

# CHEVRON PIPE LINE COMPANY

## RULES AND REGULATIONS TARIFF

Governing the Transportation of  
CRUDE PETROLEUM  
(As Defined Herein)  
BY PIPELINE

BETWEEN POINTS IN TARIFFS MAKING REFERENCE HERETO

**[N]** Tariff filed in compliance with 18 CFR 341.8 - Other Services

### GENERAL APPLICATION

Carrier will transport Crude Petroleum offered for transportation through Carrier's facilities only under tariffs making specific reference by number to this tariff; such reference will include supplements hereto and reissues hereof. Specific rules and regulations published in individual tariffs will take precedence over the general rules and regulations published in this tariff.

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

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**Item No. 1        Definitions**

<u>Terms and Abbreviations</u>	<u>Explanation</u>
API .....	American Petroleum Institute
ASTM.....	American Society for Testing Materials
Barrel (Bbl).....	Forty-two (42) United States gallons at sixty degrees (60°) Fahrenheit and zero ("0") gauge pressure if the vapor pressure of the Crude Petroleum is at or below atmospheric pressure, or at equilibrium pressure if the vapor pressure of the Crude Petroleum is above atmospheric pressure.
BS&W .....	Basic sediment, water, and other impurities.
Carrier .....	Chevron Pipe Line Company
Common Stream .....	Crude Petroleum moved through Carrier's pipeline and associated facilities which is commingled or intermixed with other Crude Petroleum in said pipeline or facilities. Carrier's Common Streams and the characteristics of each shall be determined by Carrier.
Consignee .....	An entity that has been authorized in writing to schedule with Carrier Delivery of a specific amount of Crude Petroleum out of Carrier's system.
Contaminants .....	Waste oils, lube oils, crankcase oils, PCBs, dioxins, organic chlorides, chlorinated and/or oxygenated hydrocarbons, arsenic, lead or any other metals, chemical compounds, materials or substances that are not natural to Crude Petroleum, but not including any additive authorized by Carrier pursuant to Item No. 100 of this Rules and Regulations Tariff.
Crude Petroleum .....	The direct liquid hydrocarbon products of oil wells, condensate or a mixture thereof and may include Indirect Liquid Products of Oil or Gas Wells located in the Southern Louisiana oil province (consisting of the Outer Continental Shelf, State and Federal waters, and onshore Gulf coast production) with a distillation range, quality and general characteristics typical of South Louisiana crude including a sulfur content of less than or equal to 0.5 percent by weight as determined by ASTM Method D4294.
°.....	Degrees
Delivery .....	Transfer from Carrier at destination to Shipper or Consignee
Gross Standard Volume.....	Volume corrected to a temperature of sixty degrees (60°) Fahrenheit, in accordance with the latest API/ASTM measurement standards, and at equilibrium vapor pressure.
Indirect Liquid Products of Oil or Gas Wells	Liquid hydrocarbon products resulting from the operation of refinery distillation units, gasoline recovery plants, gas recycling plants, or distillate recovery equipment in gas or oil fields, or a mixture of such products including refinery distillation liquids, natural gasoline or natural gas liquids that do not contain any unsaturated hydrocarbons. Indirect Liquid Products of Oil or Gas Wells does not include chemical plant by-products or refinery residues.

Net Standard Volume.....	Gross Standard Volume less deductions of impurities shown by tests made by Carrier prior to Receipt and upon Delivery.
Nomination or Nominates .....	Written communication from a Shipper to the Carrier of stated quantity of Crude Petroleum for transportation from a specified origin point(s) to a specified destination point(s) over a period of one calendar month in accordance with this Rules and Regulations Tariff.
Receipt.....	Transfer from Shipper at origin to Carrier for transportation.
Reid Vapor Pressure .....	The vapor pressure of gasoline, volatile crude oil, or other volatile petroleum products at one hundred degrees Fahrenheit (100 F) as determined by ASTM D 6377, Standard Method of Test for Vapor Pressure of Petroleum Products (Reid Method).
Segregated Batch.....	Crude Petroleum having specific identifiable characteristics different from the Common Stream which is moved through the pipeline so as to maintain its identity.
Shipper(s) .....	The party or parties that originally Nominates Crude Petroleum from a receipt point listed in this tariff and is responsible to Carrier for all charges and obligations hereunder, except as otherwise noted.
Supplier.....	"Supplier" as used herein means the entity that originally owned the Crude Petroleum at the production platform.

## RULES, REGULATIONS AND CONDITIONS

### Item No. 5      Specifications and Restrictions

Carrier will receive Crude Petroleum through its present facilities at only the origin point(s) named in individual tariffs making reference to this Rules and Regulations Tariff. Crude Petroleum will be transported at such time as Crude Petroleum of similar quality and general characteristics is being transported from origin point(s) to destination point(s).

Carrier may require the Shipper to furnish certified laboratory reports showing the results of tests of the Crude Petroleum offered for transportation. Carrier may also make such tests of the Crude Petroleum as it deems necessary but shall not be required to make such tests. In the event of variances between Shipper's report and Carrier's test, Carrier's test shall prevail.

