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**PLAINS PIPELINE, L.P.**  
LOCAL TARIFF

CONTAINING RATES, RULES AND REGULATIONS  
APPLYING ON THE TRANSPORTATION OF

**CRUDE PETROLEUM**

FROM POINTS IN  
**CALIFORNIA**

TO POINTS IN  
**CALIFORNIA**

Governed by the Rules and Regulations Contained Herein

[N] Issued under the authority of 18 CFR §341.5 – This tariff hereby cancels the rate for movements of Crude Petroleum from Santa Barbara County, California to Sisquoc Station, California. The pipeline segment providing service for the cancelled rate has been purged and the service is no longer available in interstate commerce.

**[N] SPECIAL PERMISSION REQUESTED**

Issued on less than one day's notice under authority of 18 CFR §341.14. This tariff publication is conditionally accepted subject to refund pending a thirty (30) day review period.

[C] This tariff publication is filed in accordance with the provisions of 18 CFR 342.4(c).

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**ISSUED: February 12, 2016**

**EFFECTIVE: February 12, 2016**

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

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**Explanation of reference marks:**

[N] New  
[W] Change in wording only  
[U] Unchanged rate  
[C] Cancel

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**RATES, RULES AND REGULATIONS  
GOVERNING TRANSPORTATION OF CRUDE PETROLEUM**

**General**

The Carrier will undertake the transportation of crude petroleum, only as defined herein, receiving and delivering such crude petroleum through its own pipelines and pipelines of connecting companies and not otherwise, subject to the following rules and regulations:

**Rates, Rules and Regulations****Item****No.      Subject****5          Definitions**

“Assay” means a laboratory analysis of crude petroleum to include A.P.I. gravity, Reid vapor pressure, pour point, water and sediment content, sulfur content, hydrogen sulfide, viscosity and other characteristics as may be required by the Carrier.

“Barrel” means forty-two (42) United States gallons of crude petroleum at a temperature of 60 degrees Fahrenheit at atmospheric pressure.

“Carrier” means Plains Pipeline, L.P.

“Connecting Carrier” means a connecting pipeline company as named or referred to herein.

“Consignee” means the party to whom a Shipper has ordered the delivery of the crude petroleum.

“Common Stream” means crude petroleum moved through the pipeline and pipeline facilities which is commingled or intermixed with crudes of like quality and characteristics as may be determined by the Carrier based on Crude Petroleum Assays and other pertinent analytical data.

“Crude Petroleum” means the direct liquid hydrocarbon production from oil or gas wells, or a blend of such, in its natural form, not having been enhanced or altered in any manner or by any process that would result in misrepresentation of its true value for adaptability to refining as a whole crude petroleum or for acceptability to be commingled with other crude petroleum.

“Indirect Liquid Products” means crude petroleum in the form of liquid products resulting from the operation in oil or gas fields of natural gas processing plants, gasoline recovery plants, gas recycling plants, condensate or distillate recovery equipment, or a mixture of such products.

“Intrasystem Transfer” means the transfer of title of crude petroleum in the custody of the Carrier from one Shipper to another.

“Segregated Batch” means a tender of crude petroleum having specific identifiable characteristics which is moved through the pipeline so as to maintain its identity.

“Shipper” means the party who contracts with the Carrier for transportation of crude petroleum defined herein and under the terms of this tariff or pursuant to Item 100 hereof, is recognized as having title to the crude petroleum in the Carrier’s custody.

"Tender" as herein used means the nomination by a Shipper to the Carrier of a stated quantity and grade of crude petroleum for transportation from a specific origin(s) to a specific destination(s) in accordance with these rules and regulations.

## 10 Crude Petroleum, Acceptance of, and Common Stream Specifications

(A) No crude petroleum will be accepted for transportation except good merchantable crude petroleum with such viscosity and other characteristics that it will be readily susceptible to transportation through Carrier's existing facilities and will not materially affect the quality of other shipments or cause disadvantage to other Shippers and/or the Carrier.

