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Gas Services Department  
Railroad Commission of Texas

Tariff No. 1

**TEXAS INTERNATIONAL PIPELINE SYSTEM LLC**

LOCAL TARIFF

CONTAINING

**RATES, RULES, AND REGULATIONS**

Governing the Transportation of

**CRUDE PETROLEUM**

By Pipeline Within the State of Texas

Operated Under P-5 Operator No. 100901 and T-4 Permit No. 10171

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

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Issued By:

**Texas international Pipeline System LLC**

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**SECTION I**  
**RULES AND REGULATIONS OF RAILROAD COMMISSION OF TEXAS**  
**OIL AND GAS RULE §3.71, PIPELINE TARIFFS**

Every person owning, operating, or managing any pipeline, or any part of any pipeline, for the gathering, receiving, loading, transporting, storing, or delivering of crude petroleum as a common carrier shall be subject to and governed by the following provisions. Common carriers specified in this section shall be referred to as "pipelines," and the owners or shippers of crude petroleum by pipelines shall be referred to as "shippers."

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 2.0% of basic sediment, water, or other impurities above a point six 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 3,000 barrels of petroleum in any one 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 90 degrees Fahrenheit, 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 these sections, a "barrel" of crude petroleum is declared to be 42 gallons of 231 cubic inches per gallon at 60 degrees Fahrenheit.
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 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 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 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 (reference Special Order Number 20-63,098 effective June 18, 1973):**

(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 laws or regulations 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 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 10,000 barrels per day of 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 10 days of \$.001 per barrel; and thereafter at a rate of \$.0075 per barrel, for each day of 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 91 days after the damage, loss, or delay occurred. If the claim is for failure to make delivery, the claim must be made within 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, lightning, 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.

**20. Printing and posting:** Each pipeline shall have paragraphs (1)-(19) of this section printed on its tariff sheets, and shall post the printed sections in a prominent place in its various offices for the inspection of the shipping public. Each pipeline shall post and publish only such rules and regulations as may be adopted by the commission as general rules or such special rules as may be adopted for any particular field.

**21. Filing:** Immediately upon the publication of its tariffs, and each subsequent amendment thereof, each pipeline is requested to file one copy with the commission.

**22. Records:**

- (a) Each person operating crude oil gathering, transportation, or storage facilities in the state must maintain daily records of the quantities of all crude oil moved from each oil field in the state, and such records shall also show separately for each field to whom delivery is made, and the quantities so delivered.
- (b) The information contained in the records thus required to be kept must be reported to the commission by the gatherers, transporters, and handlers at such times and in such manner as may be required by the commission.

## **SECTION II. DEFINITIONS, RULES AND REGULATIONS**

**23. Definitions:**

- (a) "API Gravity" as used herein, means gravity determined in accordance with American Society for Testing Materials Designation D-287 and the American Petroleum Institute MPMS Chapter 9, or updates thereto.
- (b) "Barrel" as used herein, means a barrel of 42 gallons, United States measurement at 60 degrees Fahrenheit and 0 pounds per square inch gauge pressure.
- (c) "Carrier" as used herein, means TEXAS INTERNATIONAL PIPELINE SYSTEM LLC ("TIPS").
- (d) "Common Steam(s)" as herein used means Crude Petroleum moved through Carrier's System which is commingled or intermixed with other Crude Petroleum in said System.
- (e) "Consignee" as used herein, means the party to whom a Shipper has ordered delivery of Crude Petroleum.
- (f) "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 26.

- (g) "Direct Products" as used herein, means the direct liquid products of oil wells.
- (h) "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.
- (i) "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.
- (j) "Nominated" as used herein, means the past tense act of Shipper submitting a Nomination to Carrier.
- (k) "Pipeline" as used herein, means Carrier's pipeline.
- (l) "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.
- (m) "System" as used herein, means, collectively, the Pipeline and all related facilities, including tankage.
- (n) "TSA" as used herein, means a transportation services agreement between Shipper and Carrier.

**24. Commodity:** This tariff applies only to the transportation of Crude Petroleum by the Carrier and no commodity other than Crude Petroleum will be transported under this tariff unless the Carrier provides its consent in writing.

