

SEAWAY CRUDE PIPELINE COMPANY LLC
LOCAL TARIFF
CONTAINING
RATES, RULES AND REGULATIONS
GOVERNING
THE TRANSPORTATION
of
CRUDE PETROLEUM AND PROCESSED CONDENSATE
FROM
SEAWAY CRUDE PIPELINE COMPANY LLC'S FACILITIES
TEXAS GULF COAST
TO
POINTS IN TEXAS

Operated by Enterprise Crude Pipeline LLC (P-5 #2531360) under T-4 Permit #06091.

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

EFFECTIVE MAY 1, 2018

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SECTION 1**RULES AND REGULATIONS OF RAILROAD COMMISSION OF TEXAS****OIL AND GAS RULE §3.71, PIPELINE TARIFFS**

(The provisions of this §3.71 adopted to be effective August 25, 2003, 28 TexReg 6816)

TITLE 16 OF THE TEXAS ADMINISTRATIVE CODE (TAC) Rule § 3.71, PARAGRAPHS (1) – (19)

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 1.0% 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.

**This deviates from TAC Rule § 3.71, Paragraph (1) in that the limit for basic sediment, water, and other impurities is 1.0 % rather than 2.0% as provided in the rule.*

(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 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 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 apportionate.

(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.

SECTION 2

RULES AND REGULATIONS

1. DEFINITIONS

As used in this tariff, the following terms have the following meanings:

“Affiliate” means any Person that, directly or indirectly: (i) controls a Party; (ii) is controlled by a Party; or (iii) is under common control with a Party; it being understood and agreed that for purposes of this definition the terms “control,” “controls” and “controlled by” shall mean the power to direct or cause the direction of the management and policies of another Person whether through the ownership of shares, a contract, trust arrangement or any other means, either directly or indirectly, that results in control in fact, but notwithstanding the foregoing includes the ownership of shares or equity interests carrying not less than 50% of the voting rights regardless of whether such ownership occurs directly or indirectly, as contemplated above. Affiliates are also Persons with common mailing or business addresses, business telephone numbers, or bank account(s).

“API” means American Petroleum Institute.

“API MPMS” means the API Manual of Petroleum Measurement Standards.

“ASTM” means American Society for Testing and Materials.

“Barrels” means 42 United States gallons at sixty degrees (60°) Fahrenheit.

“Business Day” means any day other than Saturday, Sunday, and any other day when banks are closed for business in Texas.

“Carrier” means Seaway Crude Pipeline Company LLC.

“Crude Petroleum” means the direct liquid product of oil wells, oil processing plants, the indirect liquid petroleum products of oil or gas wells, oil sands, or a mixture of such products.

“Delivery Points” means the delivery points provided for in Section 3 of this tariff.

“FERC” means Federal Energy Regulatory Commission.

“Financial Assurances” has the meaning set forth in Rule 20.

“Force Majeure” means any of the following events: acts of God; acts or delays of any Governmental Authority; compliance with rules, regulations or orders of any Governmental Authority; strikes, lockouts or other industrial disturbances; acts of the public enemy, acts of terrorism, wars, blockades, insurrections, riots, and civil disturbances; epidemics; landslides, lightning, earthquakes, fires, extreme temperatures, storms, hurricanes, floods, or other adverse weather conditions; freezing of wells or lines of pipes; washouts; arrests and restraint of rulers and people; explosions, breakage or accident to machinery or lines of pipes; requisitions, directives, diversions, embargoes, priorities or expropriations of Governmental Authorities, legal or de facto, whether purporting to act under some applicable law, rules or regulations or otherwise; failure of pipelines or other carriers to transport or furnish facilities for transportation; failures, disruptions, or breakdowns of machinery or of facilities for production, manufacture, transportation, distribution, processing or consumption (including, but not by way of limitation, the Pipeline); the necessity for making repairs, alterations, enlargements or connections to, or performing maintenance on, machinery or facilities of production, manufacture, transportation, distribution, processing or consumption (including, but not by way of limitation, the Pipeline); inability to secure or delays in securing rights of way and permits; transportation embargoes or failures or delays in transportation or poor road conditions; any partial or entire failure of Petroleum supply, and, without limitation by enumeration, any cause or causes, whether of the kind herein enumerated or otherwise, not reasonably within the control of an entity.

RULES AND REGULATIONS (Continued)**DEFINITIONS (continued)**

“Governmental Authority” means any government, any governmental, administrative or regulatory entity, authority, commission, board, agency, instrumentality, bureau or political subdivision and any court, tribunal or judicial or arbitral body (federal, state or local or, in the case of an arbitral body, whether governmental, public or private).