Carrier reserves the right to reject any and all of the following shipments:

- (a) Crude Petroleum, which is not good merchantable oil, which contains any Contaminants, which does not meet quality standards established pursuant to Item No. 15 or which will otherwise materially affect or damage the quality of other shipments or cause disadvantage to other Shippers, connecting carriers and/or Carrier.
- (b) Crude Petroleum whose gravity, viscosity or other characteristics are such that it is not readily susceptible to transportation on Carrier's existing facilities.

- (c) Crude Petroleum containing basic sediment, water (BS&W) or other impurities totaling in excess of 1 percent (1%) as determined by centrifugal test or by such other tests as may be agreed upon by the Shipper and Carrier.
- (d) Crude Petroleum where the Shipper or Consignee has failed to comply with all applicable laws, rules and regulations made by any governmental authorities regulating shipments of Crude Petroleum.

Quality specifications of a connecting carrier may be imposed upon Carrier when such limits are less than that of Carrier, in which case the limitations of the connecting carrier will be applied. Carrier may, from time to time, undertake to transport other or additional grades of Crude Petroleum and if, in the opinion of Carrier, sufficient quantities are not nominated or facilities are not available to justify continued transportation of other or additional grades, Carrier may, after giving reasonable notice to Shippers who may be affected, cease transporting particular grades of Crude Petroleum.

Crude Petroleum shall not exceed 11 psia true vapor pressure at the receiving temperature independent of gravity and shall not exceed a 12 psia Reid Vapor Pressure at 100 degrees Fahrenheit as determined by ASTM Method D6377.

Carrier may accept Crude Petroleum from Shipper that does not meet the above conditions due to, but not limited to, operational circumstances (e.g. offshore deep water well maintenance or production facilities upsets), emergencies, or events of force majeure (such as sea storms or shut-in platforms). In such case, however, Shipper must notify Carrier fully, in writing, of the characteristics of such Crude Petroleum and Shipper shall then secure from the producer or connecting carrier or shall provide itself, in writing, to Carrier an assumption of all liability and agree to hold Carrier harmless from and against any loss, cost or disadvantage to other Shippers, and other pipelines or downstream facilities, or to Carrier arising from such transportation.

If Carrier determines that a Shipper has delivered to Carrier's facilities Crude Petroleum that has been contaminated by the existence of and/or excess amounts of Contaminants which cause harm to other Shippers, connecting carriers, users of the contaminated Crude Petroleum or Carrier, such Shipper will be excluded from further entry into applicable segments of the pipeline system until such time as the quality of the Crude Petroleum is to the satisfaction of the Carrier. Carrier is not responsible for monitoring Receipts or Deliveries for Contaminants. Further, Carrier reserves the right to dispose of any contaminated Crude Petroleum to clear its pipeline system. Disposal thereof may be made in any reasonable manner including but not limited to commercial sales, and any liability associated with the contaminated Crude Petroleum and any liability associated with the contamination or disposal of any Crude Petroleum shall be borne by the Shipper who introduced into Carrier's system such Crude Petroleum that does not comply, in whole or in part, with the above conditions.

Notwithstanding the foregoing, in general, the Shipper who introduced into Carrier's system Crude Petroleum that does not comply in whole or part with the above conditions is liable to Carrier for all consequences of transportation by Carrier of such Crude Petroleum, including but not limited to, damages, costs and expenses of disposal, costs and expenses necessary to return the Carrier's system facilities to service, claims from other Shippers, connecting carriers, or users of the non-complying Crude Petroleum, and the costs of any regulatory or judicial proceeding.

**Item No. 10          Clear Title Required**

Carrier shall have the right to reject any Crude Petroleum Nominated for transportation that may be involved in litigation, or the title of which may be in dispute, or which may be encumbered by lien or charge of any kind. Carrier will require of the Shipper satisfactory evidence of its perfected and unencumbered title or satisfactory indemnity to protect Carrier against any and all loss resulting from transporting Crude Petroleum involved in litigation. By Nominating Crude Petroleum, the Shipper warrants and guarantees that the 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 an acknowledgement by Carrier as to title.

#### **Item No. 15 Establishment of Quality**

In addition to the general requirements for transportation set forth in Item No. 5 above, Carrier will from time to time determine the quality of Crude Petroleum it regularly gathers from certain areas and the quality and general characteristics of Crude Petroleum it regularly transports as a Common Stream between particular origin points and destination points on its trunk pipelines. Upon request, Carrier will inform Shipper or Consignee of such Crude Petroleum quality and general characteristics. Changes in Crude Petroleum quality standards will be made by new tariff filings.

Crude Petroleum quality and general characteristics include, but are not limited to, whole crude properties such as A.P.I. gravity, sulfur, BS&W, Reid Vapor Pressure, pour point, viscosity, hydrogen sulfide, metals, nitrogen, chlorinated and/or oxygenated hydrocarbons, salt content, and product yields.

