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Gas Services Department
Railroad Commission of Texas

Texas Intrastate No. 1.2.0
(Cancels Texas Intrastate No. 1.1.0)

Jefferson Southern Star Pipeline LLC

TARIFF

CONTAINING

RATES, RULES AND REGULATIONS

GOVERNING THE TRANSPORTATION OF
PETROLEUM

BY PIPELINE FROM POINTS IN

TEXAS

TO POINTS IN

TEXAS

Carrier will accept and transport Petroleum offered for transportation through Carrier's facilities only as provided in this Tariff. Carrier does not provide gathering or storage service under this Tariff.

The Tariff published herein shall apply only under tariffs making specific reference by number to this Tariff; such references will include subsequent reissues hereof.

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

P-5 Operator No. 430714

T-4 Permit No. 10064

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Issued By:

Andrea Phillips
Vice President –

Marketing and Commercial Development
811 Louisiana, Ste 2300
Houston, Texas 77002
(346) 272-6973

Compiled By:

Sarah Hurt

Vice President & General Counsel
811 Louisiana, Ste 2300
Houston, Texas 77002
(346) 272-6965

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SECTION I
RULES AND REGULATIONS OF RAILROAD COMMISSION OF TEXAS

The following nineteen (19) rules and regulations are reprinted here pursuant to the requirements of the Texas Railroad Commission, Rule 3.71. Some provisions may be modified by subsequent provisions of this Tariff.

Item No. 1. All Marketable Oil to Be Received for Transportation

All marketable oil to be received for transportation. By the term “marketable oil” is meant any crude petroleum adapted for refining or fuel purposes, properly settled and containing not more than 2.0% of basic sediment, water, or other impurities above a point six inches below the pipeline connection with the tank. Pipelines shall receive for transportation all such “marketable oil” tendered; but no pipeline shall be required to receive for shipment from any one person an amount exceeding 3,000 barrels of petroleum in any one day; and, if the oil tendered for transportation differs materially in character from that usually produced in the field and being transported therefrom by the pipeline, then it shall be transported under such terms as the shipper and the owner of the pipeline may agree or the commission may require.

Item No. 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.

Item No. 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.

Item No. 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.

Item No. 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.

Item No. 6. Identity of Oil, Maintenance Of

A pipeline may deliver to consignee either the identical oil received for transportation, subject to such consequences of mixing with other oil as are incident to the usual pipeline transportation, or it may make delivery from its common stock at destination; provided, if this last be done, the delivery shall be of substantially like kind and market value.

Item No. 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.

Item No. 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.

Item No. 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.

Item No. 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.

Item No. 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.

Item No. 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.

Item No. 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.

Item No. 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.

Item No. 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.

Item No. 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.

Item No. 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.

Item No. 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.

Item No. 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 II
RULES AND REGULATIONS OF JEFFERSON SOUTHERN STAR PIPELINE LLC

The requirements of Section II and Section III will be in addition to the requirements of Section I. In case of discrepancies in the requirements between the Sections, Section II, Section III, and Section I shall take precedence and govern in that order.

Item No. 1. Definitions

“API MPMS” means the American Petroleum Institute Manual of Petroleum Measurement Standards, as revised from time to time.

“Base Period” is the twelve (12) Month period beginning thirteen (13) Months prior to the Proration Month and excluding the Month preceding the Month of allocation.

“Batch” means a quantity of Petroleum meeting Carrier’s established specifications and moved through Carrier’s System as an identifiable unit, which may be commingled with other quantities of Petroleum meeting the same or substantially similar specification(s).

“Carrier” means Jefferson Southern Star Pipeline LLC

“Common Stream” means Petroleum moved through the System which is commingled or intermixed with other Petroleum.

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

“Destination Point” means the point(s) at which Carrier delivers Petroleum from its System into the connecting carrier’s pipeline, terminal, or other facilities, as applicable, as designated in Section III.

“Encumbered Petroleum” has the meaning set forth in Item No. 60(b).

“Houston Time” means the prevailing local time in Houston, Texas, either Central Standard Time or Central Daylight Time, as applicable.

“Month” means a calendar month, extending from 12:00 A.M. Houston Time on the first day of such calendar month to 12:00 A.M. Houston Time on the first day of the next calendar month.