(B) Crude petroleum accepted for shipment shall conform to the following specifications:

(1) will contain not more than one and one-half percent (1.5%) basic sediment, water and other impurities for all crude petroleum except Outer Continental Shelf (OCS) crude; determined by those test methods deemed appropriate by Carrier. OCS crude will contain not more than three percent (3%) basic sediment, water and other impurities;

(2) vapor pressure shall be at or below 8.0 pounds per square inch, absolute, at 100 degrees Fahrenheit for OCS crude petroleum;

(3) pour point will not exceed 50 degrees Fahrenheit;

(4) viscosity will not exceed 1800 seconds Saybolt Universal at 100 degrees Fahrenheit; and 8000 seconds Saybolt Universal at 60 degrees Fahrenheit;

(5) hydrogen sulfide content will not exceed ten (10) parts per million;

(6) shall be delivered at a temperature not greater than 165 degrees Fahrenheit and not less than 75 psig as measured at the point of custody transfer. Minimum temperature shall be that temperature determined by Carrier to be acceptable for pipeline transportation. OCS crude petroleum shall be delivered at a temperature not less than 130 degrees Fahrenheit at the point of custody transfer.

(C) Sediment and water limitations of a connecting Carrier may be imposed upon the Carrier when limits are less than that of the Carrier in which case the limitations of the other Carrier will be applied.

(D) If crude is tendered in sufficient volume and Carrier determines that it has facilities available, the Carrier shall maintain two separate common streams. Shippers are required to furnish crude petroleum assays upon the request of the Carrier so that quality determinations can be made. If the Carrier determines that the crude petroleum tendered for transportation does not meet the specifications contained herein or, in the opinion of the Carrier, differs materially in character from crude petroleum being transported by the Carrier, transportation may be refused or offered under such terms and conditions agreed to by Carrier and Shipper and consistent with this tariff.

(E) Common Stream:

OCS crude petroleum received in Santa Barbara County, California with (i) sulfur content less than 5.5 percent by weight to achieve a Common Stream with a sulfur content no greater than 5.0 percent by weight, provided that the 5.0 percent Common Stream specification shall not apply in the event receipt of OCS crude oil from any one location at any given time comprises 80 percent of the OCS Common Stream or greater; and (ii) gravity of 16 degrees API or greater. In the event the 5.0 percent Common Stream sulfur content is applicable and the Common Stream sulfur content exceeds 5.0 percent by weight, AAPL shall require shippers tendering oil with sulfur in

excess of 5.0 percent to make proportionate reductions in either crude oil sulfur content or volume tendered as necessary to return the Common Stream sulfur content to 5.0 percent by weight.

The Carrier shall be under no obligation to make delivery of the identical crude petroleum received, but may make delivery out of the common stream in which Shipper's crude is transported.

The Carrier may accept for transportation other or additional grades of crude petroleum which differ in quality or characteristics from the Carrier's existing common stream, provided that the Carrier has available facilities to segregate such grades of crude petroleum while in transit from all other grades of crude petroleum; and, the Carrier shall not be liable to Shipper or Consignee for changes in the gravity or quality of such grades of crude petroleum. If, in the opinion of the Carrier, facilities are not available to justify continued transport of other or additional grades, the Carrier may, after giving reasonable notice to the Shippers affected, cease transporting particular grades of crude petroleum.

If upon investigation the Carrier determines that a Shipper has delivered to the Carrier's facilities crude petroleum containing excess amounts of impure substances, including, but not limited to, chlorinated and/or oxygenated hydrocarbons, hydrogen sulfide, arsenic, lead and/or other metals which, in the opinion of the Carrier, may contaminate or materially affect the common stream, such Shippers will be excluded from further entry into applicable segments of the pipeline system until such time as quality specifications are met to the satisfaction of the Carrier.