#### **Item No. 20 Nominations**

All Shippers and Consignees desiring to ship or receive Crude Petroleum through the pipelines of Carrier shall provide Carrier, in writing via email at [cplfeat@chevron.com](mailto:cplfeat@chevron.com), the following information needed by Carrier to schedule and dispatch each shipment of Crude Petroleum: the kind, quantity, Receipt point, sequence of Delivery, Delivery point and Shipper of each proposed Crude Petroleum shipment. Nominations must be received by the Final Nomination Deadline. The Final Nomination Deadline is 12:00 noon Central Standard Time/Central Daylight Saving Time on the twenty-fifth (25<sup>th</sup>) day of the month preceding the month in which Shipper desires to ship. When the twenty-fifth (25<sup>th</sup>) of the month falls on a weekend, Nominations will be required prior to 12:00 noon Central Standard Time/Central Daylight Saving Time, whichever is applicable, on the preceding workday. When the twenty-fifth (25<sup>th</sup>) of the month falls on a holiday, Nominations will be required prior to 12:00 Noon Central Standard Time/Central Daylight Saving Time, whichever is applicable, three (3) workdays prior to the holiday. The Nomination may be e-mailed or faxed. Unless such notification is made, the Carrier will be under no obligation to accept Crude Petroleum for transportation.

Nominations or changes in Nominations received after the Final Nomination Deadline will not be accepted from the Final Nomination Deadline date to the first day of the following month. After the first of the month, changes will be accepted only in writing and only if space is available and the additional or changed Nominations do not impair the movement of Crude Petroleum Nominated prior to the Final Nomination Deadline.

All Nominations must contain a final destination point to be accepted.

In the event the total Nominations submitted for shipment in a pipeline segment exceed the capacity of that segment, the capacity will be prorated equitably among all shipments according to the allocation procedure set forth in Item No. 105, "Apportionment when Nominations Are in Excess of Facilities", as applicable.

#### **Item No. 25 Scheduling**

For each calendar month Carrier will establish a sequence for pumping Crude Petroleum through its trunk lines and will schedule the approximate time when Crude Petroleum offered for shipment will be received by Carrier at origin points and delivered by Carrier at destination points.

Carrier will inform each Shipper of the time within each calendar month when Crude Petroleum will be received from such Shipper at origin points and Carrier will inform each Shipper or its Consignee of the approximate time within each calendar month when Crude Petroleum will be delivered to such Shipper or Consignee at destination points.

A change in destination point may be made without charge if requested by the Shipper prior to arrival at original destination subject to the rates, rules, and regulations applicable from point of origin to point of final destination, provided then current pipeline operations of the Carrier will permit such a change of destination. Such a request must be in writing.

**Item No. 30      Transfers Within System**

Intrasystem transfers will not be recognized by Carrier for Crude Petroleum in Carrier's custody, except for inventory transfers resulting from application of Item Nos. 110, 120, 145 and 150 herein.

**Item No. 35      Duty of Carrier**

Carrier will receive and/or transport and Deliver Crude Petroleum with reasonable diligence and dispatch. If the Shipper or Consignee is unable or refuses to receive the Crude Petroleum shipment as it arrives at destination point(s), the Carrier reserves the right to make whatever arrangements for disposition of the Crude Petroleum it deems appropriate in order to clear its pipeline. Any expense incurred by the Carrier in making such arrangements shall be borne by the Shipper or Consignee, which charges are in addition to transportation charges accruing to Shipper or Consignee.

**Item No. 40      Origination Facilities Required**

Carrier will receive Crude Petroleum from Shippers at stations on its gathering lines, at leases, or plants to which its gathering lines connect, and at origin points on its trunk lines. Crude Petroleum will be received only from pipelines, tanks or other facilities which are provided by Shipper. Carrier will determine and advise Shippers of the size and capacity of pipelines, tanks and/or metering facilities to be provided by Shipper at the point of Receipt to meet the operating conditions of Carrier's facilities at such point. Carrier will not accept Crude Petroleum for transportation unless such facilities have been provided to meet industry standards.

**Item No. 45      Destination Facilities Required**

The Carrier may refuse to accept Crude Petroleum for transportation unless satisfactory written evidence is furnished that the Shipper or Consignee has provided the necessary facilities for the prompt receiving of said Crude Petroleum at its destination. All Crude Petroleum nominated to and delivered to Empire Terminal must have a further destination and cannot remain at the terminal.

Carrier does not furnish storage facilities at any destinations. Carrier's storage is only that necessary for the operation of the pipeline system. Due to capacity limitations on third party pipeline facilities at Empire Terminal, Carrier will require satisfactory evidence that Shipper or Consignee has acquired the necessary space on the destination facilities before Carrier accepts Nominations for transportation to such facilities.

**Item No. 50      Measurement and Adjustments**

All shipments tendered to Carrier for transportation shall be tested, gauged or metered by a representative of Carrier prior to, or at the time of Receipt from the Shipper and Delivery to Shipper or Consignee, but the Shipper or Consignee shall at all times have the privilege of being present or represented during the testing, gauging or metering.