“New Shipper” means a Shipper who Nominates Petroleum for transportation on the System and does not qualify as a Regular Shipper.

“Nominate” or “Nomination” means an offer by a Shipper to Carrier of a stated quantity of Petroleum for movement by Carrier in accordance with Item No. 50.

“Origin Point” means point(s) at which Carrier receives Petroleum into its System from the connecting carrier’s pipeline, terminal, or other facilities, as applicable, as designated in Section III.

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

“Petroleum Specifications” shall mean the Petroleum quality specifications set forth in Item No. 10.

“Proration Factor” means a fraction calculated by dividing the capacity of the System segment to be prorated under Item No. 65 by the total Nominations.

“Proration Month” means the Month for which capacity is to be allocated.

“Regular Shipper” means a Shipper that has shipped Petroleum on Carrier’s System during the entirety of the Base Period.

“Shipper” means the party that contracts with Carrier for transportation of Petroleum in accordance with this Tariff and any other applicable tariffs.

“System” means Carrier’s pipeline system and all related facilities for which a rate is established under this Tariff.

“Tender” means to make available Petroleum at an Origin Point for transportation on Carrier’s System.

“Total Base Period Shipments” means, for a Regular Shipper, the sum of the volumes that the Regular Shipper has shipped during each Month of the Base Period calculated on a Monthly basis for each such Month.

“Total Throughput” equals the sum of all Shippers’ Total Base Period Shipments.

Item No. 5. Commodity

Carrier is engaged in the transportation exclusively of Petroleum under this Tariff, and therefore will not accept any other commodity for transportation hereunder. Such Petroleum must meet the specifications listed in Item No. 10. Various grades and types of Petroleum are eligible for shipment on the System, consistent with the specifications requirements in Item No. 10 of this Tariff.

Item No. 10. Petroleum Specifications

(a) Shipper shall not deliver to Carrier and Carrier shall not be obligated to accept Petroleum for transportation except merchantable Petroleum which is properly settled and contains not more than one percent (1%) of basic sediment, water, and other impurities, and has a temperature not in excess of one hundred and twenty degrees (120°) Fahrenheit and its gravity, viscosity, pour point, and other characteristics are such that it will be readily susceptible to transportation through the Carrier’s existing facilities, and will not materially affect the quality of other shipments or cause disadvantage to other Shippers and/or the Carrier.

Notwithstanding the preceding sentence or anything else set forth in this Tariff, Carrier may at its discretion accept Petroleum from Shipper that does not meet the foregoing specifications due to unusual circumstances, emergencies, or events of force majeure (such as sea storms or shut-in platforms). In such case, however, Shipper must notify Carrier fully in writing of the characteristics of such Petroleum and Shipper shall then secure from the producer or connecting carrier or shall provide itself, in writing, to Carrier an assumption of all liability and agree to hold Carrier harmless from and against any loss, cost or disadvantage to other Shippers, and other pipelines, or to Carrier arising from such transportation. In addition, Carrier reserves the right to reject (any and all of, but not limited to) the following shipments: (1) Petroleum having a True Vapor Pressure in excess of eleven (11) pounds per square inch absolute and/or an API gravity not in the range of 15-65 degrees or viscosity in excess of 800 cSt at sixty-eight degrees (68°) Fahrenheit; and (2) Petroleum delivered by the Shipper or Consignee that fails to comply with applicable permits, laws, rules, and regulations made by government authorities (including the Port of Beaumont) regulating shipment of Petroleum or operation of Carrier's facilities.

(b) Quality specifications of a connecting carrier may be imposed upon Carrier when such limits are less than that of Carrier, in which case the limitations of the connecting carrier will be applied.

(c) Carrier may, from time to time, undertake to transport other or additional grades of Petroleum and if, in the opinion of Carrier, sufficient quantities are not nominated or facilities are not available to justify continued transportation of other or additional grades, Carrier may, after giving reasonable notice to Shippers who may be affected, cease transporting particular grades of Petroleum.

