

**RCT No. 21**  
(cancels RCT 14)

# **DOUBLE EAGLE PIPELINE LLC**

## **RULES AND REGULATIONS TARIFF**

GOVERNING THE TRANSPORTATION AND HANDLING

OF

## **CRUDE AND CONDENSATE PETROLEUM**

TRANSPORTED BY PIPELINE

T-4 Permit No. 08818  
P-5 Permit No. 224836

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The rules and regulations published in this tariff are for the intrastate transportation of Crude and Condensate Petroleum by pipeline.

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The matter published herein will have no adverse 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**

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**1. ALL MARKETABLE OIL TO BE RECEIVED FOR TRANSPORTATION**

By the term “marketable oil” is meant any crude petroleum adapted for refining or fuel purposes, properly settled and containing not more than two percent (2.0%) of basic sediment, water, or other impurities above a point six (6) inches below the pipeline connection with the tank. Pipelines shall receive for transportation all such “marketable oil” tendered; but no pipeline shall be required to receive for shipment from any one person an amount exceeding three thousand (3,000) barrels of petroleum in any one day; and, if the oil tendered for transportation differs materially in character from that usually produced in the field and being transported there from 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 Section II Item 24 for further definition.

**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 forty-two (42) gallons of 231 cubic inches per gallon at 60 degrees Fahrenheit.

See Section II Item 20 for further definition.

**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 AND 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.

## SECTION I (continued)

### 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 five hundred (500) barrels.

### 8. GATHERING CHARGES

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

### 9. MEASURING, TESTING AND DEDUCTIONS

- (A) Except as provided in subparagraph (B) of this paragraph, all crude oil tendered to a pipeline shall be gauged and tested by a representative of the pipeline prior to its receipt by the pipeline. This 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 the American Petroleum Institute (API) Manual of Petroleum Measurement Standards, Chapter 6., or;
  - (ii) any device or method, approved by the commission or its delegate, which yields accurate measurements of crude oil or condensate.
- (C) Adjustments to the quantities determined by the methods described in subparagraphs (A) or (B) of this paragraph shall be made for temperature from the nearest whole number degree to the basis of 60 degrees Fahrenheit and to the nearest 5/10 API degree gravity in accordance with the volume correction Tables 5A and 6A contained in API Standard 2540, American Society for Testing Materials 01250, Institute of Petroleum 200, first edition, August 1980. A pipeline may deduct the basic sediment, water, and other impurities as shown by the centrifugal or other test agreed upon by the shipper and pipeline; and 1.0% for evaporation and loss during transportation. The net balance shall be the quantity deliverable by the pipeline. In allowing the deductions, it is not the intention of the commission to affect any tax or royalty obligations imposed by the laws of Texas on any producer or shipper of crude oil.
- (D) A transfer of custody of crude between transporters is subject to measurement as agreed upon by the transporters.

### 10. DELIVERY AND DEMURRAGE

Each pipeline shall transport oil with reasonable diligence, considering the quality of the oil, the distance of transportation, and other material elements, but at any time after receipt of a consignment of oil, upon twenty-four (24) hours' notice to the consignee, may offer oil for delivery from its common stock at the point of destination, conformable to Item No. 6 of this section, at a rate not exceeding ten thousand (10,000) barrels per day of twenty-four (24) hours. Computation of time of storage (as provided for in Item No. 5 of this section) shall begin at the expiration of such notice. At the expiration of the time allowed in Item No. 5 of this section for storage at destination, a pipeline may assess a demurrage charge on oil offered for delivery and remaining undelivered, at a rate for the first ten (10) days of one-tenth of one cent (\$0.001) per barrel; and thereafter at a rate of three-fourths of one cent (\$0.0075) per barrel, for each day of twenty-four (24) hours or fractional part thereof.

**SECTION I (continued)**

**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 delivery, 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.

**12. NOTICE OF CLAIM**

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

**13. TELEPHONE – TELEGRAPH LINE – SHIPPER TO USE**

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

**14. CONTRACTS OF TRANSPORTATION**

When a consignment of oil is accepted, the pipeline shall give the shipper a run ticket, and shall give the shipper a statement that shows the amount of oil received for transportation, the points of the 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.

