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Railroad Commission of Texas

Centurion Tariff No. 1.8.0
(Cancels Centurion Tariff No. 1.7.0)

CENTURION PIPELINE L.P.

LOCAL TARIFF

CONTAINING

RULES, REGULATIONS, AND CHARGES
APPLYING ON THE TRANSPORTATION OF

CRUDE PETROLEUM

(as defined herein)

BY PIPELINE

Rules and regulations published herein apply 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 rules and regulations published herein.

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Operated by Centurion Pipeline L.P. under P-5 Operator No. 141655 and T-4 Permit Nos. 06776 & 06777

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SECTION I
RULES AND REGULATIONS OF RAILROAD COMMISSION OF TEXAS
RULE 71. PIPELINE TARIFFS.

1. ALL MARKETABLE OIL TO BE RECEIVED FOR TRANSPORTATION:

By the term "marketable oil" is meant any crude petroleum adapted for refining or fuel purposes, properly settled and containing not more than two percent (2%) of basic sediment, water, or other impurities above a point six (6) inches below the pipeline connection with the tank. Pipelines shall receive for transportation all such "marketable oil" tendered; but no pipeline shall be required to receive for shipment from any one person an amount exceeding three thousand (3,000) barrels of petroleum in any one (1) day; and, if the oil tendered for transportation differs materially in character from that usually produced in the field and being transported therefrom by the pipeline, then it shall be transported under such terms as the shipper and the owner of the pipeline may agree or the commission may require.

2. BASIC SEDIMENT, HOW DETERMINED – TEMPERATURE:

In determining the amount of sediment, water or other impurities, a pipeline is authorized to make a test of the oil offered for transportation from an average sample from each such tank, by the use of centrifugal machine, or by the use of any other appliance agreed upon by the pipeline and the shipper. The same method of ascertaining the amount of the sediment, water, or other impurities shall be used in the delivery as in the receipt of oil. A pipeline shall not be required to receive for transportation, nor shall consignee be required to accept as a delivery, any oil of a higher temperature than ninety degrees Fahrenheit (90° F), except that during the summer oil shall be received at any atmospheric temperature, and may be delivered at like temperature. Consignee shall have the same right to test the oil upon delivery at destination that the pipeline has to test before receiving from the shipper.

3. "BARREL" DEFINED:

For the purpose of this section, a "barrel" of crude petroleum is declared to be forty-two (42) gallons of 231 cubic inches per gallon at sixty degrees Fahrenheit (60° F).

4. OIL INVOLVED IN LITIGATION, ETC. – INDEMNITY AGAINST LOSS:

When any oil offered for transportation is involved in litigation, or the ownership is in dispute, or when the oil appears to be encumbered by lien or charge of any kind, the pipeline may require of shippers an indemnity bond to protect it against all loss.

5. STORAGE:

Each pipeline shall provide, without additional charge, sufficient storage, such as is incident and necessary to the transportation of oil, including storage at destination or so near thereto as to be available for prompt delivery to destination point, for five (5) days from the date of order of delivery at destination.

6. IDENTITY OF OIL, MAINTENANCE OF OIL:

A pipeline may deliver to consignee, either the identical oil received for transportation, subject to such consequences of mixing with other oil as are incident to the usual pipeline transportation, or it may make delivery from its common stock at destination; provided, if this last be done, the delivery shall be of substantially like kind and market value.

7. MINIMUM QUANTITY TO BE RECEIVED:

A pipeline shall not be required to receive less than one (1) tank car load of oil when oil is offered for loading into tank cars at destination of the pipeline. When oil is offered for transportation for other than tank car delivery, a pipeline shall not be required to receive less than five hundred (500) barrels.

8. GATHERING CHARGES:

Tariffs to be filed by a pipeline shall specify separately the charges for gathering of the oil, for transportation, and for delivery.

9. MEASURING, TESTING, AND DEDUCTIONS:

A. Except as provided in subparagraph (B) of this paragraph, all crude oil tendered to a pipeline shall be gauged and tested by a representative of the pipeline prior to its receipt by the pipeline. The shipper may be present or represented at the gauging or testing. Quantities shall be computed from correctly compiled tank tables showing 100% of the full capacity of the tanks.

B. As an alternative to the method of measurement provided in subparagraph (A) of this paragraph, crude oil and condensate may be measured and tested, before transfer of custody to the initial transporter by:

- i. lease automatic custody transfer (LACT) equipment, provided such equipment is installed and operated in accordance with the latest revision of American Petroleum Institute (API) Manual of Petroleum Measurement Standards, Chapter 6.1, or;
- ii. any device or method, approved by the commission or its delegate, which yields accurate measurements of crude oil or condensate.