(d) Carrier may monitor, but is not responsible for monitoring, receipts or deliveries for contaminants. If, upon investigation, Carrier determines that a Shipper has delivered to Carrier's facilities Petroleum that has been contaminated by the existence of and/or excess amounts of impure substances, including but not limited to, chlorinated and/or oxygenated hydrocarbons, arsenic, lead and/or other metals, such Shipper will be excluded from further entry into applicable segments of the System until such time as quality specifications are met to the satisfaction of Carrier. Further, Carrier reserves the right to dispose of any contaminated Petroleum blocking its System. Disposal thereof, if necessary, may be made in any reasonable commercial manner.

Item No. 15. Maintenance of Identity

Petroleum will be accepted for transportation only on condition that it shall be subject to such changes in gravity, quality, or characteristics while in transit as a Batch as may result from the mixture with other Petroleum in Carrier's system. Shipper acknowledges that Carrier's system will be operated as a Batch system, and accordingly that Petroleum received for transportation will result from time to time in a mixture of Petroleum occurring in pipeline operations between adjoining Batches of Petroleum having dissimilar physical characteristics which cannot be absorbed into the adjoining Batches. Shipper shall accept delivery of such mixture associated with its Petroleum delivered to Carrier's system and Carrier shall not be liable for any variations in gravity, quality, or characteristics of any Petroleum transported by Carrier and shall be under no

obligation to deliver the identical Petroleum received, but may make delivery to Shipper or Consignee of any Petroleum in Carrier's System of the same grade as Shipper delivered to the Origin Point.

Item No. 25. Additives

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

Item No. 30. Storage, Origin and Destination Facilities

Shipper or Consignee must secure storage facilities or connecting transportation services for receiving the Petroleum at the Origin Point and Destination Point, as applicable. Carrier may refuse to accept Petroleum for transportation unless Shipper furnishes satisfactory evidence that Shipper or Consignee has provided (i) the necessary storage and transportation facilities for the safe, efficient, and prompt transfer of Petroleum to Carrier at the Origin Point at sufficient pressure and flow rates to effectuate the efficient operation of Carrier's System, and (ii) sufficient storage and receipt facilities at the Destination Point for the safe, efficient, and prompt receipt of Petroleum from Carrier once the Petroleum arrives at the Destination Point at sufficient pressures and flow rates as to not impede the efficient transportation on Carrier's System.

Item No. 35. Legality of Shipments

Carrier reserves the right to reject any and all Petroleum Tendered where a Shipper or Consignee has failed to comply with all applicable laws, rules and regulations made by any governmental authorities regulating shipments of Petroleum.

Item No. 45. Minimum Batch and Tendered Quantities

The minimum quantity of Petroleum which will be accepted at one Origin Point from a single Shipper for inclusion in a Batch shall be 50,000 Barrels. Carrier reserves the right to allow smaller volumes as necessary to achieve optimal utilization of its System. When the minimum batch of a connecting carrier is greater than Carrier's minimum quantity set forth in this Item No. 45, the connecting carrier's minimum batch requirements shall control with respect to Shipper's Nominated and/or Tendered Petroleum destined for such connecting carrier. Carrier shall not be obligated to accept a Shipper's Petroleum if the volume is less than the minimum volume or if the receipt flow rate at which such Petroleum is received by Carrier is less than or greater than the receipt flow rates specified from time to time by Carrier for each regular origin point.

Item No. 50. Requirements to Nominate and Tender

(a) Carrier will only transport Petroleum which has been properly Nominated and Tendered by Shipper and accepted by Carrier for transportation between an established Origin Point and Destination Point on Carrier's System.

(b) All Shippers desiring to ship Petroleum through Carrier's pipelines must provide the following information in writing to Nominate each shipment of Petroleum: Shipper's

account, quantity (in Barrels), Origin Point, Destination Point, name of Consignee (if applicable), a description of the Petroleum to be Tendered, and a written verification that the Petroleum will meet the quality specifications set forth in Item No. 10 above. Shipper shall update such information as necessary. Carrier requires that Nominations for shipment of Petroleum be received on or before 12:00 P.M. (noon), Houston Time, on the last working day prior to the twenty-first (21st) day of the Month preceding the Month during which shipment is requested. Carrier may request Nominations be received earlier to the extent necessary to meet the schedules of connecting carriers or terminals.