## **SECTION I (continued)**

### **18. RECEIPT AND DELIVERY – FOR NECESSARY FACILITIES**

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 (5) barrels escapes. Each pipeline shall file the required information with the commission in accordance with the appropriate commission form within thirty (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 Item No. 19 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 thirty (30) days of filing the required reports with the commission. Registration with the Commission by landowners and resident for the purpose of receiving spill or leak reports shall be required every five years, with the 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**

Carrier has posted and maintains printed copies of its Railroad Commission tariffs in prominent places, including its Houston offices in Texas.

### **21. FILE TARIFFS WITH COMMISSION**

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 filed 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 so the commission by the gatherers, transporters, and handlers at such times and in such manner as may be required by the commission.

**SECTION II**  
**Supplemental Carrier**  
**Rules and Regulations Governing Crude Petroleum Transportation By Pipeline**

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**20. DEFINITIONS**

“Barrel” means forty-two (42) United States gallons

“Carrier” means Double Eagle Pipeline LLC

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

“Corpus Christi Terminal” means Magellan’s petroleum terminal located at 1802 Poth Lane, Corpus Christi, Texas 78408

“Crude Petroleum” means the grade or grades of the direct liquid products of oil or gas wells, which Carrier has undertaken to transport.

“Magellan” means Magellan Midstream Partners, L.P. and its wholly owned subsidiaries.

“PPM” means parts per million.

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

“U.S.” means United States

## 24. MERCHANTABLE OIL

Carrier will establish the grades of Crude Petroleum it will regularly transport as a common stream between particular origin point or points and destination point or points of Carrier. Carrier may from time to time, after reasonable notice to persons who may be affected, cease to transport particular grades of Crude Petroleum.

Properties	General Grade [W]Condensate Crude (GGC) (37)	Chemical Grade Condensate (CGC) (36)	Test Methods
API Gravity, ° API	[C]45 [N] 38 to 53	54 to 65	ASTM D287, D5002
BS & W, vol. %	≤ 0.25	≤ 0.25	ASTM D4007
Hydrogen Sulfide Content in Product, ppm	< 2	< 2	UOP163
Hydrogen Sulfide Content in Vapor Space, ppm	< 10	< 10	ASTM D5705
Reid Vapor Pressure Equivalent, psi	≤ 10.0	≤ 10.0	ASTM D6377
True Vapor Pressure, psi	≤ 11.0	≤ 11.0	ASTM D6377
Benzene Content, vol. %	≤ 3.0	≤ 3.0	ASTM D7900
Sulfur Content, Weight %	≤ 0.40	≤ 0.05	ASTM D2622, D4294
Temperature, °F	≤ 120	≤ 120	

### MERCHANTABLE OIL continued

Carrier reserves the right to reject all Nominations or any part thereof when, in Carriers discretion, reasonably exercised:

1. The surface of settled sediment and water and other impurities in tanks is less than four inches (4") below the bottom of the pipeline connection from which it enter Carrier's facilities;
2. The encrustation of internal surfaces of the tank where Crude Petroleum is accepted is excessive as determined by Carrier;
3. The iron in the Crude Petroleum exceeds seventy five (75) PPM as tested by Environmental Protection Agency method 3040;
4. The lead in Crude Petroleum exceeds five one-hundredths (.05) PPM (naphtha cut) as tested by Environmental Protection Agency method 3040;
5. The organic chlorides in the Crude Petroleum exceed three (3) PPM (naphtha cut) as tested by Microcoulometry or Sodium Biphenyl methods; or
6. The Crude Petroleum contains any other excessive metals, chemicals, salts, refinery or chemical plant process or by product materials, or has any other material which may adversely affect the refining process, as determined by Carrier.

### **30. STORAGE**

Storage necessarily incident to transportation and only such storage will be provided by the Carrier.

### **40. MINIMUM SHIPMENTS**

Quantities of Crude Petroleum will be accepted for transportation as a single shipment to destinations shown herein in amounts of not less than 20,000 barrels. Quantities of less than 20,000 barrels may be accepted for transportation if operating conditions permit and if such Crude Petroleum is of like quality and characteristics of that currently being transported.

### **50. DESTINATION FACILITIES**

Carrier will deliver Crude Petroleum to a Shipper at the Corpus Christi, Texas terminal. Shipper is responsible for arranging adequate facilities at the Corpus Christi Terminal.