Further, the Carrier reserves the right to dispose of any contaminated crude petroleum blocking its pipeline system. Disposal thereof may be made, if necessary, in any reasonable commercial manner, and any liability associated with the contamination or disposal of such crude petroleum shall be borne by the Shipper introducing the contaminated crude into the system.

## **15 Indirect Liquid Products**

Unless specific rules and regulations published in tariffs making reference to this item otherwise, the indirect liquid products of oil or gas wells will be accepted and transported only under the following conditions:

(A) That the Carrier has adequate available facilities with which to mix such indirect liquid products with crude petroleum owned or consigned to Shipper at or prior to arrival of such indirect liquid product into Carrier's working tanks.

(B) That the vapor pressure of the indirect liquid does not exceed 25 pounds per square inch, absolute, at a temperature of 100 degrees Fahrenheit. The Carrier reserves the right to randomly test for RVP of the indirect liquids.

(C) Nothing in this rule shall be construed to affect the provisions of Item No. 55 of this tariff or shall require the Carrier to receive, transport, and deliver unmixed indirect liquid products. However, indirect liquid products will be accepted and transported only under the following conditions:

- (1) Shipper must mix indirect products with crude petroleum in its facilities prior to entering the Carrier's system.
- (2) The vapor pressure of the indirect products prior to mixing with crude petroleum shall not exceed 25 pounds per square inch absolute (psia) at a temperature of 100 degrees Fahrenheit.
- (3) The Reid vapor pressure of the resulting mixture shall not exceed the pressure in the following Table I for the API gravity of

the mixture. However, at the Carrier's discretion, crude oil mixtures may be accepted with Reid vapor pressures in excess of the limits set out in the following Table I with a penalty applying to said mixtures of [U] five cents per 0.1 psia in excess of the indicated Reid vapor pressure limit. In no event will mixtures with a Reid vapor pressure in excess of 10.0 psia be accepted.

(4) Blends will be analyzed using an ASTM D-86 Distillation. Blends will be accepted if they meet or exceed the temperatures established by Carrier at the 10%, 30% and 50% volumes in the D-86 Distillation for the applicable API gravity set forth in the following Table II.

(5) Carrier will not accept blends or crude containing any of the following: Waste oil, lube oils, crankcase oils, PCB's, or Dioxins.

(D) Shipments shall be subject to the other applicable rules and regulations provided for this tariff and any specific tariff covering such shipment.

## **20 Additives**

The Carrier reserves the right to utilize, require, approve or reject the injection of corrosion inhibitors, viscosity or pour point depressants or other such additives in the crude petroleum to be transported.

## **25 Storage**

The Carrier has working tanks incident to transportation of the crude petroleum and, unless otherwise specifically provided in a published tariff, Carrier does not have facilities for tendering, nor does it offer a storage service.

## **30 Receipt Facilities Required**

Except those locations where Carrier has available tankage, Shippers or Consignees shall be responsible for providing tankage to meet minimum tender requirements as provided in Item No. 40 hereof at a point where the Carrier facilities are available for receipt and transportation of such crude petroleum batches.

## **35 Destination Facilities Required**

(A) The Carrier may refuse to accept crude petroleum for transportation unless satisfactory evidence is furnished that the Shipper, or Consignee, has provided the necessary facilities for the prompt receiving of said crude petroleum at its destination.

(B) If the Shipper, or Consignee, is unable or refuses to receive said crude petroleum as it arrives at destination, the Carrier reserves the right to make those arrangements for disposition of the crude petroleum it deems appropriate in order to clear its pipeline. Any additional expenses incurred by the Carrier in making such arrangements shall be borne by the Shipper or Consignee.

## **40 Minimum Tender**

Tender for the transportation of crude petroleum will be accepted in quantities of not less than 10,000 barrels.

**45 Nomination**

Any Shipper desiring to tender crude petroleum for transportation shall make its tender to the Carrier in writing on or before the Final Nomination Deadline. The Final Nomination Deadline is 3:00 p.m. (PST) on the fifth (5<sup>th</sup>) working day (excluding Carrier holidays) before the first day of the month during which the transportation under the tender is to begin.

