

MOBIL PIPE LINE COMPANY

LOCAL TARIFF

CONTAINING
RULES AND REGULATIONS
GOVERNING
THE GATHERING
AND
TRANSPORTATION
OF
CRUDE PETROLEUM
BY
PIPE LINE

GENERAL APPLICATION

The rules and regulations published herein apply only under tariffs making specific reference by F.E.R.C. number to this tariff, such reference will include successive reissues hereof. Specific rules and regulations published in individual tariffs will take precedence over rules and regulations published herein.

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RULES AND REGULATIONS

Rule 1. **Definitions** - "Company" means and refers to Mobil Pipe Line Company and/or other pipeline companies which may, by proper concurrence, be parties to joint tariffs incorporating these rules and regulations by specific reference.

"Barrel" means a barrel of forty-two (42) gallons, United States measurement at 60 degrees Fahrenheit and zero pounds per square inch gauge pressure.

"Crude Petroleum", as used herein, 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, including gasoline and liquefied petroleum gases, as provided in Rule 5.

"Indirect Liquid Products" means the liquid products resulting from the refining of crude petroleum, operation of gasoline recovery plants, gas recycling plants, and condensate or distillate recovery equipment in gas or oil fields.

"Direct Products" means the direct liquid products of oil wells.

"Tender" means an offer by a shipper to the Company of a stated quantity of crude petroleum for transportation from a specified origin or origins to a specified destination or destinations in accordance with these rules and regulations.

Rule 2. **Commodity** - The Company is engaged in the transportation of crude petroleum exclusively under this tariff, and therefore will not accept any other commodity for transportation hereunder.

Rule 3. **Specifications** - The Company will receive for transportation only good merchantable crude petroleum properly settled and weathered, and which contains not more than one (1) percent basic sediment, water and other impurities, and has a temperature not in excess of one hundred forty (140) degrees Fahrenheit. If crude petroleum is accepted from tankage, settled bottoms in such tanks must not be above a point four (4) inches below the bottom of the pipeline connection with the tank from which it enters Company's facilities.

Sediment, water and quality limitations of a connecting carrier may be imposed upon the Company. When such limitations of the connecting carrier vary from that of the Company, the limitations of the connecting carrier will be enforced.

No crude petroleum will be received unless it is of acceptable character, gravity, and viscosity such that it will be readily susceptible of transportation through Company's existing facilities, and will not materially affect the quality of the other crude petroleum shipments or cause disadvantage to other shippers and/or the Company. Topped crude mixtures, chemical plant by-products, and refinery residues will not be accepted for shipment hereunder.

Company reserves the right to reject any and all crude petroleum having a vapor pressure in excess of thirteen (13) pounds per square inch at one-hundred degrees Fahrenheit, or a true vapor pressure which might result in Company's noncompliance with Federal, State or local requirements regarding hydrocarbon emissions.

If crude petroleum tendered for transportation differs materially in character from that being transported in Company's pipeline, then it will be transported, if at all, only under such terms as the Company and the shipper may agree.

Rule 4. **Maintenance of Identity** - Crude 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 may result from the mixture with other crude petroleum in the pipelines or tanks of the Company. Company shall be under no obligation to deliver the identical crude petroleum received, but may take delivery to consignee out of common stock in the Company's pipelines and/or tanks at delivery point.

Rule 5. Mixtures -

(a) Indirect liquid products will be received for gathering and transportation only on condition that the indirect liquid products shall be mixed in Company's pipelines and/or tanks with direct products, and providing both the indirect liquid products and the direct products are owned by the same shipper or consignee and are consigned to the same destination.

(b) The indirect liquid products portion of the mixture will be accepted for transportation at reception points other than the one at which the direct products portion of the same mixture is received, provided that the shipper, consignee, and destination are the same, and that operating conditions and the Company's facilities permit the indirect liquid products portion to be mixed with the direct products of the same shipper or consignee. The rate to be assessed on each portion of the mixture shall be the rate applicable from the reception point at which each is received.

(c) Indirect liquid products shall not exceed twenty (20) percent by volume of the total mixture of indirect liquid products with direct products, and the vapor pressure of such mixtures shall not exceed the lesser of thirteen (13) pounds per square inch, absolute, at a temperature of one-hundred (100) degrees Fahrenheit, or a true vapor pressure which will not result in Company's noncompliance with applicable Federal, State and local requirements regarding hydrocarbon emissions.

(d) The indirect liquid products portion and the direct products portion of the mixture will be measured and tested separately and must be shown separately on the shipping order, and if required on separate shipping orders.