C. Adjustments to the quantities determined by the methods described in subparagraphs (A) or (B) of this paragraph shall be made for temperature from the nearest whole number degree to the basis of 60 degrees Fahrenheit and to the nearest 5/10 API degree gravity in accordance with the volume correction Tables 5A and 6A contained in API Standard 2540, American Society for Testing Materials 01250, Institute of Petroleum 200, first edition, August 1980. A pipeline may deduct the basic sediment, water, and other impurities as shown by the centrifugal or other test agreed upon by the shipper and pipeline; and 1.0% for evaporation and loss during transportation. The net balance shall be the quantity deliverable by the pipeline. In allowing the deductions, it is not the intention of the commission to affect any tax or royalty obligations imposed by the laws of Texas on any producer or shipper of crude oil.

D. A transfer of custody of crude between transporters is subject to measurement as agreed upon by the transporters.

10. DELIVERY AND DEMURRAGE:

Each pipeline shall transport oil with reasonable diligence, considering the quality of the oil, the distance of transportation, and other material elements, but at any time after receipt of a consignment of oil, upon twenty-four (24) hours' notice to the consignee, may offer oil for delivery from its common stock at the point of destination, conformable to paragraph 6 of this section, at a rate not exceeding ten thousand (10,000) barrels per day of twenty-four (24) hours. Computation of time of storage (as provided for in paragraph 5 of this section) shall begin at the expiration of such

notice. At the expiration of the time allowed in paragraph 5 of this section for storage at destination, a pipeline may assess a demurrage charge on oil offered for delivery and remaining undelivered, at a rate for the first ten (10) days of [U] one-tenth of one cent per barrel; and thereafter at a rate of [U] three-fourths of one cent per barrel, for each day of twenty-four (24) hours or fractional part thereof.

11. UNPAID CHARGES, LIEN FOR AND SALE TO COVER:

A pipeline shall have a lien on all oil to cover charges for transportation, including demurrage, and it may withhold delivery of oil until the charges are paid. If the charges shall remain unpaid for more than five days after notice of readiness to deliver, the pipeline may sell the oil at public auction at the general office of the pipeline on any day not a legal holiday. The date for the sale shall be not less than 48 hours after publication of notice in a daily newspaper of general circulation published in the city where the general office of the pipeline is located. The notice shall give the time and place of the sale, and the quantity of the oil to be sold. From the proceeds of the sale, the pipeline may deduct all charges lawfully accruing, including demurrage, and all expenses of the sale. The net balance shall be paid to the person lawfully entitled thereto.

12. NOTICE OF CLAIM:

Notice of claims for loss, damage or delay in connection with the shipment of oil must be made in writing to the pipeline within ninety-one (91) days after the damage, loss, or delay occurred. If the claim is for failure to make delivery, the claim must be made within ninety-one (91) days after a reasonable time for delivery has elapsed.

13. TELEPHONE-TELEGRAPH LINE – SHIPPER TO USE:

If a pipeline maintains a private telegraph or telephone line, a shipper may use it without extra charge, for messages incident to shipments. However, a pipeline shall not be held liable for failure to deliver any messages away from its office or for delay in transmission or for interruption of service.

14. CONTRACTS OF TRANSPORTATION:

When a consignment of oil is accepted, the pipeline shall give the shipper a run ticket, and shall give the shipper a statement that shows the amount of oil received for transportation, the points of origin and destination, corrections made for temperature, deductions made for impurities, and the rate for such transportation.

15. SHIPPER'S TANKS, ETC. – INSPECTION:

When a shipment of oil has been offered for transportation the pipeline shall have the right to go upon the premises where the oil is produced or stored, and have access to any and all tanks or storage receptacles for the purpose of making any examination, inspection, or test authorized by this section.

16. OFFERS IN EXCESS OF FACILITIES:

If oil is offered to any pipeline for transportation in excess of the amount that can be immediately transported, the transportation furnished by the pipeline shall be apportioned among all shippers in proportion to the amounts offered by each; but no offer for transportation shall be considered beyond the amount which the person requesting the shipment then has ready for shipment by the pipeline. The pipeline shall be considered as a shipper of oil produced or purchased by itself and held for shipment through its line, and its oil shall be entitled to participate in such apportionment.

17. INTERCHANGE OF TONNAGE:

Pipelines shall provide the necessary connections and facilities for the exchange of tonnage at every locality reached by two or more pipelines, when the commission finds that a necessity exists for connection, and under such regulations as said commission may determine in each case.

18. RECEIPT AND DELIVERY – NECESSARY FACILITIES FOR:

Each pipeline shall install and maintain facilities for the receipt and delivery of marketable crude petroleum of shippers at any point on its line if the commission finds that a necessity exists therefor, and under regulations by the commission.

