

# **CRIMSON CALIFORNIA PIPELINE, L.P.**

## **RULES AND REGULATIONS TARIFF**

GOVERNING THE GATHERING AND TRANSPORTATION OF

### **CRUDE PETROLEUM**

(As Defined Herein)

BY PIPELINE

BETWEEN

POINTS IN TARIFFS MAKING REFERENCE HERETO

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#### **GENERAL APPLICATION**

Carrier will accept and transport Crude Petroleum offered for transportation through Carrier's facilities only in accordance with this Rules and Regulations Tariff. Specific rules and regulations published in individual tariffs will take precedence over the general rules and regulations published in this tariff.

The rules and regulations published herein, apply only under tariffs making specific reference by CAL. P.U.C. Number to this tariff; such reference will include supplements thereto and successive issues hereof.

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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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Issued By:  
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**EXPLANATION OF TERMS AND ABBREVIATIONS**

Terms and Abbreviations	Explanation
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
CAL. P.U.C. ....	California Public Utilities Commission
Carrier.....	Crimson California Pipeline, L.P.
Common Stream.....	Crude Petroleum moved through the pipeline and pipeline facilities which commingled or intermixed with other Crude Petroleum
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
Consignee.....	Party, including a connecting pipeline system, to whom Shipper has ordered Delivery of Crude Petroleum
Contaminants.....	Waste oils, lube oils, crankcase oils, PCBs, dioxins, organic chlorides, chlorinated and/or oxygenated hydrocarbons, arsenic, lead or any other metals, chemical compounds, materials or substances that are not natural to Crude Petroleum, but not including any operational additive authorized by Carrier pursuant to Item No. 25 of this Rules and Regulations Tariff
Crude Petroleum.....	Direct liquid products of oil wells, condensate or a mixture thereof
°.....	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.....	Party who contracts with Carrier for the transportation of Crude Petroleum under the terms of this tariff
Tender.....	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

Item No.	Subject	Rules and Regulations
1	<p><b>Specifications and Restrictions</b></p>	<p>Carrier will receive Crude Petroleum through its present facilities at only the origin point(s) named in individual tariffs making reference to this Rules and Regulations 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 tendered for transportation which is not of the same quality and general characteristics from that usually transported by Carrier will be transported under the terms agreed upon in conformance with filed tariffs.</p> <p>Carrier reserves the right, as it deems necessary, to sample and/or test any shipment of Crude Petroleum prior to or during Receipt, for the purpose of determining whether the Crude Petroleum meets the specifications and restrictions in this Item No. 1, including but not limited to specifications and restrictions regarding merchantability, Contaminants, and quality and characteristics such as gravity, viscosity and levels of sediment, water and other impurities.</p> <p>Carrier reserves the right to reject any and all of the following shipments:</p> <ul style="list-style-type: none"> <li>(a) Crude Petroleum which is not good merchantable oil, which contains any Contaminants, which does not meet quality standards established pursuant to Item No. 3 or which will otherwise materially affect or damage the quality of other shipments or cause disadvantage to other Shippers and/or Carrier.</li> <li>(b) Crude Petroleum whose gravity, viscosity, and other characteristics are such that it is not readily susceptible to transportation through the Carrier's existing facilities.</li> <li>(c) Crude Petroleum containing basic sediment, water or other impurities totaling in excess of three (3) percent as determined by centrifugal test, or by such other tests as may be agreed upon by the Shipper and Carrier.</li> <li>(d) Crude Petroleum where the Shipper or Consignee has failed to comply with all applicable laws, rules and regulations.</li> </ul> <p>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 pounds psia True Vapor Pressure at the receiving temperature independent of gravity.</p> <p>In addition, Crude Petroleum tendered for transportation to Carrier shall be subject to the following limitations on gravity and temperature based upon tender location. These minimum specifications are physical limitations imposed by Carrier's equipment.</p> <p><u>KLM/Lost Hills Area/Western San Joaquin Pipeline Systems</u></p> <p>All Crude Petroleum tendered to Carrier shall have a maximum temperature of 185° F and a minimum gravity of 19.5° API except as noted below:</p> <ul style="list-style-type: none"> <li>(a) In gathering systems with a direct or intermediate destination of Midway Station the following minimum gravity limits shall apply:             <ul style="list-style-type: none"> <li>i.) Midway Gathering to Midway Station: 13° API.</li> <li>ii.) Signa Station to Midway Station: 13° API.</li> </ul> </li> </ul> <p>Crude Petroleum of less than 17° API gravity must be tendered at a minimum temperature of 180°F. Crude Petroleum will be accepted for transportation at these locations only if crudes of greater than 19.5° API gravity are introduced downstream into Carrier's system at Midway Station, as directed by Carrier's pumping schedule developed each month, for commingling at Midway to 19.5° API.</p> <ul style="list-style-type: none"> <li>(b) In pipeline segments where commingling of crudes to 19.5° API gravity is permitted:             <ul style="list-style-type: none"> <li>i.) Midway Station to Belridge Station.</li> <li>ii.) Belridge Station to Kettleman Station.</li> <li>iii.) Kettleman Station to Los Medanos Station.</li> </ul> </li> </ul>

