

FERC No. 70.5.0
(Cancels FERC No. 70.4.0)

CITGO PIPELINE COMPANY

Containing
RULES AND REGULATIONS

Governing
THE GATHERING

and
TRANSPORTATION
of
CRUDE PETROLEUM

By
PIPE LINE

The rules and regulations published herein apply only under tariffs making specific reference by FERC number to this tariff; such reference will include supplements hereto and successive issues hereof. Specific rules and regulations published in individual tariffs will take precedence over rules and regulations published herein.

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

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ISSUED BY
[W] Kresha Sivinski
General Manager Terminals and
Pipelines
CITGO PIPELINE COMPANY
1293 ELDRIDGE PARKWAY
HOUSTON, TEXAS 77077

Compiled by
Scott Croston
Business Development Manager
(832) 486-4720
scrosto@citgo.com
[N] (281) 684-9213 (Cell)

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Rules and Regulations

Item No. 1. Definitions. As used in these rules, the following terms have the meanings indicated:

- a. "A.P.I." is the American Petroleum Institute.
- b. "A.P.I gravity" is the gravity of Crude Petroleum determined in accordance with ASTM Designation. D-1298-80 or future revisions of that specification.
- c. "ASTM" is the American Society for Testing and Materials.
- d. "Barrel" is 42 US gallons at a temperature of sixty degrees (60°) Fahrenheit and zero (0) gauge pressure if the vapor pressure of the Crude Petroleum is at or below atmospheric pressure, or at equilibrium pressure if the vapor pressure of the Crude Petroleum is above atmospheric pressure.
- e. "Carrier" is the CITGO Pipeline Company.
- f. "Consignee" is the party to whom a Shipper or Consignor has directed delivery of Crude Petroleum under the terms of this tariff.
- g. "Crude Petroleum" is the direct liquid hydrocarbon production of oil wells, or a mixture of any such direct liquids with Indirect Products as defined in Item 1.h.
- h. "Indirect Products" are the liquid products resulting from the operation of gasoline recovery plants, gas recycling plants, condensate or distillate recovery equipment in oil or gas fields, or a mixture of these products.
- i. "Net Delivered Barrels" is the amount of Crude Petroleum adjusted as provided in Items 5 and 14 for losses or gains in transit, evaporation losses, and basic sediment, water and other impurities, and delivered to Consignee as the destination point named in the applicable tariff.
- j. "Segregated Batch" is a Tender of Crude Petroleum with identifiable characteristics which is transported by the Carrier in a manner which maintains, insofar as possible, its identity.
- k. "Shipper" is the party who contracts with the Carrier for transportation of Crude Petroleum under the terms of this tariff and includes any person delivering custody of Crude Petroleum to Carrier on behalf of Shipper and any Consignor.
- l. "Tender" is an offer by a Shipper to the Carrier of a stated quantity of Crude Petroleum for transportation from an origin or origins to a specified destination or destinations in accordance with these rules and regulations.

Item No. 2. Applicability. These rules shall apply to all movements or storage of Crude Petroleum on, in, or through Carrier's facilities unless otherwise expressly provided in a tariff making reference to this tariff.

Item No. 3. Commodity. The Carrier will transport only Crude Petroleum as defined in Item 1.g.

Item No. 4 Title. Tender of Crude Petroleum constitutes Shipper's warranty and guarantee that he has good title to such Crude Petroleum and that he agrees to hold Carrier harmless for any and all loss, cost, liability, damage and/or expense which may result from failure of title.

Item No. 5 Crude Petroleum Transportation Conditions. Except as otherwise provided in specific rules and regulations published in tariffs referring to this one, Crude Petroleum will be accepted and transported only on the following conditions:

- a. No Crude Petroleum will be accepted for transportation except good merchantable crude which has an API gravity of not less than twenty degrees (20°); a vapor pressure of not more than fifteen (15) pounds absolute at one hundred degrees (100°) Fahrenheit; basic sediment, water and other impurities of not more than one percent (1%) above a point four (4) inches below the pipe connection with the tank, tank truck, or vessel; pour point of not more than forty degrees (40°) Fahrenheit; sulfur by weight of not more than one and one half (1.5) percent; viscosity of not more than sixty (60) seconds Sayboldt Universal at one hundred degrees (100°) Fahrenheit; temperature of not more than one hundred twenty degrees (120°) Fahrenheit; and compatibility with Crude Petroleum transported as provided in Item 5.b. Carrier may require Shipper to furnish laboratory reports of tests of Crude Petroleum tendered certifying that these specifications are met. Crude Petroleum which does not meet these specifications will be accepted for transportation only in accordance with Item 5.d.
- b. No Crude Petroleum will be accepted for transportation unless it is readily susceptible of transportation through Carrier's existing facilities and will not materially affect the quality of other Crude Petroleum regularly transported, when commingled or intermixed with such other Crude Petroleum.
- c. No Crude Petroleum will be accepted for transportation except on condition that Carrier shall not be liable to Shipper or Consignee for any change, including changes in gravity or quality, which may occur from commingling or intermixing such Crude Petroleum with other Crude Petroleum in transit. Carrier shall not be obligated to deliver to Consignee the identical Crude Petroleum accepted from Shipper but will deliver to Consignee a grade of Crude Petroleum as nearly like the grade of Crude Petroleum received from Shipper as Carrier is regularly transporting as a common stream to the intended destination of the shipment.
- d. Crude Petroleum which does not meet the requirements of Item 5.a.-5.i. will be accepted for transportation only if Carrier has available facilities to transport such Crude Petroleum as a Segregated Batch, and if such Crude Petroleum is readily susceptible of transportation through Carrier's existing facilities without material disadvantage to other Shippers and/or the Carrier and if such Crude Petroleum is made available at a single origin point in a quantity which equals or exceeds ten thousand (10,000) barrels. Carrier shall not be liable for any change, including changes in gravity or quality, of any such Crude Petroleum accepted for transportation. Carrier will impose an additional charge as provided in Item 10 for viscous crude but such crude petroleum will not be accepted for transportation if its viscosity exceeds 400 SSU at 100°F without prior written approval by Carrier. Shipper may be required to furnish suitable buffers to accompany a Segregated Batch of Crude Petroleum.
- e. Indirect Products will be accepted and transported as a mixture with Crude Petroleum, provided the vapor pressure of the resulting mixture does not exceed that permitted by Item 5.a.; and
- f. Indirect Products will be accepted and transported when and where Carrier has available facilities with which to mix such Indirect Products with Crude Petroleum at or prior to the arrival of such Indirect Products at a working tank which is vented to the atmosphere; and
- g. Indirect Products will be accepted and transported when and where Carrier has such Crude Petroleum in its custody consigned to the same Consignee and destination as the Indirect Products, with which the Indirect Products can be mixed; and
- h. Direct and Indirect Products will be measured and tested separately for determining volumes accepted by Carrier, such measurements to be made in accordance with Item 14; and

- i. Mixtures will be accepted, transported and delivered as Crude Petroleum only. Nothing in this rule is to be construed to waive the provisions of Item 5.a.-5.d. of this tariff or to require Carrier to receive, transport, and deliver unmixed Indirect Products.

Item No. 6. Pipeage Contracts. Separate pipeage contracts in accord with applicable tariffs and these rules and covering the requirements for new connections to Carrier's facilities may be required by the Carrier before any duty of transportation shall arise.

Item No. 7. Linefill or Prepayment Requirement.

- a. Any Shipper intending to Tender Crude Petroleum to Carrier on a regular basis, or any Shipper who has so tendered to Carrier for three consecutive months, will be required to furnish to Carrier his pro rata share of the linefill required on that part of Carrier's system over which he ships. Carrier will allocate its linefill requirements among its regular Shippers at six (6) month intervals and advise each regular Shipper of any increase or decrease in his required linefill. Carrier shall not be liable for any misallocation of linefill among Shippers.
- b. Any Shipper not intending to tender Crude Petroleum to Carrier on a regular basis and any Shipper who does not or has not furnished linefill to Carrier will be required to prepay transportation charges or furnish guaranty of payment satisfactory to the Carrier.

Item No. 8. Origin and Destination Facilities; Storage Charge.