(e) Mixtures will be transported and delivered as crude petroleum. Nothing in this Rule is to be construed to waive provisions of Rule 4 of this tariff or to require the Company to receive, transport and deliver unmixed indirect liquid products, except that indirect liquid 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 liquid products.

Rule 6. Storage and Destination Facilities - Storage necessarily incident to transportation and only such storage will be provided by the Company, and the shipper or consignee must provide storage facilities for receiving the crude petroleum at destination. The Company may refuse to accept crude petroleum for transportation unless satisfactory evidence be furnished that the shipper or consignee has provided the necessary facilities for the prompt receiving of said crude petroleum at its destination.

Rule 7. Legality of Shipments - The Company reserves the right to reject any and all crude petroleum tendered where the shipper or consignee has failed to comply with all applicable laws, rules and regulations made by any governmental authorities regulating shipments of crude petroleum.

Rule 8. Tender Requirements - Crude Petroleum will be accepted for gathering and/or transportation under this tariff in shipments of not less than ten thousand (10,000) barrels from one shipper consigned to one consignee and destination; provided, however, that Crude Petroleum will be accepted only at such time as Crude Petroleum of similar quality and characteristics is being transported from receiving point to delivery point.

Company requires that Tenders for shipment of Crude Petroleum on its pipeline systems be received on or before 4:15 P.M., Central Standard Time or Central Daylight Savings Time, the last working day prior to the 26th day of the month preceding the month during which shipment is requested. Written confirmation of verbal tenders for shipment must be provided by the first of the month during which shipment is requested.

Rule 9. **Title-** The Company shall have the right to reject any crude petroleum, when tendered for transportation, which may be involved in litigation, or the title of which may be in dispute, or which may be encumbered by lien or charge of any kind, and it may require of the shipper satisfactory evidence of his perfect and unencumbered title or satisfactory indemnity bond to protect Company.

Rule 10. **Apportionment when Tenders are in Excess of Facilities -** When there shall be tendered to Company for transportation greater quantities than can be immediately transported, the transportation shall be apportioned among all shippers in proportion to the amounts tendered by each, provided that no tender for transportation shall be considered beyond the amount which the shipper requesting the shipment has on hand available and ready for shipment. Company shall be considered as a shipper of quantities tendered by itself and held for shipment through its lines, and its shipments shall be entitled to participate ratably in such apportionment.

Rule 11. **Delivery at Destination -** The Company will transport and deliver crude petroleum with reasonable diligence and dispatch considering the quantity and quality of the crude petroleum, the distance of transportation, safety of operations, and other material factors, but will accept no crude petroleum to be transported in time for any particular market.

After any shipment has had time to arrive at destination, and/or on twenty-four (24) hours notice to consignee, Company may begin delivery at its current pumping rate. If the shipper, or consignee, is unable or refuses to receive the crude petroleum shipment as it arrives at destination, the Company reserves the right to make whatever arrangements for disposition of the crude petroleum it deems appropriate in order to clear its pipeline and/or tanks. Any expenses incurred by the Company in making such arrangements shall be borne by the shipper or consignee, which charges are in addition to transportation charges accruing to shipper or consignee.

Rule 12. **Payment of Transportation and Other Charges -** The Shipper or Consignee shall pay, as provided below, all applicable gathering, transportation, and all other charges accruing on Crude Petroleum delivered to and accepted by Carrier for shipment.

All payments are due within 10 days of receipt of the invoice, unless the Carrier determines in a manner not unreasonably discriminatory that the financial condition of Shipper or Shipper's guarantor (if any) is or has become impaired or unsatisfactory or Carrier determines in a manner not unreasonably discriminatory it necessary to do so, in which case the payment due date shall be that specified in a written notice to the Shipper.

If any charge remains unpaid after the due date specified in Carrier's invoice, then such amount due may bear interest from the day after the due date until paid, calculated at an annual rate equivalent to the lesser of (1) 125% 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.

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 the following paragraph. 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.

In the event Carrier determines in a manner not unreasonably discriminatory that the financial condition of Shipper or Shipper's guarantor (if any) is or has become impaired or unsatisfactory or Carrier determines in a manner not unreasonably discriminatory it is necessary to obtain security from Shipper, Carrier, upon notice to Shipper, may require any of the following prior to Carrier's delivery of Shipper's Crude Petroleum in Carrier's possession or prior to Carrier's acceptance of Shipper's Crude Petroleum: (1) prepayment of all charges, (2) a letter of credit at Shipper's expense in favor of Carrier in an amount sufficient to ensure payment of all such charges and, in a form, and from an institution acceptable to

Carrier, or (3) a guaranty

in an amount sufficient to ensure payment of all such charges and in a form and from a third party acceptable to Carrier. 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.