**50 Crude Petroleum Involved In Litigation**

The 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 the Carrier. By tendering petroleum, the Shipper warrants and guarantees that the Shipper has good title thereto and agrees to hold the Carrier harmless from any and all loss, cost, liability, damage and/or expense resulting from failure of title thereto; provided that acceptance for transportation shall not be deemed a representation by the Company as to title.

**55 Measuring, Testing, and Deductions**

Crude petroleum tendered to the Carrier for transportation must be measured and tested by representatives of the Carrier or by automatic equipment approved by the Carrier. The Shipper shall have the privilege of being present or represented at metering and testing. Quantities will be determined from correctly compiled tank tables or by Carrier approved automatic equipment and adjusted to the temperature of sixty degrees Fahrenheit at atmospheric pressure. The Carrier will deduct the percentage of basic sediment and other impurities as the centrifuge test or other tests as agreed upon may show. From the net quantities so determined for acceptance, a further deduction of one quarter of one percent (1/4 of 1%) will be made to cover losses due to shrinkage, evaporation, interface losses and normal "over and short" losses incident to pipeline transportation and the balance will be the quantity deliverable. Transportation charges will be assessed on quantities adjusted to sixty degrees Fahrenheit after deductions for basic sediment and other impurities.

**60 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 characteristics while in transit as may result from the mixture with other crude petroleum in the same common stream 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.

**65 Liability of Carrier**

The Carrier will not be liable for any loss of crude petroleum herein described, or damage thereto, or delay, because of an act of God, the public enemy, quarantine, the authority of law, strikes, riots, or the acts or default of the Shipper or consignee, or from any other cause not due to the negligence of the Carrier; in case of losses from such causes, other than the negligence of the Carrier, losses shall be charged proportionately to each shipment in the ratio that such shipment, or portion thereof, received and undelivered at the time the loss or damage occurs, bears to the total of all shipments, or portions thereof, then in the custody of the Carrier for shipment via the lines or other facilities in which the loss or damage occurs; the consignee shall be entitled to receive only that portion of his shipment remaining after deducting his proportion of such loss or damage, determined as aforesaid, and shall be required to pay transportation charges only on the quantity delivered.

**70 Duty of Carrier**

The Carrier shall not be required to transport crude petroleum except with reasonable diligence, considering the quality of the crude petroleum, the distance of transportation and other material elements; but the Carrier may at any time after receipt of a consignment of crude petroleum upon 24 hours notice to the Shipper or Consignee tender crude petroleum for delivery from its common stock at the point of destination at a designated daily delivery rate consistent with the system capacity and at the expiration of such notice a demurrage charge shall accrue on crude petroleum of such consignment so tendered but remaining undelivered at the rate of **[U]** (5/10) five-tenths of one cent per barrel for each day of 24 hours or fractional part thereof.

**72 Line Fill**

Each Shipper shall provide its pro rata of line fill, as determined by the Carrier, of crude petroleum oil required for operation of the pipeline. Carrier shall not be obligated to deliver Shipper's crude petroleum oil until Shipper has provided its pro rata share of line fill.

**75 Payment of Transportation and Other Charges**

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. The Carrier shall have a lien on all crude petroleum in its possession belonging to the Shipper to secure the payment of all unpaid transportation charges as well as demurrage charges due by such Shipper, pursuant to Item 70 hereof, and may withhold such crude petroleum from delivery until all of such unpaid charges shall have been paid. In the absence of unpaid charges, and when there shall be failure on the part of the Shipper to make payment in a reasonable time period, the Carrier may dispose of such crude petroleum in any commercially reasonable manner, including but not limited to public or private proceedings in one or more contracts. Sale or other disposition may be as a unit or in parcels and at any time and place and on any terms which are commercially reasonable. The Carrier may be a bidder and purchaser at such sale. The proceeds of disposition shall be applied in the following order: (a) to the reasonable expenses of holding, preparing for sale, and to the extent allowed by law, reasonable attorney's fees and legal expenses incurred by the Carrier, and (b) to the satisfaction of the indebtedness secured hereby. The Carrier will account to the Shipper or Consignee for any surplus, and Shipper or Consignee is liable to the Carrier for any deficiency.