### **60. QUALITY AND QUANTITY OF RECEIPT AND DELIVERIES**

Carrier will accept for transportation Crude Petroleum that can be commingled or intermixed with a grade of Crude Petroleum, which Carrier regularly transports between the origination and destination points of the shipment without substantially reducing the value or altering the quality of any grade of Crude Petroleum.

Carrier will accept Crude Petroleum for transportation only on condition that Carrier shall not be liable to Shipper or Consignee for changes in gravity or quality which may occur from commingling or inter-mixing such Crude Petroleum with other Crude Petroleum in transit; and that Carrier will not be obligated to deliver to Consignee the identical Crude Petroleum received from Shipper. However, Carrier will deliver to Consignee a grade of Crude Petroleum as nearly like the grade of Crude Petroleum received from Shipper as Carrier is regularly transporting as a common stream to destination points of the shipment.

Shipper agrees to participate and abide by the Quality Bank rules established by Carrier, as such rules may be modified or replaced from time to time.

Carrier will not make a delivery of less than 20,000 barrels of Crude Petroleum at any destination point on its trunk line except when necessitated by dispatching contingencies.

### **70. MEASUREMENT AND TENDER DEDUCTIONS**

The volume of Crude Petroleum received and delivered by Carrier will be measured in barrel units by meter or by gauge. Measured volumes at recorded or observed temperatures will be converted to volumes at sixty degrees Fahrenheit (60°F).

The volume of impurities in Crude Petroleum received and delivered by Carrier will be measured by an electrical or mechanical device or by physical test and such volume will be deducted from the volume of such receipts and deliveries.

Carrier shall determine all measurements, but Shipper and Consignee or their representatives may be present to witness them.

In the event Carrier experiences shrinkage, that it can demonstrate to Shipper, during the shipments contemplated hereby, Carrier may impose a shrinkage factor on all deliveries sufficient to cover such demonstrable losses.

A deduction of two tenths (2/10) of one percent by volume will be assessed on each shipment of Crude Petroleum tendered to Carrier.

**80. TENDERS REQUIRED**

Crude Petroleum for shipment through lines of this Carrier will be received only on proper notice showing the point at which the Crude Petroleum is to be received, point or points of delivery, Consignee, and amount of Crude Petroleum to be transported. The notice shall be received by the Carrier on or before the fifteenth (15<sup>th</sup>) day of the calendar month preceding the desired shipment date. If the fifteenth (15<sup>th</sup>) day of the month falls on a weekend or holiday, nominations are due on the last workday before the fifteenth (15<sup>th</sup>). The nomination may be e-mailed, faxed or submitted via Carrier's scheduling system. A nomination must specify, for each shipment, the quantity, product grade, Origin, Destination, Supply sources and Shipper.

**90. TITLE UNENCUMBERED**

The act of delivering Crude Petroleum to the Carrier for transporting shall constitute a warranty that the Shipper of Consignee has unencumbered title thereto, and that such Crude Petroleum was produced in accordance with concerned laws and regulations.

**100. LIABILITY OF CARRIER**

The Carrier shall not be liable for any loss or damage or delay caused by act of God, public enemy, quarantine, authority of law, strike, riots, fire or the act or default of Shipper or Consignee, or for any other cause not due to the negligence of the Carrier whether similar or dissimilar to the causes herein enumerated; and in case of loss from any such causes after Crude Petroleum has been received for transportation and before the same 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 Crude Petroleum in the custody of the Carrier 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 Crude Petroleum delivered.

**110. DUTY OF CARRIER**

The Carrier shall not be required to transport Crude Petroleum except with reasonable diligence, considering the quality of the Crude Petroleum, the distance of transportation and other material elements; but in the event Shipper fails to provide or arrange for adequate facilities for receipt at destination or has not ascertained from the Carrier that it has facilities available for receipt at destination, Carrier shall have the right on 24 hour notices, to divert or reconsign, subject to the rates, rules and regulations applicable from point of origin to actual final destination, or make whatever arrangements for disposition as are deemed appropriate to clear the Carrier's facilities, including the right of private sale for the best price reasonably obtainable. The Carrier may be a purchaser at such sale. Out of the proceeds of said sale, the Carrier shall pay itself all transportation and all other applicable lawful charges and necessary expenses of the sale and the expense of caring for and maintaining the Crude Petroleum until disposed of and the balance shall be held for whosoever may be lawfully entitled thereto.

