicial, arbitral, administrative, ministerial, departmental or regulatory judgements, orders, decisions, rulings or awards, consent orders, consent decrees and policies of any Governmental Authority.

6. **Connection Agreement.** If Oryx approves the Application, it shall furnish to Applicant an agreement incorporating the pertinent terms and conditions set forth herein and other reasonable terms and conditions appropriate under the circumstances of the specific connection being sought (“Connection Agreement”). Applicant shall promptly tender the executed form of the Connection Agreement to the Vice President of Business Development for Oryx at the address specified above. Oryx shall not commence any activities related to implementation of the requested Connection until the Connection Agreement is returned to Oryx and is executed by each Party.

7. **Engineering and Design Work.**

(a) **Design.** After submission of its Application and in no event later than 6 months after Oryx’s approval of the Application, Applicant shall, at its expense, provide for Oryx’s approval a complete engineering design for the Connecting Pipeline. Oryx shall approve or disapprove the design within 90 days after its submission. If Oryx disapproves the design, Oryx may, at its option, either (1) terminate any Connection Agreement that has been entered into with Applicant, or (2) provide Applicant with an opportunity to make such changes to the design that Oryx directs and resubmit the design to Oryx.

(b) Project Outline. Upon approval of the design by Oryx, Applicant will amend the Project Outline consistent with the approved design, and after Oryx's approval of such amendment, the revised Project Outline will be appended as an exhibit to any Connection Agreement and made a part thereof ("Approved Connecting Pipeline Design").

(c) Construction Changes. Unless otherwise agreed to by the Parties, Oryx shall design and construct the Connection Facilities. During construction of the Connecting Pipeline and the Connection Facilities, Oryx shall be entitled to make any changes in the plans and methods of construction and impose any stipulations that it deems necessary to protect the safety, security, and integrity of the System.

(d) Location of Facilities. Oryx shall endeavor to accommodate to the degree feasible the Applicant's requested location for the Connection, provided that the determination of such location shall be made by Oryx in its reasonable judgment based on the physical and operational circumstances of the System.

8. **Construction of Connection Facilities and Connecting Pipeline**.

(a) Contractor. Applicant shall submit the name of the proposed construction contractor for the Connecting Pipeline, along with a copy of the construction contract, detailed plans and specifications, insurance policies in proper form, and other documentation as required. Applicant shall provide documentation that all employees and contractors meet United States Department of Transportation requirements for Operator Qualification and Alcohol/Drug Testing. Applicant shall provide contractor's United States Operational Safety and Health Administration safety records. Work shall not commence until Oryx has reviewed and approved all of such items. As to any work to be performed on Oryx's right-of-way, Oryx may require payment and performance bonds that

meet its satisfaction, and the contractor will be required to comply with reasonable rules and regulations issued by Oryx. Upon reasonable request by Oryx, Applicant and its contractor shall provide Oryx with access to the job site for inspection. If Oryx, in its sole discretion, notifies Applicant that (1) the contractor is not complying with such rules and regulations, (2) a safety hazard exists, or (3) the results of the work will not be in compliance with Approved Connecting Pipeline Design or will not be compatible with the System, Applicant shall promptly cause the contractor to cease its activities to the extent and for as long as necessary to correct the problem.

(b) Compliance with design. Oryx shall not approve the Connecting Pipeline for operation until Oryx is satisfied that such facilities are in compliance with Approved Connecting Pipeline Design. Within 90 days of completion of the Connecting Pipeline and associated facilities, Applicant shall provide as-built drawings to Oryx of the Connecting Pipeline and associated facilities.

(c) Dismantlement, removal, and restoration. Applicant shall be responsible for dismantlement, removal and restoration costs, if any, that Oryx incurs with respect to the Connection Facilities, the Connecting Pipeline and any other facilities Applicant owns in the vicinity of the System.

9. **Costs to be Borne by Applicant.**

(a) Connecting Pipeline. Oryx shall have no responsibility for any costs associated with application for and design and construction of the Connecting Pipeline.