- a. Carrier will provide only such facilities at points of origin or destination as it considers necessary for operation of the pipe line. Carrier does not provide storage service except as specified in individual tariffs. In those locations where Carrier does not provide storage, Crude Petroleum will be accepted for transportation only when Shipper has provided facilities, including storage, satisfactory to Carrier, for tendering or accepting delivery of Crude Petroleum at pressures and pumping rates required by Carrier. Where Crude Petroleum is to be shipped in a Segregated Batch and Carrier does not provide storage, Shippers and/or Consignees shall be responsible for providing tankage sufficient to store the segregated batch at origin and destination.
- b. Where Carrier has storage facilities, Carrier will provide intransit storage service for ten (10) days free of charge provided Carrier has received written notice from Shipper prior to the 20th day of the month preceding the month in which Shipper desires to use Carrier's intransit storage service and the storage facilities are not already scheduled for use by another Shipper. The written notice shall include the type, specifications, origin, destination, amount and duration of storage of the Crude Petroleum to be stored. Unless such notification is made by Shipper, the Carrier shall be under no obligation to store Crude Petroleum intransit for the Shipper. Carrier shall advise Shipper of the availability of the storage facilities within five (5) days of the receipt of the described notification. If the storage facilities are scheduled for use by another, Carrier will advise Shipper of an alternate time when the storage facilities will be available.

If Shipper fails or refuses to remove Crude Petroleum from Carrier's storage facilities at the end of the 10 day storage period or if Shipper has failed to schedule storage by the notification procedure described above, Carrier shall have the following options:

- (1) If storage facilities are not scheduled for use by another, Shipper will be permitted to store its Crude Petroleum until the storage facility is so scheduled for a charge of [U] one-half cent per barrel per day;
- (2) If storage facilities are scheduled for use by another, Shipper must immediately remove its Crude Petroleum from Carrier's storage facility. If Shipper fails to do so, Carrier may, in its sole

discretion, either sell or dispose of Shipper's Crude Petroleum in accordance with Item 19 or charge Shipper a penalty of [U] one (1) cent per barrel per day, for which penalty Carrier shall have a lien against Shipper's Crude Petroleum in accordance with Item 19.

- c. Where Shipper elects to deliver Crude Petroleum to Carrier at point of origin through automatic custody transfer facilities (in lieu of tankage), the automatic measuring and sampling facilities and the design, construction, and calibration of such facilities must be approved by Carrier and any appropriate regulatory body. In the event automatic custody transfer is made, Shipper shall also furnish whatever pumping service is necessary to insure that the Crude Petroleum being delivered to the meter is at a pressure sufficient to allow for accurate measurement.

Item No. 9. Consent of Disclosure. As a condition precedent to transportation by Carrier, Shipper and Consignee hereby consent, in accordance with 49 U.S.C. § 15(13), to the disclosure of information concerning the nature, kind, quantity, destination, consignee or routing of the Crude Petroleum to be transported, to Carrier's directors, officers, agents, employees, independent contractors, consultants, accountants, attorneys and others insofar as said information may be necessary or useful for the safe, efficient and economical operation of the pipeline.

Item No. 10. Rates Applicable. The rate which shall apply to the transportation of Crude Petroleum shall be the rate in effect on the date Crude Petroleum is received by Carrier for transportation.

All rates specified in individual tariffs will be applied to Net Delivered Barrels.

There shall be an additional charge per barrel above the posted rate for gathering, transportation, storage or pumping of grades of Crude Petroleum which are more viscous than permitted by Item 5a. based on the following viscosity ranges:

| <u>Viscosity Range (SSU @</u> | <u>Additional Charge</u> |
|-------------------------------|--------------------------|
| <u>100°)</u> | |
| 61-90 | 12% |
| 91-180 | 22% |
| 181-400 | 30% |

Item No. 11. Application of Rates from and to Intermediate Points. For Crude Petroleum accepted for transportation from any point on Carrier's lines not named in a particular tariff which is intermediate to a point from which rates are published therein, though such unnamed point, Carrier will apply the rate published therein from the next more distant point specified in such tariff. For Crude Petroleum accepted for transportation to any point on Carrier's lines not named in a particular tariff which is intermediate to a point to which rates are published therein, through such unnamed point, Carrier will apply the rate published therein to the next more distant point specified in such tariff pending establishment of new rates.

Item No. 12. Minimum Tender.

The minimum quantity of Crude Petroleum that shall be accepted for transportation by Carrier at a point or origin on its trunk lines or gathering lines from one Shipper, or delivered by Carrier at a destination point, depends upon Carrier's facilities at origin and destination and is set forth in individual tariffs.

