

ENERGY XXI PIPELINE II, LLC

NONJURISDICTIONAL RATE SCHEDULE No. 2

The rate named in this schedule is for the transportation of CRUDE PETROLEUM by pipelines,
subject to the rules and regulations named herein.

TABLE OF RATES			
RATE IN CENTS PER BBL. OF 42 U.S. GALLONS			
FROM	TO	BASE RATE	RESERVE COMMITMENT INCENTIVE PROGRAM ⁽¹⁾
BLOCK 79, WEST DELTA AREA, LOUISIANA Platform A	WEST DELTA RECEIVING STATION VENICE, LOUISIANA (Plaquemines Parish)	75.00	Less than 0.5 million bbls 65.00
			0.5 million bbls to 1.0 million bbls 55.00
			More than 1.0 million bbls 45.00
BLOCK 86, WEST DELTA AREA, LOUISIANA Platform A	WEST DELTA RECEIVING STATION VENICE, LOUISIANA (Plaquemines Parish)	125.00	N/A
BLOCK 89, SOUTH PASS AREA, LOUISIANA Platform B Platform C Platform D	WEST DELTA RECEIVING STATION VENICE, LOUISIANA (Plaquemines Parish)	150.00	Less than 1.0 million bbls 125.00
			1.0 million bbls to 2.0 million bbls 100.00
			More than 2.0 million bbls to 5.0 million bbls 85.00
			More than 5.0 million bbls 45.00

⁽¹⁾ Reserve commitment incentive rates apply to all shipments and all shippers of crude oil from reserve developments committed to Marathon Offshore Pipeline LLC (MOPL) by contract for the life of the reserves. Reserve estimates to determine eligibility for discount level shall be based upon data submitted by owner of the reserves to MOPL and agreed upon, using generally accepted reservoir engineering principles, between owner of the reserves and MOPL. In the event of a disagreement between owner of the reserves and MOPL as to the reserve estimate, the reserve estimate shall be conclusively determined by a licensed petroleum engineer who is not affiliated with either owner of the reserves or MOPL, all costs of such determination shall be borne by owner of the reserves.

[N] EFFECTIVE DECEMBER 1, 2011, ENERGY XXI PIPELINE II, LLC ADOPTED THIS RATE SCHEDULE FOR ALL MOVEMENTS CONTAINED HEREIN, PREVIOUSLY GOVERNED BY MARATHON OFFSHORE PIPELINE, LLC., NONJURISDICTIONAL RATE SCHEDULE NO. 11.

[C] Cancel. [N] New. [W] Change in wording only.

EFFECTIVE DECEMBER 1, 2011

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

ISSUED BY
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RULES AND REGULATIONS

RULE 1. DEFINITIONS: “Crude Petroleum”, as used herein, means the direct product of oil wells, including condensate and entrained substances.

“Barrel”, as used herein, means 42 United States gallons of Crude Petroleum at a temperature of 60 degrees Fahrenheit.

“Carrier”, as used herein, means Energy XXI Pipeline II, LLC.

RULE 2. SPECIFICATIONS AS TO QUALITY AND LEGALITY OF SHIPMENT: Carrier reserves the right to reject any and all of the following shipments:

