

SHELL PIPELINE COMPANY LP

RULES AND REGULATIONS

GOVERNING
THE TRANSPORTATION OF

PETROLEUM

BY
PIPELINE

RECEIVED
RRC OF TEXAS
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PIPELINE SAFETY DIVISION
AUSTIN, TEXAS

The Rules and Regulations published herein apply only under tariffs which make specific reference by Texas R.R.C. number to this tariff; such reference will include successive issues hereof. Specific Rules and Regulations published in individual tariffs will take precedence over Rules and Regulations published herein.

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

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SECTION I**RULES AND REGULATIONS OF RAILROAD COMMISSION OF TEXAS
RULE 3.71 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 one per cent (1%) of basic sediment, water, or other impurities above a point six (6) inches below the pipeline connection with the tank. Notwithstanding the preceding sentence, Carrier may accept crude petroleum from shipper that does not meet the foregoing specifications due to, but not limited to, operational circumstances (i.e. offshore deep water well maintenance or production facility upsets), emergencies, or events of force majeure (such as sea storms or shut-in platforms). In such case, however, shipper must notify Carrier fully, in writing, of the characteristics of such crude petroleum and shipper shall then secure from the producer or connecting carrier or shall provide itself, in writing, to Carrier an assumption of all liability and agree to hold Carrier harmless from and against any loss, cost or disadvantage to other shippers, and other pipelines or downstream facilities, or to Carrier arising from such transportation. Sediment and water limitations of a connecting carrier may be imposed upon Carrier when such limits are less than that of Carrier, in which case the limitations of the connecting carrier will be applied. 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. **(See amendment to this rule in Item 25, Section II hereof.)**

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 (90F), 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 rules, a "barrel" of crude petroleum is declared to be forty-two (42) gallons of 231 cubic inches per gallon at sixty degrees Fahrenheit (60F). **(See amendment to this rule in Item 5, Section II hereof.)**

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. **(See amendment to this rule in Item 20, Section II hereof.)**

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. **Exception to this rule is that storage is not available for delivery at destination points unless noted in the individual tariff.**

6. IDENTITY OF OIL, MAINTENANCE OF

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. **(See amendment to this rule in Item 30, Section II hereof.)**

7. MINIMUM QUANTITY TO BE RECEIVED

A pipeline shall not be required to receive less than one (1) tank carload 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. **(See amendment to this rule in Item 15, Section II hereof.)**

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 transported 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. **(See amendment to this rule in Item 70, Section II hereof.)**

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 Item 6 of Section I, 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 Item 5 of Section I) shall begin at the expiration of such notice. At the expiration of the time allowed in Item 5 of Section I 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 \$.001 per barrel; and thereafter at a rate of \$.0075 per barrel, for each day of twenty-four (24) hours or fractional part thereof. **(See amendments to this rule in Items 45, 55 and 60, Section II hereof.)**

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 (5) 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 forty-eight (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. **(See amendment to this rule in Item 100, Section II hereof.)**

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. **(Amendment to Rule 115, Section II hereof.)**

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 rule.

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. **(See amendment to this rule in Item 75, Section II hereof.)**

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. FIRES, LIGHTNING AND LEAKAGE, REPORTS OF LOSS FROM

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 (5) barrels escapes. 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 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 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 rule 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 landowner 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 Items 1 through 19 of this Rule printed on its tariff sheets, and shall post the printed rules 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.

SECTION II – SPECIAL RULES AND REGULATIONS

This section contains additional Rules and Regulations applicable to the Transportation of Petroleum.

5. Definitions

"Barrel" as herein used means forty-two (42) United States gallons at sixty degrees (60°) Fahrenheit and zero (0) gauge pressure if the vapor pressure of the Petroleum is at or below atmospheric pressure, or at equilibrium pressure if the vapor pressure of the Petroleum is above atmospheric pressure.

"Carrier" as herein used means Shell Pipeline Company LP.

"Consignor" as herein used means the party from whom a Shipper has ordered the receipt of Petroleum.