Carrier shall have a lien on all Crude Petroleum delivered to Carrier to secure the payment of any and all gathering, transportation, or any other charges that are owed Carrier. Such lien shall survive delivery of Crude Petroleum to Shipper. Such lien shall extend to all Crude 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 Crude 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.

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 Crude Petroleum of such Shipper in its custody at fair market value at the time of sale. 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 the Shipper's indebtedness including interest herein provided from the date of 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.

Rule 13. Application of Rates for Intermediate Points-For crude petroleum shipments accepted for transportation from any point not named in tariffs making reference hereto which is intermediate to a point from which rates are published in said tariffs, through such unnamed point, the rate published therein from the next more distant point specified in the tariffs will apply from such unnamed point, and the gathering charge at the next more distant point shall apply when gathering service is performed. For crude petroleum shipments accepted for transportation to any point not named in tariffs making reference hereto which is intermediate to a point to which rates are published in said tariffs, through such unnamed point, the rate published therein to the next more distant point specified in the tariffs will apply,

Rule 14. Measuring, Testing, Corrections and Deductions - All shipments tendered Company for transportation shall be tested, gauged or metered by a representative of Company prior to, or at the time of receipt from the shipper or delivery to consignee, but the shipper or consignee shall at all times have the privilege of being present or represented during the 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.

[W] Crude Petroleum quantities transported may be adjusted to allow for inherent losses, including but not limited to shrinkage, evaporation, interface losses and normal "over and short" losses. A deduction of two-tenths of one percent (0.2%) will be made to cover evaporation, interface losses, and other normal losses during transportation. Company shall account to each shipper for all Petroleum Products received. Any overage or shortage not due to the negligence of Company, including losses or gains resulting from shrinkage, evaporation, expansion or other Crude Petroleum losses or gains inherent in the operation of a pipeline system, will be allocated on a monthly accrual basis among the shippers in the proportion that the total number of barrels delivered from the pipeline system for each shipper bears to the total number of barrels delivered from the pipeline system for all shippers.

The net balance, after applicable deductions defined above, and any loss as provided for in Rule

15 (Liability of Company), will be the quantity deliverable by Company and upon which transportation charges will be assessed.

Rule 15. Liability of Company - The Company shall not be liable for any loss of crude petroleum as described herein, or damage thereto, or delay, because of an act of God, the public enemy, quarantine, the authority of law, strikes, riots, or the acts of default of the shipper

or consignee, or from any other cause not due to the negligence of Company; in case of losses from such causes, other than the negligence of Company, losses shall be charged proportionately to each shipment in the ratio that such shipment, or portion thereof, received and undelivered at the time the loss or damage occurs, bears to the total of all shipments, or portions thereof, then in the custody of Company for shipment via the lines or other facilities in which the loss or damage occurs; the consignee shall be entitled to receive only that portion of his shipment remaining after deducting his proportion of such loss or damage, determined as aforesaid, and shall be required to pay transportation charges only on the quantity delivered.

Rule 16. Claims, Suits, Time for Filing - As a condition precedent to recovery, claims must be filed in writing with Company within nine (9) months after delivery of the property, or, in case of failure to make delivery, then within nine (9) months after a reasonable time for delivery has elapsed; and suits shall be instituted against Company only within two (2) years and one (1) day from the day when notice in writing is given by Company to the claimant that Company 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, Company shall not be liable, and such claims will not be paid.

Rule 17. Use of Communication Facilities - When Company maintains a private communication system, shippers may use the same without extra charge for messages incident to shipment. However, Company 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.

Rule 18. Pipage Contracts - Separate pipage contracts in accord with this Tariff and these rules and regulations covering further details may be required by this Company before any duty for transportation shall arise.

Rule 19. Reconsignment - If no out of line or back haul movement or interference with shipping sequence is required, diversion or reconsignment may be made prior to arrival at original destination without charge, subject to the rates, rules and regulations applicable from point of origin to point of final destination.

Rule 20. 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 Company and as are lawfully in effect on date of shipment and lawfully on file with the Federal Energy Regulatory Commission as to interstate 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.

Rule 21. Transit Privilege - At the request of the shipper or consignee crude petroleum may be stopped in-transit at established destination points on the Company's pipeline for storage, provided:

- (a) No backhaul by Company is involved.
- (b) Shipper or consignee has provided storage facilities for receiving deliveries at the in-transit point at pressures and volumetric flow levels required by Company.
- (c) Shipper or consignee has provided adequate pumping and other equipment to redeliver the crude petroleum to Company's

line at in-transit point at pressure and flow rates established by Company.