- a. Crude petroleum whose gravity, viscosity, and other characteristics are such that it is not readily susceptible of transportation through the Carrier’s existing facilities and it will damage the quality of other shipments or cause disadvantage to other shippers and/or the Carrier.
- b. Crude petroleum containing basic sediment, water or other impurities totalling in excess of one per cent as determined by centrifugal test, or by such other tests as may be agreed upon by the Shipper and Carrier.
- c. Crude petroleum where the Shipper or Consignee has failed to comply with all applicable laws, rules and regulations made by any governmental authorities regarding shipment of crude petroleum.
- d. Crude petroleum whose sulfur content, as measured at the Shipper’s Receipt Point and the Delivery Point at the West Delta Receiving Station (WDRS), exceeds 0.5% by weight, as determined by ASTM Method D4294 without a centrifuge. In the event that the sulfur content measured at WDRS exceeds 0.5% by weight and deliveries of the common stream to the immediate downstream connected pipelines are jeopardized, Carrier shall promptly issue a Notice to each Shipper whose crude petroleum exceeds 0.5% by weight measured at the Shipper’s Receipt Point to take immediate action to reduce the sulfur content of the SPWD common stream to 0.5% by weight measured at WDRS. Each such Shipper shall, no later than 15 days from the date of Carrier’s Notice, provide to Carrier a plan to reduce the sulfur content of the South Pass-West Delta Pipeline System (SPWD) common stream to 0.5% by a date no later than 30 days from the date of Carrier’s Notice. If the requisite sulfur content measured at WDRS is not achieved by the 30th day following Carrier’s Notice, Carrier shall have the right, without further notice, to impose a pro rata curtailment or pro rata shut-in of each Shipper whose crude petroleum, as measured at the Shipper’s Receipt Point, exceeds 0.5% sulfur by weight until the sulfur content of the common stream measured at WDRS is equal to 0.5% and to maintain such curtailments or shut-ins to ensure that the common stream measured at WDRS does not exceed 0.5% sulfur by weight. In the event that the sulfur limit at WDRS exceeds 0.5% by weight, but deliveries of the common stream to the immediate downstream connected pipelines are not jeopardized because (1) one or more of the immediate downstream connected pipelines has in effect a sulfur limit which allows the common stream to be delivered; and (2) all shippers of the common stream nominate deliveries to such downstream connected pipeline, then Carrier shall not issue the Notice and shall not take action to curtail or shut-in crude petroleum whose sulfur content as measured at the Shipper’s Receipt Point exceeds 0.5% by weight.

RULE 3. RECEIPT, DELIVERY AND IDENTITY OF SHIPMENTS:

A. Crude petroleum offered for transportation will be received into the pipelines of Carrier only on the condition that:

- a. It shall be subject to such changes in gravity or quality as may result from the mixture of said crude petroleum with crude petroleum in the tanks or lines of Carrier; and
- b. Carrier shall be under no obligation to deliver the identical crude petroleum received, and reserves the right to make delivery out of its common stock.

RULE 4. APPORTIONMENT WHEN AMOUNTS TO BE TRANSPORTED ARE IN EXCESS OF FACILITIES: When there shall be offered to Carrier, for transportation, more crude petroleum than can be immediately transported, the transportation furnished by Carrier shall be apportioned among all shippers in proportion to the amounts to be transported by each, based on the capacity of the system and each of its segments. Shippers will be required to submit amounts to be transported by the tenth (10th) of the month preceding the month of shipment and no amount shall be considered beyond the amount which the party requesting shipment has readily accessible for shipment. If a shipper is unable to deliver crude oil equal to the space allocated to it, its volumes for the second succeeding month may be reduced by the amount of allocated throughput not utilized during the preceding month.

RULE 5. APPLICATION OF RATES: Crude petroleum accepted for transportation shall be subject to the rates in effect on the date of receipt by Carrier.

RULE 6. LIABILITY OF CARRIER: Carrier while in possession of crude petroleum described herein, shall not be liable for any loss thereof; damage thereto; or delay caused by fire, storm, flood, epidemics, Act of God, riots, strikes, insurrection, rebellion, war, act of the public enemy, quarantine, the authority of law, requisition or necessity of the Government of the United States in time of war, default of Shipper or Owner, or from any other cause not due to the sole negligence of Carrier. In case of loss of any crude petroleum from any

such causes, after it has been received for transportation and before the same has been delivered to Consignee, Shipper shall stand a loss in such proportion as the amount of his shipment, already delivered to Carrier, bears to all of the crude petroleum then in the custody of Carrier, for shipment via the lines or other facilities in which the loss or damage occurs, and the Shipper shall be entitled to have delivered only such portion of his shipment as may remain after deduction of his due proportion of such loss.

RULE 7. CRUDE PETROLEUM INVOLVED IN LITIGATION: Crude petroleum which is in any way involved in litigation, or which is encumbered by a lien or charge of any kind, will not be accepted for shipment, unless and until the Shipper or Consignee shall furnish a bond or other form of indemnity satisfactory to Carrier, protecting it against any liability or loss arising as a result of such litigation, lien or charge.