19. REPORTS OF LOSS FROM FIRES, LIGHTENING, AND LEAKAGE:

- A. Each pipeline shall immediately notify the commission district office, electronically or by telephone, of each fire that occurs at any oil tank owned or controlled by the pipeline, or of any tank struck by lightning. Each pipeline shall in like manner report each break or leak in any of its tanks or pipelines from which more than five barrels escape. Each pipeline shall file the required information with the commission in accordance with the appropriate commission form within 30 days from the date of the spill or leak.
- B. No risk of fire, storm, flood or act of God, and no risk resulting from riots, insurrection, rebellion, war, or act of the public enemy, or from quarantine or authority of law or any order, requisition or necessity of the government of the United States in time of war, shall be borne by a pipeline, nor shall any liability accrue to it from any damage thereby occasioned. If loss of any crude oil from any such causes occurs after the oil has been received for transportation, and before it has been delivered to the consignee, the shipper shall bear a loss in such proportion as the amount of his shipment is to all of the oil held in transportation by the pipeline at the time of such loss, and the shipper shall be entitled to have delivered only such portion of his shipment as may remain after a deduction of his due proportion of such loss, but in such event the shipper shall be required to pay charges only on the quantity of oil delivered. This section shall not apply if the loss occurs because of negligence of the pipeline.
- C. Common carrier pipelines shall mail (return receipt requested) or hand deliver to landowners (persons who have legal title to the property in question) and residents (persons whose mailing address is the property in question) of land upon which a spill or leak has occurred, all spill or leak reports required by the commission for that particular spill or leak within 30 days of filing the required reports with the commission. Registration with the commission by landowners and residents for the purpose of receiving spill or leak reports shall be required every five years, with renewal registration starting January 1, 1999. If a landowner or resident is not registered with the commission, the common carrier is not required to furnish such reports to the resident or landowner.

SECTION II RULES AND REGULATIONS

1. DEFINITIONS:

“Carrier,” as used herein, means Centurion Pipeline L.P.

“Crude Petroleum,” as used herein, means either Direct Products, or a mixture of Direct Products with Indirect Liquid Products, including natural gasoline and liquefied petroleum gases, as provided in Rule 5 of this section.

“Indirect Liquid Products,” as used herein, means the liquid products resulting from the operation of natural gasoline recovery plants, gas recycling plants, and condensate or distillate recovery equipment in gas or oil fields.

“Direct Products,” as used herein, means the direct liquid products of oil wells.

“Barrel,” as used herein, means a barrel of forty-two (42) gallons, United States measurement at 60 degrees Fahrenheit and zero pounds per square inch gauge pressure.

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

“Consignee,” as used herein, means the party to whom a Shipper has ordered delivery of Crude Petroleum.

“A.P.I. Gravity,” as used herein, means gravity determined in accordance with American Society for Testing Materials Designation D-287 and with the American Petroleum Institute MPMS Chapter 9 or updates thereto.

“Nomination,” as used herein, means a written offer (in form and context specified by Carrier) made by a Shipper to Carrier of a stated quantity of Crude Petroleum for transportation from a specified origin to a specified destination in accordance with Carrier’s applicable tariff or tariffs.

“Common Steam(s)” as herein used means Crude Petroleum moved through Carrier’s System and associated facilities which is commingled or intermixed with other Crude Petroleum in said System.

“System” as used herein means Carrier’s pipeline system and all related facilities, including tankage.

2. COMMODITY:

Carrier is engaged in the transportation of Crude Petroleum only and therefore will not accept any other commodity for transportation under Carrier’s applicable tariffs.

3. APPLICATION OF RATES FROM AND TO INTERMEDIATE POINTS:

For shipments accepted for transportation from any point not named in tariffs making reference hereto which is intermediate to a point from which rates are published in said tariffs, through such unnamed point, the rate published therein from the next more distant origin point specified in the tariff will apply from such unnamed point, and the gathering charge at the next more distant origin point shall apply when gathering service is performed. For shipments accepted for transportation to any point not named in tariffs making reference hereto which is intermediate to a point to which rates are published in said tariffs, through such unnamed point, the rate published therein to the

next more distant destination point specified in the tariff will apply. Continuous use of intermediate point rate application for more than 30 days requires establishment of a rate for the transportation service.

5. SHIPMENTS OF INDIRECT LIQUID PRODUCTS:

Indirect Liquid Products will be accepted for gathering and/or transportation only on condition that they have been mixed with Direct Products, or on condition that they can be mixed with Direct Products in the tanks or lines of Carrier at the point offered, and provided that both the Indirect Liquid Products and the Direct Products with which they are so mixed are owned by the same Shipper and are consigned to the same destination. Carrier reserves the right to require that all deliveries of Indirect Liquid Products with a vapor pressure in excess of atmospheric pressure be made from atmospheric tanks, provided the vapor pressure of the resulting mixture does not exceed that permitted by Carrier's facilities and operating conditions.