**25. Acceptance of Crude Petroleum:**

- (a) Subject to the further provisions of this tariff, the Carrier will only accept Crude Petroleum for transportation on the Pipeline: (i) that will originate on the Pipeline at a receipt point, and (ii) if the party taking delivery of the Crude Petroleum has been specified in writing to the Carrier.
- (b) Except where the Carrier provides such facilities, the Carrier will only accept Crude Petroleum for transportation when the Shipper has provided evidence satisfactory to the Carrier that the Shipper has the necessary facilities to accept delivery of such Crude Petroleum promptly on arrival at the delivery point.
- (c) The Carrier reserves the right to reject any and all Crude Petroleum Nominated where the Shipper has failed to comply with all applicable laws and regulations made by any governmental authorities regulating shipments of Crude Petroleum.

**26. Specifications as to quality:**

- (a) Unless the specifications as to quality of a connecting carrier at the delivery point are less than those of the Carrier and are imposed upon the Carrier, in which case the limitations of the connecting carrier will be applied to the Shipper, a Shipper shall not deliver to the Carrier and the Carrier shall not be obligated to accept Crude Petroleum where, as determined by the Carrier on receipt, such Crude Petroleum does not meet the quality standards set forth in this tariff, including:
  - (i) The Reid Vapor Pressure of the Crude Petroleum exceeds nine (9.0) psia, or might result in Carrier's noncompliance with laws and regulations;
  - (ii) The kinematic viscosity exceeds 350 millimeters per second;
  - (iii) The gravity of Crude Petroleum is less than 17 degrees Fahrenheit API gravity or greater than 90 degrees Fahrenheit API gravity at 60 degrees Fahrenheit;
  - (iv) The Crude Petroleum contains basic or foreign sediment, water, and/or other impurities exceeding 1% by volume or in which the volume of water

- exceeds ½ of 1% of the volume offered for transportation;
- (v) The surface of settled sediment, water, and/or other impurities in tanks is less than four inches (4") below the bottom of the Pipeline connection from which it enters the System;
  - (vi) The organic chlorides in the Crude Petroleum exceeds three (3) ppm (naphtha cut) as tested by Microcoulometry or Sodium Biphenyl methods;
  - (vii) The Crude Petroleum contains any other excessive metals, chemicals, salts, refinery or chemical plant process or by-product materials, or any other material which may adversely affect the refining process, as determined by Carrier; or
  - (viii) The Crude Petroleum does not meet specifications of connecting carriers.
- (b) A Shipper shall, as required by the Carrier, provide to the Carrier a certificate with respect to the specifications of Crude Petroleum to be received by the Carrier from such Shipper. If a Shipper fails to provide the Carrier with such certificate, then the Carrier shall not be obligated to accept the Shipper's Crude Petroleum. The Carrier reserves the right to sample and/or test any such shipment prior to acceptance or during receipt, and in the event of variance between the Shipper's certificate and the Carrier's test, the latter shall prevail.
  - (c) The Carrier reserves the right to refuse to accept any Crude Petroleum (or other product) for transportation which does not meet Carrier's specifications in Rule 26(a) or which is otherwise not good merchantable Crude Petroleum readily acceptable for transportation through the Pipeline.
  - (d) If the Carrier determines that a Shipper does not comply with the provisions of Rule 26(a), then such Shipper shall remove its Crude Petroleum from the System as directed by the Carrier and if Shipper fails to do so by the date and time directed by the Carrier, the Carrier shall have the right, at its sole discretion, to any remedy available, including but not limited to the right without notice of liability to return, divert, sell, or dispose of such Crude Petroleum. The Shipper shall reimburse the Carrier for all costs and expenses incurred by the Carrier in returning or otherwise disposing of such non-conforming Crude Petroleum.
  - (e) If, upon investigation, the Carrier determines that the Shipper has delivered, to the System, Crude Petroleum that has contaminated the common fungible stream, rendering all or a portion of the Common Stream undeliverable, the Carrier reserves the right to treat or otherwise dispose of all contaminated Crude Petroleum in any reasonable commercial manner at Shipper's sole expense.
  - (f) If Crude Petroleum is received by the Carrier that does not meet the Carrier's deliverability requirements, the Carrier reserves the right to charge an additional \$1.00 per Barrel treating and handling charge.