- (a) Quantities for receiving and delivering, will be Net Standard Volume. Quantities may be computed from tank tables compiled or accepted by the Carrier.
- (b) The volume of impurities in Crude Petroleum received and delivered by Carrier will be measured by centrifugal test, or by such other tests as may be agreed upon by the Shipper and Carrier. The

volume of impurities will be deducted from the volume of such Receipts and Deliveries.

- (c) In addition to deductions for losses as provided for in Item No. 65, the Liability of Parties section of this tariff, Crude Petroleum quantities received for transportation may be adjusted to allow for inherent losses including but not limited to shrinkage, evaporation, interface losses and normal "over and short" losses. [N] Unless otherwise indicated on a tariff, Carrier's loss adjustment will be based on total quantities transported adjusted to actuals at the end of the year.
- (d) In addition, whenever the product of oil or gas wells with a gravity that equals or exceeds fifty-five degrees (55°) A.P.I. is permitted to be commingled with other Crude Petroleum in transit, Carrier shall deduct at the point of origin a percentage of the volume of such Crude Petroleum in accordance with the following table:

Degrees A.P.I. Gravity	Percentage Deduction
Less than 55	None
55 to 74.9	2
75 to 99.9	4
100 and above	5

The net balance after all deductions will be the quantity Carrier is obligated to Deliver to the Shipper or Consignee.

- (e) Carrier's time limit for processing prior period adjustments is nine months from the date of the transportation invoice. Prior period adjustments that are older than nine months or that involve an inactive shipper will not be processed. Carrier reserves the right to require that all affected shippers agree with the prior period adjustment prior to processing the adjustment. This time limit will not apply where the prior period adjustment is related to Carrier custody measurement changes or in the case of omission or misrepresentation or mutual mistake of fact.

#### **Item No. 55      Pipage or Other Contracts Required**

Separate pipage, connection agreements, and other contracts in accordance with this Rules and Regulations Tariff covering further details may be required by the Carrier before any duty for transportation shall arise.

#### **Item No. 60      Liability for Charges**

The Shipper and Consignee shall be jointly and severally liable for the payment of gathering and transportation charges, fees, and other lawful charges accruing to or due Carrier by Shipper or Consignee, including but not limited to, penalties, interest and late payment charges on Crude Petroleum delivered by Carrier to Shipper or Consignee. All accrued charges are due on Delivery of Crude Petroleum by Carrier to Shipper or Consignee. Carrier may, at its option, require Shipper or Consignee to pay all such charges and fees in advance or to provide an irrevocable letter of credit satisfactory to Carrier.

#### **Item No. 65      Liability of Parties**

As a condition to Carrier's acceptance of Crude Petroleum under this Rules and Regulations tariff, each Shipper agrees to defend, indemnify and hold harmless 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 1) any breach of or failure to adhere to any provision of this tariff by Shipper, Consignee, their agents, employees or representatives and 2) 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.



The Carrier, while in possession of Crude Petroleum herein described, shall not be liable for any loss thereof; damage hereto; or delay caused by fire, storm, flood, epidemics, act of God, war, sabotage, terrorism, vandalism, criminal acts, landslides, land collapses, riots, civil disorder, strikes, insurrection, rebellion, act of public enemy, quarantine, the authority of law, strikes, riots, civil disorder, requisition or necessity of the Government of the United States in time of war, default of Shipper or owner, earthquakes, sinkholes or from any cause not due to the sole negligence of the Carrier whether similar or dissimilar to the causes herein enumerated and in no event shall Carrier be liable to Shipper for consequential, incidental or exemplary damages to Shipper. In case of loss of Crude Petroleum in a segregated shipment, then the Shipper and Consignee thereof shall bear the entire loss, damage, or delay that occurs.

- (a) In case of loss of any Crude Petroleum, in a Segregated Batch shipment, from any such causes, after it has been Received for transportation and before the same has been Delivered to Shipper or Consignee, the 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 of the Segregated Batch then in the custody of the Carrier for transportation via the lines or other facilities in which the loss occurs.
- (b) In case of loss of any Crude Petroleum that is not in a Segregated Batched shipment, from any such causes, after it has been received for transportation and before the same has been Delivered to Shipper or Consignee, 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 the Carrier for transportation via the lines or other facilities in which the loss occurs.
- (c) The 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 such an occurrence transportation charges will be assessed only on the quantity Delivered.
- (d) Carrier will compensate Shippers for Crude Petroleum losses for which Carrier is liable by paying the value of such Crude Petroleum at the point where transportation originated. The dollar value of such loss shall be determined by the average posted price of all postings of Crude Petroleum of like gravity and quality in the field or fields from which the Crude Petroleum so lost was produced. The average posted price shall be determined by the postings of Crude Petroleum in effect on the date the Crude Petroleum was lost. If there are no posted prices for the Crude Petroleum lost, the dollar value of such loss shall be its market price based upon the average of the two highest and two lowest prices posted for crude oil of similar gravity and quality in effect on the date the Crude Petroleum was lost.