"Consignee" as herein used means the party to whom a Shipper has ordered the delivery of Petroleum.

"Petroleum" as herein used means the direct liquid products of oil wells, or a mixture of the direct liquid products of oil wells with the indirect liquid products of oil and gas wells including gasoline and liquefied petroleum gases.

"Shipper" as herein used means a party who contracts with Carrier for transportation of Petroleum, as defined herein and under the terms of these Rules and Regulations.

"Nomination", or variations thereof, as herein used means an offer by a Shipper to the Carrier of a stated quantity of Petroleum for transportation from a specified origin or origins to a specified destination in accordance with these Rules and Regulations. **(Amendment to Rule 3, Section I hereof.)**

10. Nomination Required

Petroleum will be transported by Carrier only under a Nomination accepted by Carrier. Any Shipper desiring to Nominate Petroleum for transportation shall make such Nomination to Carrier prior to 12 Noon Central Standard Time/Central Daylight Saving Time, whichever is applicable, on the twentieth (20th) day of the month preceding the month during which transportation under the Nomination is to begin; except that, if space is available for current movement, Carrier has the right to accept a Nomination of Petroleum for transportation after the twentieth (20th) day of the month preceding the month during which transportation under the Nomination is to begin. When the twentieth (20th) day of the month falls on a weekend or a holiday, Nominations will be required prior to 12 Noon Central Standard Time/Central Daylight Saving Time, whichever is applicable, on the preceding workday.

15. Minimum Nomination

Nominations for the transportation of Petroleum for which Carrier has facilities will be accepted into Carrier's system under these Rules and Regulations in quantities of not less than ten thousand (10,000) Barrels aggregate from one or more Shippers as operations permit and/or consistent with the minimum volume requirements of outbound pipeline carriers and provided such Petroleum is of similar quality and characteristics as is being transported from receipt point to destination point; except that Carrier reserves the right to accept any quantity of Petroleum from lease tanks or other facilities to which Carrier's facilities are connected if such quantity can be consolidated with other Petroleum such that Carrier can make a single delivery of not less than ten thousand (10,000) Barrels, and Carrier will not be obligated to make any single delivery of less than ten thousand (10,000) Barrels, unless Carrier's operations dictate otherwise. The term "single delivery" as used herein means a delivery of 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. **(Amendment to Rule 7, Section I hereof.)**

20. Title

The Carrier shall have the right to reject any Petroleum 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 require satisfactory evidence of Shipper's perfect and unencumbered title or satisfactory indemnity bond to protect Carrier. By Nominating Petroleum, the Shipper warrants and guarantees that the Shipper has unencumbered title thereto or the right to cause the Petroleum to be transported and that unencumbered title or right remains in effect throughout the movement covered by this tariff. In addition, Shipper agrees to hold Carrier harmless for any and all loss, cost, liability, damage or expense resulting from failure of title or Shipper's failure to have the right to cause the Petroleum to be transported; and Shipper agrees that acceptance by the Carrier of the Petroleum for transportation shall not be deemed a representation by the Carrier as to title. **(Amendment to Rule 4, Section I hereof.)**

25. Shipment Quality

Carrier reserves the right to reject:

- A. Petroleum having a Reid vapor pressure in excess of 8.6.
- B. Petroleum containing water, sediment and other impurities totaling in excess of one percent (1%) as determined by industry accepted tests, or by such other tests as may be agreed upon by the Shipper and Carrier.
- C. Petroleum where the Shipper or Consignee has failed to comply with all applicable laws, rules and regulations made by any governmental authorities regulating shipments of Petroleum.
- D. 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 such as methanol, or arsenic, lead, and/or other metals which cause harm to other Shippers, connecting carriers, users of the contaminated Petroleum or Carrier.
- E. Petroleum where gravity, viscosity, pour point, or other characteristics are such that it is not readily susceptible to transportation through the Carrier's existing facilities.
- F. Petroleum which may materially affect the quality of other shipments or cause disadvantage to other Shippers and/or the Carrier.