6. SPECIFICATIONS AS TO QUALITY AND LEGALITY OF SHIPMENTS:

No Crude Petroleum will be accepted unless its gravity, viscosity, and other properties are such that it will be readily susceptible to transportation through Carrier's System, and it will not adversely affect the quality of Crude Petroleum from other Shippers or damage the Common Stream or Carrier's System. These specifications shall apply to each Barrel of the Nomination and not be limited to the composite sample of the Nomination. Carrier reserves the right to reject all Nominations or any part thereof, if Carrier determines, in its discretion, reasonably exercised, that Shipper has delivered:

- A. Crude Petroleum having a (a) Reid Vapor Pressure (RVP) in excess of ten (10) pounds absolute vapor pressure exerted by a liquid at a temperature of 100 degrees Fahrenheit in accordance to ASTM D-323 (b) and/or an A.P.I. Gravity of less than 18 degrees or a viscosity of more than 350 SSU at 100 degrees Fahrenheit, (c) an A.P.I. Gravity in excess of 89.9 degrees, (d) and/or an oil temperature in excess of 120 degrees Fahrenheit, or (e) a true vapor pressure which will result in Carrier's noncompliance with applicable Federal, State and local requirements regarding hydrocarbon emissions.
- B. Crude Petroleum received from tanks containing basic sediment, water, or other impurities in excess of one percent (1%) average in suspension above a point four (4) inches below the pipeline connection with the tank. Where Crude Petroleum is delivered to System through automatic custody transfer measurement facilities, Carrier may require use of a monitor which rejects Crude Petroleum containing in excess of one percent (1%) basic sediment and water.
- C. Crude Petroleum that has been contaminated by the existence of and or excess amounts of impure substances, including but not limited to chlorinated and/or oxygenated hydrocarbons, arsenic, lead and/or other metals which results in harm to other Shippers, carriers, users of the contaminated Crude Petroleum or Carrier, such Shipper will be excluded from further entry into applicable segments of Carrier's System until such time as the quality of the Crude Petroleum is to the satisfaction of Carrier. Carrier is not responsible for monitoring receipts or deliveries for contaminants. Further, Carrier reserves the right to dispose of any contaminated Crude Petroleum blocking Carrier's System. Disposal thereof may be made in any reasonable manner including but not limited to commercial sales, and any liability associated with the contamination or disposal of any Crude Petroleum shall be borne by Shipper introducing the contaminated Crude Petroleum into Carrier's System. Shipper liability includes, but is not limited to, claims from other Shippers, carriers, or users of the contaminated Crude Petroleum and the costs of any regulatory or judicial proceeding.

- D. Crude Petroleum where Shipper or Consignee has failed to comply with all applicable laws, rules and regulations made by any governmental authorities regulating shipments of Crude Petroleum.
- E. Mixtures will be transported and delivered as Crude Petroleum. Carrier will not receive, transport and deliver unmixed Indirect Liquid Products, except that Indirect Liquid Products will be gathered for subsequent mixing with Direct Products in accordance with these rules and regulations where facilities exist for performing a gathering service for such Indirect Liquid Products.

7. APPLICATION OF RATES:

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

8. NOMINATIONS REQUIRED:

- A. Crude Petroleum for shipment through lines of Carrier will be received only on properly executed Nominations from Shipper showing the point at which the Crude Petroleum is to be received, point of delivery, Consignee, and amount of Crude Petroleum transported. Carrier may refuse to accept Crude Petroleum for transportation unless satisfactory evidence is furnished that Shipper or Consignee has made provision for prompt receipt thereof at destination.
- B. Any Shipper desiring to nominate Crude Petroleum for transportation shall make such Nomination to Carrier in writing on or before the **[W] ~~fifteenth~~ twentieth** day of the month preceding the month during which the transportation under the Nomination is to begin; except that, if space is available for current movement, a Shipper may nominate Crude Petroleum for transportation after the **[W] ~~fifteenth~~ twentieth** day of the month preceding the month during which the transportation under the Nomination is to begin.
- C. Carrier may refuse to accept Crude Petroleum for transportation if Shipper is not in compliance with other provisions of this Tariff.

9. LINE FILL AND TANK BOTTOM INVENTORY:

- A. Carrier shall require Shipper to supply a pro rata share of Crude Petroleum ("Line Fill") and inventory necessary for efficient operation of Carrier's System.

Crude Petroleum Line Fill and/or inventory furnished by a Shipper may be withdrawn from Carrier's System only after:

(1) Shipper has ceased shipments and Shipper has notified Carrier in writing to discontinue shipments in Carrier's System and/or that it is "no longer shipping" (as described below). Carrier shall have a reasonable period of time after the receipt of said notice to complete administrative and operational requirements incident to Shipper's withdrawal of the Crude Petroleum, Line fill and/or inventory, and;

(2) Shipper inventory balances and all outstanding amounts due have been reconciled between Shipper and Carrier.

Carrier may require advance payment of transportation charges on the volumes to be delivered from Carrier's System, and satisfactory payment of any unpaid accounts receivable, before final delivery will be made of any Crude Petroleum, Line Fill and/or inventory belonging to Shipper. Carrier shall have a self-executing lien on any and all Crude Petroleum, Line Fill and/or inventory in its possession which shall serve as security for and shall extend to debts due from Shipper to Carrier beginning with Shipper's first receipt of transportation or other services from Carrier.