#### **Item No. 70          Notice of Claims**

As a condition precedent to recovery for loss, damage, or delay to shipments, claims for loss or damage must be made in writing to the Carrier at the address of the compiler of the tariff, attention: LEGAL DEPARTMENT, within nine (9) months after Delivery of the Crude Petroleum, or in case of a failure to make Delivery, then within nine (9) months after a reasonable time for Delivery has elapsed. Parties' other statutory or contractual rights shall not otherwise be diminished by this provision. Suits for loss or damage shall be instituted only within two (2) years and one (1) day after Delivery of the Crude Petroleum, or in case of a failure to make Delivery, then within two (2) years and one (1) day after a reasonable time for Delivery has elapsed; provided, however, that where claims have been duly filed with the Carrier, suit must be brought within two (2) years and one (1) day after notice in writing is given by the Carrier to the claimant that the Carrier has disallowed the claim for any part or parts thereof specified in the notice. Where claims for loss or damage are not filed or suits are not instituted thereon in accordance with the foregoing provisions, such claims will not be paid and the Carrier will not be liable.

#### **Item No. 75          Volumetric Adjustment**

Any volumetric difference between Receipts from Shipper and Delivery to Shipper or Consignee during a current month as a result of scheduling will be adjusted in the following month without any further liability to Carrier, taking into consideration all prior deductions allowed pursuant to the rules and regulations contained herein.

**Item No. 80          Gravity Bank**

In order to ensure that Shippers will not be materially damaged or allowed to benefit from changes in gravity as a result of Common Stream operations, the Carrier has established a gravity bank to calculate, collect and remit monetary adjustments among all Shippers tendering within the Common Stream system from changes in gravity which result from Common Stream operations.

Each Shipper shall be required to participate in the gravity bank. Each Shipper agrees to pay the Carrier the computed adjustments due from said Shipper in accordance with these rules and regulations.

Carrier shall administer the gravity bank providing adjustments for the value of Crude Petroleum of different gravities in the manner specified below:

**I. 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 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 Common Stream by the gravity value per barrel obtained from the gravity value table F.E.R.C. No. 1143.0.0 and successive issues thereof. 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 Carrier's F.E.R.C. No. 1143.0.0 and successive issues thereof. Similar calculations will be made with respect to the Deliveries.

**III. Receipt Bank**

- A. If the weighted average gravity value per Barrel for a Shipper as determined under Section II above is greater than that determined for the Common Stream under Section I above, 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 Section II above is less than that determined for the Common Stream under Section I above, the Shipper will be debited an amount as which shall be 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. Carrier will provide at the end of each month a record of the 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 Section II above is greater than that determined for the Common Stream under Section I above, 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 for such Shipper.
- B. If the weighted average gravity value per Barrel for a Shipper as determined under Section II above is less than that determined for the Common Stream under Section I above, the Shipper will be credited an amount which shall be calculated by multiplying the difference in gravity value per Barrel by the total Barrels delivered for such Shipper.
- C. The sum of debits and credits for all Shippers is zero.
- D. Carrier will provide at the end of each month a record of the 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 \$/Bbl*</u>	<u>Volume X \$ Value</u>
A	50	24.5	2.175	108.75
A	20	23.7	2.055	41.10
Subtotal A	70			149.85
B	30	24.9	2.115	67.05
<u>Total All</u>	100			216.90

\* Using example table

Common Stream Value =  $216.90 \div 100 = 2.16900$

Shipper A Calculation:	\$
Weighted Average gravity value per bbl. = $149.85 \div 70 = 2.14071$	
$(2.14071 - 2.16900) \times 70 = -1.98$	
Shipper A pays	1.98
Shipper B Calculation:	
$(2.235 - 2.16900) \times 30 = 1.98$	
Shipper B receives	<u>(1.98)</u>

Sum of Payments and Receipts is zero 0

(B) Delivery Bank

Shipment	Measure	Gravity	Volume X
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Shipper	Volume (Bbls) Received	Gravity °API	Value* \$/Bbl	Value \$
A	40	24.4	2.160	86.40
A	29	24.8	2.220	64.38
<u>Subtotal A</u>	<u>69</u>			<u>150.78</u>
B	29	24.2	2.130	61.77
<u>Total All</u>	<u>98</u>			<u>212.56</u>

\* Using example table

Common Stream Value =  $212.55 \div 98 = 2.16888$

Shipper A Calculation: \$

Weighted Average gravity

value per bbl. =  $150.78 \div 69 = 2.18522$

$(2.18522 - 2.16888) \times 69 = 1.13$

Shipper A pays 1.13

Shipper B Calculation:

$(2.130 - 2.16888) \times 29 = 1.13$

Shipper B receives (1.13)

