

# Energy XXI Pipeline, LLC

## LOCAL TARIFF

Applying on the Interstate Transportation of

### CRUDE PETROLEUM

(As Defined Herein)

FROM (Offshore Louisiana)	TO	RATE IN CENTS PER BARREL OF 42 UNITED STATES GALLONS
South Timbalier Block 27	Fourchon Terminal Lafourche Parish, Louisiana	[D] 77.79
South Timbalier Block 63		[D]155.56

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

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## Rules and Regulations

### EXPLANATION OF TERMS AND ABBREVIATIONS

API:	American Petroleum Institute
ASTM:	American Society for Testing Materials
Barrel (Bbl):	Forty-two (42) United States gallons at sixty degrees (60°) Fahrenheit and zero ("0") gauge pressure if the vapor pressure of the petroleum is at or below atmospheric pressure, or at equilibrium pressure if the vapor pressure of the petroleum is above atmospheric pressure.
Carrier:	Energy XXI Pipeline, LLC
Common Stream:	Crude Petroleum moved through the pipeline and pipeline facilities which is commingled or intermixed with other Crude Petroleum.
Consignee:	An entity that has been authorized in writing to schedule with Carrier delivery of a specific amount of Crude Petroleum out of Carrier's system.
Condensate:	Liquid products of oil wells and gas wells resulting from condensation of petroleum hydrocarbons existing initially in gaseous phase in an underground reservoir that are recovered at the surface without resorting to processing.
Crude Petroleum:	The direct liquid products of oil wells, condensate or a mixture thereof from oil or gas wells located in the Southern Louisiana oil province (consisting of the Outer Continental Shelf, State and Federal waters, and onshore Gulf coast production) with a distillation range, quality and general characteristics typical of South Louisiana crude including a sulfur content of less than or equal to 0.5 percent by weight as determined by ASTM Method D4294 without centrifuge.
°:	Degrees
Delivery:	Transfer from Carrier at destination to Shipper or Consignee
Gross Standard Volume:	Volume corrected to a temperature of sixty degrees (60°) Fahrenheit, in accordance with the latest API/ASTM measurement standards, and at equilibrium vapor pressure.
Indirect Liquid Products of Oil or Gas Wells:	Liquid products resulting from the operation of gasoline recovery plants, gas recycling plants, or distillate recovery equipment in gas or oil fields, or a mixture of such products including Natural Gasoline or Natural Gas Liquids.
Net Standard Volume:	Gross Standard Volume less deductions of impurities shown by tests made by Carrier prior to receipt and upon delivery.
Receipt:	Transfer from Shipper at origin to Carrier for transportation
Shipper:	The entity that originally nominates Crude Petroleum from a reception point listed in this tariff and is responsible to Carrier for all charges and obligations hereunder, except as otherwise noted.
Supplier	The entity that originally owned the Crude Petroleum at the production platform.
Nomination:	Written designation by a Shipper to the Carrier of an approximate quantity of Crude Petroleum for transportation from a specified origin point(s) to a specified destination point(s) over a period of one calendar month in accordance with these rules and regulations.

**RULES, REGULATIONS AND CONDITIONS****Rule 5 Specifications and Restrictions**

Carrier will receive Crude Petroleum through its present facilities at only the origin point(s) named in this tariff. Crude Petroleum will be accepted for transportation at such time as Crude Petroleum of the same quality and general characteristics is being transported from origin point(s) to destination point(s). Crude Petroleum nominated for transportation which is not of the same quality and general characteristics of that which is being transported by Carrier will be transported under the terms agreed upon in conformance with the filed tariffs. Carrier has the right, at its discretion, to reject crude oil containing contaminants.

Carrier reserves the right to reject any and all of the following shipments:

- (a) Crude Petroleum which is not good merchantable oil, which does not meet quality standards established pursuant to Rule 15 or which will otherwise materially affect or damage the quality of other shipments or cause disadvantage to other Shippers and/or Carrier.
- (b) Crude Petroleum whose gravity, viscosity or other characteristics are such that it is not readily susceptible to transportation on Carrier's existing facilities.
- (c) Crude Petroleum containing basic sediment, water or other impurities ("BS&W") totaling in excess of 1 percent (1) as determined by centrifugal test or by such other tests as may be agreed upon by the Shipper and Carrier.
- (d) Crude Petroleum where the Shipper or Consignee has failed to comply with all applicable laws, rules and regulations.