- B. In the event a Shipper's inventory balance drops below its pro rata part of the volume of Crude Petroleum necessary for Line Fill, unavailable stocks below tank connections, and reasonable additional minimum quantities required for the efficient operation of Carrier's System, then Carrier will require such Shipper to provide the necessary volume to meet its pro rata part of such volume of Crude Petroleum before Carrier is obligated to make deliveries or shipments on behalf of Shipper.
- C. A company that has issued a formal notification to Carrier that it will no longer be a Shipper on Carrier's System; or a company that is considered "no longer shipping" based on a lack of nominations in the name of the Shipper over a continuous 6-month time period shall be deemed to be "no longer shipping."

The procedure to notify a Shipper who has been designated as "no longer shipping" is as follows:

Carrier will issue a letter (the "Notification") to the Shipper that according to the Carrier's books, Carrier is holding a certain volume of Crude Petroleum on its books in Shipper's name. Shipper will be advised in such letter that Shipper will have 30 days effective with the date of the letter to provide written direction regarding the disposal of Shipper's Crude

Petroleum. If at the end of this 30-day period, Carrier has received no written direction, Carrier will assume title to the Crude Petroleum being held on its books in Shipper's name, free and clear of any and all liens, claims or encumbrances, and Shipper agrees and consents to transfer title to Carrier as set forth herein.

If Carrier has been contacted by Shipper within 30 days of Notification, Carrier will grant Shipper an additional 30 days without charge to facilitate the disposal of Shipper's inventory Crude Petroleum. If at the end of this 60-day period, Shipper has not disposed of this Crude Petroleum, Carrier retains the right to charge a liquidated damage fee of [U] \$.10 per Barrel, per month, retroactive to the date of Notification, plus any other fees as allowed in accordance with the published tariff; such fees will be required to be paid before the Crude Petroleum will be released. In addition, if Shipper has not disposed of such Crude Petroleum within 60 days from the date of Notification, Carrier will assume title to such Crude Petroleum free and clear of any and all liens, claims or encumbrances, and Shipper agrees and consents to transfer title to Carrier as set forth herein. If Shipper provides a written request to Carrier after title to Crude Petroleum has been assumed by Carrier but before Carrier has otherwise disposed of Crude Petroleum, Carrier agrees to transfer title back to Shipper for a fee of [U] \$5 per barrel. Such fees will be required to be paid before the Crude Petroleum will be released. Upon transfer of title back to Shipper, Shipper will then be responsible for disposing of Crude Petroleum within 30 days. Failure of Shipper to dispose of said Crude Petroleum within 30 days of the transfer of title back to Shipper will result in title being vested back in Carrier without recourse.

10. UNLOADING OR TRANSFER CHARGES:

- A. All shipments received from tank truck unloading facilities provided by others which deliver into Carrier's trunkline facilities, will be subject to an unloading charge as specified in applicable tariffs.
- B. All shipments received from tank truck unloading facilities into Carrier's gathering facilities will be subject to the applicable gathering charge for the particular gathering facility but will not be subject to a truck unloading or transfer charge.
- C. The unloading and transfer charges specified herein will apply in addition to trunk transportation rates.

11. DEDUCTIONS AND QUANTITIES DELIVERABLE:

- A. All shipments of Crude Petroleum of 50 degrees or above shall be subject to a deduction to cover the shrinkage resulting from the mixture of any such shipment in the facilities of Carrier with Crude Petroleum of A.P.I. Gravity of 49.9 degrees or less according to the following table:

<u>A.P.I. Gravity</u>	<u>% Deduction</u>
50° through 59.9°	1
60° through 74.9°	2
75° through 84.9°	3
85° through 89.9°	4
90° and above	6

- B. As set forth in Rule 20(A), the quantity deliverable shall be reduced by deduction for sediment, water, other impurities, loss for evaporation and loss during transportation, in addition to the applicable deduction for shrinkage as specified in the table shown above in this rule.
- C. Where the tank or meter of the Shipper is used for volume determination for deliveries into or from Carrier's facilities, Carrier reserves the right to require re-strapping or check- strapping of any such tank, the recalculation of any tank table utilized by Shipper in relation to any such tank and the proving or check-proving of any such meter.
- D. Except for arithmetic errors, all measurement and testing by Carrier shall be conclusive whether or not a representative of the Shipper or its Consignee was not present during such measuring and testing, provided Shipper received notice of measurement or testing.

12. GATHERING CHARGES:

Tariffs to be filed by Carrier shall specify separately the charges for gathering, for transportation, and for delivery of Crude Petroleum. When gathering service is performed by Carrier, gathering charges will be assessed on the net volume remaining after adjustment for temperature and deduction for basic sediment, water, other impurities, and losses. Gathering charges will be assessed on the net volume prior to any deduction being made for shrinkage.

13. COMMON STREAM CRUDE PETROLEUM – CONNECTING CARRIERS:

- A. 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 Shipper involved from its Common Stream Crude Petroleum.
- B. Sediment, water and quality limitations of a connecting carrier may be imposed upon Carrier. When such limitations of the connecting carrier vary from that of Carrier, the limitations of the connecting carrier will be enforced.