Item No. 13. Scheduling of Shipments

- a. All Shippers desiring to tender Crude Petroleum to Carrier for transportation shall promptly provide Carrier with all information necessary to schedule and dispatch each shipment of Crude Petroleum

which Shipper tenders; to satisfy Carrier that offers to ship are in good faith; and to satisfy Carrier that shipments can be transported in conformance with Carrier's tariffs. Carrier may refuse to accept any Crude Petroleum tendered until Shipper has provided Carrier such information.

- b. Any Shipper desiring to tender Crude Petroleum for transportation by Carrier shall give written notice to the Carrier prior to the 20th day of the month preceding the month in which Shipper desires to have Crude Petroleum transported. The written notice shall include the grade, specification, origin, destination and amount of the Crude Petroleum to be shipped. Unless such notification is made by Shipper, Carrier shall be under no obligation to accept Crude Petroleum from the Shipper.

Item No. 14. Measuring, Testing and Volume Corrections.

- a. Crude Petroleum tendered to Carrier shall be measured and tested by representatives of Carrier or by automatic equipment approved by Carrier at origin and at destination. The Shipper shall have the privilege of being present or represented at such measuring or testing. Quantities will be determined from correctly compiled tank tables or by Carrier-approved automatic equipment and adjusted to the temperature of sixty degrees (60°) Fahrenheit. Where measurement is made by meters, a further correction will be made for pressure in accordance with API standard 1101 (Measurement of Petroleum Liquid Hydrocarbons by Positive Displacement Meter). Deductions will be made for the actual percent to the nearest one-tenth of one percent (0.1%) of basic sediment, water and other impurities as the centrifuge or other tests as agreed upon may show, and the net balance shall be the quantity of Crude Petroleum accepted or delivered.
- b. When Indirect Products are received by Carrier from pressure vessels and measurements are made by tank gauges, a further adjustment will be made to cover evacuation losses if a gas blanket at or in excess of the vapor measure of the liquid is not used.
- c. Crude Petroleum quantities will be adjusted at destination to allow for inherent losses or gains, including shrinkage, measurement, evaporation and interface losses. These losses or gains will be allocated monthly among Shippers in the proportion that the total number of barrels received into a line segment for each Shipper bears to the total number of barrels received into that line segment for all Shippers.

Item No. 15. Dispatching. Carrier will establish a sequence for pumping various grades of Crude Petroleum through its trunk lines for each calendar month and will schedule the approximate time when a particular Tender will be accepted and delivered by Carrier. Carrier will notify each Shipper of its scheduling plan for acceptance and delivery.

Item No. 16. Acceptance of Delivery. Upon arrival at destination and upon twenty-four (24) hours notice to Consignee, Carrier may begin delivery of a shipment of Crude Petroleum at its current rate of pumping. If Consignee cannot accommodate said Crude Petroleum, then Carrier may store, sell at public auction or otherwise dispose of the Crude Petroleum in accordance with Item 19.

Item No. 17. Diversion. A change in destination or routing will be permitted without additional charge, on written request from the Shipper, provided an applicable tariff is in effect for any requested destination or routing, and provided no backhaul is required, and provided that the proposed routing does not impair or impede the operation of the pipeline.

Item No. 18. Proration. When there shall be tendered to Carrier for transportation more Crude Petroleum than can be currently transported on a line segment, the transportation furnished by Carrier shall be equitably apportioned among all Shippers on that line segment in such a manner as to avoid

discrimination among Shippers; provided, however, that in making such apportionment, no Tender shall be considered beyond the amount in which Shipper has ready for shipment within that calendar month. The details of Carrier's method of proration are contained in a document entitled *CITGO Pipeline Proration Policy*, a copy of which will be made available, upon request, to any Shipper or prospective Shipper.