RULE 8. PAYMENT OF TRANSPORTATION CHARGES: The Shipper or Consignee shall pay all applicable transportation and all other lawful charges accruing on crude petroleum delivered to and accepted by Carrier for shipment, and if required, shall pay the same before delivery at destination. Carrier shall have a lien on all crude petroleum in its possession belonging to Shipper or Consignee to secure the payment of any and all unpaid transportation or any lawful charges that are due Carrier, that are unpaid by Shipper or Consignee, and may withhold such crude petroleum from delivery until all unpaid charges shall have been paid. If said charges remain unpaid ten days after notice and demand therefore, Carrier shall have the right, through an Agent, to sell such crude petroleum at public auction, on any day not a legal holiday, on not less than 48 hours after publication of notice of such sale in a daily newspaper of general circulation published in the town or city where the sale is to be held, stating the time, place of sale, and the quantity and location of crude petroleum to be sold. At said sale Carrier shall have the right to bid, and if the highest bidder, to become the purchaser. From the proceeds of said sale, Carrier will pay itself the transportation and all other lawful charges, including expenses incident to said sale, and the balance remaining, if any, shall be held for whomsoever may be lawfully entitled thereto.

RULE 9. CLAIMS, SUITS AND TIME FOR FILING: As a condition precedent to recovery, claims must be filed in writing with Carrier within nine months after delivery of shipment, or, in case of failure to make delivery, then within nine months after a reasonable time for delivery has elapsed; and suits shall be instituted against Carrier only within two years and one 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.

RULE 10. GAUGING AND TESTING: Crude petroleum offered to Carrier for transportation shall be measured and tested by a representative of Carrier prior to its receipt from Shipper, but the Shipper shall have the privilege of being present or represented at the gauging and testing. Upon delivery at final destination quantities shall be computed from tank tables on a 100 per cent volume basis, or, when agreed upon, quantities may be measured through meters. Volumes thus determined will be corrected as to temperature from observed degrees Fahrenheit to 60 degrees Fahrenheit. A centrifuge machine, or other methods agreed upon, shall be used for ascertaining the percentage of basic sediment, water or other impurities in the crude petroleum and the full amount of basic sediment, water and other impurities, thus determined shall be deducted from the corrected volume. Quantities received from each Shipper shall be determined by allocating and dividing among the Shippers from whom the crude petroleum was received, the amount delivered at final destination in the proportion that the quantity received from each Shipper bears to the total quantity received from all Shippers. Transportation charges shall be assessed on the quantities thus determined. From the net quantities so determined for acceptance, a further deduction of two-tenths of one-percent (0.25%) will be made to cover evaporation and loss during transportation. The balance shall be the net quantities deliverable.

RULE 11. EVIDENCE OF RECEIPTS AND DELIVERIES: Crude petroleum received from the Shipper and crude petroleum delivered to the Consignee shall, in each instance, be evidenced by tickets, showing opening and closing tank gauges or meter readings, as applicable, temperature, basic sediment and water, and any other data essential to the determination of quantity. Such tickets shall be jointly signed by representatives of Carrier and the Shipper or Consignee, as appropriate, and shall constitute full receipt for (a) the crude petroleum received; (b) the crude petroleum delivered.

RULE 12. QUANTITIES DELIVERABLE: The quantity of crude petroleum deliverable at final destination shall be the quantity received at origin, less shrinkage, evaporation or other loss in transit. Losses due to leaks or pipeline breaks resulting from any cause other than the negligence of the Carrier shall be shared proportionately among the Shippers in the particular pipeline segment. All other losses, however occurring, shall be borne by Shippers and by shared proportionately by Shippers as described in Rule 10.

RULE 13. OFFSHORE PLATFORM FACILITIES AND OPERATING PROCEDURES:

A. Carrier or its authorized representative shall have access to the platform from which shipments are received for the purpose of examining and checking meters and other installations utilized in connection with the handling of crude petroleum injected into the pipe line.