Crude Petroleum with a gravity of 34.9° API or less shall not exceed 8.0 pounds per square inch absolute (psia) Reid Vapor Pressure. Crude Petroleum with a gravity of 35.0° API or greater shall not exceed 10.0 psia Reid Vapor Pressure. Crude Petroleum shall not exceed 11 psia True Vapor Pressure at the receiving temperature independent of gravity.

When Carrier and Shipper or Consignee agree that an accurate and economic method exists to determine the volumes of oil and BS&W in a stream of Crude Petroleum which contains more than 1% BS&W, the carrier will accept Nomination of such stream for shipment upon the following conditions:

- (1) Subject to Rule No. 20 below, the full volume of net oil (after deduction of BS&W) Nominated by Shippers of Crude Petroleum containing 1% BS&W or less shall be redelivered to the respective Shipper or Consignee after treatment at destination of the commingled stream.
- (2) Satisfactory evidence is furnished to Carrier that the Shipper or Consignee as provided or arranged for use of facilities necessary for the prompt receiving and disposal of Shipper's excess BS&W.

**Rule 10 Clear Title Required**

Carrier shall have the right to reject any Crude Petroleum, when nominated 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 dispute, or which may be encumbered by lien or charge of any kind. If Carrier has a reasonable basis to believe that such a situation exists, it will require of the Shipper satisfactory evidence of his perfect and unencumbered title or satisfactory indemnity to protect Carrier against any and all loss resulting from transporting Crude Petroleum involved in litigation.

**Rule 15 Establishment of Quality**

In addition to the general requirements for transportation set forth in Rule No. 5 above, Carrier will from time to time determine the quality of Crude Petroleum it will regularly gather from certain areas and the

quality and general characteristics of Crude Petroleum it will regularly transport as a common stream between particular origin points and destination points on its trunk pipelines. Carrier will inform all interested persons of such Crude Petroleum quality and general characteristics upon request by them. Changes in petroleum quality standards will be made by new tariff filings.

Crude Petroleum quality and general characteristics include, but are not limited to, whole crude properties such as API gravity, sulfur, BS&W, Reid Vapor Pressure, pour point, viscosity, hydrogen sulfide, metals, nitrogen, chlorinated and/or oxygenated hydrocarbons, salt content, and product yields.

#### **Rule 20            Nominations**

All Shippers and Consignees desiring to ship or receive Crude Petroleum through the pipelines of Carrier shall provide Carrier, in writing, the following information needed by Carrier to schedule and dispatch each shipment of Crude Petroleum: the kind, quantity, receipt point, sequence of delivery, delivery point and Shipper of each proposed Crude shipment. Nominations must be received by the Final Nomination Deadline. The Final Nomination Deadline is 3:00 p.m. on the twenty-fifth (25th) day (excluding Carrier holidays) of the month preceding the month in which Shipper desires to ship. Carrier will inform Shippers of Carrier holidays at the time they become Shippers and thereafter on January 15 of each year in the event the holidays are changed.

Nominations or changes in nominations received after the Final Nomination Deadline will not be accepted from the Final Nomination Deadline date to the first day of the following month. After the first of the month, changes will be accepted only in writing and only if space is available and the additional or changed nominations do not impair the movement of Crude nominated prior to the Final Nomination Deadline.

All Nominations must contain a final destination point to be accepted.

In the event the total nominations submitted for shipment in a pipeline segment exceed the capacity of that segment, the capacity will be prorated equitably among all shipments according to the proration procedure set forth in Rule No. 105.

#### **Rule 25            Scheduling**

For each calendar month Carrier will establish a sequence for pumping Crude Petroleum through its trunk lines and will schedule the approximate time when Crude Petroleum offered for shipment will be received by Carrier at origin points and delivered by Carrier at destination points.

Carrier will inform each Shipper of the time within each calendar month when Crude Petroleum will be received from such Shipper at origin points and Carrier will inform each Shipper or his Consignee of the approximate time within each calendar month when Crude Petroleum will be delivered to such Shipper or Consignee at destination points.