Item No. 19. Payment for Transportation and Lien. Shipper or Consignee shall pay the transportation, gathering, demurrage and all other charges applicable to the shipment and, if required in accordance with Item 7, shall prepay such charges or furnish guaranty of payment satisfactory to Carrier. Carrier shall have a lien on all Crude Petroleum in its possession belonging to Shipper to secure the payment of all unpaid charges due from such Shipper and may withhold such Crude Petroleum from delivery until all of such unpaid charges shall have been paid. If said charges shall remain unpaid 30 days after the date set for payment in Carrier's invoice to Shipper, or, in the absence of unpaid charges, when there shall be a failure to take the Crude Petroleum at the point of destination, Carrier shall have the following options, in its sole discretion:

- a. Carrier may store Shipper's Crude Petroleum in its possession and charge Shipper the per diem storage rate provided in Item 8.b. until Shipper or Consignee pays all charges and/or takes delivery, whichever is applicable; or
- b. Carrier may sell Shipper's Crude Petroleum in its possession for cash at public auction at its office in Tulsa, Oklahoma, on any day not a legal holiday, not less than 48 hours after publication of a notice in a daily newspaper in Tulsa, Oklahoma, of the time and place of sale and the quantity of Crude Petroleum to be sold. Carrier may be a bidder and a purchaser at such sale. From the sale proceeds, Carrier may pay itself all charges, expense of notice and sale, and storage and maintenance costs, and the balance shall be held for whosoever may be entitled thereto: or
- c. In circumstances in which Carrier has no storage facilities or other means of holding and maintaining Shipper's Crude Petroleum, and inability to deliver the Crude Petroleum will cause a shutdown of a line segment of Carrier's transportation facilities, Carrier may, without notice but in the most commercially reasonable manner as is possible under the circumstances, dispose of Shipper's Crude Petroleum. If such disposal shall result in proceeds after payment of Carrier's charges and expenses, proceeds shall be held for whosoever may be entitled thereto. If such disposal does not result in proceeds, Shipper and Consignee shall remain liable for all charges due to Carrier and expenses incurred by Carrier.

Item No. 20. Liability of Carrier. Carrier shall not be liable for any loss of Crude Petroleum or damage to or delay or misdelivery of Crude Petroleum while in the possession of Carrier if caused by Act of God, the public enemy, quarantine, authority of law, strikes, riots, act or default of Shipper or Consignee, requisition by an agency of Government, negligence of third parties, or from any other cause other than the negligence of the Carrier except to the extent that liability therefore is imposed on Carrier by law.

If any such loss occurs for which Carrier is not liable to Crude Petroleum in a Segregated Batch, then Shipper and Consignee thereof shall bear the entire loss, damage, delay or misdelivery which occurs.

If any such loss occurs for which Carrier is not liable to Crude Petroleum commingled in transit or storage, then each Shipper of the Crude Petroleum so lost, damaged, delayed or misdelivered shall share such loss in the proportion that its shipment bears to the total amount of Crude Petroleum in the custody of Carrier at the time of such loss on the affected line segment, or in the affected storage facility.

Carrier will be obligated to deliver only that portion of a Crude Petroleum shipment which remains after deducting the loss above described. Charges will be made only for quantities of Crude Petroleum delivered.

If Crude Petroleum is lost in transit while in the custody of Carrier for a cause for which Carrier is liable, Carrier shall have the option of delivering to Consignee other Crude Petroleum of the same or comparable quantity and quality as that which was lost, or compensating Shipper for such loss in money.

Item No. 21. Claims Against Carrier; Time Limitation. As a condition precedent to recovery for loss, damage, delay or misdelivery, claims must be filed in writing with the Carrier within nine (9) months and one (1) day after delivery of the Crude Petroleum, or in case of failure to make delivery, within ten (10) months after receipt of the Crude Petroleum from Shipper by Carrier, and suits must be instituted against the Carrier within two (2) years and one (1) day from the day when Carrier gives notice to the claimant that Carrier has disallowed the claim or any part thereof specified in the notice of claim. If claims are not filed or suits are not instituted thereof in accordance with these provisions, Carrier will not be liable and claimant may not recover from Carrier.

Item No. 22. Use of Inhibitors. Carrier reserves the right to inject, approve, or require the injection of inhibitors in the Crude Petroleum to be transported.

Item No. 23. Incentive Rates. If during any month period Carrier is unable to accept all of the volume offered for shipment by Shipper (within the limitations of this tariff) such volume shall be deemed to be shipped for the purpose of meeting minimum monthly and annual term requirements hereunder, provided that Shipper gives Carrier written notice within five (5) working days after the end of the specific month of the volume claimed.

EXPLANATION OF ABBREVIATIONS & SYMBOLS

[U] – Unchanged [W] – Change in Wording Only [N] - New