“Minimum Volume” is defined as a minimum continuous volume of 60,000 barrels of Crude Petroleum received or delivered at one time.

“Nomination” or “Nominate(d)” means an offer by a Shipper to the Carrier in accordance with this tariff for the transportation of a stated quantity and type of Petroleum from a Receipt Point to a Delivery Point.

“Observed Viscosity” means the property which offers resistance to flow and as determined at the measured Petroleum temperature at the time of receipt.

“Pipeline” means the Seaway Pipeline that extends from the Enterprise Crude Petroleum terminal in Cushing, Oklahoma to the Delivery Points, except for those portions that are leased to other carriers.

“Petroleum” means Crude Petroleum and/or Processed Condensate.

“Processed Condensate” means a petroleum product derived from condensate that: (i) has been adequately processed through a distillation tower at a stabilizer, splitter or other distillation facility; (ii) has remained segregated; (iii) has not been blended with other hydrocarbons since its distillation; and (iv) meets any and all federal, state and local legal, administrative and regulatory requirements necessary for such product to qualify for exportation as EAR99 under the Export Administration Regulations.

“Receipt Point” means the receipt point provided for in Section 3 of this tariff.

“Reference Viscosity” means the property which offers resistance to flow and is based on the Carrier’s reference pipeline temperature at the time of receipt.

“Reid Vapor Pressure” means the vapor pressure of crude oil or other volatile petroleum products measured at 100 degrees Fahrenheit and at a 4:1 V/L ratio as determined by the latest edition of ASTM D6377: Standard Test Method for Determination of Vapor Pressure of Crude Oil, and reported as the Reid Vapor Pressure Equivalent (RVPE) as described in appendix X1 using equation X1.1 for unpressurized 1-liter sample containers.

“Services” means the transportation of Petroleum for a Shipper’s account on the Pipeline from a Receipt Point and the delivery of such Petroleum to a Delivery Point.

“Shipper” means a party for whom transportation services are provided under the terms of this tariff and Carrier’s then effective FERC tariff.

“Standard Conditions” means 60 degrees Fahrenheit and 14.696 psia, and are the standardized temperature and pressure which measured Petroleum volumes are corrected to, as if the Petroleum were at those conditions.

“Working Stock” means the volume of Petroleum required by the Carrier, at initiating locations where the Carrier owns tankage, to float tank roofs to working levels and to maintain that level and for terminal piping.

RULES AND REGULATIONS (Continued)**2. COMMODITY**

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

3. ACCEPTANCE OF Petroleum

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

RULES AND REGULATIONS (Continued)**4. SPECIFICATIONS AS TO QUALITY**

- (a) Carrier will determine the quality of Processed Condensate in accordance with the following test methods: API gravity, density and relative density by ASTM Standards D1298, D5002 and D287 at API 60 degrees Fahrenheit; vapor pressure by ASTM Standard D5191; and sediment and water by API MPMS Chapter 10.4. Carrier will determine the quality of Crude Petroleum in accordance with the following test methods: Density: API MPMS Chapter 9.1 – Density Determination; Section 1 – Standard Test Method for Density, Relative Density (Specific Gravity), or API Gravity of Crude Petroleum and Liquid Petroleum Products by Hydrometer Method; Water and/or Sediment: API MPMS Chapter 10.4 – Determination of Water and/or Sediment in Crude by the Centrifuge Method (Field Procedure); and Special Analyses on Request of Customer: a. Vapor Pressure: ASTM D6377 b. Sulfur: ASTM D4294.
- (b) 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 Petroleum where, as determined by the Carrier on receipt:
 - (i) The Reid Vapor Pressure of the Petroleum exceeds 9.0 psia, or might result in Carrier's noncompliance with federal, state or local requirements regarding hydrocarbon emissions;
 - (ii) The kinematic viscosity exceeds 350 millimeters per second;
 - (iii) The gravity of Petroleum is less than 17° API gravity or greater than 90° API gravity at 60 degrees Fahrenheit;
 - (iv) The Petroleum contains basic or foreign sediment and water and other impurities exceeding 1% by volume or in which the volume of water exceeds 0.5% of the volume offered for transportation;
 - (v) The surface of settled sediment and water and other impurities in tanks is less than four inches below the bottom of the pipeline connection from which it enters Carrier's facilities;
 - (vi) The organic chlorides in the Petroleum exceeds three ppm (naphtha cut) as tested by Microcoulometry or Sodium Biphenyl methods;
 - (vii) The Petroleum contains any other excessive metals, chemicals, salts, or any other material which would adversely affect downstream markets or pipelines; or
 - (viii) The Petroleum does not meet specifications of connecting carriers.
- (c) A Shipper shall, as required by the Carrier, provide to the Carrier a certificate with respect to the specifications of 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 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.
- (d) The Carrier reserves the right to refuse to accept any Petroleum (or other product) for transportation which does not meet Carrier's specifications in paragraph (a) of this Rule 4 or which is not good merchantable Petroleum readily acceptable for transportation through the Pipeline.
- (e) If the Carrier determines that a Shipper does not comply with the provisions of paragraph (a) of Rule 4 of this tariff, then such Shipper shall remove its Petroleum from the facilities of the Carrier 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 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 Petroleum.
- (f) If, upon investigation, the Carrier determines that the Shipper has delivered to the Carrier's facilities Petroleum that has contaminated the common fungible stream, rendering all or a portion of the fungible Petroleum stream undeliverable, the Carrier reserves the right to treat or otherwise dispose of all contaminated Petroleum in any reasonable commercial manner at Shipper's sole expense.
- (g) On Petroleum received by the Carrier that does not meet the Carrier's deliverability requirements, the Carrier reserves the right to charge an additional [U] 100 cents per Barrel treating and handling charge.