## **120. PAYMENT OF TRANSPORTATION AND OTHER CHARGES**

Shipper shall pay the transportation and all other charges accruing on Crude Petroleum delivered out of Carrier's pipeline, adjusted to sixty degrees Fahrenheit (60°F). Carrier shall have a carrier's lien, as provided by Chapter 7 of the Texas Uniform Commercial Code, on all Crude Petroleum accepted for transportation to secure the payment of all charges, and may withhold said Crude Petroleum from delivery until all of the said charges shall have been paid.

Carrier will bill Shipper each month for transportation and other charges incurred during the previous month. If such a bill is not paid within ten (10) days after date of invoice, Carrier shall have the right to assess a late charge at an interest rate of 1.5% per month, unless such rate is greater than the maximum rate allowed by law, in which case the maximum rate allowed by law will be used. Such late charge shall accrue from ten (10) days after date of invoice until payment is made.

Carrier may require that all payments to Carrier for services pertaining to the transportation of Crude Petroleum be by wire transferred in accordance with the instructions on the Carrier's invoice to Shipper.

In the event Carrier determines that the financial condition of a Shipper or Shipper's guarantor (if any) is or has become impaired or unsatisfactory or Carrier determines it is necessary to obtain security from a Shipper, Carrier, upon notice to Shipper, will require any of the following: (1) prepayment of all charges for the ensuing ninety (90) days by wire transfer and shall be held by the Carrier without interest accruing thereon until credited to the Shipper, (2) a letter of credit at Shipper's expense in favor of Carrier in an amount sufficient to ensure payment of all such charges for the ensuing ninety (90) days and, in a form, and from an institution acceptable to Carrier, or (3) a guaranty in an amount sufficient to ensure payment of all such charges for the ensuing ninety (90) days, and in a form, and from a third party acceptable to Carrier. In the event Shipper fails to comply with any such requirement within three (3) business days of Shipper's receipt of such notice from Carrier, Carrier shall not be obligated to provide Shipper access to Carrier's facilities or provide services pursuant to this tariff until such requirement is fully met.

## **130. CLAIMS TIME FOR FILING**

Except where property is lost or damaged in transit by carelessness or negligence of the Carrier, claims for loss or damage must be made in writing to the Carrier within ninety-one (91) days after delivery of the property, or in case of a failure to make delivery, then within ninety-one (91) days after a reasonable time for delivery has elapsed. Suits for loss or damage shall be instituted only within two (2) years and one (1) day after delivery of the property, or in the case of failure to make delivery, then within two (2) years and one (1) day after a reasonable time for delivery has elapsed; provided, however, that where claims have been duly filed with the Carrier, suit must be brought within two (2) years and one (1) day after notice in writing is given by the Carrier to the claimant that the Carrier has disallowed the claim or any part or parts thereof specified in the notice. Where claims for loss or damage are not filed for suits are not instituted thereon in accordance with the foregoing provisions, such claims will not be paid and the Carrier will not be liable.

**140. INDEMNITY FOR OFF-SPECIFICATION DELIVERIES**

SHIPPER SHALL INDEMNIFY, REIMBURSE AND HOLD THE CARRIER, ITS PARENTS AND AFFILIATES, AND ITS AND THEIR RESPECTIVE MEMBERS, MANAGERS, PARTNERS, OFFICERS, DIRECTORS, EMPLOYEES, AND AGENTS, INCLUDING THE OPERATOR AND ITS PARENTS AND AFFILIATES, AND ITS AND THEIR RESPECTIVE PARTNERS, OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS, PENALTIES, TREATING OR BLENDING FEES, LOSSES, COSTS, EXPENSES, LIABILITIES OR DAMAGES OF ANY KIND OR NATURE (INCLUDING REASONABLE ATTORNEY'S FEES AND COURT COSTS ASSOCIATED THEREWITH) ARISING OUT OF OR RELATED TO SHIPPER'S DELIVERY TO CARRIER OF CRUDE PETROLEUM NOT MEETING THE THEN APPLICABLE QUALITY SPECIFICATIONS PURSUANT TO THIS TARIFF.