A change in destination point may be made without charge if requested by the Shipper prior to arrival at original destination subject to the rates, rules, and regulations applicable from point of origin to point of final destination, provided then current pipeline operations of the Carrier will permit such a change of destination. Such a request must be in writing.

#### **Rule 30            Transfers Within System**

Intrasystem transfers will not be recognized by Carrier for Crude Petroleum in Carrier's custody, except for inventory transfers resulting from application of Rule No. 145 herein.

#### **Rule 35            Duty of Carrier**

Carrier will receive and/or transport and deliver Crude Petroleum with reasonable diligence and dispatch. The Shipper or Consignee will be notified twenty-four (24) hours prior to the arrival of a shipment of Crude

Petroleum and if the Shipper or Consignee is unable or refuses to receive the Crude Petroleum shipment as it arrives at destination point(s), the Carrier reserves the right to make whatever arrangements for disposition of the Crude Petroleum it deems appropriate in order to clear its pipeline. Any expense incurred by the Carrier 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 40            Origination Facilities Required**

Carrier will receive Crude Petroleum from Shippers at stations on its gathering lines, at leases, or plants to which its gathering lines connect, and at origin points on its trunk lines. Crude Petroleum will be received only from pipelines, tanks or other facilities which are provided by Shipper. Carrier will determine and advise Shippers of the size and capacity of pipelines, tanks and/or metering facilities to be provided by Shipper at the point of receipt to meet the operating conditions of Carrier's facilities at such point. Carrier will not accept Crude Petroleum for transportation unless such facilities have been provided to meet industry standards.

#### **Rule 43            Gauging and Testing**

Crude petroleum offered to Carrier for gathering and/or transportation shall be measured and tested by a representative of Carrier prior to its receipt from Shipper. Quantities shall be measured by meters and calculated in accordance with applicable A.P.I. Manual of Petroleum Measurements Standards. All shipments of required specifications will be received and delivered as net standard volume, as the total volume excluding water, sediment and other impurities, corrected by the appropriate volume correction factor for the observed temperature and A.P.I. gravity, relative density, or density to a standard temperature of 60 degrees Fahrenheit and also corrected by the applicable pressure correction factor and meter factor. The centrifuge method, Karl Fischer method, or other methods agreed upon, shall be used for ascertaining the percentage of water, sediment and other impurities. Where measurement and testing of shipments determine water, sediment, and other impurities content is not performed, the Carrier shall determine the water, sediment, and other impurities content of shipments based on the best available data.

#### **Rule 45            Destination Facilities Required**

The Carrier may refuse to accept Crude Petroleum for transportation unless satisfactory written evidence is furnished that the Shipper or Consignee has provided the necessary facilities for the prompt receiving of said Crude Petroleum at its destination.

Carrier does not furnish storage facilities at any destinations. Carrier's storage is only that necessary for the operation of the pipeline system.

#### **Rule 50            Measurement and Adjustments**

All shipments tendered to Carrier for transportation shall be tested, gauged or metered by a representative of Carrier prior to, or at the time of Receipt from the Shipper and 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.

- (a) Quantities for receiving and delivering will be Net Standard Volume. Quantities may be computed from tank tables compiled or accepted by the Carrier.
- (b) The volume of impurities in Crude Petroleum received and delivered by Carrier will be measured by centrifugal test, or by such other tests as may be agreed upon by the Shipper and Carrier. The volume of impurities will be deducted from the volume of such receipts and deliveries.
- (c) In addition to deductions for losses as provided for in the Liability of Parties section of this tariff, Crude Petroleum quantities received for transportation may be adjusted to allow for inherent losses including but not limited to shrinkage, evaporation, interface losses and normal "over and short" losses. From the net quantities so determined for acceptance, a

further deduction of two-tenth of one-percent (0.2%) will be made to cover evaporation and loss during transportation.

- (d) In addition, whenever the product of oil or gas wells with a gravity that equals or exceeds fifty-five degrees (55°) API is permitted to be commingled with other Crude Petroleum in transit, Carrier shall deduct at the point of origin a percentage of the volume of such Crude Petroleum in accordance with the following table:

<b>Degrees A.P.I. Gravity</b>	<b>Percentage Deduction</b>
Less than 55	None
55 to 74.9	2
75 to 99.9	4
100 and above	5

The net balance after all deductions will be the quantity Carrier is obligated to deliver to the Consignee.