B. Shippers, upon request of Carrier, shall install, maintain and operate, or make arrangements with platform owners to install, maintain and operate equipment to inject corrosion inhibitor into the pipeline. Shippers shall purchase, or cause to be purchased, corrosion inhibitor. The injection of such corrosion inhibitor and the type of inhibitor used shall be subject to the control of the Carrier.

C. Shippers shall furnish or arrange with platform owners to furnish pumping equipment necessary to inject its crude petroleum into the pipeline. The Carrier shall have the right to limit and control the maximum pumping rate and scheduled pumping periods for injection into the pipeline. Such pumping equipment shall be sized so that the pumping rate shall not exceed 120 per cent of the average rate required to inject the quantities of crude petroleum scheduled for shipment from the production platform during the schedule period.

D. Shippers shall provide, or arrange with platform owners to provide, one voice communication circuit plus one data communications circuit for each connected platform pumping facility to a point on a microwave system provided or arranged for by Carrier and the necessary transducers and transmission equipment to enable the operator to monitor meter readings and pipeline injection pressure.

E. Physical and legal transfer of custody of crude petroleum to Carrier shall be at points where producers' or other delivering parties' lines are connected to Carrier's existing facilities, however, measurement of quantities received for the account of shippers at such points shall be determined by measurement facilities installed on the production platforms where the crude petroleum is produced or to which it is moved for delivery into Carrier's existing facility.

F. Shippers shall install or cause platform owners to install in accordance with applicable API and ASTM standards:

1. Positive displacement metering and meter proving equipment capable of continuous custody measurement, and
2. Devices for continuous proportional-to-flow sampling of the crude petroleum. The pipeline operator shall have the right to require uniform measurement and sampling equipment/procedures at all installations so that custody transfer measurements are made on a uniform basis. If piston pumps are used, surge absorbers or dampers shall be installed upon reasonable request of Carrier to reduce meter pulsation to a minimum.

RULE 14. APPLICABLE RATES FROM INTERMEDIATE POINTS: Crude petroleum accepted for transportation from any point on the Carrier's lines not named in this rate schedule, which is intermediate to a point from which rates are published herein, through such unnamed point, Carrier will apply from such unnamed point the rate published herein from the next more distant point specified in the rate schedule.

RULE 15. PIPAGE CONTRACTS: Separate pipage contracts in accordance with this rate schedule and these rules and regulations covering further details may be required by this Company before any duty for transportation shall arise.

RULE 16. QUALITY BANK POLICY FOR SOUTH PASS-WEST DELTA PIPELINE SYSTEM: Shipper will be required, as a condition of tendering, to participate in a Quality Bank. Quality Bank details follow on pages 5-11.

SPWD QUALITY BANK POLICY

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EXPLANATION

Carrier or the Carrier's authorized agent will administer the Quality Bank providing adjustments for the value of crudes of different qualities in the manner specified below:

This Quality Bank is established to insure that Shippers will not be materially damaged or allowed to benefit from changes in quality as a result of common stream operations. This Quality Bank will calculate, collect and remit monetary adjustments among all Shippers tendering within the common stream system from changes in quality which result from common stream operations.

Each Shipper is required to participate in the Quality Bank. Each Shipper agrees to pay the Carrier or the Carrier's authorized agent the computed adjustments due from said Shipper in accordance with these rules and regulations. The table of quality differential values per barrel, attached hereto as Exhibit A, is incorporated herein and made a part of these Rules.

Applicable barrels and gravities shall be the net barrels of 60°F Fahrenheit (with no deduction for loss allowance) and the gravities recorded by the Operator at points where it customarily records gravities and quantities.

The weighted average gravity differential value per barrel (for two or more gravities of crude petroleum), as hereinafter referred to, shall be obtained in the following manner: Multiply the gravity differential values per barrel by the number of barrels to which such gravity differential values are applicable and then divide the total of the resultant gravity differential values in dollars and cents by the total of the applicable barrels.