**27. Changes in quality and segregation:**

- (a) The Carrier shall endeavor to deliver substantially the same type of Crude Petroleum as that received from a Shipper; however, the Carrier shall not be obligated to make delivery of the identical Crude Petroleum received by the Carrier.
- (b) Crude Petroleum tendered to the Carrier for transportation will be received by the Carrier on the condition that it shall be subject to such changes in density or quality while in transit as may result from the transportation, commingling, or intermixing thereof, including, without limiting the generality of the foregoing, the mixing of a Shipper's Crude Petroleum with other petroleum in the System. The Carrier shall not be liable for any damage loss or consequential loss

resulting from a change in the density or other quality of a Shipper's Crude Petroleum as a result of the Carrier's transportation, commingling, or intermixing of such Crude Petroleum.

**28. Nomination and quantities accepted:**

- (a) All Shippers desiring to ship Crude Petroleum through the Pipeline shall promptly provide Carrier a Nomination containing all information needed by Carrier to schedule and dispatch each shipment of Crude Petroleum which Shipper offers to make. Carrier may refuse to receive Crude Petroleum for transportation until Shipper has provided Carrier with such information.
- (b) Carrier shall not be obligated to accept Crude Petroleum for transportation during any calendar month unless the Shipper shall, on or before the 15<sup>th</sup> day of the preceding calendar month, notify the Carrier in writing of the kind and quantity of such Crude Petroleum which it desires to ship. If the 15<sup>th</sup> day of the preceding calendar month is a non-business day, then such notification shall be due on the last business day immediately prior to the 15<sup>th</sup> day of the preceding calendar month.
- (c) A Shipper shall, upon notice from the Carrier, provide written third-party verification, as required by the Carrier, in support of such Nomination to satisfy Carrier that such Nomination is made in good faith; and to satisfy Carrier that shipments can be transported in conformance with Carrier's tariffs. The Carrier shall not be obligated to accept a Shipper's Crude Petroleum where such verification is, in the sole discretion of the Carrier, unacceptable to the Carrier.
- (d) The Carrier shall not be obligated to accept a Shipper's Crude Petroleum if the receipt flow rate at which such Crude Petroleum is received by the Carrier is less than or greater than the receipt flow rates specified from time to time by the Carrier for the receipt point.
- (e) The Carrier shall not be obligated to make a delivery of a Shipper's Crude Petroleum of less than the minimum volume or at a delivery flow rate less than or greater than the delivery flow rates specified from time to time by the Carrier for the delivery point.
- (f) Any applicant that is not currently shipping on the Pipeline system and is seeking approved Shipper status with the Carrier in order to become a New Shipper (as defined in Rule 37) shall be required, as a condition to such approved status, to certify to the Carrier that the applicant is not an affiliate of any existing Shipper on the System.

**29. Rules and rates applicable:** The rates which shall apply to the transportation of Crude Petroleum shall be the rate in effect on the date Crude Petroleum is received by the Carrier for transportation. Likewise, the rules and regulations which shall govern the transportation of Crude Petroleum shall be the rules and regulations in effect on the date Crude Petroleum is received by Carrier for transportation.

**30. Payment of rates and lien for unpaid charges:**

- (a) A Shipper shall pay all charges and costs as provided for in this tariff or otherwise lawfully due to the Carrier relating to the transportation of the Shipper's Crude Petroleum by the Carrier. The Shipper shall pay such charges and costs upon receipt of the Carrier's invoice concerning such charges and costs. The Shipper shall pay such charges and costs based on receipts into the Pipeline, or before acceptance by the Carrier of the Shipper's Crude Petroleum at the receipt point.
- (b) The Carrier shall have a lien on all of Shipper's Crude Petroleum that is in the custody of the Carrier to secure the payment of all charges and costs as provided for or referenced in this tariff due to the Carrier relating to the transportation of the Shipper's Crude Petroleum by the Carrier. The Carrier may withhold the Shipper's



Crude Petroleum from delivery and may exercise any other rights and remedies provided at law or by contract, until all such charges and costs have been paid.