- (e) Carrier's time limit for processing prior period adjustments is nine months from the date of the transportation invoice. Prior period adjustments that are older than nine months or that involve an inactive shipper will not be processed. Carrier reserves the right to require that all affected shippers agree with the prior period adjustment prior to processing the adjustment. This time limit will not apply where the prior period adjustment is related to Carrier custody measurement changes or in the case of omission or misrepresentation or mutual mistake of fact.

#### **Rule 55 Pipage or Other Contracts Required**

Separate pipage, connection agreements, and other contracts in accordance with these rules and regulations covering further details may be required by the Carrier before any duty for transportation shall arise.

#### **Rule 60 Liability for Charges**

The Shipper and Consignee shall be jointly and severally liable for the payment of gathering and transportation charges, fees, and other lawful charges accruing to or due Carrier by Shipper or Consignee, including but not limited to, penalties, interest and late payment charges on Crude Petroleum delivered by Carrier to Consignee. All accrued charges are due on delivery of Crude Petroleum by Carrier to Consignee.

#### **Rule 65 Liability of Parties**

As a condition to Carrier's acceptance of Crude Petroleum under this tariff, each Shipper agrees to defend, indemnify and hold harmless Carrier against claims or actions for injury and/or death of any and all persons whomever and for damage to property of or any other loss sustained by Carrier, Shipper, Consignee and/or any third party resulting from or arising out of 1) any breach of or failure to adhere to any provision of this tariff by Shipper, Consignee, their agents, employees or representatives and 2) the negligent act(s), or failure(s) to act of Shipper, Consignee, their agents, employees or representatives in connection with Delivery or Receipt of Crude Petroleum.

The Carrier, while in possession of Crude Petroleum herein described, shall not be liable for any loss thereof; damage hereto; or delay caused by act of God, war, act of public enemy, quarantine, the authority of law, strikes, riots, civil disorder, requisition or necessity of the Government of the United States in time of war, default of Shipper or owner, or from any cause not due to the sole negligence of the Carrier.

- (a) 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 Shipper or Consignee, such

loss will be charged proportionately to each Shipper in the ratio that his Crude Petroleum, or portion thereof, received and undelivered at the time the loss occurs, bears to the total of all Crude Petroleum then in the custody of the Carrier for transportation via the lines or other facilities in which the loss occurs.

- (b) Carrier will be obligated to deliver only that portion of such Crude Petroleum remaining after deducting Shipper's proportion of such loss determined as aforesaid. In such an occurrence transportation charges will be assessed only on the quantity delivered.
- (c) Carrier will compensate Shippers for Crude Petroleum losses for which Carrier is liable by paying the value of such Crude Petroleum at the point where transportation originated. The dollar value of such loss shall be determined by the average posted price of all postings of Crude Petroleum of like gravity and quality in the field or fields from which the Crude Petroleum so lost was produced. The average posted price shall be determined by the postings of Crude Petroleum in effect on the date the Crude Petroleum was lost. If there are no posted prices for the Crude Petroleum lost, the dollar value of such loss shall be its market price based upon the average of the two highest and two lowest prices posted for crude oil of similar gravity and quality in effect on the date the Crude Petroleum was lost.

#### **Rule 70 Notice of Claims**

Claims for loss or damage must be made in writing with Carrier within nine (9) months after delivery of the property, or in case of a failure to make delivery, then within nine (9) months after a reasonable time for delivery has elapsed. Parties other statutory or contractual rights shall not otherwise be diminished by this provision. Suits for loss or damage shall be instituted only within two (2) years and one (1) day after delivery of the property, or in case of a failure to make delivery, then within two (2) years and one (1) day after a reasonable time for delivery has elapsed; provided, however, that where claims have been duly filed with the Carrier, suit must be brought within two (2) years and one (1) day after notice in writing is given by the Carrier to the claimant that the Carrier has disallowed the claim for any part or parts thereof specified in the notice. Where claims for loss or damage are not filed or suits are not instituted thereon in accordance with the foregoing provisions, such claims will not be paid and the Carrier will not be liable.

#### **Rule 75 Volumetric Adjustment**

Any volumetric difference between receipts from Shipper and delivery to Shipper or Consignee during a current month as a result of scheduling will be adjusted in the following month without any further liability to Carrier, taking into consideration all prior deductions allowed pursuant to the rules and regulations contained herein.