**80 Apportionment When Tenders Are in Excess of Facilities**

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:

(A) Initial Prorationing: 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 to the procedure described in Section B of this Item.

(B) Allocation Procedures: 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 is defined as the throughput limit for the prorated segment in barrels per day as determined by Carrier.

(C) Continued Prorationing: Item 45 notwithstanding, in any month subsequent to the proration of a line segment(s), Carrier will require Shippers to nominate volumes to be shipped in the prorated line segment by the First Nomination Deadline. The First Nomination Deadline is 3:00 pm (PST) on or before the tenth (10<sup>th</sup>) working day of the month (excluding Carrier holidays) of the month preceding the month in which the Shipper desires to ship. Space each month will be allocated based on the volume nominated for that particular month. Shippers will be informed of their allocations the first business day after the First Nomination Deadline.

All final nominations must be received on or before the Final Nomination Deadline. The Final Nomination Deadline is 3:00 pm (PST) on the fifth (5<sup>th</sup>) working day of the month (excluding Carrier holidays) before the first day of the month in which Shipper desires to ship.

(D) General: Carrier requires that all Shippers furnish pumping facilities of sufficient capacity to move and receive crude petroleum at Carrier's minimum barrels per day pumping rate for such line segment. Should a Shipper be unable to meet this rate, Shipper shall not be entitled to ship or receive crude petroleum during such period the line segment is under proration.

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 to another Shipper.

If a Shipper fails to use its total allocated space for one month and if such Shipper is unable to provide a reasonable explanation therefore, then such Shipper's nomination for the following month will be limited to the volume that was actually shipped during the month in which Shipper failed to use its space. This nomination will then be subject to the prorationing procedures contained herein.

#### **85 Notice of Claims**

(A) Notice of claims for loss, damage or delay in connection with shipments must be made to the Carrier in writing within nine (9) months after same shall have accrued; or, in case of failure to make delivery, within nine (9) months after a reasonable time for delivery shall have elapsed. Such claims, fully amplified, must be filed with the Carrier within nine (9) months thereafter; and, unless so made and filed, the Carrier shall be wholly released and discharged therefrom and shall not be liable therefore in any court of justice. And no suit at law or in equity shall be maintained upon any claim unless instituted within two (2) years and one (1) day after the cause of action accrued.

(B) Where claims are not filed or suits are not instituted thereon in accordance with the foregoing provisions, the Carrier will not be liable and such claims will not be paid.

#### **90 Pipage or Other Contracts**

Separate pipage and other contracts in accord with applicable tariff and these Rules and Regulations covering further details may be required by the Carrier before any duty for transportation shall arise.

#### **95 Application of Rates From and To Intermediate Points**

(A) For crude petroleum accepted for transportation from any point on the Carrier's lines not named in a particular tariff which is intermediate to a point from which rates are published therein, through such unnamed point, Carrier will apply from such unnamed point the rate published therein from the next more distant point specified in such tariff. For crude petroleum accepted for transportation to any point not named in tariffs which is intermediate to a point to which rates are published in said tariffs, through such unnamed point, the rate published therein to the next more distant point specified in the tariff will apply.

(B) Crude petroleum accepted for transportation shall be subject to the rates in the rates in effect on the date of receipt by the Carrier, irrespective of the date of the tender.

**100 Diversion or Reconsignment**

Subject to Item No. 30, diversion or reconsignment may be made without charge if requested in writing by the Shipper prior to delivery at original destination, subject to the rates, rules and regulations applicable from point of origin to point of final destination, upon condition that no out-of-line or backhaul movement will be made.