(b) Connection Facilities. Unless otherwise agreed to between the Parties, Applicant shall bear all costs, whether incurred by Oryx or by Applicant, in connection with the application for and design and construction of the Connection Facilities, including

but not limited to costs of engineering, design, inspection, procurement, maintenance, management, supervision, construction, professional services, environmental assessment and mitigation, dismantlement, removal, and restoration, governmental regulatory applications and approvals, any capital expenditures for rights-of-way, leases or other land acquisitions required, communication systems and software, together with usual overhead and other customary mark-ups on any of such costs.

(c) Oryx Costs. Applicant will reimburse Oryx for all costs associated with the Connection Facilities, including those listed below. The costs listed below, however, are provided by way of examples and are not exclusive to other costs reasonably incurred by Oryx.

(1) Third party construction, engineering and equipment costs associated with the design, construction and construction management of the Connection Facilities.

(2) Salaries and wages of Oryx's employees and contractors, including inspectors, employed in the conduct of activities pursuant to the Connection Agreement.

(3) A fixed payroll burden allowance of 15 percent of the employees' salaries and wages mentioned in Article 9(c)(2) above, representing approximate costs to cover employee benefits, employee insurance plans, unemployment compensation, workers' compensation, medical plans, and other similar indirect payroll costs applicable to the employees whose salaries and wages are chargeable under this section.

(4) Actual travel and business expenses of Oryx's employees and contractors whose salaries and wages are chargeable under this section.

(d) Thirty days after execution of the amended Connection Agreement with the final facilities design, Oryx will provide to Applicant an estimate of Oryx's costs associated with the Connection Facilities. Unless otherwise agreed to by the Parties, Applicant shall reimburse Oryx 100 percent of Oryx's estimated costs pursuant to the following schedule: 50 percent prior to start of construction and 50 percent prior to tie-in of the Connection. If at any time after the execution of the Connection Agreement but prior to completion of the Connection, Applicant terminates the project, Applicant shall reimburse Oryx for the costs incurred to date.

(e) Oryx accounts. Oryx shall maintain accurate accounts of all of its expenses, costs, and liabilities incurred pursuant to the Connection Agreement. Following completion of construction, Oryx shall submit to Applicant a final statement of accounts showing all costs hereunder by appropriate investment categories. Such statement shall be in sufficient detail to enable appropriate charges to the proper account under the FERC Uniform System of Accounts for Oil Pipeline Companies. Applicant shall pay Oryx's final invoice within 30 days of receipt thereof. Following receipt of the final invoice and upon notice in writing to Oryx, Applicant shall have the right for 60 days to audit Oryx's accounts and records relating to Oryx's performance of its obligations pursuant to the Connection Agreement. If Applicant exercises such right to audit, it shall make every reasonable effort to conduct its audit in a manner that will result in a minimum of inconvenience to Oryx. Oryx shall bear no portion of Applicant's audit cost.

10. **Custody, Responsibility, Ownership, and Liability For Product.** The point of custody transfer for the crude petroleum delivered to the System by Applicant shall be the inlet flange to the System that connects the Connection Facilities to the System (the “Tie-In Point”). Applicant shall be responsible for, and shall indemnify Oryx for, any loss, cost, damage, claim, demand, or liability associated with crude petroleum delivered by Applicant to the System that occurs within the Connecting Pipeline or upstream of the Tie-In Point, regardless of how the same occurs and whether or not the same is caused in whole or in part by the failure of Oryx’s equipment, including to the extent arising out of the negligence of Oryx but excluding to the extent arising out of the gross negligence or willful misconduct of Oryx. Responsibility for and indemnification against any loss or liability arising after the Tie-In Point shall be governed by Oryx’s applicable tariff.

Title to all crude petroleum received at the Tie-In Point shall remain in the name of the shipper of record. Oryx shall not be responsible for any taxes that may be assessed against such crude petroleum. Oryx shall not be liable as an insurer of crude petroleum received at the Tie-In Point.

11. **Changes in Methods of Operation.** In the event that changes in the composition of the crude petroleum transported in the System or in the methods by which the System is operated require additions to, replacement, dismantling, or modification of or changes in the method of operation of the Connection Facilities, the Connecting Pipeline, or any other facilities owned or used by Applicant, Applicant shall, at its own expense, perform such additions, replacements, dismantling, modifications, or changes, and Oryx shall not be liable therefor. The engineering, design, and construction of any proposed modification to the Connection Facilities is subject to Articles 7, 8, and 14 hereof. Applicant shall indemnify and hold harmless Oryx from and against

any such liability and any and all claims, demands, causes of action, and losses arising out of any assertion of such liability, whether by the Applicant or otherwise.