(c) All Petroleum tendered to Carrier must be merchantable and meet the quality specifications that are established by the Consignee, connecting carriers or storage facility at the Destination Point. It is the Shipper's responsibility to demonstrate to the Carrier prior to shipment that its Tender meets the Petroleum Specifications listed herein and those of the Consignee, connecting carrier, or storage facility. If the specifications agreed to by the Consignee, or of the connecting carrier or the storage facility are more restrictive than Carrier's Petroleum Specifications set forth above, the more-restrictive specifications of such Consignee, connecting carrier, or storage facility shall control with respect to that Shipper's Nominated and/or Tendered Petroleum included in a Batch originating at or destined for such Consignee, connecting carrier, or storage facility.

(d) When Nominations submitted by Shippers to Carrier on or before 12:00 P.M. (noon), Houston Time, on the last working day prior to the twenty-first (21st) day of the Month preceding the operating Month do not exceed the capacity of the System or any line segment thereof, additional Petroleum may be Tendered, and such quantities may be accepted by Carrier to fill remaining capacity. This additional Petroleum Tendered will be accepted only if it does not impair the movement of Petroleum already Nominated for that operating Month.

Item No. 55. Minimum Inventory

(a) Carrier shall require Shipper to maintain a minimum level of inventory (including linefill) in the System based on its pro rata share of Petroleum shipments in order for Carrier to possess sufficient working inventory as Carrier deems necessary for efficient operation of Carrier's System. The minimum inventory balance for each Shipper will be computed based on the proportion of Shipper's shipments relative to the minimum inventory requirements for the facilities in question. Shipper shall deliver sufficient inventory into Carrier's facilities to meet Shipper's minimum inventory obligation prior to Carrier having any obligation to receive, transport and deliver Barrels of Petroleum for Shipper or Shipper's account.

(b) Carrier may update the minimum inventory requirements as shipment levels or patterns change over time. Shipper will have until midnight on the seventh (7th) day after the date of notice to deliver sufficient inventory into Carrier's facilities to meet Shipper's updated minimum inventory obligations. Shippers failing to meet the minimum inventory obligation will have their deliveries suspended until such time that they are able to meet their minimum inventory obligation.

(c) Subject to the provisions of Item No. 80 (Payment of Charges), Petroleum furnished to Carrier pursuant to this Item shall be returned to Shipper only after: (i) such

Shipper has provided written notice to Carrier of Shipper's intent to cease shipping on the System; (ii) Shipper has paid for all services it has received from Carrier; and (iii) a reasonable period of time has occurred to allow for administrative and operational requirements associated with the withdrawal of such Petroleum. Carrier may require Shipper to prepay any transportation charges or other fees associated with the delivery of Shipper's minimum inventory prior to any such delivery.

(d) In the event that Shipper maintains an inventory balance after Shipper ceases movements on the System for a period greater than six (6) months or Shipper gives written notice of its intent to cease movements on the System and such Shipper is unable to schedule appropriate shipments to clear the inactive inventory balance, Shipper may be required to settle the inactive inventory balance through Carrier. Carrier may elect to settle Shipper's inventory balance based upon the fair market value of the Petroleum, as reasonably determined by Carrier.

Item No. 60. Title

(a) Carrier shall have the right to reject any Petroleum, when Tendered for transportation, that may be involved in litigation, the title of which may be in dispute, or that may be encumbered by lien or charge of any kind (other than the lien created hereunder in favor of Carrier). Carrier may require Shipper to provide satisfactory evidence of its perfect and unencumbered title to, or right to ship, such Petroleum or a satisfactory indemnity bond to protect Carrier.

(b) At the time of Nomination, Shipper shall inform Carrier if any Petroleum Nominated and/or to be Tendered to Carrier for transportation (i) may be involved in litigation, (ii) may be subject to a title dispute, or (iii) may be encumbered by a lien or charge of any kind (other than the lien created hereunder in favor of Carrier) ("Encumbered Petroleum"). In the event Carrier receives such Shipper notice of Encumbered Petroleum or otherwise learns that Shipper has or will Nominate or Tender Encumbered Petroleum, Carrier may require Shipper to provide a satisfactory indemnity bond, pre-payment of transportation charges, or a subordination agreement from the applicable lien holder, all to be determined in Carrier's sole discretion. Shipper agrees to hold Carrier harmless for any and all loss, cost, liability, damage, and/or expense resulting from failure of title thereto.