**150. DIVERSION OR RECONSIGNMENT**

Provided no back haul is required, diversion or reconsignment will be made on written request from the Shipper or Consignee. No additional charge will be made for the diversion or reconsignment service. The rate to be applied under this rule is the rate from point of origin to final destination.

**160. APPORTIONMENT WHEN TENDERS ARE IN EXCESS OF FACILITIES**

When there shall be tendered to the Carrier, for transportation, more Crude Petroleum than can be immediately transported, the transportation furnished by the Carrier shall be apportioned among Shippers on an equitable basis by the Carrier. Carrier's Pipeline Proration Procedure dated March 1, 2013 is available on Carrier's Internet Site at [www.kindermorgan.com](http://www.kindermorgan.com) or on request.

**170. APPLICATION OF RATES FROM INTERMEDIATE POINTS**

Carrier, at its discretion, will accept Crude Petroleum from a point on Carrier's lines which is not named in this tariff, but which is intermediate to a point from which rates are published. Such movement will be assessed the rate in effect from the next more distant origin point published in this tariff.

**180. APPLICATION OF RATES TO INTERMEDIATE POINTS**

Carrier, at its discretion, will accept Crude Petroleum destined to a point on Carrier's lines which is not named in this tariff, but which is intermediate to a point to which rates are published. Such movement will be assessed the rate in effect to the next more distant destination point published in this tariff.

**190. LINE FILL AND TANK BOTTOMS INVENTORY REQUIREMENTS**

Prior to delivering Barrels out of Carrier's pipeline system, each Shipper will be required to supply a pro rata share of Crude Petroleum necessary for pipeline and tankage fill to ensure efficient operation of Carrier's pipeline system. Crude 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 account receivables, before final delivery will be made. Carrier shall have a reasonable period of time, not to exceed ninety (90) days, from the receipt of said notice to complete administrative and operational requirements incidental to Shipper withdrawal not to exceed ninety (90) days.

**200. ORIGATION FACILITIES**

Carrier will receive Crude Petroleum from Shippers at stations on its gathering lines; at leases or plants to which its gathering lines connect; and at origins on its trunk lines. Crude Petroleum will be received only from pipelines, tanks, or other facilities that are provided by Shipper or Shipper's designee, or a connecting carrier, or a marketer of Crude Petroleum. Carrier will determine and advise Shippers of the size and capacity of pipeline and tanks to be provided at the point of receipt to meet the operating conditions of Carrier's facilities at such point. Carrier will not accept Crude Petroleum for transportation, unless such facilities have been provided.

All Shippers provided facilities connected to Carrier's pipeline will be approved by Carrier prior to their connection.

**210. SEPARATE PIPELINE AGREEMENTS**

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

**220. CHARGES FOR ENVIRONMENTAL RELATED MEMBERSHIPS AND FEES AND OTHER CHANGES IN LAW**

To the extent Barrels transported over Carrier's facilities are the basis of a charge by any public or private agency or organization (such as the Marine Preservation Association), which charge is related to compliance with federal, state or local environment laws or regulations (such as the Oil Pollution Act of 1990) or in the event Carrier is otherwise required by Law to incur any additional expense in order to provide the services contemplated hereunder, Carrier shall have the right to assess Shipper for any such charge or expense on a pro-rata basis based on Shipper's actually transported Barrels, provided Carrier has first given thirty (30) days advance written notice to Shipper of its intention to make such assessment.

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## 230. Quality Bank

The purpose of the quality bank is to mitigate material increases or decreases in each Shipper's respective Crude Petroleum value due to the commingling of Crude Petroleum in the Pipeline Common Stream. The quality bank charges each Shipper or pays each Shipper dependent upon the quality of the Pipeline Common Stream and the quality of each Shipper's Crude Petroleum. Each Shipper shall be required, as a condition of tendering its Crude Petroleum, to participate in the Gravity Quality Bank.

[N] Carrier shall administer the Quality Bank and shall perform, or cause to be performed, the clearinghouse business of calculating and effecting adjustments using a process of debits, credits and interchange of funds among the Shippers on the Pipeline System. Carrier may subcontract any or all of the work associated with administration of the Quality bank, but by doing so Carrier shall not be relieved of any of its obligations hereunder. Carrier shall charge a quality bank administration fee of \$0.005 per barrel received. Carrier shall perform the necessary Quality Bank calculations as soon as the gravity data is available for such Month and promptly issue appropriate credit/debit statements to each Shipper.