RULES AND REGULATIONS (Continued)**5. CHANGES IN QUALITY AND SEGREGATION**

- (a) The Carrier shall endeavor to deliver substantially the same type of Petroleum as that received from a Shipper; however, the Carrier shall not be obligated to make delivery of the identical Petroleum received by the Carrier.
- (b) 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 Petroleum with other Petroleum in the facilities of the Carrier. 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 Petroleum as a result of the Carrier's transportation, commingling or intermixing of such Petroleum.

6. NOMINATIONS AND QUANTITIES ACCEPTED

- (a) All Shippers desiring to ship Petroleum through the Pipeline shall promptly provide Carrier a Nomination containing all information needed by Carrier to schedule and dispatch each shipment of Petroleum which Shipper offers to make. Carrier may refuse to receive Petroleum for transportation until Shipper has provided Carrier with such information.
- (b) Carrier shall not be obligated to accept Petroleum for transportation during any calendar month unless the Shipper shall, on or before the Petroleum 15th day of the preceding calendar month, notify the Carrier in writing of the kind and quantity of such Petroleum which it desires to ship. If the 15th 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 15th 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 Shipper's Nomination to satisfy Carrier that offers to ship are 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 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 Petroleum if the volume of such Petroleum is less than the Minimum Volume or if the receipt flow rate at which such 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 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.

7. RULES AND RATES APPLICABLE

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

RULES AND REGULATIONS (Continued)**8. 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 Petroleum by the Carrier. The Shipper shall pay such charges and costs upon receipt of the Carrier's invoice respecting 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 Petroleum at the Receipt Point.
- (b) The Carrier shall have a lien on all of Shipper's 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 Petroleum by the Carrier. The Carrier may withhold the Shipper's 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) If charges for the transportation of a Shipper's Petroleum remain unpaid for 10 Business Days after notice of demand for payment of such charges is made to such Shipper by the Carrier, then the Carrier shall have the right to (i) assess a late charge at an annual interest rate equivalent to 125% of the prime rate of interest charged by Citibank N.A. of New York, New York (the maximum on 90 day loans to substantial and responsible commercial borrowers or any lesser maximum interest rate permitted under applicable law) as of the due date; provided that 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 Petroleum that is in the possession of the Carrier in such lawful manner as deemed appropriate by the Carrier.
- (d) The Carrier shall pay from the proceeds of any sale pursuant to paragraph (c)(ii) all charges and costs accruing or due relating to the transportation of such Shipper's Petroleum by the Carrier and all costs incurred by the Carrier with respect to the storage, removal and sale of such Shipper's 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.
- (e) 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.
- (f) When required the Carrier shall, with or without notice to the Shipper, appoint agent(s) to retain possession of the Shipper's Petroleum on behalf of the Carrier for the purpose of enforcing the lien described in this Rule.
- (g) Carrier shall retain 2/10 of 1% of the volumes of Petroleum received into the Carrier's facilities to cover loss due to shrinkage and evaporation incident to transportation on the Carrier's facilities ("Pipeline Loss Allowance" or "PLA"). PLA is settled financially pursuant to Carrier's then effective Policy and Procedures Applicable to Shipper Over/Short Balancing and Pipeline Loss Allowance Settlement, which is posted on Carrier's website and available upon request. This policy will also be used to settle any over/short balances of Shipper each month.