(c) By Tendering Petroleum to Carrier, absent written notice to Carrier otherwise, Shipper warrants and guarantees that Shipper has good title thereto and agrees to hold Carrier harmless for any and all loss, cost, liability, damage, and/or expense resulting from failure of title thereto.

(d) Carrier shall not take title to the Petroleum and title shall remain with Shipper, except as otherwise specifically set forth herein.

Item No. 65. Apportionment When Nominations Exceed Facilities

When Carrier receives more Nominations in a Month for transportation of Petroleum than Carrier is able to transport, such Nominations will be subject to capacity prorationing in the manner described below:

(a) During the Proration Month, each New Shipper will be allocated space equal to its Nominated volume multiplied by the Proration Factor. The total aggregate volumes allocated to all New Shippers under this procedure shall not exceed the lesser of: (a) ten percent (10%) of the available capacity on the prorated portion of the System, or (b) ten percent (10%) of the projected deliveries from the System during the Proration Month.

(b) In the event that the total aggregate volumes allocated to New Shippers using the procedure described in subpart (a) above exceeds the stated threshold, each New Shipper will receive a pro rata reduction in its allocated volumes as required in order to meet the limit set forth in subpart (a) of this Item.

(c) Following the allocation of available capacity to New Shippers, described in subparts (a) and (b) above, all remaining available capacity during the Proration Month on the prorated portion of Carrier's System will be allocated to Regular Shippers based on each Regular Shipper's Total Base Period Shipments as a percentage of the Total Throughput.

(d) Each Shipper will receive an allocation in the Proration Month that is the lesser of: (i) its allocation under subpart (c) above, or (ii) its Nomination. In the event that, under the calculation in subpart (c) above, any Regular Shipper is allocated more capacity than its Nomination, the excess of its capacity allocation over its Nomination will be reallocated pro rata among all other Regular Shippers that did not receive an allocation in excess of their Nomination, up to the level of each Regular Shipper's Nomination.

(e) Total Base Period Shipments applicable to a Regular Shipper under this Item may not be sold, bartered, assigned, conveyed, loaned, transferred to, or used in any manner by another Shipper; provided, however, that a Shipper's Total Base Period Shipments may be transferred as an incident of the bona fide sale of Shipper's business or to a successor to Shipper's business by operation of law, such as an executor or trustee in bankruptcy.

Item No. 70. Scheduling of Shipments

Petroleum shall be accepted for transportation at such time as Petroleum of the same specification is currently being transported from an Origin Point to a Destination Point in accordance with schedules of shipments and consignments to be issued from time to time to each Shipper by Carrier. Such schedules may be modified from time to time in the manner and to the extent reasonably desirable to facilitate the efficient and economical use and operation of Carrier's facilities and to reasonably accommodate Shipper's needs for transportation. If space is available, or becomes available during the current month, Carrier reserves the right to fill the idle capacity using the first available Petroleum readily available for transportation.

Item No. 75. Delivery at Destination Point

Carrier will transport and deliver Petroleum with reasonable diligence and dispatch considering the quantity and quality of the Petroleum, the distance of transportation, safety of operations, and other material factors, but Carrier does not commit to delivering Petroleum to a particular Destination Point at a particular time. At any time after receipt of Petroleum, Carrier may offer Petroleum for delivery from its common stock at the Destination Point at a delivery flow rate specified from time to time by Carrier for each Destination Point, up to but not in excess of the

connecting carrier's maximum receipt flow rate. If a Shipper or Consignee is unable or refuses to receive the Petroleum shipment as it arrives at the Destination Point, Carrier reserves the right to make whatever arrangements for disposition of the Petroleum it deems appropriate in order to clear its pipeline and/or tanks. Any expenses incurred by Carrier in making such arrangements shall be borne by Shipper or Consignee, which charges are in addition to transportation charges accruing by Shipper.