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

If Carrier determines that a Shipper has delivered to Carrier's facilities 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, such as methanol, or arsenic, lead, and/or other metals which cause harm to other Shippers, connecting carriers, users of the contaminated Petroleum or Carrier, such Shipper will be excluded from further entry into applicable segments of the pipeline system until such time as the quality of the Petroleum is to the satisfaction of the Carrier. Carrier is not responsible for monitoring receipts or deliveries for contaminants. Further, Carrier reserves the right to dispose of any contaminated Petroleum blocking its pipeline system. Disposal thereof may be made in any reasonable manner including but not limited to commercial sales, and any liability associated with the contamination or

disposal of any Petroleum shall be borne by the Shipper who introduced into Carrier's system such Petroleum that does in any way not comply with the above conditions.

Notwithstanding the foregoing, in general, the Shipper who introduced into Carrier's system Petroleum that does in any way not comply with the above conditions is liable towards Carrier for all consequences of transportation by Carrier of such Petroleum, including but not limited to, damages, costs and expenses of disposal, costs and expenses necessary to return the Carrier's system facilities to service, claims from other Shippers, connecting carriers, or users of the non-complying Petroleum and the costs of any regulatory or judicial proceeding. **(Amendment to Rule 1, Section I hereof.)**

30. Mixing of Petroleum in Transit

Petroleum will be accepted for transportation only on condition that it may be subject to such changes in gravity or quality while in transit as would result from its mixture with other Petroleum in the pipelines or tanks of the Carrier. Carrier shall not be liable for such changes. Carrier shall be under no obligation to deliver the identical Petroleum received but may make delivery out of common stock or out of Carrier's pipeline stream. **(Amendment to Rule 6, Section I hereof.)**

40. Additives

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

45. Duty of Carrier

Carrier shall transport Petroleum with reasonable diligence, considering the quality of the Petroleum, the distance of transportation, the safety of operation, and other material elements. Carrier can not commit to delivering Petroleum to a particular destination at a particular time. **(Amendment to Rule 10, Section I hereof.)**

50. Origin Facilities Required for Automatic Custody Transfer

[N] Shipper shall furnish the necessary facilities at origin points capable of delivering Petroleum into the Carrier's system at pressures and pumping rates required and determined solely by the Carrier.

Where Consignor (or Shipper) elects to deliver Petroleum to the Carrier at point of origin through automatic custody transfer facilities (in lieu of tankage), the Consignor (or 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 Consignor (or Shipper) shall also furnish whatever pumping service is necessary to ensure that the Petroleum being delivered to the meter is at a pressure in excess of the bubble point of the liquid.

55. Destination Facilities Required

The Carrier may refuse to accept Petroleum for transportation unless satisfactory written evidence is furnished that the Shipper or Consignee has made the necessary arrangements for shipment beyond or has provided the necessary facilities for receiving said Petroleum as it arrives at the destination. [N]Notwithstanding other conditions, at minimum such facilities shall have adequate available capacity and be capable of receiving said Petroleum at pressures and pumping rates required and determined solely by the Carrier. **(Amendment to Rule 10, Section I hereof.)**

60. Notice of Arrival, Delivery at Destination

Delivery may be made upon twenty-four (24) hours notice to the Shipper or Consignee who shall accept and receive said Petroleum from the Carrier with all possible dispatch into the tanks or receptacles to be provided by the Shipper or Consignee.

If the Shipper, or Consignee, is unable or refuses to receive said Petroleum as it arrives at the destination, the Carrier reserves the right to make whatever arrangements for disposition of the Petroleum it deems appropriate in order to clear its pipeline. Any additional expenses incurred by the Carrier in making such arrangements shall be borne by the Shipper or Consignee. **(Amendment to Rule 10, Section I hereof.)**

65. Inventory Requirements

Prior to delivering Barrels out of Carrier's pipeline system, each Shipper will be required to supply a pro rata share of Petroleum necessary to ensure efficient operation of Carrier's pipeline system. Petroleum provided by Shippers for this purpose may be withdrawn only after:

- (1) Shipments have ceased and the Shipper has notified Carrier in writing of its intention to discontinue shipments in Carrier's system, and
- (2) Shipper balances have been reconciled between Shipper and Carrier.