RULES AND REGULATIONS (Continued)**9. MEASURING, TESTING, AND DEDUCTIONS**

- (a) All Petroleum accepted at custody transfer points into the Carrier's facilities shall be tested for basic or foreign sediment and water and other impurities and gauged or metered by the Carrier'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 facilities.
- (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 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 into or from the Carrier's facilities, the Carrier reserves the right to require restrapping 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 Carrier shall deduct from the volume of Petroleum received into the Carrier's facilities the actual amount of suspended basic or foreign sediment, water and other impurities as ascertained by centrifuge or other tests agreed upon.
- (e) The net calculated quantity at 60 degrees Fahrenheit less sediment and water and other impurities volume percentage shall be the quantity received or delivered by the Carrier.
- (f) All Petroleum Tendered for shipment at 55° 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%

- (g) The Carrier will not accept any material for shipment above 90° API gravity at 60 degrees Fahrenheit.
- (h) 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.

10. EVIDENCE OF RECEIPTS AND DELIVERIES

The Carrier shall evidence the receipt and delivery of Petroleum by tickets showing the volume, crude type, temperature, gravity, sediment and water and any other data with respect to such 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.

11. WORKING STOCK

- (a) Each Shipper shall supply its quantity of Working Stock as determined from time to time by the Carrier.
- (b) In the event Shipper fails to supply the Working Stock volumes as requested by the Carrier in paragraph (a), the Carrier will obtain the deficient Working Stock volumes on such Shipper's behalf, and such Shipper shall pay for, all charges incurred by the Carrier to obtain the deficient Working Stock volumes upon receipt of the Carrier's invoice therefor.

RULES AND REGULATIONS (Continued)**12. DELIVERY AND ACCEPTANCE**

- (a) The Carrier shall transport and deliver Petroleum with reasonable diligence and dispatch, but shall not be required to transport Petroleum in time for any particular market.
- (b) A Shipper or the designee of the Shipper shall accept such Shipper's Petroleum upon arrival at the Delivery Point.
- (c) If a Shipper fails to remove its Petroleum from the facilities of the Carrier in accordance with the provisions of paragraph (b), then the Carrier shall have the right to remove and sell such 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 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.

13. LIABILITY OF CARRIER

- (a) 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 Petroleum, including the breakdown of the facilities of the Carrier.
- (b) If damage or loss to Petroleum results from any cause other than the direct negligence of the Carrier while the Carrier is in possession or control of such 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 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 Petroleum remaining after such deduction.
- (c) If 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, either obtain and deliver to the Shipper thereof other Petroleum of the same quantity and grades as that which was lost, or compensate Shipper for such loss in money.

14. 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.

RULES AND REGULATIONS (Continued)**15. PRORATIONING**

In the event Shippers offer to ship more Petroleum via a particular pipeline or segment of line during any period of time than can be pumped through such line or segment of line during such period, then Carrier shall accept and transport, during such period, only that portion of each good-faith offer to ship which Carrier shall determine to be equitable to all Shippers.

[N]Once Carrier has determined the capacity allocated to each Shipper for a given month, it shall provide notice to each Shipper of its allocated capacity for the month. If any Shipper fails to tender volumes during the Month equal to 100% of its allocated capacity for that month, then that Shipper shall pay to Carrier, in the aggregate, the tariff charge for 100% of the allocated capacity.

16. REQUESTED CHANGE BY THE SHIPPER

- (a) Subject to the operating conditions of the facilities of the Carrier, the Carrier may upon the written request of a Shipper, allow a Shipper to change:
 - (i) the designated volume and type of its Petroleum that will originate on the Pipeline at the Receipt Point; or
 - (ii) the designated volume and type of its Petroleum to be delivered to a Delivery Point.

17. INLINE CHANGE IN OWNERSHIP

- (a) Notice of change in ownership of Petroleum shall be recognized and recorded only where such 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 Petroleum subject to changes in ownership except for gravity on current Receipts when requested. Each transferor shall be charged a 0.75 cent per Barrel (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 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 Petroleum during any operating month unless the transferor and transferee requesting the Carrier to recognize and record the change in ownership shall, each, on or before the 15th 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 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 Petroleum received during the operating month is not equivalent to the quantity of the 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.