[N]In the event that the "bank" has been calculated for a month(s), and not settled, and a Shipper owing into the bank is not able to make said payment as a result of Insolvency, the given month(s) will be recalculated and Credits/Debits reallocated pro rata to the remaining shippers. "Insolvency" shall mean that the Shipper has entered proceedings for reorganization or insolvency, whether voluntary or involuntary, or a trustee has been appointed to administer its assets, or any comparable proceedings.

[N]In the event that the "bank" has been calculated for a month(s) and settled, and a given Shipper has paid into the bank, and subsequently a court of competent jurisdiction requires the return of all or part of such payments as a result of the Insolvency of such shipper, the amount of the funds returned to the estate of the insolvent shipper will be reallocated to the remaining Shippers based on a pro rata share of the remaining shippers settlements (absolute value).

API gravity shall be the quality parameters used to determine the relative value of each Shipper's Crude Petroleum receipt stream in the quality bank. ~~[W] Adjustment factor for gravity shall be thirty cents (\$.30) per degree gravity per barrel.~~

Shippers may propose modification to the Quality Bank; it being understood that Carrier retains the right, in its sole discretion, to reject such modification if Carrier reasonably and in good faith believe that such modification do not uphold the intent of the Quality Bank as set forth herein.

### [N] Chemical Grade Condensate Quality Bank

[W] Adjustment factor for gravity shall be thirty cents (\$.30) per degree per gravity barrel. Description of the Calculation of Quality Bank Credits/Debits:

Receipts:

The weighted average gravity differential value per barrel shall be obtained in the following manner: Multiply the gravity times the gravity differential values per barrel times the number of barrels to which such gravity differential values are applicable. Sum the gravity values and divide the total of the resultant gravity differential values in dollars and cents by the total of the applicable barrels.

Applicable barrels and gravities shall be the net barrels at 60° Fahrenheit (with no deduction for loss allowance) and the gravities recorded by the Operator at points where it customarily records gravities and quantities.

### **230. Quality Bank (continued)**

Adjustment between Shippers for gravity shall be computed as follows:

- I. Compute the weighted average gravity differential value per barrel of the barrels received from each Shipper.
- II. Compute the weighted average gravity differential value per barrel of the composite common stream receipts.
  - A. If the weighted average gravity differential value per barrel of a Shipper as so determined under Paragraph I above shall be greater than the weighted average gravity differential value per barrel of the aforementioned common stream crude petroleum as determined under Paragraph II, the difference in cents per barrel shall be calculated and Shipper shall be debited an amount calculated by multiplying said difference in gravity differential value per barrel by the applicable barrels.
  - B. If the weighted average gravity differential value per barrel of a Shipper is less than the weighted average gravity differential value per barrel of the aforementioned common stream crude petroleum, the difference shall be calculated as above outlined and Shipper credited for such difference.

These calculations shall be made for each calendar month and the algebraic sum of the adjustments for the System shall be zero  $\pm$  One Dollar. If a Shipper shall have a net debit balance the balance shall be remitted by ACH or Wire Transfer to the clearinghouse within fifteen (15) days from receipt of statement of such debit. If Shipper shall have a credit, the clearinghouse shall remit the amount thereof after receipt by the clearinghouse of the sums from those Shippers having debits as calculated above.

~~**[W]** Carrier shall administer the Quality Bank and shall perform, or cause to be performed, the clearinghouse business of calculating and effecting adjustments using a process of debits, credits and interchange of funds among the Shippers on the Pipeline System. Carrier may subcontract any or all of the work associated with administration of the Quality bank, but by doing so Carrier shall not be relieved of any of its obligations hereunder.~~

~~Carrier shall charge a quality bank administration fee of \$0.005 per barrel received.~~

~~Carrier shall perform the necessary Quality Bank calculations as soon as the gravity data is available for such Month and promptly issue appropriate credit/debit statements to each Shipper~~

**[W] A sample calculation is attached as Exhibit A**

## 230. Quality Bank (continued)

### [N]General Grade Crude Quality Bank

The tables of gravity differential values per barrel as attached hereto as **Exhibit B** are incorporated herein and made a part of these rules. Gravities below 38 API will be defaulted to 38 API gravity and gravities above 53 API will be defaulted to 53 API gravity in the calculations of the bank.