**105 Intrasystem Transfers**

Intrasystem transfers will also be allowed at Pentland Station, Kern County, California after adjustments have been made for gravity and sulfur pursuant to Items 120 through 130. All intrasystem transfers shall incur a fee of [U] \$200.00 to the party directing such transfer. The last party accepting volumes on an intrasystem transfer shall be shipper of record. The Carrier shall not be obligated to recognize any intrasystem transfer and shall incur no liability with respect thereto or for any losses or damages accruing to any party involved in an intrasystem transfer. A transfer request, if recognized, shall be confirmed in writing by both the transferor and the transferee within seventy-two (72) hours after the transfer request. Such transfer request shall indicate the party to which the transfer is to be made, the amount of crude oil to be transferred, its location and grade, and a warranty statement of unencumbered title. In addition, the transferor, upon the request of the Carrier and at the Carrier's option, shall provide an irrevocable letter of credit with terms and conditions satisfactory to the Carrier and in an amount necessary to cover all charges and fees.

**110 Common Stream Petroleum Connecting Carriers**

When both receipts from and/or deliveries to a connecting carrier of substantially the same grades of crude petroleum are scheduled at the same interconnection, the Carrier reserves the right, with cooperation of the Connecting Carrier to offset like volumes of such common stream crude petroleum in order to avoid the unnecessary use of energy which would be required to physically pump the offsetting volumes. When this right is exercised, the Carrier will make deliveries for the Shipper involved from its substantially similar common stream crude petroleum.

**120 Retesting for Gravity Determination**

Shipper shall have the right to request the retest of a crude sample for gravity determination. Requests for retest must be received by Carrier at its Bakersfield, California office, in writing, within fifteen (15) days following the end of the month in which the receipt or delivery occurred. Requests beyond the 15 day period will not be honored.

Shipper will identify the sample to be retested by the custody ticket number and submit a retention sample to a mutually agreed upon laboratory. If the results of the laboratory differ by more than the allowed reproducibility between two laboratories as defined by ASTM Standard D-1552-64 and D-287-67, then such "referee" results shall be used in the gravity determinations.

The cost of all retesting shall be borne by Shipper.

**125 Adjustments for Sulfur and Gravity Differentials for the Outer Continental Shelf Common Stream (Sulfur and Gravity Banks)**

In order to facilitate equitable adjustment among all shippers for sulfur and gravity differentials arising out of the OCS common stream operations, Carrier or Carrier's authorized representative shall calculate adjustments for the value of OCS crude petroleum of different sulfur and gravity content in the manner described herein.

A gravity and sulfur regression analysis will be performed monthly at the close of each month's business, using the postings of Chevron, ExxonMobil, Union 76 and Equiva for California crude oils containing sulfur content greater than or equal to one percent (1%) and which are capable of being transportation adjusted to a California market destination. Such crude oils will compose the regression analysis data base. The regression analysis will utilize the postings in effect from the first day of the delivery month through the last day of the delivery month on an equal daily quantity basis.

#### STEP 1

For each California crude oil used in the regression analysis data base, the posted price of each of the posters referenced above will be recorded each day of the delivery month. Also, each poster's posted gravity differential will be recorded for each day of the month. With this data, the "adjusted price" for each California crude oil contained in the regression analysis will be determined for each day. The adjusted price is determined by taking the difference between the posted gravity and the measured gravity and applying the posted gravity differential. For instance: if the posted price is \$11.70 for a crude oil with a posted gravity of 25° API and the posted gravity differential is \$0.20/° API per barrel, the adjusted price for a crude oil with a measured gravity of 23.1° would be determined as follows:

$$\text{Adjusted Price} = \$11.70 + (23.1-25)(.20) = \$11.32 \text{ barrel}$$

At the end of the delivery month, for each crude oil, the daily adjusted prices for a particular poster will be added together and the sum will be divided by the number of days in the delivery month to arrive at that poster's average daily adjusted price for that crude oil in the delivery month. The same procedure will be followed for each poster, producing up to five possible average daily adjusted prices for each crude oil.