Item No. 80. Payment of Charges

(a) Shipper shall pay, as provided below, all applicable transportation charges and all other charges accruing on Petroleum Tendered to and accepted by Carrier for shipment at the rate applicable to the transportation of such Petroleum in effect on the date the Petroleum is received by Carrier.

(b) Carrier shall render to Shipper, on or before the tenth (10th) Day of each Month, a statement setting forth the amount due from Shipper, the total quantity in Barrels of Shipper's Petroleum received during the preceding Month at the Origin Point(s), the amount of fees payable by Shipper, and any other amounts due and payable from Shipper, including the computations for all such amounts. Shipper will pay to Pipeline all undisputed amounts included in any statement on or before the later of the twentieth (20th) day of the Month in which such statement was delivered, and the date that is ten (10) Business Days after Shipper's receipt of the applicable statement; provided that if Carrier determines that the financial condition of Shipper or Shipper's guarantor (if any) is or has become impaired or unsatisfactory or Carrier determines it is necessary to require that the payment due date be sooner, Carrier shall specify such date in a written notice to Shipper; further provided, that Carrier shall make such determinations in a not unduly discriminatory manner. Carrier may require Shipper to provide prepayment or other financial security (by Batch) as provided in subsection (e) of this Item.

(c) If any charge remains unpaid after the due date specified in Carrier's invoice, then such amount due shall bear interest from the day after the due date until paid, calculated at an annual rate equivalent to the lesser of: (1) 175% of the prime rate of interest, as of the date of Carrier's invoice, charged by the Citibank N.A. of New York, New York, for ninety (90) day loans made to substantial and responsible commercial borrowers, or (2) the maximum rate allowed by law. In addition Shipper shall pay all documented costs incurred by Carrier to collect any unpaid amounts.

(d) In the event Shipper fails to pay any such charges when due, Carrier shall not be obligated to provide Shipper access to Carrier's facilities or provide services pursuant to Carrier's Tariff until such time as payment is received by Carrier and Shipper meets the requirements of subsection (e) of this Item. In addition, in the event Shipper fails to pay any such charges when due, Carrier shall have the right to setoff such amounts owed and future amounts owed against those amounts Carrier owes Shipper.

(e) In the event Carrier determines that the financial condition of Shipper or Shipper's guarantor (if any) is or has become impaired or unsatisfactory or Carrier determines it is necessary to obtain security from Shipper, Carrier may, upon notice to Shipper, require any of

the following forms of security prior to Carrier's delivery of Shipper's Petroleum in Carrier's possession or prior to Carrier's acceptance of Shipper's Petroleum in an amount to be determined by Carrier: (1) prepayment, (2) a letter of credit at Shipper's expense in favor of Carrier in a form and from an institution acceptable to Carrier, or (3) a guaranty in a form and from a third party acceptable to Carrier. Carrier shall make determinations under this subsection in a not unduly discriminatory manner. In the event Shipper fails to comply with any such requirement on or before the date supplied in Carrier's notice to Shipper, 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.

(f) Carrier shall have a lien on all Petroleum delivered to Carrier to secure the payment of any and all transportation charges or any other charges that are owed Carrier. Such lien shall survive delivery of Petroleum to Shipper. Such lien shall extend to all Petroleum in Carrier's possession beginning with Shipper's first receipt of transportation or other services from Carrier. The lien provided herein shall be in addition to any lien or security interest provided by statute or applicable law. Carrier may withhold delivery to Shipper of any of Shipper's Petroleum in its possession and exercise any other rights and remedies granted under this Tariff or existing under applicable law until all such charges have been paid as provided above.

(g) If Shipper fails to pay an invoice by the due date, in addition to any other remedies under this Tariff or under applicable law, Carrier shall have the right, either directly or through an agent, to sell at a private sale any and all Petroleum of such Shipper in its custody at fair market value at the time of sale, provided that Carrier's sale of such Petroleum must be to a third party with no affiliation to Carrier. The proceeds of any sale shall be applied to the following order: (A) to the reasonable expenses of holding, preparing for sale, selling, and to the extent allowed by law, reasonable attorney's fees and legal expenses incurred by Carrier; and (B) to the satisfaction of Shipper's indebtedness including interest herein provided from the date payment is due. The balance of the proceeds of the sale remaining, if any, shall be paid to Shipper or, if there is a dispute or claim as to entitlement, held for whoever may be lawfully entitled thereto.