<p><b>1</b></p> <p><b>Specifications and Restrictions</b> (continued)</p>	<p>Crude Petroleum will be accepted for transportation between these locations only if crudes of greater than 19.5° API gravity are introduced into Carrier's systems on a ratable basis upstream and as directed by Carrier's pumping schedule developed each month.</p>
<p><b>2</b></p> <p><b>Clear Title Required</b></p>	<p>Carrier 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 Carrier against any and all loss resulting from transporting Crude Petroleum involved in Litigation.</p>
<p><b>3</b></p> <p><b>Establishment of Quality</b></p>	<p>In addition to the general requirements for transportation set forth in Item No. 1 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.</p>
<p><b>4</b></p> <p><b>Nominations</b></p>	<p>All Shippers and Consignees desiring to ship or receive Crude Petroleum through the pipelines of Carrier shall provide Carrier, in writing, with 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. (PST) 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.</p> <p>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.</p> <p>All Nominations must contain a final destination point to be accepted.</p> <p>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 Item No. 25.</p>
<p><b>5</b></p> <p><b>Scheduling</b></p>	<p>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.</p> <p>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.</p> <p>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.</p>

<b>6</b>	<b>Transfers Within System</b>	Intra-system transfers will not be recognized by Carrier for Crude Petroleum in Carrier's custody, except for transfers resulting from application of Item No. 27 herein.
<b>7</b>	<b>Duty of Carrier</b>	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.
<b>8</b>	<b>Origination Facilities Required</b>	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.
<b>9</b>	<b>Destination Facilities Required</b>	<p>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.</p> <p>Carrier does not furnish storage facilities at any destinations. Carrier's storage is only that necessary for the operation of the pipeline system.</p>
<b>10</b>	<b>Minimum Tender</b>	<p>Crude Petroleum (as defined in Explanation of Terms and Abbreviations of this tariff) will be accepted for transportation under this tariff in shipments of not less than five hundred (500) Barrels from one Shipper to one Consignee and destination point(s) under the following conditions:</p> <p style="padding-left: 40px;">The 'direct liquid products of oil wells' portion of the minimum five hundred (500) Barrels tender and shipment may have one or more origin points. However, tenders from each origin point shall be subject to the quality specifications of Item No. 1 herein.</p>
<b>11</b>	<b>Measurement and Adjustments</b>	<p>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.</p> <p>(a) Quantities for receiving and delivering will be Net Standard Volume. Quantities may be computed from tank tables compiled or accepted by the Carrier.</p> <p>(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.</p> <p>(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. Carrier's loss adjustment will be made monthly on the basis of total quantities transported and shall be based on the prior three calendar years' actual historical loss experience, adjusted to actuals at the end of the year.</p>