#### **Rule 80 Gravity Bank**

Each Shipper shall be required to participate in Chevron Pipe Line Company's gravity bank.

#### **Rule 85 Application of Rates from/to Intermediate Origin/ Destination Points**

For Crude Petroleum accepted for transportation from any origin point on Carrier's lines not named in the individual tariffs, which is intermediate to any published origin and/or destination points for which rates are published, Carrier will apply from such unnamed point the rate published from the next more distant point specified. If branch or diverging lines create two or more "next most distant points", Carrier will apply the rate which will result in the lowest charge.

For Crude Petroleum accepted for transportation to any destination point on Carrier's lines not named in the individual tariffs, which is intermediate to any published destination and/or origin points for which rates are published, Carrier will apply to such unnamed point the rate published to the next more distant point specified. If branch or diverging lines create two or more "next most distant points", Carrier will apply the rate which will result in the lowest charge.



Carrier will file a tariff applicable to such transportation movements within 30 days of the start of the service if the intermediate point is to be used on a continuous basis for more than 30 days.

#### **Rule 90 Charge for Spill Compensation**

In addition to the transportation charges and all other charges accruing on Crude Petroleum accepted for transportation, a per Barrel charge will be assessed and collected in the amount of any tax, fee, or other charge levied against the Carrier in connection with such a commodity, pursuant to any Federal, State or local act or regulation which levies a tax, fee, or other charge, on the receipt, delivery, transfer or transportation of such commodities within their jurisdiction for the purpose of creating a fund for the prevention, containment, cleanup and/or removal of spills and/or the reimbursement of persons sustaining loss therefrom.

#### **Rule 100 Additives**

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

#### **Rule 105 Proration**

During any month in which the total nominations submitted for shipment in a pipeline segment exceed the capacity of that segment, the capacity will be prorated equitably among all Shippers as described by the following Proration Policy:

##### **I. Prorating:**

At such times as Carrier determines that it may be necessary to allocate space in a pipeline segment, Carrier will notify all Shippers of the necessity to prorate the segment. Carrier will also notify each Shipper of its allocated space for the month. The allocation will be determined according to the procedure described in Section II of this Item.

##### **II. Allocation Procedure:**

When the nominated volumes for any month exceed the capacity of any one or more segments of the system, the total nominated volumes for the segment(s) shall be divided into each Shipper's nominated volume to determine the factor for that Shipper. Each Shipper's allocation for that segment(s) shall be determined by multiplying its factor for that segment(s) by the capacity of the prorated segment. Capacity will be defined as the throughput limit for the prorated segment in barrels per day as determined by Carrier.

Carrier will require Shippers to nominate volumes to be shipped in the prorated line segment by the Final Nomination Deadline. The Final Nomination Deadline is 3:00 p.m. on the twenty-fifth (25th) day (excluding Carrier holidays) of the month preceding the month in which Shipper desires to ship. Such nominations are subject to provisions contained in Item 5. Shippers will be informed of their allocations one (1) day after the Final Nomination Deadline.

Nominations are subject to provisions contained in Rule 20. Shippers will be informed of their allocations one (1) day after the Final Nomination Deadline. Should Shipper(s) wish to change individual tender locations after being notified of their allocation Shipper(s) will be required to resubmit their allocated nomination two (2) days after the Final Nomination Deadline. Acceptance of tender location changes will be subject to pumping limitations of Carrier's lines.

### III. General

Volumes injected into Carrier's pipeline system will be limited to throughput capacity as determined by Carrier. Lease sites will also be limited to historic production as determined by Carrier.

Shipper must have unencumbered title to all volumes which are nominated. Space allocated to a Shipper may only be used by such Shipper and may not be assigned, sold or otherwise transferred to another Shipper. Any Shipper violating this provision will not be allowed to ship in the following prorated scheduling month if proration continues.

If a Shipper fails to use its total allocated space for the month then such Shipper's allocated volume for each subsequent prorated scheduling month, will be reduced by up to the amount of unused space; except that to the extent such failure is, in the sole opinion of Carrier, due to causes beyond the reasonable control of Shipper or due to other reasonable cause, in which event Shipper will not be penalized in its allocated volume for the subsequent prorated scheduling period(s).