14. CHARGE FOR FUND COMPENSATION:

In addition to all other charges accruing on Crude Petroleum accepted for gathering and/or transportation, a per Barrel charge will be assessed and collected in the amount of any tax, fee, or other charge levied against Carrier by any Federal, State or local act, regulation or agency for the purpose of providing a fund for the reimbursement of parties who sustain costs or losses resulting from oil pipeline industry operations. Such charge will be included in the appropriate tariff filed with the Federal Energy Regulatory Commission and/or with the applicable state agency that requires publication by tariff of such charge.

15. TRANSFERS WITHIN SYSTEM:

Line transfers or ownership transfers of Crude Petroleum in custody of Carrier within its System from one Shipper (transferor) to another Shipper (transferee) will be permitted provided:

- A. Each transferor will be charged [**U**] one-half cent (1/2¢) per Barrel for each line transfer or ownership transfer of Crude Petroleum in custody of Carrier within its System.

- B. All intrasystem transfer requests to Carrier must be made in accordance with requirements stipulated in Rule 8 (Nominations Required) of these Rules and Regulations. Both transferor and transferee shall provide written notice to Carrier containing like data relative to the kind, quantity, source, location, transferor and transferee of the Crude Petroleum and the month during which transfer is to occur. Verbal transfer requests will be recognized provided written confirmation is received by the first day of the month during which ownership transfer is requested.
- C. Any party involved in an intrasystem transfer hereunder shall be subject to any and all applicable provisions or requirements contained in this Rules and Regulations Tariff and supplements hereto.

16. OFFERS IN EXCESS OF FACILITIES:

If Crude Petroleum is nominated to Carrier for transportation in excess of the amount that can be immediately transported, Carrier shall apportion capacity among all Shippers in accordance with Carrier's Proration Policy titled Centurion Pipeline L.P. Proration Policy (1 July 2015). A copy of Carrier's Proration Policy is on file with the Federal Energy Regulatory Commission. Copies of the policy are also available at Carrier's Office in Houston, Texas or, upon request, to any Shipper or potential shipper, either via the U.S. Mail or via facsimile copy.

No nomination shall be considered beyond the amount which the person requesting the shipment then has ready for shipment. Carrier will not recognize for apportionment purposes any Nomination by a Shipper which exceeds Carrier's System capacity.

17. CRUDE PETROLEUM INVOLVED IN LITIGATION, ETC. – INDEMNITY AGAINST LOSS:

Carrier shall have the right to reject any Crude Petroleum, when nominated for transportation, which may be involved in litigation, or the title of which may be in dispute, or which may be encumbered by a lien or charge of any kind, and it may require of the Shipper satisfactory evidence of its perfected and unencumbered title or satisfactory indemnity bond to protect Carrier. By nominating Crude Petroleum, Shipper warrants and guarantees that Shipper has good title thereto and agrees to hold Carrier harmless for any and all loss, cost, liability, damage and/or expense resulting from failure of title thereto; provided that acceptance for transportation shall not be deemed a representation by Carrier as to title.

18. STORAGE OF CRUDE PETROLEUM IN TRANSIT:

Carrier will provide working tankage that is incident and necessary to the transportation of Crude Petroleum, but does not provide or offer storage service. Upon delivery of Crude Petroleum into Carrier's working tankage, title to such Crude Petroleum in Carrier's working tankage shall remain with Shipper and not with Carrier. Carrier shall continue to have the right to gauge and examine such Crude Petroleum from time to time as desired while it is in said tanks.

19. IDENTITY OF CRUDE PETROLEUM, MAINTENANCE OF:

- A. Carrier shall not be liable to Shipper for changes in gravity or quality of Shipper's Crude Petroleum which may occur from commingling or intermixing Shipper's Crude Petroleum with other Crude Petroleum in the same Common Stream while in transit. Carrier is not obligated to deliver to Shipper the identical Crude Petroleum nominated by Shipper; Carrier will deliver the grade of Crude Petroleum it is regularly transporting as a Common Stream.

- B. Carrier shall have no responsibility in, or for, any revaluation or settlements which may be deemed appropriate by Shippers and/or Consignees because of mixing or commingling of Crude Petroleum shipments between the receipt and delivery of such shipments by Carrier within the same Common Stream.
- C. Carrier shall not be required to transport Crude Petroleum except with reasonable diligence, considering the quality of the Crude Petroleum, the distance of transportation and other material elements. Carrier cannot commit to delivering Crude Petroleum to a particular destination, at a particular time.
- D. Carrier will not accept any Crude Petroleum which does not meet the quality criteria of the Common Stream.
- E. Carrier will from time to time determine which grades of Crude Petroleum it will regularly transport as a Common Stream between particular receipt points and destination points on its System. Carrier will inform all subscribers to tariffs for the System affected by such determination and this will constitute the sole holding out of the Carrier in regard to the grades of Crude Petroleum transported.