Item No. 85. Measurement, Testing, Corrections, Deductions and Losses

(a) Subject to Item No. 10(d) of this Tariff, all shipments Tendered to Carrier for transportation shall be measured, tested, gauged or metered by a representative of Carrier prior to, or at the time of receipt from Shipper or delivery to Consignee, but Shipper or Consignee shall at all times have the privilege of being present or represented during the measuring, testing, gauging, or metering. Quantities shall be corrected as to temperature from observed temperature to 60 degrees Fahrenheit basis by use of applicable API-ASTM-IP correction tables. Full deduction will be made for all water and other impurities.

(b) Carrier shall account to each Shipper for Petroleum received. Any overage or shortage not due to the gross negligence of Carrier, including without limitation, losses or gains resulting from shrinkage, evaporation, expansion, or other Petroleum losses or gains inherent in the operation of a pipeline system, will be allocated on a monthly accrual basis among all Shippers based on the proportion of the total number of Barrels delivered from the System for

each Shipper of each shipment of Petroleum to the total number of Barrels delivered from the System for all Shippers of Petroleum in the applicable Month [W], ~~provided that any such shortage shall not exceed two tenths of one percent (0.2%) of the quantity of Petroleum delivered by such Shipper.~~

(c) The net balance, after applicable deductions defined above, and any loss as provided for in Item No. 90 (Liability of Carrier and Shipper), will be the quantity deliverable by Carrier and upon which transportation charges will be assessed.

Item No. 90. Liability of Carrier and Shipper

(a) Carrier shall not be liable for any loss of Petroleum or damage thereto, or delay, because of an act of God, the public enemy, quarantine, epidemic, the authority of law, governmental action, nuclear or atomic explosion, floods, strikes, picketing, riots, or other labor stoppages, whether of Carrier's employees or others, or the acts or default of Shipper or Consignee, acts of third parties, or from any other similar or dissimilar cause not due to the gross negligence of Carrier. In case of losses from such causes, other than the gross negligence of Carrier, losses shall be charged proportionately to each shipment in the ratio that such shipment of a given amount of Petroleum, or portion thereof, received and undelivered at the time the loss or damage occurs, bears to the total of all shipments, or portions thereof, of that Petroleum then in the custody of Carrier for shipment via the lines or other facilities in which the loss or damage occurs. Shipper/Consignee shall be entitled to receive only that portion of its shipment remaining after deducting its proportion of such loss or damage, determined as aforesaid, and shall be required to pay transportation charges only on the quantity delivered. In no event shall Carrier be liable for any incidental, consequential, indirect, special, or punitive damages, or lost profits, of any kind regardless of whether such damages, losses, or claims arise in tort, strict liability, contract, or under any other theory of liability except to the extent it is shown that such damages were caused by Carrier's gross negligence, bad faith, or willful misconduct.

(b) As a condition to Carrier's acceptance of Petroleum under this Tariff, Shipper agrees to protect, indemnify, and hold Carrier harmless against claims or actions for injury to and/or death of any and all persons whomever and for damage to property of Carrier, Shipper(s), Consignee(s), and/or third party(ies) arising out of or relating to (1) any breach of or failure to adhere to any provision of this Tariff by Shipper or Shipper's Consignee, agents, employees, representatives, or contractors, (2) the negligent act or acts, or failure to act, of Shipper or Shipper's Consignee, agents, employees, representatives, or contractors in connection with the delivery or receipt of such Petroleum, and (3) liability arising from the chemical characteristics of Petroleum failing to meet the Product Specifications, except to the extent that such liability arises from Carrier's knowing and prior written acceptance of such Petroleum failing to meet the Petroleum Specifications or Carrier's gross negligence, bad faith, or willful misconduct.