Adjustment between Shippers shall be computed as follows:

I. Compute the weighted average gravity differential value per barrel of the composite common stream receipts.

A. If the weighted average gravity differential value per barrel of a Shipper as so determined under Paragraph I above shall be greater than the weighted average gravity differential value per barrel of the aforementioned common stream crude petroleum as determined under Paragraph I, the difference in cents per barrel shall be calculated and Shipper shall be credited an amount calculated by multiplying said difference in gravity differential value per barrel by the applicable barrels.

C. If the weighted average gravity differential value per barrel of a Shipper is less than the weighted average gravity differential value per barrel of the aforementioned common stream crude petroleum, the difference shall be calculated as above outlined and Shipper debited for such difference.

SPWD QUALITY BANK POLICY

II. Compute the weighted average gravity differential value per barrel of the composite common stream deliveries.

- A. If the weighted average gravity differential value per barrel of a Shipper as so determined under Paragraph II above shall be greater than the weighted average gravity differential value per barrel of the aforementioned common stream crude petroleum as determined under Paragraph II, the difference in cents per barrel shall be calculated and Shipper shall be debited an amount calculated by multiplying said difference in gravity differential value per barrel by the applicable barrels.
- B. If the weighted average gravity differential value per barrel of a Shipper is less than the weighted average gravity differential value per barrel of the aforementioned common stream crude petroleum, the difference shall be calculated as above outlined and Shipper credited for such difference.

An example calculation of the Receipts and Deliveries is attached as Exhibit B.

These calculations shall be made for each calendar month and the algebraic sum of the adjustments for the System shall be zero ± One Dollar. If a Shipper shall have a net debit balance in the adjustment made above, the balance shall be remitted to the clearinghouse within fifteen (15) days from receipt of statement of such debit. If Shipper shall have a credit, the clearinghouse shall remit the amount thereof after receipt by the clearinghouse of the sum from those Shippers having debits as calculated above.

At the end of each month a statement shall be rendered to each Shipper setting forth the net debit and credit balance of said Shipper's Quality Value Account and specifying the amount to be paid (or received) to settle the account.

Carrier may, at its option, require the Shipper to pay all estimated obligations in advance or to provide an irrevocable letter of credit satisfactory to the Carrier for such obligations.

Payment to or from the Shippers, as a result of this Quality Bank, are not part of the transportation rates of Carrier and said payments shall not be offset or otherwise claimed by any Shipper against sums due Carrier for transportation or other charges collected pursuant to Carrier's rules and regulations.

SPWD QUALITY BANK POLICY

EXHIBIT "A" ADJUSTMENT AUTHORIZATION

TABLES OF DIFFERENTIALS FOR USE IN DETERMINING ADJUSTMENTS FOR DIFFERENCE IN
GRAVITY OF CRUDE PETROLEUM IN SOUTH PASS-WEST DELTA PIPELINE SYSTEM
COMMON STREAM CRUDE

