

**[N] CANCELLATION NOTICE**  
**LADYBUG PIPELINE COMPANY, L.L.C.**  
**[C] LOCAL TARIFF**

Containing  
**~~RULES AND REGULATIONS~~**  
**~~GOVERNING TRANSPORTATION OF~~**  
**~~CRUDE PETROLEUM~~**  
by  
**~~PIPELINE~~**

RECEIVED  
R.R.C. OF TEXAS

JAN 06 2017

GAS SERVICES DIVISION  
AUSTIN, TEXAS

RECEIVED  
RRC OF TEXAS

JAN 06 2017

PIPELINE SAFETY DIVISION  
AUSTIN, TEXAS

~~The Rules and Regulations published herein apply only under tariffs making specific reference by number to this tariff; such reference will include supplements hereto and successive ones hereof.~~

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

**[N] Cancellation Notice**

**[N]** This tariff is hereby cancelled. No further rules or regulations remain in effect.

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**EFFECTIVE: January 31, 2017**

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Issued by  
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ITEM NO.	SUBJECT	[C] RULES AND REGULATIONS
1	Definitions	<p>As used in these rules and regulations, the following terms have the following meanings:</p> <p><b>"Barrel"</b> means forty-two United States gallons at sixty degrees (60°) Fahrenheit and zero ("0") gauge pressure if the vapor pressure of the petroleum is at or below atmospheric pressure, or at equilibrium pressure if the vapor pressure of the petroleum is above atmospheric pressure.</p> <p><b>"Carrier"</b> means and refers to Ladybug Pipeline Company, L.L.C.</p> <p><b>"Consignee"</b> means an entity that has been authorized in writing to schedule with Carrier delivery of a specific amount of Crude Petroleum out of Carrier's system.</p> <p><b>"Merchantable Crude Petroleum"</b> means either the direct liquid products of oil wells, or a mixture of the direct liquid products of oil wells with the indirect liquid products of oil or gas wells, provided that the products meet the specifications provided in Item No. 5.</p> <p><b>"Nomination"</b> means a written designation by a Shipper to the Carrier of an approximate quantity of crude petroleum for transportation from a specified origin point(s) to a specified destination point(s) over a period of one operating month in accordance with these rules and regulations.</p> <p><b>"Reid Vapor Pressure"</b> is a method of testing to determine absolute vapor pressure of volatile crude oil and volatile non-viscous petroleum products at 100°F in pounds per square inch.</p> <p><b>"Shipper"</b> means the entity that originally nominates Crude Petroleum from an origin point listed in this tariff and is responsible to Carrier for all charges and obligations hereunder, except as otherwise noted.</p>
2	Notice of Arrival, Delivery at Destination, Demurrage	<p>(a) — Since Carrier does not have available and does not hold itself out to provide storage for Shippers' crude petroleum at origin, destination, or intermediate points, no duty to transport will arise until evidence satisfactory to Carrier has been furnished that Shipper or Consignee has provided necessary facilities to which Carrier is connected and has made necessary arrangements for acceptance of delivery at destination.</p> <p>(b) — The obligation of the Carrier is to deliver the quantity of crude petroleum to be transported, less deductions, at the specified destination. Such delivery may be made upon twenty-four (24) hours notice to the Shipper or Consignee who shall accept and receive said crude petroleum from the Carrier with all possible dispatch into tanks or receptacles arranged for or provided by the Shipper or Consignee.</p> <p>(c) — Commencing after the first seven o'clock a.m., after expiration of said 24-hour notice, Carrier shall assess a demurrage charge on any part of said Crude Petroleum shipment offered for delivery and not taken by Shipper or Consignee; the demurrage charge will be one-half cent <b>[U]</b> (\$0.005) per Barrel per day for each day of 24 hours or fractional part thereof. After expiration of said 24-hour notice, Carrier's liability for loss, damage or delay with respect to crude petroleum offered for delivery but not taken by Shipper or Consignee shall be that of a warehouseman only.</p> <p>(d) — If the Shipper, or Consignee, is unable or refuses to receive said crude petroleum as it arrives at the specified destination, the Carrier reserves the right to make whatever arrangements for disposition of the crude petroleum it deems appropriate in order to clear its pipeline, including but not limited to the sale provided for in (e) below. Any additional expenses incurred by the Carrier in making such arrangements shall be borne by the Shipper or Consignee.</p> <p>(e) — In the event there is a failure of Shipper or Consignee to take crude petroleum at designation as provided in this tariff, then Carrier, <b>[N]</b> or its agent thereof, shall have</p>
2	Notice of Arrival, Delivery at Destination, Demurrage (continued)	<p>the right, but not the obligation, and without prejudice to the other rights and remedies it may have, to sell such petroleum at private sale for the best price obtainable. The Carrier may be a purchaser at such sale. Out of the proceeds of said sale, Carrier may pay itself all transportation charges and other necessary expense of caring for and maintaining the crude petroleum and the balance shall be</p>