<p><b>11 Measurement and Adjustments (continued)</b></p>	<p>(d) In addition, whenever Crude Petroleum with a gravity that equals or exceeds fifty-five degrees (55°) A.P.I. is 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:</p> <p style="text-align: center;"><u>Degrees A.P.I. Gravity Percentage Deduction</u></p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td style="padding-right: 40px;">Less than 55</td> <td>None</td> </tr> <tr> <td>55 to 74.9</td> <td>2</td> </tr> <tr> <td>75 to 99.9</td> <td>4</td> </tr> <tr> <td>100 and above</td> <td>5</td> </tr> </table> <p>The net balance after all deductions will be the quantity Carrier is obligated to deliver to the Consignee.</p>	Less than 55	None	55 to 74.9	2	75 to 99.9	4	100 and above	5
Less than 55	None								
55 to 74.9	2								
75 to 99.9	4								
100 and above	5								
<p><b>12 Mixed Shipments</b></p>	<p>Mixed shipments and Indirect Liquid Products of Oil or Gas Wells will not be accepted for transportation on the KLM, Lost Hills Area, and Western San Joaquin Pipeline System.</p>								
<p><b>13 Pipeage or Other Contracts Required</b></p>	<p>Separate pipeage 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.</p>								
<p><b>14 Rates Applicable: Receipt Based Systems</b></p>	<p>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. Likewise, the rules and regulations which shall govern the transportation of Crude Petroleum shall be the rules and regulations in effect on the date Crude Petroleum is received by the Carrier for transportation.</p>								
<p><b>15 Contamination</b></p>	<p>If, upon investigation, Carrier determines that a Shipper has delivered to Carrier's facilities Crude Petroleum that contains any Contaminant or that is not good merchantable oil, Carrier may exclude that Shipper from further entry into applicable segments of the Carrier's pipeline system until such time as the Crude Petroleum that Shipper tenders to Carrier for Receipt meets quality and merchantability specifications to the satisfaction of Carrier. Any Shipper that introduces contaminated Crude Petroleum (<i>i.e.</i>, Crude Petroleum containing any Contaminant or that is not good merchantable oil) into Carrier's system shall be liable to and indemnify Carrier for any and all costs, expenses (including reasonable attorneys' fees), damages, liabilities and losses (including lost transportation revenues) associated with, arising out of or in connection with the contamination of the Crude Petroleum.</p> <p>Further, in accordance with Item 7, Carrier retains the right to make commercially reasonable arrangements for the disposition of any contaminated Crude Petroleum it deems necessary to clear its pipeline.</p> <p>This Item 15 does not modify, revise or amend Item 17 with respect to the scope of, and limitations upon, Carrier's liability for damage, loss or delay while Crude Petroleum is in Carrier's possession.</p>								
<p><b>16 Liability for Charges</b></p>	<p>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.</p>								
<p><b>17 Liability of Parties</b></p>	<p>As a condition to Carrier's acceptance of Crude Petroleum under this tariff, each Shipper agrees to protect and indemnify Carrier against claims or actions for injury and/or death of any and all persons whomever and for damage to property of 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.</p> <p>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 or willful misconduct of the Carrier.</p> <p>(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</p>								

	<p>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.</p> <p>(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. Transportation charges will be assessed only on the quantity delivered.</p> <p>(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 in California for crude oil of similar gravity and quality in effect on the date the Crude Petroleum was lost. Posted price shall be determined by 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 in California for crude of similar gravity and quality in effect on the date the Crude Petroleum was lost.</p>
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<p><b>18</b>      <b>Notice of Claims</b></p>	<p>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. 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.</p>
<p><b>19</b>      <b>Volumetric Adjustment</b></p>	<p>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.</p>
<p><b>20</b>      <b>Gravity Bank</b></p>	<p>In order to insure that Shippers will not be materially damaged or allowed to benefit from changes in gravity as a result of common stream operations, the Carrier has established a gravity bank to calculate, collect and remit monetary adjustments among all Shippers tendering within the common stream system.</p> <p>Each shipper is required to participate in the gravity bank. Each Shipper agrees to pay the Carrier the computed adjustments due from said Shipper in accordance with these rules and regulations.</p> <p>Carrier shall publish and, from time to time, revise a Gravity Value Table providing for adjustments for the value of crudes of different gravities. Said table, and subsequent issues thereof, shall be incorporated by reference into this tariff.</p> <p>Factors in the Gravity Value Table are based on posted crude oil price adjustment scales as published by major purchasers of California crude oil. Carrier will revise Gravity Value Table only if there has been an increase or decrease made in a majority of the crude oil price adjustment scales upon which the current Gravity Value Table is based.</p> <p>Upon change, an announcement stating the new Gravity Value Table will be made by Carrier to Shippers on or before the 15th day of the month proceeding the month in which the new Gravity Value Table shall take effect. The effective date of change will be on the first day of the next month.</p> <p>Carrier shall administer the gravity bank providing adjustments for the value of crudes of different gravities in the manner specified below:</p> <p>I. <u>Common Stream Calculation</u></p> <p>At the end of each month, the weighted average gravity value of the gravity bank will be determined for all crude petroleum being received (Receipt Bank) into the commingled common stream system and similarly for the crude petroleum being delivered (Delivery Bank) out of the system. This value will be determined by dividing the total number of barrels received into the sum total of the products obtained by multiplying each receipt volume in such stream by the gravity value per barrel obtained from the Gravity Value Table. Similar calculations will be made with respect to the deliveries.</p> <p>II. <u>Shipper Calculation</u></p> <p>At the end of each month, each Shipper's gravity value will be determined by multiplying the quantity of barrels received from such Shipper by the gravity value per barrel obtained from the Gravity Value Table. Similar calculations will be made with respect to the deliveries.</p>