- (c) Shipper may withhold payment of disputed amounts subject to: (1) the incurrence of carrying charges thereon as specified above; and (2) Carrier's right to demand reasonable surety for such payment, and/or (ii) remove and sell any or all of such Shipper's Crude Petroleum that is in the possession of the Carrier in such lawful manner as deemed appropriate by the Carrier.
- (d) Carrier may require that all payments to Carrier for services pertaining to the transportation of Crude Petroleum be wire-transferred in accordance with the instructions on the Carrier's invoice to Shipper.
- (e) When required the Carrier shall, with or without notice to the Shipper, appoint agent(s) to retain possession of the Shipper's Crude Petroleum on behalf of the Carrier for the purpose of enforcing the lien described in this Rule 30.

**31. Measuring, testing and deductions:**

- (a) Crude Petroleum delivered to custody transfer points outside of the System may be tested, at Carrier's sole discretion, for basic or foreign sediment, water, and/or other impurities and gauged or metered by the Shipper's representative. Shipper shall have the right to witness all proving of meters used in such measurement. The Carrier reserves the right to test and measure and/or witness the testing and measurement of all deliveries from its System.
- (b) Where the measurement is determined by tank gauge, such measurement shall be based upon tanks strapped and tables compiled in accordance with Chapter 2, "Tank Calibration", API Manual of Petroleum Measurement Standards, Latest Edition, indicating one 100% full capacity. Volume measurements by temperature compensated meters shall be further corrected for meter factor and pressure in accordance with the API Manual of Petroleum Liquid Hydrocarbons by Pipeline Displacement Meters.
- (c) Where the tank or meter of the Shipper is used for volume determination for deliveries from the System, the 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) The net calculated quantity at 60 degrees Fahrenheit, less sediment, water, and/or other impurities volume percentage shall be the quantity delivered by the Carrier.
- (e) All Crude Petroleum tendered for shipment at 55 degrees API Gravity at 60 degrees Fahrenheit or above shall be subject to a volume shrinkage deduction as set forth below: API GRAVITY% DEDUCTION 55 degrees through 74.9 degrees: 1%; 75 degrees through 89.9 degrees: 2%
- (f) The Carrier will not accept any material for shipment above ninety degrees (60°) API gravity at 60 degrees Fahrenheit.
- (g) Except for arithmetic errors, all measurement and testing by the Carrier shall be conclusive if a representative of the Shipper was not present during such measuring and testing.

**32. Evidence of deliveries:** The Carrier shall evidence the delivery of Crude Petroleum by tickets showing the volume, crude type, temperature, gravity, sediment, and water and any other data with respect to such Crude Petroleum as may be specified from time to time by the Carrier. Unless otherwise agreed in writing by the Carrier, Shipper and/or its consignee, such tickets shall be signed by a representative of the Carrier. The signed tickets shall be conclusive evidence of the information set forth therein.

**33. Delivery and acceptance:**

- (a) The Carrier shall transport and deliver Crude Petroleum with reasonable diligence

and dispatch but shall not be required to transport Crude Petroleum in time for any particular market.

- (b) A Shipper or the designee of the Shipper shall accept such Shipper's Crude Petroleum upon arrival at the delivery point.
- (c) If a Shipper fails to remove its Crude Petroleum from the System in accordance with the provisions of Rule 26(d), then the Carrier shall have the right to remove and sell such Crude Petroleum in such lawful manner as deemed appropriate by the Carrier. The Carrier shall pay from the proceeds of such sale all costs incurred by the Carrier with respect to the storage, removal, and sale of such Crude Petroleum. The remainder of such proceeds, if any, shall be held by the Carrier for the Shipper and any other party lawfully entitled to such proceeds.
- (d) Except where caused by the direct negligence of the Carrier, the Carrier shall not be liable to a Shipper for any delay, damage, loss, or consequential loss resulting from any cause while the Carrier is in possession or control of such Shipper's Crude Petroleum, including the breakdown of the System.
- (e) If damage or loss to Crude Petroleum results from any cause other than the direct negligence of the Carrier while the Carrier is in possession or control of such Crude Petroleum, then the Carrier may apportion the cost of such damage or loss on a pro rata basis among all Shippers. Each Shipper's share of such cost shall be determined by the Carrier based on the proportion of the volume of the Shipper's Crude Petroleum in the possession of the Carrier on the date of such loss to the total volume of Petroleum in the possession of the Carrier on the date of such loss. The Carrier will be obligated to deliver only that portion of the Crude Petroleum remaining after such deduction.
- (f) If Crude Petroleum is lost in transit while in the custody of Carrier due to the direct negligence of the Carrier, the Carrier, shall, as full compensation therefor, in Carrier's sole discretion, either obtain and deliver to the Shipper thereof other Crude Petroleum of the same quantity and grades as that which was lost, or compensate Shipper for such loss monetarily.