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		held for whosoever may be lawfully entitled thereto.
3	<del>[W]</del> <b>Nomination</b>	<p data-bbox="456 260 1524 405">(a) <del>Crude petroleum will be transported only under a Nomination from facilities connected to Carrier's system when a tariff covering the movement is lawfully in effect and on file. All Nominations shall include the name of the Shipper, the quantity of Merchantable Crude Petroleum, origin point, destination and Consignee if other than the Shipper.</del></p> <p data-bbox="456 436 1524 701">(b) <del>Any Shipper desiring to submit a Nomination of crude petroleum for transportation shall make such Nomination to the Carrier in writing on or before the twenty-fifth (25<sup>th</sup>) day of the month preceding the month during which the transportation under the Nomination is to begin. Unless such notification is made, the Carrier will be under no obligation to accept crude petroleum for transportation. However, if operating conditions permit, and at the sole discretion of the Carrier, Nominations for crude petroleum may be accepted for transportation after the twenty-fifth (25<sup>th</sup>) day of the month preceding the month during which the transportation under the Nomination is to begin.</del></p>
4	<b>Mixing with Other Crude Petroleum</b>	All such crude petroleum will be accepted for transportation only on condition that it shall be subject to such changes in gravity or quality while in transit as may result from the mixture of said crude petroleum with other crude petroleum in the pipeline or tanks of this, or the connecting, carrier or carriers.
5	<b>Commodity</b>	<p data-bbox="456 890 1524 1157">This Carrier is engaged in the transportation of Merchantable Crude Petroleum exclusively, and, therefore, will not accept for transportation any commodity other than good Merchantable Crude Petroleum adapted for refining or fuel purposes, including indirect and direct liquid products properly settled. The Company reserves the right to refuse to accept for transportation any crude petroleum containing more than five-tenths of one percent (5/10 of 1%) of basic sediment, water and other impurities, of which no more than two-tenths of one percent (2/10 of 1%) can be water, and a sulfur content of less than or equal to five-tenths of one percent (5/10 of 1%) by weight as determined by ASTM Method D4294 without centrifuge.</p> <p data-bbox="456 1192 1524 1308">The indirect liquid products of oil or gas wells, as used herein, means natural gasoline and/or petroleum condensate together with such liquid components which may, by nature, be part thereof, derived from a processing plant. Such indirect products must be substantially free of propane and lighter hydrocarbons.</p> <p data-bbox="456 1344 1524 1402">The direct liquid products of oil or gas condensate wells, as used herein, means liquids as produced in a natural state from such wells.</p> <p data-bbox="456 1438 1524 1554">(a) <del>The indirect liquid products of oil or gas wells, hereinafter referred to as indirect products, will be accepted and transported as a mixture with the direct liquid products of oil or gas condensate wells, hereinafter referred to as direct products, only under the following conditions:</del></p> <p data-bbox="537 1589 1524 1684">(1) <del>The Reid vapor pressure of the indirect products shall not exceed forty (40) pounds per square inch, absolute, at temperature of one hundred (100) degrees Fahrenheit.</del></p>
5	<b>Commodity (continued)</b>	<p data-bbox="537 1780 1524 1864">(2) <del>The Reid vapor pressure of the resulting mixture of the direct products and the indirect products shall not exceed eleven (11) pounds per square inch, absolute, at temperature of one hundred (100) degrees Fahrenheit.</del></p> <p data-bbox="537 1900 1524 1959">(3) <del>Carrier reserves the right to determine, under its operating conditions, the permissible limit and rate of injection of indirect products to direct products. The</del></p>