Item No. 95. Claims, Suits, Time for Filing

As a condition precedent to recovery, claims must be filed in writing with Carrier within ninety-one (91) days after delivery of the Petroleum, or, in case of failure to make delivery, then within

ninety-one (91) days after a reasonable time for delivery has elapsed. All such claims must be submitted in writing, delivered to Carrier's representative listed on the title page of this Tariff within the specified time frame, and must clearly identify on the exterior of the envelope that it contains a "Shipper Tariff Claim". All suits against Carrier arising pursuant to such claims shall be brought within two (2) years and one (1) day from the day when notice in writing is given by Carrier to the claimant that Carrier has disallowed the claim or any part or parts thereof specified in the notice. Where claims are not filed or suits are not instituted thereon in accordance with the foregoing provisions, Carrier shall not be liable, and such claims will not be paid.

Item No. 100. Use of Communication Facilities

When Carrier maintains a private communication system, Shipper may use the same without extra charge for messages incident to shipments. However, Carrier shall not be liable for delivery of messages away from its office, delays in transmission, failures of transmission, interruption of service, or the accuracy thereof.

Item No. 115. Reconsignment

If no out-of-line or back haul movement or interference with shipping sequence is required, Shipper may submit a written request, placed after its original Nomination, to the Carrier to deliver Petroleum to a Consignee different than that indicated in its original Nomination.

Item No. 120. Liability Fund

Carrier shall not be responsible for any tax, fee, or other charge levied on the Petroleum delivered to Carrier 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 Petroleum within their jurisdiction for the purpose of creating a fund for the prevention, containment, clean up, and removal of spills and the reimbursement of persons sustaining loss therefrom.

Item No. 125. Tax Registration

To the extent Carrier deems it necessary, Shippers and Consignees shall be required to provide proof of registration with or tax exemption from the appropriate Federal, State, and/or local tax authorities related to the collection and payment of fuel excise taxes or other similar taxes, levies, or assessments. Failure of a Shipper or Consignee to do so shall not relieve the Shipper or Consignee from the obligation to pay any such tax, levy, or assessment. Any tax, levy, assessment, or other charge imposed by such authority against Carrier as the result of such failure shall be collected by Carrier under the provisions of Item No. 80 (Payment of Charges).

Item No. 130. Terminal and Privilege Rules

Shipments transported under this Tariff are entitled to such privileges and subject to such charges as are or shall be published by Carrier and as are lawfully in effect on date of shipment and lawfully on file with the Railroad Commission of Texas as to intrastate traffic, providing for reconsignment, storage, transit privileges, or any other privileges, charges or rules which in any way increase or decrease the amounts to be paid on any shipment transported under this Tariff or which increase or decrease the value of the service to the Shipper.

Item No. 135. Transfers Within the System

Line transfers or ownership transfers of Petroleum in custody of Carrier within its system from one Shipper (transferor) to another Shipper (transferee) will be permitted provided:

- (a) Each transferor will be charged [U] one-half cent (1/2¢) per barrel for each line or ownership transfer of Petroleum in custody of Carrier within its system.
- (b) Both transferor and transferee shall provide written notice to Carrier containing like data relative to the kind, quantity, source, location, transferor and transferee of the Petroleum and the month during which transfer is to occur. Verbal transfer requests shall be recognized provided written confirmation is received by the last day of the month during which transfer is requested.
- (c) Any party involved in an intrasystem transfer hereunder shall be subject to any and all applicable provisions or requirements contained in this Rules and Regulations Tariff and supplements hereto.

**SECTION III
TABLE OF RATES**

For transporting Petroleum from an Origin Point(s) set forth below to the Destination Point(s) set forth below, subject to the rules and regulations published in Carrier's applicable tariff or tariffs and successive issues thereof.

Origin Point(s)	Destination Point(s)	Tariff Rate
Jefferson Energy Terminal (near Beaumont, Texas)	Motiva Port Neches Terminal (near Port Neches, Texas)	[I] \$0.3479 per Barrel

**SECTION IV
EXPLANATION OF ABBREVIATIONS**

APIAmerican Petroleum Institute
ASTMAmerican Society for Testing and Materials
cSt centistokes
No.....Number
psi.....pounds per square inch
RVP.....Reid Vapor Pressure
U.S. United States of America
%Percent

SECTION V
EXPLANATION OF REFERENCE MARKS

[I].....Increase

[D].....Decrease

[W]..... Change in Wording Only

[C].....Cancel

[R].....Reissued Item

[U]..... Unchanged Rate

[N]..... New