Carrier, at its discretion, may require advance payment of transportation charges on the volumes to be cleared from Carrier's system, and any unpaid accounts receivable, before final delivery will be made. Carrier shall have a reasonable period of time from the receipt of said notice to complete administrative and operational requirements incidental to Shipper withdrawal.

70. Gauging, Testing, and Volume Corrections

Petroleum shipped hereunder shall be measured and tested by representatives of the Carrier or by automatic equipment approved by the Carrier. Quantities shall be determined by dynamic or static measurement methods in accordance with appropriate American Petroleum Institute (API) standards, latest revision, and adjusted to base (reference or standard) conditions.

The base conditions for the measurement of liquids, such as Petroleum and its liquid products, having a vapor pressure equal to or less than atmospheric pressure at base temperature are as follows:

Pressure 14.696 psia (101.325 kPa)
Temperature 60.0 F (15.56 C)

For liquids, such as liquid hydrocarbons, having a vapor pressure greater than atmospheric pressure at base temperature, the base pressure shall be the equilibrium vapor pressure at base temperature.

Deductions will be made for the actual amount of non-merchantable quantities, specifically basic sediment and water and/or other impurities as ascertained by industry accepted test method or other tests agreed upon.

When indirect liquid products are received from pressure vessels using static measurement methods, a further adjustment will be made to cover evacuation losses if a gas blanket at or in excess of the vapor pressure of the liquid is not used.

One of the following pipeline loss allowances will be used when specifically referenced in the tariff.

Option 1

From the net quantities so determined for acceptance, a further deduction of two-tenths of one percent (0.2%) will be made to cover evaporation and loss during transportation. The balance shall be the net quantities deliverable.

Option 2

No deduction will be made to cover evaporation and loss during transportation.

Option 3

From the net quantities so determined for acceptance, a further deduction will be made to cover evaporation and loss. Pipeline loss adjustments will be made on the basis of total quantities transported.

Option 4

From the net quantities so determined for acceptance, a further deduction of one-tenth of one percent (0.1%) will be made to cover evaporation and loss during transportation. The balance shall be the net quantities deliverable.

Option 5

From the net quantities so determined for acceptance, a further deduction of fifteen hundredths of one percent (0.15%) will be made to cover evaporation and loss during transportation. The balance shall be the net quantities deliverable.

Option 7

From the net quantities so determined for acceptance, a further deduction of three-tenths of one percent (0.3%) will be made to cover evaporation and loss during transportation. The balance shall be the net quantities deliverable.

All receipts of Petroleum and indirect liquid products having an API gravity of 45 degrees or above shall also be subject to a deduction to cover the shrinkage and incremental evaporation resulting from the mixture thereof, in Carrier's facilities, with Petroleum having an API gravity of 44.9 degrees or less. Such deduction shall be determined in accordance with the following table:

<u>API Gravity, Degrees</u>	<u>Deduction for Incremental Evaporation & Shrinkage</u>
45 through 54.9	0.50%
55 through 64.9	1.00%
65 through 74.9	1.50%
75 and above	2.00%

After consideration of all of the factors set forth in this Item No. 70, a net balance will be determined as the quantity deliverable by Carrier, and transportation charges will be assessed on this net balance. **(Amendment to Rule 9, Section I hereof.)**

75. Apportionment When Nominations are in Excess of Facilities

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

(1) Apportionment Definitions:

- a. The "Base Period" is a period of 12 months beginning 13 months prior to the month of allocation and excluding the month preceding the month of allocation.