Sum of Payments and Receipts is zero 0

**EXAMPLE GRAVITY VALUE BANK SETTLEMENT (continued)**

API Grav	Diff \$/Bbl	API Grav	Diff \$/Bbl	API Grav	Diff \$/Bbl	API Grav	Diff \$/Bbl	API Grav	Diff \$/Bbl	API Grav	Diff \$/Bbl
13.0	0.450	18.0	1.200	23.0	1.950	28.0	2.700	33.0	3.450	38.0	4.000
13.1	0.465	18.1	1.215	23.1	1.965	28.1	2.715	33.1	3.465	38.1	4.010
13.2	0.480	18.2	1.230	23.2	1.980	28.2	2.730	33.2	3.480	38.2	4.020
13.3	0.495	18.3	1.245	23.3	1.995	28.3	2.745	33.3	3.495	38.3	4.030
13.4	0.510	18.4	1.260	23.4	2.010	28.4	2.760	33.4	3.510	38.4	4.040
13.5	0.525	18.5	1.275	23.5	2.025	28.5	2.775	33.5	3.525	38.5	4.050
13.6	0.540	18.6	1.290	23.6	2.040	28.6	2.790	33.6	3.540	38.6	4.060
13.7	0.555	18.7	1.305	23.7	2.055	28.7	2.805	33.7	3.555	38.7	4.070
13.8	0.570	18.8	1.320	23.8	2.070	28.8	2.820	33.8	3.570	38.8	4.080
13.9	0.585	18.9	1.335	23.9	2.085	28.9	2.835	33.9	3.585	38.9	4.090
14.0	0.600	19.0	1.350	24.0	2.100	29.0	2.850	34.0	3.600	39.0	4.100
14.1	0.615	19.1	1.365	24.1	2.115	29.1	2.865	34.1	3.610	39.1	4.110
14.2	0.630	19.2	1.380	24.2	2.130	29.2	2.880	34.2	3.620	39.2	4.120
14.3	0.645	19.3	1.395	24.3	2.145	29.3	2.895	34.3	3.630	39.3	4.130
14.4	0.660	19.4	1.410	24.4	2.160	29.4	2.910	34.4	3.640	39.4	4.140
14.5	0.675	19.5	1.425	24.5	2.175	29.5	2.925	34.5	3.650	39.5	4.150

14.6	0.690	19.6	1.440	24.6	2.190	29.6	2.940	34.6	3.660	39.6	4.160
14.7	0.705	19.7	1.455	24.7	2.205	29.7	2.955	34.7	3.670	39.7	4.170
14.8	0.720	19.8	1.470	24.8	2.220	29.8	2.970	34.8	3.680	39.8	4.180
14.9	0.735	19.9	1.485	24.9	2.235	29.9	2.985	34.9	3.690	39.9	4.190

(Actual Table(s) Filed and Published Separately)

## VI. Payments

At the end of each Quarter, a statement shall be rendered to each Shipper setting forth the net debit or credit balance of said Shipper's gravity value account and specifying the amount required to be paid (or received) to settle the account.

All payments due from Shippers shall be made within (twenty) 20 days of the statement date and shall bear interest calculated at an annual rate, equivalent to 125% of the prime rate of interest as quoted by a major New York bank, or the maximum rate allowed by law as of the statement date for any delay in payment beyond such twenty (20) day period. All Crude Petroleum which is received from a Shipper who has failed to pay such amounts shall be subject to the imposition of a lien to obtain payment of such amounts.

Carrier may, at its option, require the Shipper to pay all estimated obligations in advance or to provide an irrevocable letter of credit satisfactory to the Carrier for such obligations.

Payments to or from the Shippers as a result of Item No. 80, Gravity Bank, are not part of the transportation tariff rates of Carrier and said payments shall not be offset or otherwise claimed by any Shipper against sums due Carrier for transportation or other charges collected pursuant to Carrier's tariff rules and regulations.

## VII. Table of Gravity Values

Actual Table(s) shall be filed and published separately as tariffs and shall be numerically referenced by the applicable system rate sheets.

### **Item No. 85      Application of Rates from/to Intermediate Origin/ Destination Points**

For Crude Petroleum accepted for transportation from any origin point on Carrier's lines not named in the individual tariffs, which is intermediate to any published origin and/or destination points for which rates are published, Carrier will apply from such unnamed point the rate published from the next more distant point specified. If branch or diverging lines create two or more "next most distant points", Carrier will apply the rate which will result in the lowest charge.

For Crude Petroleum accepted for transportation to any destination point on Carrier's lines not named in the individual tariffs, which is intermediate to any published destination and/or origin points for which rates are published, Carrier will apply to such unnamed point the rate published to the next more distant point specified. If branch or diverging lines create two or more "next most distant points", Carrier will apply the rate which will result in the lowest charge.

Carrier will file a tariff applicable to such transportation movements within 30 days of the start of the service if the intermediate point is to be used on a continuous basis for more than 30 days.

### **Item No. 90      Charge for Spill Compensation**

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 the Carrier in connection with such a commodity, pursuant to any Federal, State or local act or regulation which levies a tax, fee, or other charge, on the receipt, Delivery, transfer or transportation of such commodities within their jurisdiction for the purpose of creating a fund for the prevention, containment, cleanup and/or removal of spills and/or the reimbursement of persons sustaining loss therefrom.

### **Item No. 95      Use of Communication Facilities**

Without additional charge Carrier will transmit messages for Shippers incident to the business hereunder over

the private communication facilities of the Carrier, but the Carrier shall not be obligated to deliver messages, nor shall it be liable for failure of delivery of messages, and it shall not be liable for errors or delay in transmission or for interruption of the service.