API GRAVITY	DIFF \$/BBL	API GRAVITY	DIFF \$/BBL	API GRAVITY	DIFF \$/BBL	API GRAVITY	DIFF \$/BBL
15.0	0.000	19.0	0.600	23.0	1.200	27.0	1.800
15.1	0.015	19.1	0.615	23.1	1.215	27.1	1.815
15.2	0.030	19.2	0.630	23.2	1.230	27.2	1.830
15.3	0.045	19.3	0.645	23.3	1.245	27.3	1.845
15.4	0.060	19.4	0.660	23.4	1.260	27.4	1.860
15.5	0.075	19.5	0.675	23.5	1.275	27.5	1.875
15.6	0.090	19.6	0.690	23.6	1.290	27.6	1.890
15.7	0.105	19.7	0.705	23.7	1.305	27.7	1.905
15.8	0.120	19.8	0.720	23.8	1.320	27.8	1.920
15.9	0.135	19.9	0.735	23.9	1.335	27.9	1.935
16.0	0.150	20.0	0.750	24.0	1.350	28.0	1.950
16.1	0.165	20.1	0.765	24.1	1.365	28.1	1.965
16.2	0.180	20.2	0.780	24.2	1.380	28.2	1.980
16.3	0.195	20.3	0.795	24.3	1.395	28.3	1.995
16.4	0.210	20.4	0.810	24.4	1.410	28.4	2.010
16.5	0.225	20.5	0.825	24.5	1.425	28.5	2.025
16.6	0.240	20.6	0.840	24.6	1.440	28.6	2.040
16.7	0.255	20.7	0.855	24.7	1.455	28.7	2.055
16.8	0.270	20.8	0.870	24.8	1.470	28.8	2.070
16.9	0.285	20.9	0.885	24.9	1.485	28.9	2.085
17.0	0.300	21.0	0.900	25.0	1.500	29.0	2.100
17.1	0.315	21.1	0.915	25.1	1.515	29.1	2.115
17.2	0.330	21.2	0.930	25.2	1.530	29.2	2.130
17.3	0.345	21.3	0.945	25.3	1.545	29.3	2.145
17.4	0.360	21.4	0.960	25.4	1.560	29.4	2.160
17.5	0.375	21.5	0.975	25.5	1.575	29.5	2.175
17.6	0.390	21.6	0.990	25.6	1.590	29.6	2.190
17.7	0.405	21.7	1.005	25.7	1.605	29.7	2.205
17.8	0.420	21.8	1.020	25.8	1.620	29.8	2.220
17.9	0.435	21.9	1.035	25.9	1.635	29.9	2.235
18.0	0.450	22.0	1.050	26.0	1.650	30.0	2.250
18.1	0.465	22.1	1.065	26.1	1.665	30.1	2.265
18.2	0.480	22.2	1.080	26.2	1.680	30.2	2.280
18.3	0.495	22.3	1.095	26.3	1.695	30.3	2.295
18.4	0.510	22.4	1.110	26.4	1.710	30.4	2.310
18.5	0.525	22.5	1.125	26.5	1.725	30.5	2.325
18.6	0.540	22.6	1.140	26.6	1.740	30.6	2.340
18.7	0.555	22.7	1.155	26.7	1.755	30.7	2.355
18.8	0.570	22.8	1.170	26.8	1.770	30.8	2.370
18.9	0.585	22.9	1.185	26.9	1.785	30.9	2.385

SPWD QUALITY BANK POLICY

**EXHIBIT "A"
ADJUSTMENT AUTHORIZATION**

TABLES OF DIFFERENTIALS FOR USE IN DETERMINING ADJUSTMENTS FOR DIFFERENCE IN GRAVITY OF CRUDE PETROLEUM IN SOUTH PASS-WEST DELTA PIPELINE SYSTEM
COMMON STREAM CRUDE