RULES AND REGULATIONS (Continued)**INLINE CHANGE IN OWNERSHIP (continued)**

- (d) A notice of change in ownership of Petroleum shall be deemed: (1) a warranty that the transferor has unencumbered title to the Petroleum identified in its notice at the time of change in ownership, and (2) a representation that the change in ownership is effective as of 7:00 o'clock a.m. (Mountain 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 Petroleum.
- (f) A transfer of a Shipper's rights and obligations under this Rule 17 respecting its 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 20 of this tariff.

18. ADVERSE CLAIMS AGAINST PETROLEUM

- (a) A Shipper shall not Nominate or deliver to the Carrier 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 8(b)) or charge of any kind unless the Shipper provides written notification to the Carrier of such litigation, dispute, lien or charge not less than 20 days before such Nomination is made to the Carrier.
- (b) The Carrier shall not be obligated to accept 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 8(b)) or charge of any kind.
- (c) A Shipper shall advise the Carrier in writing if, at any time while the Shipper's Petroleum is in the possession of the Carrier, such Petroleum becomes involved in litigation, the ownership of such Petroleum becomes in dispute or such Petroleum becomes encumbered by a lien (other than a lien that is subordinated to Carrier's lien described in Rule 8(b)) 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 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 8(b)) 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 Petroleum for transportation.

RULES AND REGULATIONS (Continued)**19. 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 Petroleum by the Carrier within nine months of delivery of such Petroleum by the Carrier or, in the case of a failure to make delivery, then within nine 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 a Shipper fails to comply with the provisions of paragraph (a) or paragraph (b), then such Shipper waives all rights it has to bring an action against the Carrier with respect to such claim.

20. 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, charges for deficient Working Stock and negative Shipper's balance positions. The Carrier shall not be obligated to accept Petroleum for transportation from an existing or prospective Shipper if Shipper or prospective Shipper fails to provide the requested information to the Carrier within 10 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, charges for deficient Working Stock, and the reasonably determined value of negative Shipper's balance positions.
- (b) Subject to the provisions of paragraph(c), the Carrier, upon notice to Shipper, 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:
 - (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").

RULES AND REGULATIONS (Continued)**FINANCIAL ASSURANCES (Continued)**

- (c) Subject to the provisions of paragraph(c), the Carrier, upon notice to Shipper, 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:
- (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”).
- (d) 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 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 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, charges for deficient Working Stock, and negative Shipper’s balance positions. The Carrier shall not be obligated to accept 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.

21. DUTY OF CARRIER

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

22. 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”.

**SECTION 3
LOCAL RATES IN CENTS PER BARREL**

FROM	TO	RATE
Seaway Crude Pipeline Company LLC's Texas City, Texas Facilities	Marathon Galveston Bay Refinery, (Galveston County), Texas Marathon Texas City Refinery, (Galveston County), Texas Seaway Texas City (Harris County), Texas Valero Texas City Refinery, (Galveston County), Texas	[U] 10.00**
Seaway Crude Pipeline Company LLC's Facilities at ECHO Terminal (Harris County), Texas	*Houston Refining LP , Pasadena (Harris County), Texas	[U] 14.00
	ExxonMobil Webster (Harris County), Texas	[U] 31.37
	Marathon Galveston Bay Refinery, (Galveston County), Texas Marathon Texas City Refinery, (Galveston County), Texas Seaway Texas City (Harris County), Texas Valero Texas City Refinery, (Galveston County), Texas	[U] 31.37**

* Does not include Seaway terminal facilities at Texas City.

**In addition to the transportation charges on Crude Petroleum delivered to Carrier's facilities at Texas City, Shipper shall reimburse the Carrier for any wharfage fee, dock fee, tax or other charges levied against the Carrier by the Port of Texas City authority.

VISCOSITY SURCHARGE: In addition to all other charges for transportation hereunder, all Crude Petroleum having a viscosity greater than 500 Saybolt Universal Seconds (SUS) at 100 degrees Fahrenheit shall be subject to an additional charge of [U] 2.0 cents (\$0.02) per barrel. Viscosity measurements will be based on Carrier's most recent published table of viscosities by Crude Petroleum type.

EXPLANATION OF REFERENCE MARKS

[N] New. [U] Unchanged rate.

PLEASE NOTE: IN THE EVENT OF ANY CONFLICT BETWEEN SECTION 1 AND SECTION 2 OF THIS TARIFF, SECTION 2 WILL GOVERN.