**Item No. 100      Additives**

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

**Item No. 105 Apportionment When Nominations Are in Excess of Facilities**

**I. Prorating:**

At such times as Carrier determines that it may be necessary to allocate space in a pipeline segment, Carrier will notify all Shippers of the necessity to prorate the segment. Carrier will also notify each Shipper of its allocated space for the month. The allocation will be determined according to the procedure described in Section II of this Item.

**II. Allocation Procedure:**

At such times as Carrier determines that it may be necessary to prorate space in a pipeline segment, the transportation furnished by Carrier shall be prorated among "Regular Shippers" and "New Shippers" as follows:

- (1) Not more than five (5) percent of the total available allocated capacity of Carrier's system, or portion thereof, shall be made available to New Shippers. Each New Shipper shall be allocated a portion of the capacity available to all New Shippers, which is the lesser of:
  - a. Five percent (5%) of the total available allocated capacity of Carrier's system, or portion thereof, divided by the number of New Shippers who nominated volumes for shipment on the system, or portion thereof during the month for which the allocation is being calculated; or
  - b. One-fourth of five percent (1.25%) of the available capacity of the system or portion thereof for that month; or
  - c. Individual New Shipper nomination during month of allocation.
- (2) The remaining capacity shall be allocated among Regular Shippers in proportion to their Base Period shipment volumes. The "Base Period" is a period of 12 months beginning 13 months prior to the month of allocation and excluding the month preceding the month of allocation.

A "Regular Shipper" is any Shipper having a record of movements of Crude Petroleum during the Base Period on the line segment being prorated and had record of movements of Crude Petroleum on the line segment being prorated prior to the Base Period. A "New Shipper" is a Shipper who does not qualify as a Regular Shipper under the above definition. No Nominations shall be considered beyond the amount which the party requesting shipment has available for shipment. Carrier reserves the right to require Shipper to show sufficient evidence of available volume.

**Item No. 110      Mixing in Transit**

Crude Petroleum will be accepted for transportation only on condition that it shall be subject to such changes in gravity, quality, or general characteristics, while in transit as may result from the mixture with other Crude Petroleum received, and the Carrier shall be under no obligation to make Delivery of the identical Crude Petroleum received, but may make Delivery out of its Common Stream.

Except in systems where Carrier administers gravity banks, there will be no adjustment for downgrading or upgrading of Crude Petroleum tendered for transportation as a result of mixing in transit.

**Item No. 115      Inventory Requirements**

Carrier will require each Shipper to supply a prorata share of Crude Petroleum necessary for pipeline fill and working stock (which includes tank bottoms), for efficient operation of the Carrier's pipeline system prior to Delivery. Based on the total line fill of segment(s) utilized by Shipper, Crude Petroleum provided by a Shipper for this purpose may be withdrawn from the system only after shipments have ceased and if written notice to discontinue shipments in Carrier's system is received on or before the twenty-fifth (25th) day of the month preceding the last calendar month in which the Shipper intends to ship.

**[N] Item No. 118      Inventory Management Fee**

An Inventory Management Fee of **[U]** \$.40/barrel for each Barrel that is in excess of plus or minus 25 percent (+/- 25%) of a Shipper's required inventory under normal operating conditions shall be assessed as follows:

- Carrier will calculate an overall monthly volume that is needed for system linefill and tank bottoms, hereafter referred to as "system inventory", during hurricane season and non-hurricane season.
- Each month, Carrier will calculate a closing month inventory for each Shipper based on each Shipper's opening month inventory, total Receipts, total Deliveries, and loss allowance.
- Each month, Carrier will calculate each Shipper's prorated share of the system inventory based on the last six (6) months of Receipts from each Shipper. This will be the Shipper's required inventory volume. Carrier will provide current month data to assist each Shipper in calculating its upcoming month inventory nomination in order to remain close to its required inventory.
- To the extent that a Shipper's closing inventory for each month is within +/- 25% of its required inventory as calculated by Carrier, no fee will be charged. If the Shipper is outside its 25% threshold, then a fee will be charged for each Barrel outside the 25% threshold.

**Example of Inventory Management Fee Calculation:**

<u>Shipper</u>	<u>Required Inventory</u>	<u>Allowed Over/Under Percentage</u>	<u>Minimum Required Inventory</u>	<u>Maximum Required Inventory</u>	<u>Actual Closing Inventory</u>	<u>\$/Bbl Fee</u>	<u>Inventory Outside Allowed %</u>	<u>Inventory Fee Total</u>
Shipper 1	1,330	25%	997	1,663	(1,146)	<b>[U]</b> \$0.40	(2,143)	<b>\$857.20</b>
Shipper 2	99,385	25%	74,539	124,231	101,254	<b>[U]</b> \$0.40	0	<b>\$0</b>
Shipper 3	1,306	25%	979	1,633	2,413	<b>[U]</b> \$0.40	780	<b>\$312.00</b>

**Item No. 120      Payment of Transportation and Other Charges**

Transportation charges will be assessed and collected by Carrier at the rates in effect on the basis of Gross Standard Volume actually Received/Delivered at the origin point(s) after making adjustments provided in Item No. 50 (c) and (d) above.