#### Rule 110 Mixing in Transit

Crude Petroleum will be accepted for transportation only on condition that it shall be subject to such changes in gravity, quality, or general characteristics, while in transit as may result from the mixture with other Crude Petroleum received, and the Carrier shall be under no obligation to make Delivery of the identical Crude Petroleum received, but may make Delivery out of its common stock.

#### Rule 115 Inventory Requirements

Carrier will require each Shipper to supply a prorata share of Crude Petroleum necessary for pipeline fill and working stock (which includes tank bottoms), for efficient operation of the Carrier's pipeline system prior to Delivery. Based on the total line fill of segment(s) utilized by Shipper, Crude Petroleum provided by a Shipper for this purpose may be withdrawn from the system only after shipments have ceased and if written notice to discontinue shipments in Carrier's system is received on or before the twenty-fifth (25th) day of the month preceding the last calendar month in which the Shipper intends to ship.

#### Rule 120 Payment of Transportation and Other Charges

Transportation charges will be assessed and collected by Carrier at the rates in effect on the basis of Gross Standard Volume actually received at the origin point(s) after making adjustments.

The Shipper or Consignee shall pay the transportation and all other charges applicable to the shipment, and, if required, shall prepay or guarantee the same before acceptance by the Carrier, or pay the same before Delivery. Carrier shall have a lien on all Crude Petroleum in its possession belonging to the Shipper to secure the payment of all unpaid charges due by 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 five (5) days after the time which may be fixed for delivery as provided for in Rule 25, or, in the absence of unpaid charges, when there shall be failure to take the Crude Petroleum at the destination point as provided in these rules and regulations, the Carrier may, by an agent, sell said Crude Petroleum at public auction for cash on any day not a Sunday or legal holiday, and not less than forty-eight (48) hours after publication of notice, in a daily newspaper, of the time and place of such sale and the quantity of Crude Petroleum to be sold. The Carrier may be a bidder and purchaser at such sale. Out of the proceeds of said sale the Carrier may pay itself all transportation and any other lawful charges, expense of notice, advertisement, sale, and other necessary expense, and of caring for and maintaining the Crude Petroleum, and the net balance shall be held without interest for whomsoever may be lawfully entitled thereto.

**Rule 125 Connection Policy**

Connections to Carrier's pipeline(s) will only be considered if made by formal written notification to Carrier and all requests will be subject to the following standards and conditions.

All connections will be subject to design requirements necessary to protect the safety, security, integrity and efficient operation of the Carrier's pipeline(s) in accordance with generally accepted industry standards. Acceptance of any request for connection will be subject to compliance with governmental regulations.

**Rule 130 Storage Facilities**

The Carrier does not furnish storage facilities.

Due to capacity limitations on third party pipeline facilities at Fourchon Terminal, Carrier will require satisfactory evidence that Shipper or Consignee has acquired the necessary space on the connecting pipeline before Carrier accepts nominations for transportation to Fourchon Terminal.

**Rule 135 Credit-worthiness of Shippers**

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

**Rule 140 Common Stream Crude Petroleum - Connecting Carriers**

When receipts from and/or deliveries to a connecting Carrier of substantially the same grade of Crude Petroleum are scheduled at the same interconnection or at interconnections along the same pipeline system, Carrier reserves the right, with cooperation of the connecting Carrier, to offset like volumes of such common stream Crude Petroleum in order to avoid capacity constraints or the unnecessary use of energy which would be required to physically pump the offsetting volumes. When this right is exercised, Carrier will make the further deliveries for the Shipper involved from its common stream Crude Petroleum.

**Rule 145 Inventory Transfers within Systems**

A Shipper may transfer Crude Petroleum that has been consigned to it to its inventory after all owned Crude Petroleum has been put into inventory first. To do so, a Shipper must nominate the consigned Crude Petroleum to its inventory. All transfers of consignments to a Shipper's inventory shall take effect at the end of the month. All charges, obligations and risk of loss accruing under this tariff through the end of the month remain with the original Shipper and all charges, obligations and risk of loss accruing after the end of the month are those of the transferee Shipper.

**EXPLANATION OF REFERENCE MARKS:**

[D] Decrease [W] Change in wording only