If more than one poster posted for the same crude oil, the average daily adjusted price of each poster for that crude oil will be averaged together to arrive at a single average daily adjusted price for that crude oil for that delivery month; provided, however, if two crude oils from the same field are posted by different posters and the respective crude samples have either an actual measured sulfur content difference of more than 0.5% or an actual measured gravity content difference of more than 1° API, then each such posting will be considered as a different crude oil for inclusion in the regression analysis.

#### STEP 2

Having arrived at a single average daily adjusted price for each crude oil in the data base for the delivery month (Step 1), that average daily adjusted price will be transportation adjusted to the designated California market destination for the particular crude oil. The transportation adjustments will be reviewed annually by a consultant retained by Carrier and updated to account for significant changes, including, but not limited to, tariff adjustments, changes in transportation patterns due to acts of God, and the start-up of new pipelines. The shippers shall provide Carrier's consultant with all relevant data deemed necessary by the consultant to perform the review and update.

The first review of the transportation adjustment shall be completed prior to September 30, 1996 and any adjustment to the data base will be effective on January 1, 1997. Thereafter, the transportation adjustment review shall be completed by September 30th of each year and any change to the transportation adjustments data base shall be effective on the following January 1st.

## STEP 3

Having arrived at the transportation adjusted average daily adjusted price (hereafter "Delivered Price") for each crude oil in the data base (Step 2), the Delivered Adjusted Price for each crude oil plus the respective gravity and sulfur content will be analyzed in a least squares regression program, such as contained in Lotus 1-2-3 or other spreadsheet programs. In the regression program, the Delivered Adjusted Price will be specified as Y, the dependent variable, and gravity and sulfur content will be designated as  $X^1$  and  $X^2$ , respectively, the independent variables.

The regression program will determine the coefficients for gravity and sulfur content as represented by the following equation:

$$Y = A(X^1) + B(X^2) + \text{constant}$$

Y = delivered adjusted price

A = quality coefficient for gravity (\$/°API)

$X^1$  = Gravity as °API

B = quality coefficient for sulfur (\$/% wt sulfur)

$X^2$  = sulfur as % wt

The regression program will establish a "Gravity Coefficient" and a "Sulfur Coefficient" for OCS crude for the delivery month.

## STEP 4

The "Gravity Coefficient" will be multiplied by a factor of 0.8 to produce the "Adjusted Gravity Value" for the delivery month. The "Sulfur Coefficient" will be multiplied by a factor of 0.92 to produce the "Adjusted Sulfur Value" for the delivery month. Notwithstanding the forgoing, in any month in which the 5.0% sulfur by weight common stream specification does not apply by operation of Item 10 (E)(3), and the sulfur content of the common stream for that month averages 5.25% sulfur by weight or greater, then, the "Sulfur Coefficient" will be multiplied by a factor of 1.00 to produce the "Adjusted Sulfur Value" for that month of delivery.

## STEP 5

The "Adjusted Gravity Value" and the "Adjusted Sulfur Value" shall be used to determine gravity and sulfur adjustments among shippers in the following manner:

At the close of each month, each shipper's weighted average sulfur content (% by weight) shall be determined for all OCS crude oil received from that shipper into Carrier's OCS common stream. Each shipper's weighted average sulfur content shall be determined by dividing the total number of barrels received from that shipper into the sum of the products obtained by multiplying the quantity of barrels received from that shipper by the sulfur content per barrel of the receipt.

At the close of each month, the weighted average sulfur content shall be determined for all OCS crude oil received from all shippers into Carrier's OCS common stream. The weighted average sulfur content per barrel of the AAPL OCS common stream will be determined by dividing the total number of barrels received from all OCS shippers into the sum of the products obtained by multiplying each receipt volume in such stream by its corresponding sulfur content per barrel.