The Shipper or Consignee shall pay the transportation and all other charges applicable to the shipment, and, if required, shall prepay or guarantee the same before acceptance by the Carrier, or pay the same before Delivery. The Carrier shall have a lien on all Crude Petroleum in its possession belonging to the Shipper to secure the payment of all unpaid transportation charges as well as demurrage charges due by such Shipper,



and may withhold such Crude Petroleum from Delivery until all of such unpaid charges shall have been paid.

If said charges shall remain unpaid five (5) days after the time which may be fixed for Delivery as provided for in Item No. 35, or, in the absence of unpaid charges, when there shall be failure to take the Crude Petroleum at the destination point as provided in these rules and regulations, the Carrier may, sell said Crude Petroleum. The Carrier may be a bidder and purchaser at such sale. Out of the proceeds of said sale the Carrier may pay itself all transportation, including demurrage, and any other lawful charges, 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, the Shipper and/or Consignee are liable to Carrier for any deficiency.

Payments not received by Carrier in accordance with invoice terms shall be subject to a late charge equivalent to 125% of the prime rate as quoted by a major New York bank, or the maximum rate allowed by law.

**Item No. 125          Connection Policy**

Connections to Carrier's pipeline(s) will only be considered if made by formal written notification to Carrier at the address of the compiler of the tariff, attention: COMMERCIAL MANAGER of GULF COAST CRUDE and PRODUCTS, and all requests will be subject to the following standards and conditions.

All connections will be subject to design requirements necessary to protect the safety, security, integrity and efficient operation of the Carrier's pipeline(s) in accordance with generally accepted industry standards. Acceptance of any request for connection will be subject to compliance with governmental regulations.

**Item No. 130          Storage Facilities**

The Carrier does not furnish storage facilities. Carrier's storage is only that necessary for the operation of the pipeline system.

Due to capacity limitations on third party pipeline facilities at Fourchon Terminal, Carrier will require satisfactory evidence that Shipper or Consignee has acquired the necessary space on the connecting pipeline before Carrier accepts nominations for transportation to Fourchon Terminal.

**Item No. 135          Credit-worthiness of Shippers**

All prospective Shippers must submit sufficient financial information to establish credit-worthiness. If a potential Shipper is not credit-worthy or if Shipper's credit deteriorates, Carrier will require prepayment of tariff related charges and / or a letter of credit from an appropriate financial institution in acceptable form to Carrier.

This is in addition to, and does not limit, Carrier's right to prepayment or furnishing of guaranty of payment under Item No. 120.

**Item No. 140          Common Stream Crude Petroleum - Connecting Carriers**

When Receipts from and/or Deliveries to a connecting Carrier of substantially the same grade of Crude Petroleum are scheduled at the same interconnection or at interconnections along the same pipeline system, Carrier reserves the right, with cooperation of the connecting Carrier, to offset like volumes of such Common Stream Crude Petroleum in order to avoid capacity constraints or the unnecessary use of energy which would be required to physically pump the offsetting volumes. When this right is exercised, Carrier will make the further Deliveries for the Shipper involved from its Common Stream Crude Petroleum.

**Item No. 145          Inventory Transfers within Systems**

A Shipper may transfer Crude Petroleum that has been consigned to its inventory after all owned Crude Petroleum has been put into inventory first. To do so, a Shipper must nominate the consigned Crude Petroleum to its inventory. All transfers of consignments to a Shipper's inventory shall take effect at the end of the month. All charges, obligations and risk of loss accruing under this tariff through the end of the month remain with the original Shipper and all charges, obligations and risk of loss accruing after the end of the month are those of the transferee Shipper.

**Item No. 150          Consignment**

A Shipper may consign Crude Petroleum to another Shipper or a Consignee. A Consignee may further consign Crude Petroleum to another Consignee. To do so, the Shipper or Consignee must notify Carrier in writing of the specific amount of crude petroleum consigned and the name of the Consignee. Carrier does not recognize any transfer(s) of title of Crude Petroleum to a transferee Shipper or Consignee while the Crude Petroleum is within Carrier's system, except as provided in Item No. 145. Unless a Shipper has transferred consigned Crude Petroleum to its inventory pursuant to Item No. 145, all charges, obligations and risk of loss under this tariff are those of the original Shipper, with the exception of the consignment fee, which will be charged to the Consignee or transferee Shipper.

A Consignee may provide Carrier with one or more Shipper accounts to balance its consignments against, with the written consent of the Shipper(s). If Consignee does not or cannot provide Carrier with a Shipper balancing account, Carrier will balance Consignee's consignments on a pro rata basis against the account of each Shipper whose Crude Petroleum has been consigned to Consignee in that month.

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**EXPLANATION OF REFERENCE MARKS:**

- [C]** Cancel
- [N]** New
- [U]** Unchanged rate
- [W]** Change in Wording