<p><b>20 Gravity Bank (continued)</b></p>	<p>III. <u>Receipt Bank</u></p> <ul style="list-style-type: none"><li>(a) If the weighted average gravity value per barrel for a Shipper as determined under II is greater than that determined for the common stream under I, the Shipper will be credited an amount which shall be calculated by multiplying the differences in gravity value per barrel by the total barrels received from such Shipper.</li><li>(b) If the weighted average gravity value per barrel for a Shipper as determined under II is less than that determined for the common stream under I, the Shipper will be debited an amount which shall be calculated by multiplying the differences in gravity value per barrel by the total barrels received from such Shipper.</li><li>(c) The sum of debits and credits for all Shippers is zero.</li><li>(d) Carrier will provide at the end of each month a record of the Shipper's calculation and debit or credit amount.</li></ul> <p>IV. <u>Delivery Bank</u></p> <ul style="list-style-type: none"><li>(a) If the weighted average gravity value per barrel for a Shipper as determined under II is greater than that determined for the common stream under I, the Shipper will be debited an amount which shall be calculated by multiplying the difference in gravity value per barrel by the total barrels delivered for such Shipper.</li><li>(b) If the weighted average gravity value per barrel for a Shipper as determined under II is less than that determined for the common stream under I, the Shipper will be credited an amount which shall be calculated by multiplying the difference in gravity value per barrel by the total barrels delivered for such Shipper.</li><li>(c) The sum of debits and credits for all Shippers is zero.</li><li>(d) Carrier will provide at the end of each month a record of the Shipper's calculation and debit or credit amount.</li></ul> <p style="text-align: center;">Gravity Bank continued on page 11</p>
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20	Gravity Bank (continued)	<p>V. <u>Example of Gravity Bank Settlement</u></p> <p>(a) Receipt Bank</p> <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;"><u>Shipper</u></th> <th style="text-align: center;">Shipment Volume (Bbls) <u>Received</u></th> <th style="text-align: center;">Measured Gravity <u>° API</u></th> <th style="text-align: center;">Gravity Value / <u>\$/Bbl*</u></th> <th style="text-align: center;">Volume x Value <u>\$</u></th> </tr> </thead> <tbody> <tr> <td>A</td> <td style="text-align: center;">50</td> <td style="text-align: center;">24.5</td> <td style="text-align: center;">2.175</td> <td style="text-align: right;">108.75</td> </tr> <tr> <td>A</td> <td style="text-align: center;"><u>20</u> 70</td> <td style="text-align: center;">23.7</td> <td style="text-align: center;">2.055</td> <td style="text-align: right;"><u>41.10</u> 149.85</td> </tr> <tr> <td>B</td> <td style="text-align: center;"><u>30</u></td> <td style="text-align: center;">24.9</td> <td style="text-align: center;">2.235</td> <td style="text-align: right;"><u>67.05</u></td> </tr> <tr> <td>Total</td> <td style="text-align: center;">100</td> <td></td> <td></td> <td style="text-align: right;">216.90</td> </tr> </tbody> </table> <p>* Using Gravity Value Table Common Stream Value = 216.90 ÷ 100 = 2.16900</p> <p>Shipper A Calculation: <span style="float: right;"><u>\$</u></span>  Weighted average gravity  value per bbl. = 149.85 ÷ 70 = 2.14071  (2.14071 - 2.16900) x 70 = -1.98  Shipper A pays <span style="float: right;">1.98</span></p> <p>Shipper B Calculation:  (2.235 - 2.16900) x 30 = 1.98  Shipper B receives <span style="float: right;"><u>(1.98)</u></span>  Sum of Payments and Receipts is zero <span style="float: right;">0</span></p> <p>(b) Delivery Bank</p> <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;"><u>Shipper</u></th> <th style="text-align: center;">Shipment Volume (Bbls) <u>Received</u></th> <th style="text-align: center;">Measured Gravity <u>° API</u></th> <th style="text-align: center;">Gravity Value / <u>\$/Bbl*</u></th> <th style="text-align: center;">Volume x Value <u>\$</u></th> </tr> </thead> <tbody> <tr> <td>A</td> <td style="text-align: center;">40</td> <td style="text-align: center;">24.4</td> <td style="text-align: center;">2.160</td> <td style="text-align: right;">86.40</td> </tr> <tr> <td>A</td> <td style="text-align: center;"><u>29</u> 69</td> <td style="text-align: center;">24.8</td> <td style="text-align: center;">2.220</td> <td style="text-align: right;"><u>64.38</u> 150.78</td> </tr> <tr> <td>B</td> <td style="text-align: center;"><u>29</u></td> <td style="text-align: center;">24.2</td> <td style="text-align: center;">2.130</td> <td style="text-align: right;"><u>61.77</u></td> </tr> <tr> <td>Total</td> <td style="text-align: center;">98</td> <td></td> <td></td> <td style="text-align: right;">212.55</td> </tr> </tbody> </table> <p>* Using Gravity Value Table Common Stream Value = 212.55 ÷ 98 = 2.16888</p> <p>Shipper A Calculation: <span style="float: right;"><u>\$</u></span>  Weighted average gravity  value per bbl. = 150.78 ÷ 69 = 2.18522  (2.18522 - 2.16888) x 69 = 1.13  Shipper A pays <span style="float: right;">1.13</span></p> <p>Shipper B Calculation:  (2.130 - 2.16888) x 29 = -1.13  Shipper B receives <span style="float: right;"><u>(1.13)</u></span>  Sum of Payments and Receipts is zero <span style="float: right;">0</span></p>	<u>Shipper</u>	Shipment Volume (Bbls) <u>Received</u>	Measured Gravity <u>° API</u>	Gravity Value / <u>\$/Bbl*</u>	Volume x Value <u>\$</u>	A	50	24.5	2.175	108.75	A	<u>20</u> 70	23.7	2.055	<u>41.10</u> 149.85	B	<u>30</u>	24.9	2.235	<u>67.05</u>	Total	100			216.90	<u>Shipper</u>	Shipment Volume (Bbls) <u>Received</u>	Measured Gravity <u>° API</u>	Gravity Value / <u>\$/Bbl*</u>	Volume x Value <u>\$</u>	A	40	24.4	2.160	86.40	A	<u>29</u> 69	24.8	2.220	<u>64.38</u> 150.78	B	<u>29</u>	24.2	2.130	<u>61.77</u>	Total	98			212.55
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EXAMPLE OF GRAVITY BANK SETTLEMENT (continued)