- b. A "Regular Shipper" is any Shipper having a record of movement(s), in the line segment being prorated, during the Base Period and does not meet the definition of a New Shipper.
- c. A "New Shipper" is any Shipper having no record of movement(s), in the line segment being prorated, during the Base Period. A New Shipper shall not become a Regular Shipper until the beginning month of the defined Base Period for the requested shipment month equals the Shipper's first month of physical movement. For ease in interpreting this definition, the following example illustrates the intent:

Shipper Nominates for and moves barrels in January 2013 for its first movement on the pipeline system.		
Shipper will not become a Regular Shipper until February 2014 as shown in the table below. February 2014 would be the month where a defined Base Period would set January 2013 as the first month of its Base Period.		
Calendar Month	Base Period Definition for February 2014	Shipper Status
Jan-13	Base Period Month 1	New
Feb-13	Base Period Month 2	New
Mar-13	Base Period Month 3	New
Apr-13	Base Period Month 4	New
May-13	Base Period Month 5	New
Jun-13	Base Period Month 6	New
Jul-13	Base Period Month 7	New
Aug-13	Base Period Month 8	New
Sep-13	Base Period Month 9	New
Oct-13	Base Period Month 10	New
Nov-13	Base Period Month 11	New
Dec-13	Base Period Month 12	New
Jan-14	Excluded month	New
Feb-14	Allocated Month	Regular

(2) New Shippers shall be initially allocated up to a total of ten percent (10%) of the available pipeline capacity. If more than one New Shipper has Nominated volumes, pipeline space shall be allocated proportionately to each New Shipper in relation to the total Nominations by New Shippers, so that the total pipeline capacity allocated for all New Shippers shall not exceed ten percent (10%) of the available pipeline capacity unless Item (3) re-allocates unused space previously reserved for Regular Shippers.

(3) The remaining capacity shall be allocated among Nominating Regular Shippers as the lesser value of either the Shipper's proportion of the Regular Shippers' Base Period shipment volume or the Shipper's Nominated volume. If a Regular Shipper Nominates less than their calculated allocation, the unused space will be allocated to other Regular Shippers as described in this item. Should the sum of Nominations submitted by all Regular Shippers be less than ninety percent (90%), any unused space will be offered to New Shippers in accordance with the procedures stated in Item (2) of this section.

No Nominations shall be considered beyond the amount which the party requesting shipment has available for shipment. Carrier reserves the right to require Shipper to show sufficient evidence of available volume.

80. Application of Rates and Charges

Petroleum accepted for transportation shall be subject to the rates and charges in effect on the date of receipt of such Petroleum by the Carrier. Trunk line transportation and all other lawful charges will be collected on the basis of the net quantities of Petroleum delivered. All net quantities will be determined in the manner provided in Item 70 (GAUGING, TESTING, AND VOLUME CORRECTIONS).

85. Application of Rates From and To Intermediate Points

For Petroleum accepted for transportation from any point on Carrier's lines not named in a particular tariff, which is intermediate to a point from which rates are published in said tariff, through such unnamed point, the rate published from the next more distant point specified in such tariff will apply.

For Petroleum accepted for transportation to any point not named in a particular tariff which is intermediate to a point to which rates are published in said tariff, through such unnamed point, the rate published therein to the next more distant point specified in the tariff will apply.

95. Commodity

The Carrier will transport Petroleum and has no obligation to accept any other commodity for transportation.

100. Payment of Transportation and Other Charges

Shipper shall be responsible for payment of transportation and all other charges applicable to the shipment, and Carrier shall have the right to require Shipper to prepay such charges or furnish guaranty of payment satisfactory to Carrier. Petroleum accepted for transportation shall be subject to the rates in effect on the date of receipt by Carrier, irrespective of the date of the Nomination.

Except where pre-payment is required, all charges shall be paid by Shipper within ten (10) days from the date of invoice from Carrier. All charges that remain unpaid for more than ten (10) days from the date of Carrier's invoice shall accrue an interest charge equal to 125% of the prime rate as quoted by a major New York bank or the maximum non-usurious interest rate that may then be charged under applicable law.