20. GAUGING, TESTING, AND DEDUCTIONS:

- A. Carrier or its representative will measure and test all Crude Petroleum tendered for transportation prior to its receipt and may measure and test such Crude Petroleum at any time thereafter. Shipper may be present or represented at the gauging and testing. Quantities shall be determined in accordance with applicable A.P.I. Manual of Petroleum Measurement Standards. Carrier may deduct sediment, water, and other impurities as shown by the centrifugal method or other test methods outlined in API MPMS Chapter 10 as agreed upon and two-tenths of one percent (.20%) for evaporation and loss during transportation. The net balance shall be the quantity deliverable by Carrier.
- B. In determining the amount of sediment, water or other impurities, Carrier is authorized to make a test of the Crude Petroleum offered for transportation from an average sample from each such tank, by the use of centrifugal machine, or by the use of any other appliance agreed upon by Carrier and Shipper. The same method of ascertaining the amount of the sediment, water or other impurities shall be used in the delivery as in the receipt of Crude Petroleum.

21. NOTICE OF ARRIVAL, DELIVERY AT DESTINATION:

After a shipment has had time to arrive at destination and on 24 hours notice to Shipper or Consignee, Carrier may begin delivery of such shipment from its common stock to Shipper or Consignee at Carrier's current rate of pumping. If Shipper or Consignee is unable or refuses to receive said shipment, a demurrage charge of **[U]** two and five-tenths cents (2.5¢) per Barrel per 24 hours shall accrue from the time said notice expires on that part of such shipment which is not received by Shipper or Consignee. Carrier reserves the right, if deemed necessary to clear Carrier's System to make whatever arrangements for disposition of the shipment that are appropriate which includes selling the shipment to the first available purchaser at the best price obtainable. Any expenses incurred by Carrier in making such arrangements shall be borne by Shipper or Consignee, in addition to any demurrage charges.

22. PAYMENT OF TRANSPORTATION AND OTHER CHARGES:

- A. Shipper or Consignee shall pay, as provided below, all applicable gathering, transportation, and all other charges accruing on Crude Petroleum handled by Carrier.
- B. All payments are due within 10 days of receipt of the invoice.
- C. If any charge remains unpaid after the due date, then such amount due may bear interest from the day after the due date until paid, calculated at an annual rate equivalent to the lesser of (1) 125% of the prime rate of interest, as of the date of Carrier's invoice, charged by the Citibank, N.A. of New York, New York, for ninety (90) day loans made to substantial and responsible commercial borrowers or (2) the maximum rate allowed by law. In addition, Shipper shall pay all documented costs incurred by Carrier to collect any unpaid amounts, including reasonable attorney fees and costs incurred by Carrier.
- D. In the event Shipper fails to pay any such charges when due, Carrier shall not be obligated to provide Shipper access to Carrier's facilities or provide services pursuant to Carrier's tariff until such time as payment is received by Carrier and Shipper meets the requirements of the following paragraph. In addition, in the event Shipper fails to pay any such charges when due, Carrier shall have the right to set off such amounts owed and future amounts owed against those amounts Carrier owes Shipper.
- E. In the event Carrier determines in a manner not unreasonably discriminatory that the financial condition of Shipper or Shipper's guarantor (if any) is or has become impaired or unsatisfactory or Carrier determines in a manner not unreasonably discriminatory it is necessary to obtain security from Shipper, Carrier, upon notice to Shipper, may require any of the following prior to Carrier's delivery of Shipper's Crude Petroleum in Carrier's possession or prior to Carrier's acceptance of Shipper's Crude Petroleum: (1) prepayment of all charges, (2) a letter of credit at Shipper's expense in favor of Carrier in an amount sufficient to ensure payment of all such charges and, in a form, and from an institution acceptable to Carrier, or (3) a guaranty in an amount sufficient to ensure payment of all such charges and in a form and from a third party acceptable to Carrier. In the event Shipper fails to comply with any such requirement on or before the date supplied in Carrier's notice to Shipper, Carrier shall not be obligated to provide Shipper access to Carrier's facilities or provide services pursuant to the applicable tariffs until such requirement is fully met.
- F. Carrier shall have a self-executing lien on all Crude Petroleum delivered to Carrier to secure the payment of any and all gathering, transportation, or any other charges that are owed Carrier. Such lien shall survive delivery of Crude Petroleum to Shipper. Such lien shall extend to all Crude Petroleum in Carrier's possession beginning with Shipper's first receipt of transportation or other services from Carrier. The lien provided herein shall be in addition to any lien or security interest provided by this Tariff, statute or applicable law. Carrier may withhold delivery to Shipper of any of Shipper's Crude Petroleum in its possession and exercise any other rights and remedies granted under the applicable tariffs or existing under applicable law until all such charges have been paid as provided above.
- G. If Shipper fails to pay an invoice by the due date, in addition to any other remedies under this tariff or under applicable law, Carrier shall have the right, either directly or through an