12. **Indemnification**. Each Party shall indemnify, defend, and hold the other Party, its parent, and affiliates, harmless from and against any and all liability, claims, demands, damages, or costs whatsoever for injuries to or deaths of persons (including but not limited to employees of the parties hereto), and loss or destruction of and damage to property (including but not limited to property of the Parties hereto) arising out of the indemnifying Party's construction, operation, and/or maintenance of that Party's designated portion of the facilities described herein, except to the extent caused by or contributed to by the negligent acts or omissions of the other Party.

13. **Environmental Liability**. Each Party shall indemnify, defend, and hold the other Party, its parent, and affiliates harmless from and against any and all liability, claims, demands, damages, costs, fines, or penalties whatsoever (including but not limited to reasonable consultants' and attorneys' fees) for soil, water, air, or other environmental contamination or damage arising in any way or occurring from the construction, maintenance, repair, use, operation, removal, or presence of the Connecting Pipeline or Connection Facilities caused by or contributed to by the acts or omissions of the indemnifying Party, except to the extent caused by or contributed to by the acts or omissions of the indemnified Party. As used herein, the term "soil, water, air, or other environmental contamination or damage" shall include, but not be limited to, (a) contamination or damage resulting in any way from the presence, treatment, storage, or disposal of hazardous materials on the Connecting Pipeline or Connection Facilities, or the release of hazardous materials onto or from the Connecting Pipeline or Connection Facilities, or (b) any aggravation of costs of remediation or cleanup that arise from or are related in any way to the presence, treatment, storage, or disposal of hazardous materials on the Connecting Pipeline or Connection Facilities, or to the

release of hazardous materials onto or from the Connecting Pipeline or Connection Facilities. As used herein, the term “hazardous materials” shall include, but not be limited to, (a) materials and substances designated as hazardous or toxic wastes, substances, or materials, or as pollutants or contaminants, under any Federal, State, or local law, regulation, or order, including, but not limited to, the Federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Section 9601, *et seq.*), and the Federal Resource Conservation and Recovery Act, as amended (42 U.S.C. Section 6901, *et seq.*); or any similar laws of the state in which the Connecting Pipeline and Connection Facilities are located; and (b) oil/crude petroleum or petroleum product that has been discharged or deposited on or off the Connecting Pipeline or Connection Facilities at locations from which the oil or petroleum product has been or probably will be discharged into waters of the states or waters of the United States. This indemnity includes but is not limited to response costs, remedial costs, and any other fines or costs sought by any Governmental Authority under any Applicable Law.

Until such time as the Connection Facilities, the Connecting Pipeline, and any other facilities owned by Applicant in the vicinity of the System are dismantled and removed, Oryx may periodically require that Applicant renew its demonstration of its ability to satisfy the indemnification and hold harmless obligations with respect to the environmental liability that Applicant has under this Article 13.

14. **Ownership and Operations Responsibility.**

(a) **Oryx Operations Responsibility.** Unless otherwise agreed to by the Parties, Oryx shall be responsible to operate remotely or otherwise the Connection Facilities, including but not limited to mainline block valves, mainline pumps, pressure/flow control valves, metering system (which includes prover, gravitometer, temperature measurement,

automatic flash tester and SCADA equipment) and sampling facilities. Oryx shall comply with all Applicable Law concerning its operations hereunder.

(b) Applicant Operations Responsibility. Unless otherwise agreed to by the Parties, Applicant shall be responsible to operate remotely or otherwise the Connecting Pipeline as outlined in the Connection Agreement. In carrying out its operational responsibilities hereunder, Applicant shall comply with all Applicable Law.