**34. Indemnification by Shipper:** *A Shipper shall indemnify the Carrier for any damage, loss, costs or consequential loss incurred by the Carrier or any other party as a result of such Shipper's failure to comply with any provision of this tariff, excluding any damage, loss, costs or consequential loss caused by the direct negligence of the Carrier.*

**35. Pro-rationing:**

- (a) For the purposes of this Rule, the following definitions shall apply:
  - (i) "Actual Shipments" means volumes of Crude Petroleum that originate on the Pipeline at the receipt point and that are ultimately delivered at a delivery point. All volumes shall be measured at the receipt point.
  - (ii) "Allocated Receipt Volume" means the volume allotted to a Shipper in accordance with this section.
  - (iii) "Available Capacity" means the total capacity of the Pipeline available to transport Crude Petroleum.
  - (iv) "Average Monthly Volume" means (a) for shippers other than Committed Shippers, the average of a Regular Shipper's monthly volumes of Crude Petroleum tendered during the entire Base Period subject to pro-rationing, and (b) for Committed Shippers, the greater of (i) the average of a Committed Shipper's monthly volumes of Crude Petroleum tendered during the entire Base Period subject to pro-rationing (or such portion of such average monthly volumes as shall not result in an allocation to another Committed Shipper under step (b)(ii) below that reduces such

other Committed Shipper below its Committed Volume for the allocation period), and (ii) the Committed Shipper's Committed Volume applicable to the month of pro-rationing.

(v) "Base Period" means a cumulative rolling period of 12 months ending one month prior to the month of pro-rationing.

(vi) "Binding Nomination" means the volumes (excluding any Committed Volumes and Make-Up Volumes) allocated to a Shipper during a period of pro-rationing.

(vii) "New Shipper" means a Shipper that is not a Regular Shipper.

(viii) "Regular Shipper" means (A) a Committed Shipper, and (B) a Shipper that has Actual Shipments in each of the twelve months of the Base Period. A Regular Shipper described in clause (B) ceases to be a Regular Shipper if it has no Actual Shipments for one or more months out of the Base Period, and thereafter, that Shipper will be treated as a New Shipper unless and until it meets Regular Shipper criteria.

(b) If for any month, more Crude Petroleum is Nominated to the Carrier than can be transported on the applicable segment of the Pipeline by the Carrier, then the Carrier shall prorate the Nominations among Shippers on such segment as follows:

(i) 90% of the Available Capacity will be allocated by the Carrier to all Regular Shippers proportionately based on the lesser of (A) each Regular Shipper's Average Monthly Volume, or (B) its tendered volume.

(ii) 10% of the Available Capacity will be allocated by the Carrier to New Shippers, if any, on a pro rata basis but not to exceed the tendered volume.

(iii) Any remaining Available Capacity after steps (i) and (ii) will be allocated, on a non-discriminatory basis to Nominations of the following, in the following order: Make-Up Volumes (excluding any Make-Up Volumes that are Carrier Force Majeure Credit Volumes); then, Carrier Force Majeure Extended Volumes; last, Carrier Force Majeure Credit Volumes.

(iv) Any remaining Available Capacity not allocated through the application of steps (i) through (iii) shall be allocated pro rata (based on original Nominations, excluding Nominations of volumes described in clause (iii) of this Rule 35(b)) among all Shippers having remaining tenders (and if the allocation to any Shipper pursuant to this clause (iv) exceeds its remaining tender, the excess will be allocated among all other remaining tenders until the remaining Available Capacity is fully allocated or all of the remaining tenders have been fulfilled).

(c) No individual Shipper Nomination shall be considered beyond the physical capacity of the Pipeline. Nominations in excess of these limits will be reduced accordingly.