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~~indirect products portion of the mixture may be accepted for transportation at points other than the points of receipt where the direct products are injected into the compatible stream~~

- ~~(b) The direct products and indirect products will be measured and tested separately, and must be shown separately on the Nomination form.~~
- ~~(c) Mixtures will be transported and delivered as crude petroleum. Nothing in this item will waive provisions of this tariff, or require the Carrier to receive, transport or deliver unmixed indirect products, except that unmixed indirect products will be gathered for subsequent mixing with direct products, in accordance with this rule, where facilities exist for performing a gathering service for such indirect products. When such gathering service of indirect products is performed, a deduction of 5% for loss in mixing will be made and will be in addition to the deductions specified in Rule 8.~~
- ~~(d) Carrier will not accept or transport crude petroleum containing more than 5 ppm of organic chlorides.~~
- ~~(e) Notwithstanding the foregoing, the Shipper who introduces into Carrier's system crude petroleum that in any way does not comply with the above specifications, is liable for all consequences of transportation by Carrier of such crude petroleum, including but not limited to damages, costs and expenses of disposal, costs and expenses necessary to return the Carrier's system facilities to service, claims from other shippers, carriers or users of the non-complying crude petroleum, and the costs of any regulatory or judicial proceeding.~~

6 **Apportionment  
when  
Nominees are  
in excess of  
Facilities**

~~When there shall be nominated to Carrier for transportation more crude petroleum than can be immediately transported, the transportation furnished by Carrier shall be apportioned among all Shippers in proportion to the amounts nominated by each, based on the capacity of the System or any line segment thereof. No Nominations shall be considered beyond the amount which the party requesting shipment has readily accessible for shipment. If a Shipper is unable to tender crude petroleum equal to the space allocated to it, its volume for the succeeding month may be reduced by the amount of allocated throughput not utilized during the preceding month if apportionment is necessary.~~

~~When Nominations submitted by Shipper to Carrier after the twenty-fifth (25th) of the month preceding the operating month do not exceed the capacity of the System or any line segment thereof, additional Nominations may be accepted by the Carrier to fill capacity. These additional Nominations will be accepted only if they do not impair the movement of crude petroleum nominated by the twenty-fifth (25th) of the preceding month.~~

7 **Liability of  
Carrier**

~~Carrier, while in possession of any crude petroleum, will not be liable for any loss thereof, or damage thereto, caused by an act of God, the public enemy, quarantine, the authority of law, strikes, riots or the act or default of the Shipper, or from any other cause not due to the negligence of Carrier. In the event there is any loss of crude petroleum other than through the negligence of Carrier, the Shipper(s) whose crude petroleum has been tendered to the Carrier and scheduled for transportation over that segment of the System in which the loss occurs shall bear such loss in the same proportion as the amount of its tendered crude petroleum scheduled for transportation over such segment. Such Shipper(s) shall be entitled to receive only such remaining portion of its tender as is left after deducting its due portion of the loss.~~

7 **Liability of  
Carrier  
(continued)**

8 **Gauging,  
Metering,  
Testing and  
Deductions**

~~Crude petroleum tendered to this Carrier shall be gauged or metered and tested by a representative of this Carrier prior to its acceptance for transportation. The Shipper shall have the privilege of being present or represented at the gauging or metering and testing. If tank tables are used, quantities shall be computed from correctly compiled tank tables on~~