Carrier shall have a lien on all Petroleum accepted for transportation to secure payment of all charges, including demurrage charges, and may refuse to accept future Nominations and/or make delivery of any Petroleum until all charges have been paid. If such charges, or any part thereof, remain unpaid five (5) days after notice and demand therefor or when there shall be failure to take the Petroleum at the point of destination within five (5) days per Item 60 (NOTICE OF ARRIVAL, DELIVERY AT DESTINATION) of these Rules and Regulations, the Carrier, or its representatives, shall have the right to sell such Petroleum. The Carrier may be a bidder and purchaser at such sale. From the proceeds of the sale, the Carrier may deduct all charges lawfully accruing, including demurrage, and all expenses of the sale. The net balance shall be held without interest for whomsoever may be lawfully entitled thereto.

In addition to all other charges accruing on Petroleum accepted for transportation through Carrier's facilities, a per Barrel charge will be assessed and collected in the amount of any fee or other charge, however denominated, which is levied against Carrier by any federal, state or local agency.

105. Diversion

Subject to Item 15 (MINIMUM NOMINATION), change in destination or routing will be permitted without additional charge, on written request from the Shipper, provided an applicable tariff is in effect for any requested destination or routing, and provided that no back-haul is required.

110. Liability of Carrier

As a condition to Carrier's acceptance of Petroleum, each Shipper agrees that Carrier shall not be liable for any loss thereof, damage thereto, or delay, except to the extent that liability therefor is imposed on the Carrier by law. In case of loss of or damage to Petroleum for which Carrier is not responsible under applicable law, the Shipper shall bear the loss or damage in such proportion as its total volume in Carrier's Pipeline System bears to the total volume in said system.

If Carrier is unable to accept Petroleum for any reason, Carrier will not be liable for delay or damages associated with its inability to accept volumes.

115. 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 the Carrier within nine (9) months after delivery of the Petroleum, or, in case of failure to make delivery, then within nine (9) months after a reasonable time for delivery has elapsed; and suits arising out of such claims shall be instituted against the Carrier only within two (2) years from the time when the Carrier delivers, or arranges delivery of, the Petroleum or, in case of failure to make or arrange delivery, then within two (2) years after a reasonable time for delivery has elapsed. Any such loss or damage shall be determined solely on the basis of volumetric loss and not on the monetary value of the Petroleum. Where claims are not filed or suits are not instituted thereon in accordance with the foregoing provisions, Carrier will not be liable and such claims will not be paid. **(Amendment to Rule 12, Section I hereof.)**

120. Pipeage or Other Contracts

Separate pipeage and other contracts may be required of a Shipper, in accordance with the applicable tariff and these Rules and Regulations, before any duty of transportation by the Carrier shall arise.

125. Quality Bank

See individual tariffs for Quality Bank provisions on specific systems, if applicable.

130. Strategic Petroleum Reserve

In the event that Carrier is required to perform draw downs from the Strategic Petroleum Reserve, Carrier's ability to perform may be limited and excused by such occurrences without liability.

140. Common Stream Petroleum – Connecting Carriers

When both receipts from and deliveries to a connecting pipeline of substantially the same grade of Petroleum are scheduled at the same interconnection, Carrier reserves the right, with the cooperation of the operator of the connecting pipeline, to offset like volumes of such common stream Petroleum in order to avoid the unnecessary use of energy which would be required to physically pump the offsetting volumes. When this right is exercised, Carrier will make the further deliveries for the Shipper involved from Carrier's common stream Petroleum.

145. Tanker and Barge Loading and Unloading

In the event Carrier receives or delivers Petroleum across its dock facilities from tankers or barges where dock facilities are equipped to handle tankers or barges, Shippers shall indemnify and hold Carrier harmless against any and all claims (whether made by the vessel owner or any other party) for demurrage or any other charges arising out of any delay of such vessel.

Explanation of Reference Marks:

[N] New