(d) Once the Carrier has determined the capacity allocated to each Shipper for a given month under the provisions stated herein, it shall provide notice to each Shipper of its allocated capacity for the month. If any Shipper fails to tender volumes (excluding any Committed Volumes and Make-Up Volumes) during the month equal to 100% of its Binding Nomination for that month, that Shipper shall pay to the Carrier, in the aggregate, the tariff charge for 100% of the Binding Nomination.

**36. Requested change by the Shipper:** Subject to the operating conditions of the System, the Carrier may upon the written request of a Shipper, allow a Shipper to change: (i) the designated volume and type of its Crude Petroleum that will originate on the Pipeline at the receipt point, or (ii) the designated volume and type of its Crude Petroleum to be

delivered to a delivery point.

**37. Inline change of ownership:**

- (a) Notice of change in ownership of Crude Petroleum shall be recognized and recorded only where such Crude Petroleum entered the Carrier's system and only on a monthly basis. Statements denoting ownership transactions shall be provided to the applicable transferors and transferees. The Carrier shall not provide any information as to the quality of the Crude Petroleum subject to changes in ownership except for gravity on current Receipts when requested. Each transferor shall be charged a \$0.15 per Barrel fee (which will be applied on a separate invoice) for recognizing and recording the change in ownership and, if required, shall pay said charge prior to the recognizing and recording of such change. The transferor, at the Carrier's option, shall provide an irrevocable letter of credit satisfactory to the Carrier prior to such recognizing and recording. The recognition by the Carrier of a change in ownership of Crude Petroleum requires the recording thereof, and the Carrier is entitled to a lien for all such charges and fees.
- (b) The Carrier shall not be obligated to recognize and record changes in ownership of Crude Petroleum during any operating month unless the transferor and transferee requesting the Carrier to recognize and record such change in ownership shall, each, on or before the 15<sup>th</sup> day of the preceding calendar month provide written notice to the Carrier containing like data relative to the kind quantity, source, location, transferor, and transferee of the Crude Petroleum. The Carrier shall not be obligated to accept any modification in said notice unless confirmed in writing by the transferor and transferee on or before the last day of the calendar month proceeding the operating month.
- (c) When the quantity of the Crude Petroleum received during the operating month is not equivalent to the quantity of the Crude Petroleum subject to the notice of change in ownership, the Carrier shall not be required to recognize and record the change in ownership beyond the extent of the quantity received.
- (d) A notice of change in ownership of Crude Petroleum shall be deemed: (i) a warranty that the transferor has unencumbered title to the Crude Petroleum identified in its notice at the time of change in ownership, and (ii) a representation that the change in ownership is effective as of 7:00 o'clock a.m. (Central Standard Time) on the first day of the operating month.
- (e) The Carrier may, in the absence of adequate security, decline to recognize and record any change in ownership of Crude Petroleum.
- (f) A transfer of a Shipper's rights and obligations under this Rule 37 respecting its Crude Petroleum will not be binding or effective on the Carrier until the Carrier has provided a notice of acceptance to the transferor and transferee. The Carrier will not provide a notice of acceptance of a transfer until such time as the transferee has satisfied the Carrier of its capacity to undertake the transferor's obligations and has provided any Financial Assurances requested by the Carrier in accordance with Rule 40.

**38. Adverse claim against Crude Petroleum:**

- (a) A Shipper shall not Nominate or deliver, to the Carrier, Crude Petroleum which is involved in litigation, the ownership of which may be in dispute or which is encumbered by a lien (other than a lien that is subordinated to Carrier's lien described in Rule 11) or charge of any kind unless the Shipper provides written notification to the Carrier of such litigation, dispute, lien or charge not less than 30 days before such Nomination is made to the Carrier.
- (b) The Carrier shall not be obligated to accept Crude Petroleum that is involved in litigation, the ownership of which may be in dispute, or which is encumbered by a

lien (other than a lien that is subordinated to Carrier's lien described in Rule 11) or charge of any kind.