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~~a one hundred percent (100%) volume basis showing the gross volume at the observed fluid temperature, and corrections will be made to the basis of sixty degrees (60°) Fahrenheit on the basis of the latest available ASTM-IP petroleum measurement tables, latest American edition. A centrifuge machine or other method shall be used for ascertaining the percent of basic sediment, water or other impurities as ascertained shall be deducted from the corrected volume. The deliverable volume will be determined by one of the following methods:~~

- ~~(a) The net (corrected) balance at sixty degrees (60°) will be the quantity deliverable by the pipeline.~~
- ~~(b) Quantities transported may be adjusted for inherent losses, including but not limited to, shrinkage, evaporation, interface and normal "over and short" losses. Loss adjustments will be made on the basis of total quantities transported and shall be based on actual loss experience.~~
- ~~(c) Unless specific rules and regulations published in tariffs provide otherwise, Carrier shall deduct a percentage of the volume of all crude petroleum, the gravity of which equals or exceeds 55 degrees API, whenever such crude petroleum is to be mixed with other crude petroleum in transit, in accordance with the following table:~~

<del>Degrees API Gravity</del>	<del>Percentage Deduction</del>
<del>Less than 55</del>	<del>None</del>
<del>55 to 74.9</del>	<del>[1] 2 1</del>
<del>75 to 99.9</del>	<del>[1] 4 2</del>
<del>100 and above</del>	<del>[1] 5 3</del>

**9 Payment of  
Charges**

~~The Shipper shall be obligated to pay Carrier all charges and fees upon Carrier's performance of the designated service(s). Payment of such charges and fees shall be made in accordance with invoice terms and these rules and regulations. The Carrier may, at its option, require the Shipper to pay all such charges and fees in advance or to provide a letter of credit satisfactory to the Carrier.~~

~~Carrier is entitled to a lien for all accrued charges and fees. Such lien attaches to any crude petroleum retained by Carrier for the Shipper's account. Carrier may, at its option, refuse to: (1) deliver to the Shipper, or (2) recognize and record any change in ownership of crude petroleum for the account of a Shipper until all charges or fees owed to Carrier have been paid in full.~~

~~If any charge remains unpaid after the payment due date, then such amount due shall bear interest from the due date until the date of receipt of payment by Carrier at a rate equal to the lower of (a) the then-effective prime lending rate of interest published under "Money Rates" by The Wall Street Journal, plus two (2) percentage points per annum or (b) the maximum applicable lawful interest rate.~~

**9 Payment of  
Charges  
(continued)**

~~If any such charges or fees remain unpaid for thirty (30) calendar days after the payment due date, the Carrier shall have the right, either directly or through an agent, to sell any of the Shipper's crude petroleum within the custody of the Carrier.~~

~~From the proceeds of this sale, Carrier will deduct all transportation charges, change in ownership charges, other lawful charges, fees and interest due to Carrier, including expenses incident to said sale. The balance of the remaining proceeds, if any, shall be held by Carrier for whosoever may be lawfully entitled thereto. If proceeds from such sale are not sufficient, Shipper will remain liable for any deficiency, including the above interest~~