(d) Transportation charges based on Company's effective tariff rate from point of origin to the in-transit point shall be collected on all crude petroleum moving under this transit privilege after delivery at the in-transit point.

(e) When the crude petroleum is reshipped from the in-transit point, transportation charges for such additional movement shall be the through rates from point of origin to final destination in effect on the date of the original shipment contained in effective tariffs issued or concurred in by Company, less the amount paid to Company under (d) above.

(f) Shipments placed in in-transit storage will be subject to a charge for stop-over services of one (1) cent per barrel in addition to all other transportation charges. Such charge shall be payable when shipment is reshipped from the in-transit point.

(g) Upon delivery of the crude petroleum into storage tanks at in-transit point, the custody and possession of the crude petroleum shall be that of the shipper or consignee and not that of the Company, and Company shall not be liable for loss and/or damage to such crude petroleum while in storage.

(h) A complete record shall be kept by shipper at the in-transit point of all shipments to be accorded transit privileges, under this Tariff, and such records shall be kept open to inspection by representatives of the Company. Shippers requesting transit privileges shall submit to Company copies of inbound delivery receipts within thirty (30) days of the date of such deliveries.

(i) Shipments forwarded from transit point will be checked against the Company's inbound records, and when all the volume covered by any one delivery receipt is reshipped, such delivery receipt will be cancelled for the purpose of this rule, and further shipments against it will not be permitted.

(j) Shipments must be tendered for reforwarding from the in-transit point within twelve (12) months from date of inbound movement to in-transit point as indicated on the delivery records. If all or any part of a shipment covered by an inbound delivery receipt is not reshipped from the in-transit point within twelve (12) months, such volume will be cancelled for the purpose of this rule.

Rule 22. Transfers within System - Line transfers or ownership transfers of Crude Petroleum in custody of Company within its system from one shipper (transferor) to another shipper (transferee) will be permitted provided:

(a) Each transferor will be charged one-half cent ($\frac{1}{2}$ ¢) per barrel for each line transfer or ownership transfer of Crude Petroleum in custody of Company within its system.

(b) All intrasystem transfer requests to Company must be made in accordance with requirements stipulated in the second paragraph of Rule 8 (Tender Requirements). Both transferor and transferee shall provide written notice to Company containing like data relative to the kind, quantity, source, location, transferor and transferee of the Crude Petroleum and the month during which transfer is to occur. Verbal transfer requests will be recognized provided written confirmation is received by the first day of the month during which ownership 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.

Rule 23. Liability Fund - In addition to transportation charges and all other lawful charges accruing on crude petroleum tendered for shipment, a per barrel charge will be assessed and collected in the amount of the tax, fee, or other charge levied against Company in connection with such crude petroleum, 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 crude 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.

Rule 24. Line Fill and Tank Bottom Inventory - Either prior to or after the acceptance of Crude Petroleum for transportation, Carrier will require each Shipper to provide a pro rata part of the volume of Crude Petroleum necessary for pipeline fill, unavailable stocks below tank connections,

and reasonable additional minimum quantities required for efficient operation. Crude Petroleum provided by a Shipper for this purpose may be withdrawn after reasonable written notice of Shipper's intention to discontinue shipment in the system pursuant to Carrier's applicable tariff or tariffs. Carrier may require advance payment of final transportation charges and settlement of any unpaid accounts receivable, before final delivery will be made.

In the event a Shipper's inventory balance drops below its pro rata part of the volume of Crude Petroleum necessary for pipeline fill, unavailable stocks below tank connections, and reasonable additional minimum quantities required for the efficient operation of the system, then Carrier will require such Shipper to provide the necessary volume to meet its pro rata part of such volume of Crude Petroleum.

In the event that Shipper maintains an inventory balance after Shipper ceases movements on the system or Shipper gives written notice of its intent to cease movements over the system and such Shipper is unable to schedule appropriate shipments to clear the inactive inventory balance, Shipper will be required to settle the inactive inventory balance through Carrier. In the event no such Shipper notice is given, then Carrier may require either an adjustment in Shipper's inventory balance in accordance with the Line Fill and Tank Bottom Inventory provision or settlement of the Shipper's inventory balance at any time after Shipper has ceased making movements over the system for a period of six months. Such settlement will be based upon the fair market value of the Crude Petroleum, as published by Platts, at the time Shipper informs Carrier in writing of its intention to discontinue shipments on the system pursuant to Carrier's applicable tariff or tariffs or if no such written notice is given, then at such time as Carrier calls for the settlement of the Shipper's inventory balance.

Explanation of abbreviations and reference marks

API means American Petroleum Institute

ASTM means American Society for Testing Materials. IP means Institute of Petroleum (Great Britain).

[N] New

[W] Change in wording only