EXAMPLE GRAVITY VALUE TABLE											
API Grav	Diff \$/Bbl	API Grav	Diff \$/Bbl	API Grav	Diff \$/Bbl	API Grav	Diff \$/Bbl	API Grav	Diff \$/Bbl	API Grav	Diff \$/Bbl
13.0	0.450	18.0	1.200	23.0	1.950	28.0	2.7002	33.0	3.450	38.0	4.000
13.1	0.465	18.1	1.215	23.1	1.965	28.1	.715	33.1	3.465	38.1	4.010
13.2	0.480	18.2	1.230	23.2	1.980	28.2	2.730	33.2	3.480	38.2	4.020
13.3	0.495	18.3	1.245	23.3	1.995	28.3	2.745	33.3	3.495	38.3	4.030
13.4	0.510	18.4	1.260	23.4	2.010	28.4	2.760	33.4	3.510	38.4	4.040
13.5	0.525	18.5	1.275	23.5	2.025	28.5	2.775	33.5	3.525	38.5	4.050
13.6	0.540	18.6	1.290	23.6	2.040	28.6	2.790	33.6	3.540	38.6	4.060
13.7	0.555	18.7	1.305	23.7	2.055	28.7	2.805	33.7	3.555	38.7	4.070
13.8	0.570	18.8	1.320	23.8	2.070	28.8	2.820	33.8	3.570	38.8	4.080
13.9	0.585	18.9	1.335	23.9	2.085	28.9	2.835	33.9	3.585	38.9	4.090
14.0	0.6000	19.0	1.350	24.0	2.100	29.0	2.850	34.0	3.600	39.0	4.100
14.1	.615	19.1	1.365	24.1	2.1152	29.1	2.865	34.1	3.610	39.1	4.110
14.2	0.630	19.2	1.380	24.2	.130	29.2	2.8802	34.2	3.620	39.2	4.120
14.3	0.645	19.3	1.395	24.3	2.145	29.3	.895	34.3	3.630	39.3	4.130
14.4	0.660	19.4	1.410	24.4	2.160	29.4	2.910	34.4	3.640	39.4	4.140
14.5	0.6750	19.5	1.425	24.5	2.175	29.5	2.925	34.5	3.650	39.5	4.150
14.6	.690	19.6	1.440	24.6	2.190	29.6	2.940	34.6	3.660	39.6	4.160
14.7	0.705	19.7	1.455	24.7	2.205	29.7	2.955	34.7	3.670	39.7	4.170
14.8	0.720	19.8	1.470	24.8	2.220	29.8	2.970	34.8	3.680	39.8	4.180
14.9	0.735	19.9	1.485	24.9	2.235	29.9	2.985	34.9	3.690	39.9	4.190