(c) Oryx Maintenance Responsibilities. Oryx shall be responsible for performing maintenance and/or repairs, and controlling the Connection Facilities, including but not limited to mainline block valves, pressure/flow control valves, metering system (which includes prover, gravitometer, temperature measurement, automatic flash tester and SCADA equipment), and sampling facilities. Applicant shall reimburse Oryx for all expenditures in excess of \$2,500 (costs of material and outside contractor's services). In carrying out its maintenance and repair obligations hereunder, Oryx shall comply with all Applicable Law.

(d) Applicant Maintenance Responsibilities. Applicant shall be responsible for maintenance of the Connecting Pipeline. In carrying out its maintenance obligations hereunder, Applicant shall comply with all Applicable Law.

(e) Facilities to be Owned by Oryx. Upon completion of the Connection, ownership of the Connection Facilities shall be vested in Oryx. The facilities to be owned by Oryx will be shown in an exhibit attached to the Connection Agreement.

(f) Facilities to be Owned by Applicant. Upon completion of the connection, Applicant shall own the Connecting Pipeline. The facilities to be owned by Applicant will be shown in an exhibit attached to the Connection Agreement.

15. **Assignment.** Applicant shall not assign any right or authority under this Connection Policy or under the Connection Agreement without the prior written approval of Oryx. It shall be a condition to any such approval that the proposed assignee satisfy all qualifications and comply with all requirements imposed on Applicant herein, including the execution of a Connection Agreement satisfactory to Oryx.

16. **Change of Ownership, Management, or Financial Strength.** Oryx reserves the right to withdraw approval of any application in the event that the ownership, management, or financial status of Applicant changes substantially, unless Applicant presents evidence that the new ownership, management, or financial status satisfies the requirements for approval of an application under this Connection Policy.

17. **Safety.** Applicant shall at all times maintain the Connecting Pipeline in a safe operating condition, and Applicant shall conduct a comprehensive safety program for its employees consistent with the program referred to in Article 1(g). Oryx shall be entitled to inspect portions of the Connecting Pipeline located on or in the vicinity of the System right-of-way to determine whether such portions of the Connecting Pipeline are being operated safely.

18. **Compliance with Laws.** The Connecting Pipeline shall be built, maintained, operated, dismantled, and removed in compliance with all Applicable Law.

19. **Halting Receipts or Deliveries.** Oryx shall be entitled to halt receipts from or deliveries to the Connecting Pipeline at any time, without notice, in the event that (a) any aspect of the Connection Facilities, the Connecting Pipeline, or the operation thereof becomes unsafe or becomes a threat to the environment, (b) the Connection Facilities or Applicant's required communication facilities are not in operation, (c) the System or any segment or component of the System is not in operation for any reason, including, without limitation, scheduled or unscheduled

maintenance or repairs, (d) Applicant is delinquent in payment of any sums due Oryx, (e) Applicant is in default under or has failed to satisfy any of the terms and conditions of this Connection Policy including, without limitation, Articles 14 and 15, or (f) the Connecting Pipeline is not built, maintained, or operated in accordance with all applicable laws and lawful regulations.

20. **Modification of Policy.** Oryx shall be entitled to modify this Connection Policy any time and from time to time as it may deem necessary or convenient for the operation of the System or the Connection Facilities.

21. **No Representation or Certification.** Nothing contained in this Connection Policy and no actions taken by Oryx in administering this Policy shall be deemed (a) to indicate any representation or certification to any Party that Applicant or Applicant's operations are safe or technically or environmentally sound or otherwise adequate for any purpose or (b) to constitute a guarantee or warranty of the safety or adequacy of the Connection Facilities or Connecting Pipeline. Oryx shall not be liable to Applicant or to any third party for any loss, cost, expense, damage, or injury arising out of the construction or operation of the Connection Facilities, the Connecting Pipeline, or any other activities of Applicant or its contractors on or in the vicinity of the System.

22. **Independent Contractor Status.** In all its operations hereunder, Oryx shall be, and shall be deemed to be, an independent contractor retaining control of its employees, agents, representatives, and operations, and shall not be authorized in any way to incur liability to third parties on Applicant's behalf. Likewise, in all of its operations hereunder, Applicant shall be, and shall be deemed to be, an independent contractor retaining control of its employees, agents, representatives, and operations, and shall not be authorized in any way to incur liability to third parties on Oryx's behalf.