API GRAVITY	DIFF \$/BBL	API GRAVITY	DIFF \$/BBL	API GRAVITY	DIFF \$/BBL	API GRAVITY	DIFF \$/BBL
31.0	2.400	35.0	3.000	39.0	3.080	43.0	3.100
31.1	2.415	35.1	3.000	39.1	3.080	43.1	3.100
31.2	2.430	35.2	3.000	39.2	3.080	43.2	3.100
31.3	2.445	35.3	3.000	39.3	3.080	43.3	3.100
31.4	2.460	35.4	3.000	39.4	3.080	43.4	3.100
31.5	2.475	35.5	3.000	39.5	3.080	43.5	3.100
31.6	2.490	35.6	3.000	39.6	3.080	43.6	3.100
31.7	2.505	35.7	3.000	39.7	3.080	43.7	3.100
31.8	2.520	35.8	3.000	39.8	3.080	43.8	3.100
31.9	2.535	35.9	3.000	39.9	3.080	43.9	3.100
32.0	2.550	36.0	3.020	40.0	3.100	44.0	3.100
32.1	2.565	36.1	3.020	40.1	3.100	44.1	3.100
32.2	2.580	36.2	3.020	40.2	3.100	44.2	3.100
32.3	2.595	36.3	3.020	40.3	3.100	44.3	3.100
32.4	2.610	36.4	3.020	40.4	3.100	44.4	3.100
32.5	2.625	36.5	3.020	40.5	3.100	44.5	3.100
32.6	2.640	36.6	3.020	40.6	3.100	44.6	3.100
32.7	2.655	36.7	3.020	40.7	3.100	44.7	3.100
32.8	2.670	36.8	3.020	40.8	3.100	44.8	3.100
32.9	2.685	36.9	3.020	40.9	3.100	44.9	3.100
33.0	2.700	37.0	3.040	41.0	3.100	45.0	3.100
33.1	2.715	37.1	3.040	41.1	3.100	45.1	3.085
33.2	2.730	37.2	3.040	41.2	3.100	45.2	3.070
33.3	2.745	37.3	3.040	41.3	3.100	45.3	3.055
33.4	2.760	37.4	3.040	41.4	3.100	45.4	3.040
33.5	2.775	37.5	3.040	41.5	3.100	45.5	3.025
33.6	2.790	37.6	3.040	41.6	3.100	45.6	3.010
33.7	2.805	37.7	3.040	41.7	3.100	45.7	2.995
33.8	2.820	37.8	3.040	41.8	3.100	45.8	2.980
33.9	2.835	37.9	3.040	41.9	3.100	45.9	2.965
34.0	2.850	38.0	3.060	42.0	3.100	46.0	2.950
34.1	2.865	38.1	3.060	42.1	3.100	46.1	2.935
34.2	2.880	38.2	3.060	42.2	3.100	46.2	2.920
34.3	2.895	38.3	3.060	42.3	3.100	46.3	2.905
34.4	2.910	38.4	3.060	42.4	3.100	46.4	2.890
34.5	2.925	38.5	3.060	42.5	3.100	46.5	2.875
34.6	2.940	38.6	3.060	42.6	3.100	46.6	2.860
34.7	2.955	38.7	3.060	42.7	3.100	46.7	2.845
34.8	2.970	38.8	3.060	42.8	3.100	46.8	2.830
34.9	2.985	38.9	3.060	42.9	3.100	46.9	2.815

SPWD QUALITY BANK POLICY

EXHIBIT "A" ADJUSTMENT AUTHORIZATION

TABLES OF DIFFERENTIALS FOR USE IN DETERMINING ADJUSTMENTS FOR DIFFERENCE IN GRAVITY OF CRUDE PETROLEUM IN SOUTH PASS-WEST DELTA PIPELINE SYSTEM
COMMON STREAM CRUDE

API GRAVITY	DIFF \$/BBL	API GRAVITY	DIFF \$/BBL	API GRAVITY	DIFF \$/BBL	API GRAVITY	DIFF \$/BBL
47.0	2.800	50.0	2.350	53.0	1.900		
47.1	2.785	50.1	2.335	53.1	1.885		
47.2	2.770	50.2	2.320	53.2	1.870		
47.3	2.755	50.3	2.305	53.3	1.855		
47.4	2.740	50.4	2.290	53.4	1.840		
47.5	2.725	50.5	2.275	53.5	1.825		
47.6	2.710	50.6	2.260	53.6	1.810		
47.7	2.695	50.7	2.245	53.7	1.795		
47.8	2.680	50.8	2.230	53.8	1.780		
47.9	2.665	50.9	2.215	53.9	1.765		
48.0	2.650	51.0	2.200	54.0	1.750		
48.1	2.635	51.1	2.185	54.1	1.735		
48.2	2.620	51.2	2.170	54.2	1.720		
48.3	2.605	51.3	2.155	54.3	1.705		
48.4	2.590	51.4	2.140	54.4	1.690		
48.5	2.575	51.5	2.125	54.5	1.675		
48.6	2.560	51.6	2.110	54.6	1.660		
48.7	2.545	51.7	2.095	54.7	1.645		
48.8	2.530	51.8	2.080	54.8	1.630		
48.9	2.515	51.9	2.065	54.9	1.615		
49.0	2.500	52.0	2.050	55.0 ¹	1.600		
49.1	2.485	52.1	2.035				
49.2	2.470	52.2	2.020				
49.3	2.455	52.3	2.005				
49.4	2.440	52.4	1.990				
49.5	2.425	52.5	1.975				
49.6	2.410	52.6	1.960				
49.7	2.395	52.7	1.945				
49.8	2.380	52.8	1.930				
49.9	2.365	52.9	1.915				

Note 1: Above 55.0 API gravity, use gravity value \$/barrel for 55.0.