- (c) A Shipper shall advise the Carrier in writing if, at any time while the Shipper's Crude Petroleum is in the possession of the Carrier, such Crude Petroleum becomes involved in litigation, the ownership of such Crude Petroleum becomes in dispute or such Crude Petroleum becomes encumbered by a lien (other than a lien that is subordinated to Carrier's lien described in Rule 11) or charge of any kind.
- (d) A Shipper shall, upon demand from the Carrier, provide a bond or other form of indemnity satisfactory to the Carrier protecting the Carrier against any liability or loss that may arise as a result of such Shipper's Crude Petroleum that is involved in litigation, the ownership of which may be in dispute, or which is encumbered by a lien (other than a lien that is subordinated to Carrier's lien described in Rule 11) or charge of any kind. If the Shipper fails to provide such bond or other form of indemnity acceptable to the Carrier, the Carrier will not be obligated to accept such Shipper's Crude Petroleum for transportation.

**39. Claims, suits, and time for filing:**

- (a) As a condition precedent to recovery for loss, damage, injury or delay, a Shipper shall advise the Carrier in writing of any claim for delay, damage, injury, or loss resulting from the transportation of such Shipper's Crude Petroleum by the Carrier within nine (9) months of delivery of such Crude Petroleum by the Carrier or, in the case of a failure to make delivery, then within nine (9) months after a reasonable time for delivery has elapsed.
- (b) A Shipper shall institute any action arising out of any claim against the Carrier within two years from the date that written notice is given by the Carrier to such Shipper that the Carrier has disallowed such claim or any part of such claim.
- (c) If Shipper fails to comply with the provisions of paragraph (a) or paragraph (b) of this Rule 39, then such Shipper waives all rights it has to bring an action against the Carrier with respect to such claim.

**40. Financial assurances:**

- (a) At any time, upon the request of the Carrier, any prospective or existing Shipper shall provide information to the Carrier that will allow the Carrier to determine the prospective or existing Shipper's capacity to perform any financial obligations that could arise under the terms of this tariff, including the payment of transportation charges, Shortfall Payments, charges for deficient Working Stock and negative Shipper's balance positions. The Carrier shall not be obligated to accept Crude Petroleum for transportation from an existing or prospective Shipper if Shipper or prospective Shipper fails to provide the requested information to the Carrier within 30 days of the Carrier's written request, or if the Carrier's review of the requested information reveals that the existing or prospective Shipper does not have the capacity to perform any financial obligations that could arise under the terms of this tariff, including the payment of transportation charges, Shortfall Payments, charges for deficient Working Stock, and the reasonably determined value of negative Shipper's balance positions.
- (b) Upon notice to Shipper, Carrier may require one or more of the following financial assurances for the payment of all charges and costs as provided for in this tariff, or otherwise lawfully due to the Carrier, to be provided at the expense of Shipper (collectively, "Financial Assurances"):
  - (i) prepayment;
  - (ii) a letter of credit in favor of the Carrier in an amount sufficient to ensure payment of all costs and charges that could reasonably accrue due to the

- Carrier, in a form and from a financial institution acceptable to the Carrier;
  - (iii) a guaranty in an amount sufficient to ensure payment of all such costs and charges that could reasonably accrue due to the Carrier, in a form and from a third party acceptable to the Carrier; or
  - (iv) other enforceable collateral security, including security agreements over assets of Shipper, in form and substance acceptable to the Carrier ("the Financial Assurances").
- (c) In the event the Carrier reasonably determines that:
- (i) the existing or prospective Shipper's financial condition is or has become impaired or unsatisfactory;
  - (ii) any Financial Assurances previously provided by a Shipper no longer provide adequate security for the performance of Shipper's obligations that could arise under the terms of this tariff; or
  - (iii) the Carrier otherwise determines that it is necessary to obtain additional Financial Assurances from Shipper then Shipper shall provide additional Financial Assurances for the payment of the charges and costs as provided for in this tariff or otherwise lawfully due to the Carrier relating to the transportation of Shipper's Crude Petroleum by the Carrier. For the purpose of this tariff, and without limiting the generality of the charges and costs lawfully due to the Carrier under this tariff, those charges and costs shall include transportation charges, Shortfall Payments, charges for deficient Working Stock, and negative Shipper's balance positions. The Carrier shall not be obligated to accept Crude Petroleum for transportation from an existing or prospective Shipper if Shipper or prospective Shipper fails to deliver the Financial Assurances to the Carrier within 10 days of Shipper's receipt of the Carrier's written request for such Financial Assurances.