agent, to sell any Crude Petroleum of such Shipper in Carrier's custody at public auction, on any day not a legal holiday, not less than 48 hours after publication of notice of such sale in a daily newspaper of general circulation published in the town, city, or general area where the sale is to be held, stating the time and place of sale and the quantity and location of the Crude Petroleum to be sold. At said sale, Carrier shall have the right to bid, and, if it is the highest bidder, to become the purchaser. The proceeds of any sale shall be applied in the following order: (A) To the reasonable expenses of holding, preparing for sale, selling, and to the extent allowed by law, reasonable attorney's fees and legal expenses incurred by Carrier; and (B) To the satisfaction of Shipper's indebtedness including interest herein provided from the date payment is due. The balance of the proceeds of the sale remaining, if any, shall be paid to Shipper or, if there is a dispute or claim as to entitlement, held for whoever may be lawfully entitled thereto. Carrier will have a claim for and against Shipper with respect to any deficiency arising from the debt due to Carrier from Shipper and the proceeds of any sale after reduction as set forth above.

23. CLAIMS, SUITS AND TIME FOR FILING:

As a condition precedent to recovery for loss, damage, or delay to shipments, claims must be filed in writing with Carrier within nine months after delivery of shipment, or, in case of failure to make delivery, then within nine months after a reasonable time for delivery has elapsed; and suits shall be instituted against Carrier only within two years and one day from the day when notice in writing is given by Carrier to the claimant that Carrier has disallowed the claim or any part or parts thereof specified in the notice. Where claims are not filed or suits are not instituted thereon, in accordance with the foregoing provisions, Carrier shall not be liable and such claims will not be paid.

24. LIABILITY OF CARRIER:

Carrier in possession of Crude Petroleum herein described, shall not be liable for any loss thereof, damage thereto, or delay caused by fire, storm, flood, epidemics, Act of God, riots, strikes, insurrection, rebellion, war, terrorist act or threat, act of the public enemy, quarantine, the authority of law, requisition or necessity of the Government of the United States in time of war or default of Shipper or owner. In case of loss of any Crude Petroleum from any such causes, after it has been received for gathering and/or transportation and before the same has been delivered to Shipper or Consignee, Shipper shall stand a loss in such proportion as the amount of his shipment, already delivered to Carrier, bears to all of the Crude Petroleum then in the custody of Carrier, for shipment via the lines or other facilities in which the loss or damage occurs, and Shipper shall be entitled to have delivered only such portion of his shipment as may remain after deduction of his due proportion of such loss, but in such event Shipper shall be required to pay charges only upon the quantity delivered.

25. DESTINATION FACILITIES:

Carrier will accept Crude Petroleum for gathering and/or transportation only when Shipper or Consignee has provided the necessary facilities for receiving the shipment as it arrives at destination.

26. EVIDENCE OF RECEIPTS AND DELIVERIES:

Crude Petroleum received from Shipper and Crude Petroleum delivered to Shipper or Consignee shall, in each instance, be evidenced by tickets, showing opening and closing meter readings or tank gauges, as applicable, temperature, pressure, basic sediment and water, and any other data essential to the determination of quantity. Such tickets shall be jointly signed by representatives of Carrier and Shipper or Consignee, as appropriate, and shall constitute full receipt for: (a) the Crude Petroleum received and (b) Crude Petroleum delivered.

27. ORIGIN FACILITIES REQUIRED FOR AUTOMATIC CUSTODY TRANSFER

Where Shipper elects to deliver Crude Petroleum to the Carrier at point of origin through automatic custody transfer facilities (in lieu of tankage), the Shipper shall furnish the required automatic measuring and sampling facilities and the design, construction, and calibration of such facilities must be approved by the Carrier and any appropriate regulatory body. In the event automatic custody transfer is made by meters, the Shipper shall also furnish whatever pumping service is necessary to insure that the Crude Petroleum being delivered to the meter is at a pressure in excess of the bubble point of the liquid.

28. ORIGINATION FACILITIES

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 origins on its trunk lines. Crude Petroleum will be received only from pipelines, tanks or other facilities that are provided by Shipper or Shipper's designee, or a connecting carrier. Carrier will determine and advise Shippers of the size and capacity of pipelines and tanks to be provided at the point of a 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.

29. CONNECTION POLICY

Connections to Carrier's System will only be considered if made by formal written notification to Carrier. All connections will be subject to design requirements necessary to protect the safety, security, integrity and efficient operation of Carrier's System in accordance with generally accepted industry standards. Acceptance of any request for connection will be subject to compliance with governmental regulations.

30. SEPARATE PIPELINE AGREEMENTS

Separate agreements, if applicable, in association with pipeline connections or other facilities ancillary to the Carrier's System and in accordance with this tariff shall be required of any Shipper or consignee before any obligation to provide transportation shall rise.

31. DEVIATION FROM RULES AND REGULATIONS IN SECTION I:

To the extent allowed by law, the Rules and Regulations set forth herein in Section II herein will apply.

EXPLANATION OF REFERENCE MARKS

- [U] Unchanged rate.
[W] Change in wording only.