This table represents the gravity adjustment schedule used by the majority of crude oil purchasers who have published postings for South Louisiana Sweet crude transported by Carrier. Table may be amended from time to time as a result of changes to the majority of posted gravity adjustment schedules. The table is independent of the price of crude oil.

SPWD QUALITY BANK POLICY

EXHIBIT "B" SOUTH PASS-WEST DELTA PIPELINE SYSTEM COMMON STREAM CRUDE

I. EXAMPLE CALCULATION OF RECEIPT QUALITY BANK

BARRELS SHIPPER	RECEIVED	API GRAVITY	FROM EXHIBIT "A" GRAVITY DIFFERENTIAL	BARRELS RECEIVED X GRAVITY DIFFERENTIAL
A	100.00	29.8	2.220	222.00
A	150.00	38.6	3.060	459.00
B	100.00	36.4	3.020	302.00
B	200.00	46.2	2.920	584.00
C	50.00	32.8	2.670	133.50
C	50.00	30.1	2.265	113.25
TOTAL	650.00			1813.75

Common stream weighted average GRAVITY value: $1813.75 / 650.00 = 2.79038$

Shipper A

Weighted average GRAVITY value = $222.00 / 100.00 = 2.22000$

Calculation: $(2.79038 - 2.22000) \times 100.00 = \57.04

Shipper A

Weighted average GRAVITY value = $459.00 / 150.00 = 3.06000$

Calculation: $(2.79038 - 3.06000) \times 150.00 = (\$40.44)$

TOTAL - Shipper A pays the bank: \$16.60

Shipper B

Weighted average GRAVITY value = $886.00 / 300.00 = 2.95333$

Calculation: $(2.79038 - 2.95333) \times 300.00 = (\$48.89)$

TOTAL - Shipper B receives from the bank: (\$48.89)

Shipper C

Weighted average GRAVITY value = $246.75 / 100.00 = 2.4675$

Calculation: $(2.79038 - 2.46750) \times 100.00 = \32.29

TOTAL - Shipper C pays the bank: \$32.29

NET \$00.00

SPWD QUALITY BANK POLICY

SPWD QUALITY BANK POLICY

EXHIBIT "B"

SOUTH PASS-WEST DELTA SYSTEM COMMON STREAM CRUDE

II. EXAMPLE CALCULATION OF DELIVERY QUALITY BANK

BARRELS SHIPPER	RECEIVED	API GRAVITY	FROM EXHIBIT "A" GRAVITY DIFFERENTIAL	BARRELS RECEIVED X GRAVITY DIFFERENTIAL
A	50.00	31.0	2.400	120.00
A	100.00	33.8	2.820	282.00
B	150.00	36.3	3.020	453.00
B	100.00	33.2	2.730	273.00
C	150.00	32.5	2.625	393.75
C	100.00	34.5	2.925	292.50
TOTAL	650.00			1,814.25

Common stream weighted average GRAVITY value: $1814.25 / 650.00 = 2.79115$

Shipper A

Weighted average GRAVITY value = $120.00 / 50.00 = 2.40000$
Calculation: $-(2.79115 - 2.40000) \times 50.00 = (\$19.56)$

Shipper A

Weighted average GRAVITY value = $282.00 / 100.00 = 2.82000$
Calculation: $-(2.79115 - 2.82000) \times 100.00 = \2.89

TOTAL - Shipper A pays the bank: (\$16.67)

Shipper B

Weighted average GRAVITY value = $726.00 / 250.00 = 2.90400$
Calculation: $-(2.79115 - 2.90400) \times 250.00 = \28.21

TOTAL - Shipper B receives from the bank: \$28.21

Shipper C

Weighted average GRAVITY value = $686.25 / 250.00 = 2.74500$
Calculation: $-(2.79115 - 2.74500) \times 250.00 = (\$11.54)$

TOTAL - Shipper C pays the bank: (\$11.54)

NET \$0.00

EXPLANATION OF REFERENCE MARKS AND ABBREVIATIONS: SPWD South Pass-West Delta Pipeline System