**41. Duty of Carrier:** The Carrier shall not be required to transport Crude Petroleum except with reasonable diligence, considering the quantity of Crude Petroleum, the distance of transportation, the safety of operation, and other material factors.

**42. Interpretation:**

- (a) Unless otherwise expressly specified herein, (i) defined terms in the singular will also include the plural and vice versa, (ii) the words "hereof," "herein," "hereunder," and other similar words refer to this tariff as a whole, and (iii) references to Rules are to the Rules in this tariff.
- (b) The captions in this tariff are for convenience only and will not in any way affect the meaning or construction of any provision of this tariff.
- (c) Unless the context otherwise requires, "including" means "including without limitation."

### LOCAL PROPORTIONAL RATES IN CENTS PER BARREL

FROM	TO	RATE
Magellan – Banana Street Seaway – Levee Junction DOE – Levee Junction Genesis – Levee Junction	TxIT Terminal, Galveston, TX	Walk up Shipper 75.00 [N]
		Rate does not include required storage at delivery point.

**43. Conflict: IN THE EVENT OF ANY CONFLICT BETWEEN SECTION I AND SECTION II OF THIS TARIFF, SECTION II WILL GOVERN.**

**44. Explanation of reference marks:**

(a) [N] New.

**45. Requirements:** Customer agrees the Customer's Crude Petroleum has been delivered to Galveston sourced from the Permian Basin without blending and meets the following specifications:

#### **WTI Specifications**

Parameter:	Units:	Minimum:	Maximum:	Required Test Method:
API Gravity	°API, 60°F	41.0	43.5	ASTM D5002
Total Sulfur Content	% (m/m)		0.20	ASTM D4294
Mercaptan Sulfur	ppm Wt		75	UOP 163
RVP	Psi		9.5	ASTM D6377
TVP	Psi		11	ASTM D6377
BS&W	% (v/v)		0.3	ASTM D4007
Iron	mg/kg		10.0	ASTM D5708, Procedure B
Nickel and Vanadium	mg/kg		3.0	ASTM D5708, Procedure B
High Temperature Simulated Distillation				
20%	°F		265	ASTM D7169
50%	°F		525	ASTM D7169

FBP	°F		1,315	ASTM D7169
Total Oxygenates	ppm Wt		50	ASTM D7423*
Organic Chlorides	mg/kg		1.0	ASTM D4929, Procedure B
H <sub>2</sub> S Content in Liquid	ppm Wt		<10	UOP 163

**46. Nominations:**

- (a) Crude Petroleum will be transported only under a tender accepted by the Carrier, from origins to destinations, when a tariff covering the movement is lawfully in effect and on file with the Federal Energy Regulatory Commission.
- (b) Any Shipper desiring to tender Crude Petroleum for transportation shall make a Nomination to the Carrier in writing on or before the 25<sup>th</sup> day of the month preceding the month during which the transportation under the Nomination is to begin. Unless such Nomination is made, the Carrier will be under no obligation to accept Crude Petroleum for transportation. However, if operating conditions permit, and at the sole discretion of the Carrier, Nominations for Crude Petroleum may be accepted for transportation after the 25<sup>th</sup> day of the month preceding the month during which the transportation under the Nomination is to begin.

**47. Quantities:**

- (a) A Nomination will be accepted only when the total quantity covered by such Nomination will be made available for transportation within the month when the transportation is to begin.
- (b) Any quantity of Crude Petroleum will be accepted from lease tanks or other facilities to which the Carrier is connected, if such quantity can be so consolidated with other Crude Petroleum such that Carrier can make a single delivery of not less than 50,000, and Carrier will not be obligated to make any single delivery of less than 50,000 barrels. The term "single delivery" as used herein means a delivery of Crude Petroleum in one continuous operation, to one or more consignees into a single facility, furnished by such consignee or consignees, to which Carrier is connected.

**48. Pipeline Loss Allowance:** An assessment of 0.2% on net volumes of Crude Petroleum accepted for transportation by Carrier will be deducted to cover losses inherent in the transportation of Crude Petroleum.

**49. Other Product Grades:** Other grades of Crude Petroleum may be handled at the Carriers discretion and would require a TSA for segregated storage at the destination terminal