The weighted average gravity differential value per barrel (for two or more gravities of crude petroleum), as hereinafter referred to, shall be obtained in the following manner: Multiply the gravity differential values per barrel by the number of barrels to which such gravity differential values are applicable and then divide the total of the resultant gravity differential values in dollars and cents by the total of the applicable barrels.

Applicable barrels and gravities shall be the net barrels at 60° Fahrenheit (with no deduction for loss allowance) and the gravities recorded by the Operator at points where it customarily records gravities and quantities.

Adjustment between Shippers shall be computed as follows:

I. Compute the weighted average gravity differential value per barrel of the barrels received from each Shipper.

II. Compute the weighted average gravity differential value per barrel of the composite common stream receipts.

- A. If the weighted average gravity differential value per barrel of a Shipper as so determined under Paragraph I above shall be greater than the weighted average gravity differential value per barrel of the aforementioned common stream crude petroleum as determined under Paragraph II, the difference in cents per barrel shall be calculated and Shipper shall be credited an amount calculated by multiplying said difference in gravity differential value per barrel by the applicable barrels.
- B. If the weighted average gravity differential value per barrel of a Shipper is less than the weighted average gravity differential value per barrel of the aforementioned common stream crude petroleum, the difference shall be calculated as above outlined and Shipper debited for such difference.

These calculations shall be made for each calendar month and the algebraic sum of the adjustments for the System shall be zero ± One Dollar. If a Shipper shall have a net debit balance in combining the two adjustments made above, the balance shall be remitted to the clearinghouse within twenty (20) days from receipt of statement of such debit. If Shipper shall have a credit, the clearinghouse shall remit the amount thereof after receipt by the clearinghouse of the sums from those Shippers having debits as calculated above.

**A sample calculation is attached as Exhibits C.**

[N] **Exhibit A**

**SAMPLE CHEMICAL GRADE CONDENSATE QUALITY BANK CALCULATION**

<u>Shipper</u>	<u>Location</u>	<u>Volume</u>	<u>Gravity</u>
A	Smith Lease	10,000	42
B	Jones Lease	8,000	48

**Common Stream Calculations:**

<u>Shipper</u>	<u>Location</u>	<u>Volume</u>	<u>Gravity</u>	<u>Gravity Factor</u>	<u>Location Factor</u>	
A	Smith	10,000	42	\$0.30	\$12.60	\$126,000.00
B	Jones	<u>8,000</u>	48	\$0.30	\$14.40	<u>\$115,200.00</u>
		18,000				\$241,200.00
			System Factor		\$13.40	

**Shipper Calculations:**

Shipper A

Smith	10,000	42	\$0.30	\$12.60
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Location value \$12.60 minus System average \$13.40 times volume of 10,000

(\$8,000.00)

Shipper B

Jones	8,000	48	\$0.30	\$14.40
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Location value \$14.40 minus System average \$13.40 times volume of 8,000