(Actual Table Published Separately)

Item No.	Subject	Rules and Regulations
20	Gravity Bank (continued)	<p>VI. <u>Payments</u></p> <p>At the end of each Quarter, a statement shall be rendered to each Shipper setting forth the net debit or credit balance of said Shipper's gravity value account and specifying the amount required to be paid (or received) to settle the account.</p> <p>All payments due from Shippers shall be made within (twenty) 20 days of the statement date. All crude petroleum which is received from a Shipper who has failed to pay such amounts shall be subject to the imposition of a lien to obtain payment of such amounts.</p> <p>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.</p> <p>Payments to or from the Shippers as a result of Item 20, Gravity Bank, are not part of the transportation tariff 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 tariff rules and regulations.</p>
21	Application of Rates from/to Intermediate Origin/Destination Points	<p>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.</p> <p>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 from 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.</p>
22	Charge for Spill Compensation	<p>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 there from.</p>

Item No.	Subject	Rules and Regulations
23	<b>Use of Communication Facilities</b>	Without additional charge Carrier will transmit messages for Shippers incident to the business hereunder over the private communication facilities of the Carrier, but the Carrier shall not be obligated to deliver messages, nor shall it be liable for failure of delivery of messages, and it shall not be liable for errors or delay in transmission or for interruption of the service.
25	<b>Operational Additives</b>	Carrier reserves the right to require, approve or reject the injection of corrosion inhibitors, viscosity depressants, pour point depressants, drag reducing additives, or other such additives in the Crude Petroleum to be transported.
26	<b>Proration</b>	<p>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:</p> <p>I. <u>Prorationing:</u></p> <p>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.</p> <p>II. <u>Allocation Procedure:</u></p> <p>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.</p> <p>Nominations are subject to provisions contained in Item 4. 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.</p> <p>III. <u>General</u></p> <p>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.</p> <p>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 month if proration continues.</p> <p>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 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).</p> <p>Any undue preference or advantage Shippers may offer, grant, give, solicit, accept or receive with respect to the allocation of shipping space may be a violation of Section 494, California Public Utilities Code, and other applicable laws.</p>
27	<b>Mixing in Transit</b>	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 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.
28	<b>Public Utilities Commission Regulation Fee</b>	Carrier is authorized by the CAL. P.U.C. to collect from its Shippers the fee required to be paid pursuant to Public Utilities Code Section 421. Such fee shall be included as a charge on the invoices rendered each month for gathering and transportation charges and shall be due and payable in accordance with Item 30.
29	<b>Inventory Requirements</b>	Carrier will require each Shipper to supply a prorata share of Crude Petroleum necessary for pipeline fill and working stock 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.

Item No.	Subject	Rules and Regulations
30	<b>Payment of Transportation and Other Charges</b>	<p>Transportation charges will be assessed and collected by Carrier at the rates in effect as provided in Item 14 and Item 15 above on the basis of Gross Standard Volume actually received/delivered at the origin/delivery point(s) after making adjustments provided in Item 11 (c) and (d) above.</p> <p>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.</p> <p>If said charges shall remain unpaid five (5) days after the time which may be fixed for delivery as provided for in Item 7, 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.</p>
31	<b>Connection Policy</b>	<p>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.</p> <p>All connections will be subject to design requirements necessary to protect the safety, security 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.</p>
32 [N]	<b>Storage [N]</b>	<p>Carrier has working tanks incident to transportation of crude petroleum. Capacity permitting, and at Carrier's sole discretion, provisions for storage during transit may be offered to a limited extent. Carrier will inform all interested parties of the terms and conditions for such storage upon request. Carrier may require Shipper to execute a suitable Pipeage Agreement to document the terms and conditions for such storage.</p>

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