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		charges.
10	<u>Prior Period Adjustments</u>	Requests for prior period adjustments must be made within nine (9) months from the date of the transportation invoice. Requests for adjustments that are not made within nine (9) months of the date of the transportation invoice or that involve an inactive shipper will not be processed. Carrier reserves the right to refuse to process any requested prior period adjustment until all affected shippers agree to the proposed adjustment. The nine (9) month limitation set forth in this Item 10 will not apply where the prior period adjustment is related to Carrier custody measurement changes.
11	<u>Claims, Suits, Time for Filing</u>	As a condition precedent to recovery, claims must be filed in writing with the initial or delivering Carrier within nine (9) months after delivery of the property, or, in case of failure to make delivery, within nine (9) months after a reasonable time for delivery has elapsed. Suits shall be instituted against any Carrier only within two (2) years and one day from the day when notice in writing is given by the Carrier to the claimant that the Carrier has disallowed the claim or any part or parts thereto specified in the notice.  Where claims are not filed or suits are not instituted thereon in accordance with the foregoing provisions, no Carrier hereunder shall be liable, and such claims will not be paid.
12	<u>Common Stream Petroleum Connecting Carriers</u>	When both receipts from and/or deliveries to a connecting carrier of substantially the same grade of crude petroleum are scheduled at the same interconnection, Carrier reserves the right to offset like volumes of such common stream crude petroleum.
13	<u>Rates Applicable</u>	Crude petroleum transported shall be subject to the rates and governed by the rules and regulations in effect on date such crude petroleum is received by the Carrier.
14	<u>Application of Carrier's Rates From Intermediate Points</u>	On crude petroleum accepted for transportation from any point on the originating lines, but not named in its tariff, which is intermediate to a point from which rates are published through such unnamed point, the rate published herein from the next more distant point specified in the tariff will apply from such unnamed point.
15	<u>Diversion or Reconsignment</u>	Diversion or reconsignment may be made, without charge, if requested in writing by the Shipper prior to delivery at original destination, subject to the rates, rules and regulations applicable from point of origin to point of final destination, provided that no out-of-line or backhaul movement will be made.
16	<u>Charge for Spill Compensation</u>	In addition to the transportation charges and all other charges accruing on crude petroleum accepted for transportation, a per barrel charge will be assessed and collected in the amount of any tax, fee or other charge levied against the Carrier in connection with such commodity, pursuant to any Federal, State or local act or regulation which levies a tax, fee or other charge, on the receipt, delivery, transfer or transportation of such commodities within their jurisdiction for the purpose of creating a fund for the prevention, containment, cleanup and/or removal of spills and/or the reimbursement of persons sustaining loss therefrom.
17	<u>Additional Arrangements</u>	Carrier reserves the right to impose additional requirements, not specifically nominated herein, that may be necessary to meet its obligations to other pipeline Carriers or Operators.
18	<u>Pumping Equipment Necessary</u>	Shippers shall furnish or arrange with platform operators to furnish pumping equipment necessary to inject its crude petroleum into the pipeline. The Carrier shall have the right to limit and control the maximum pumping rate and the scheduled pumping period for injection into the pipeline. Such pumping equipment shall be sized to meet the specifications issued by the Carrier. Specifications may be changed from time to time to facilitate the safe, efficient and economical use of Carrier's facilities to accommodate all

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Shippers.

19 Title When any crude petroleum nominated for transportation is involved in litigation, a dispute over ownership or title, or encumbered by a lien or charge of any kind, the Shipper shall so advise Carrier in writing not less than 5 business days before tendering for shipment. If Shipper, due to litigation, disputed ownership or encumbrance, has caused title in the crude petroleum to be in dispute, Carrier will refuse receipt or delivery of the crude petroleum until Shipper provides an indemnity bond equal to the value of the crude petroleum.

20 Line-Fill Requirements Prior to delivering Barrels out of Carrier's pipeline system, each Shipper will be required to supply a pro rata share of Merchantable Crude Petroleum necessary for pipeline fill to ensure efficient operation of Carrier's pipeline system. Linefill will be determined based on shipper's six (6) month delivery average from the system. Each shipper will be required to have furnished its required linefill within three (3) months of entering the system. Merchantable 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 accounts receivable, before final delivery will be made. Carrier shall have a reasonable period of time from the receipt of said notice to complete administrative and operational requirements incidental to Shipper withdrawal.

21 Credit-worthiness of Shipper All prospective Shippers must submit sufficient financial information to establish credit-worthiness. If a potential Shipper is not credit worthy or if Shipper's credit deteriorates, Carrier will require prepayment of tariff related charges and / or a letter of credit from an appropriate financial institution acceptable to Carrier.

[C] EXPLANATION OF ABBREVIATIONS AND REFERENCE MARKS

- API..... American Petroleum Institute
ASTM IP..... American Society for Testing Materials --- The Institute of Petroleum (Great Britain)
%..... Percent
°..... Degree
[C]..... Cancel
[N]..... New
[W]..... Change in wording only