\$8,000.00

**Bank Sum**

\$0.00

**[N] Exhibit B**  
**ADJUSTMENT AUTHORIZATION**

TABLES OF DIFFERENTIALS FOR USE IN DETERMINING ADJUSTMENTS FOR  
DIFFERENCE IN GRAVITY OF CRUDE PETROLEUM

API GRAVITY	DIFF. PER BBL						
38.0	5.060	41.8	5.100	45.6	5.010	49.4	4.440
38.1	5.060	41.9	5.100	45.7	4.995	49.5	4.425
38.2	5.060	42.0	5.100	45.8	4.980	49.6	4.410
38.3	5.060	42.1	5.100	45.9	4.965	49.7	4.395
38.4	5.060	42.2	5.100	46.0	4.950	49.8	4.380
38.5	5.060	42.3	5.100	46.1	4.935	49.9	4.365
38.6	5.060	42.4	5.100	46.2	4.920	50.0	4.350
38.7	5.060	42.5	5.100	46.3	4.905	50.1	4.335
38.8	5.060	42.6	5.100	46.4	4.890	50.2	4.320
38.9	5.060	42.7	5.100	46.5	4.875	50.3	4.305
39.0	5.080	42.8	5.100	46.6	4.860	50.4	4.290
39.1	5.080	42.9	5.100	46.7	4.845	50.5	4.275
39.2	5.080	43.0	5.100	46.8	4.830	50.6	4.260
39.3	5.080	43.1	5.100	46.9	4.815	50.7	4.245
39.4	5.080	43.2	5.100	47.0	4.800	50.8	4.230
39.5	5.080	43.3	5.100	47.1	4.785	50.9	4.215
39.6	5.080	43.4	5.100	47.2	4.770	51.0	4.200
39.7	5.080	43.5	5.100	47.3	4.755	51.1	4.185
39.8	5.080	43.6	5.100	47.4	4.740	51.2	4.170
39.9	5.080	43.7	5.100	47.5	4.725	51.3	4.155
40.0	5.100	43.8	5.100	47.6	4.710	51.4	4.140
40.1	5.100	43.9	5.100	47.7	4.695	51.5	4.125
40.2	5.100	44.0	5.100	47.8	4.680	51.6	4.110
40.3	5.100	44.1	5.100	47.9	4.665	51.7	4.095
40.4	5.100	44.2	5.100	48.0	4.650	51.8	4.080
40.5	5.100	44.3	5.100	48.1	4.635	51.9	4.065
40.6	5.100	44.4	5.100	48.2	4.620	52.0	4.050
40.7	5.100	44.5	5.100	48.3	4.605	52.1	4.035
40.8	5.100	44.6	5.100	48.4	4.590	52.2	4.020
40.9	5.100	44.7	5.100	48.5	4.575	52.3	4.005
41.0	5.100	44.8	5.100	48.6	4.560	52.4	3.990
41.1	5.100	44.9	5.100	48.7	4.545	52.5	3.975
41.2	5.100	45.0	5.100	48.8	4.530	52.6	3.960
41.3	5.100	45.1	5.085	48.9	4.515	52.7	3.945
41.4	5.100	45.2	5.070	49.0	4.500	52.8	3.930
41.5	5.100	45.3	5.055	49.1	4.485	52.9	3.915
41.6	5.100	45.4	5.040	49.2	4.470	53.0	3.900
41.7	5.100	45.5	5.025	49.3	4.455		

[N] **Exhibit C**

**SAMPLE GENERAL GRADE CRUDE QUALITY BANK CALCULATION**

LOCATION	SHIPPER	BBL'D RECEIVED	API GRAV	GRAVITY DIFF	BBL'S REC'D x GRAV DIFF
JONES LEASE	A	155,000.00	38.0	\$5.06	- 784,300.00
ABC TRUCK ACT	B	165,341.60	42.0	\$5.10	- 843,242.16
SMITH LEASE	C	<u>82,658.40</u>	48.0	\$4.65	- <u>384,361.56</u>
		403,000.00			- 2,011,903.72

COMMON STREAM WEIGHTED AVERAGE GRAVITY VALUE: 2,011,903.72/403,000.00 4.992316923

JONES LEASE SHIPPER A  
 WEIGHTED AVERAGE GRAVITY VALUE:  $784,300.00/155,000.00 = 5.06$   
 CALCULATION:  $(4.992316923 - 5.06) \times 155,000.00 =$  **(\$10,490.88)**  
 CURRENT MONTH QUALITY BANK AMOUNT: **(\$10,490.88)**

ABC TRUCK ACT SHIPPER B  
 WEIGHTED AVERAGE GRAVITY VALUE:  $843,242.16/165,341.60 = 5.10$   
 CALCULATION:  $(4.992316923 - 5.10) \times 165,341.60 =$  **(\$17,804.49)**  
 CURRENT MONTH QUALITY BANK AMOUNT: **(\$17,804.49)**

SMITH LEASE SHIPPER C  
 WEIGHTED AVERAGE GRAVITY VALUE:  $384,361.56/82,658.40 = 4.65$   
 CALCULATION:  $(4.992316923 - 4.65) \times 82,658.40 =$  **\$28,295.37**  
 CURRENT MONTH QUALITY BANK AMOUNT: **\$28,295.37**

BANK SUM **(\$0.00)**

<b>Explanation of Reference Marks</b>	
<b>Reference Mark</b>	<b>Explanation</b>
[C]	Cancelled
[N]	New
[W]	Change in wording only