If the weighted average sulfur content per barrel of OCS oil received from a shipper is less than the weighted average sulfur content per barrel of Carrier's OCS common stream, then the shipper's account shall be credited by an amount which shall be calculated by: (a) multiplying the differences in sulfur content per barrel by the total barrels received from such shipper during the month; and (b) multiplying the result in (a) by the "Adjusted Sulfur Value" referred to in Step 4.

If the weighted average sulfur content per barrel of OCS crude oil received from a shipper is more than the weighted average sulfur content per barrel of Carrier's OCS common stream, then the shipper's account shall be debited by an amount which shall be calculated by: (a) multiplying the differences in sulfur content per barrel by the total barrels received from such shipper during the month; and (b) multiplying the result in (a) by the "Adjusted Sulfur Value" referred to in Step 4.

Likewise, in a similar manner each month, the respective weighted average sulfur content per barrel shall be determined for OCS delivered at Sisquoc Station and at Pentland Station on all OCS common stream crude oil. Similar calculations and adjustments to each shipper's account shall be made as follows:

If the weighted average sulfur content per barrel delivered to a shipper is less than the weighted average sulfur content per barrel of Carrier's OCS common stream, then the shipper's account shall be debited by an amount which shall be calculated by: (a) multiplying the differences in sulfur content per barrel by the total barrels delivered to such shipper during the month; and (b) multiplying the result in (a) by the "Adjusted Sulfur Value" referred to in Step 4.

If the weighted average sulfur content per barrel delivered to a shipper is more than the weighted average sulfur content per barrel of Carrier's OCS common stream, then the shipper's account shall be credited by an amount which shall be calculated by: (a) multiplying the differences in sulfur content per barrel by the total barrels delivered to such shipper during the month; and (b) multiplying the result in (a) by the "Adjusted Sulfur Value" referred to in Step 4.

The same procedure as outlined in this Step 5 shall also be followed for the gravity content of each shipper's OCS crude oil using the "Adjusted Gravity Value" referred to in Step 4.

At the close of each delivery month, the weighted average gravity content of OCS crude oil received from each shipper into Carrier's OCS common stream shall be determined. Each shipper's weighted average gravity content shall be determined by dividing the total number of barrels received from that shipper into the sum of the products obtained by multiplying the quantity of barrels received from that shipper by the gravity content per barrel of the barrels received.

At the close of each month, the weighted average gravity of OCS crude oil received from all shippers into Carrier's OCS common stream shall be determined. The weighted average gravity content per barrel of the Carrier's OCS common stream will be determined by dividing the total number of barrels received from all OCS shippers into the sum of the products obtained by multiplying each receipt volume in such stream by its corresponding gravity content per barrel.

If the weighted average gravity content per barrel received from a shipper is less than the weighted average gravity content per barrel of Carrier's OCS common stream, then the shipper's account shall be debited by an amount which shall be calculated by: (a) multiplying the differences in gravity content per barrel by the total barrels received from such shipper during the month; and (b) multiplying the result in (a) by the "Adjusted Gravity Value" referred to in Step 4.

If the weighted average gravity content per barrel received from a shipper is more than the weighted average gravity content per barrel of Carrier's OCS common stream, then the shipper's account shall be credited by an amount which shall be calculated by: (a) multiplying the differences in gravity content per barrel by the total barrels received from such shipper during the month; and (b) multiplying the result in (a) by the "Adjusted Gravity Value" referred to in Step 4.

Likewise, in a similar manner each month, the respective weighted average gravity content per barrel shall be determined for OCS delivered at Sisquoc Station and at Pentland Station on all OCS common stream crude oil. Similar calculations and adjustments to each shipper's account shall be made as follows:

If the weighted average gravity content per barrel delivered to a shipper is less than the weighted average gravity content per barrel of Carrier's OCS common stream, then the shipper's account shall be credited by an amount which shall be calculated by: (a) multiplying the differences in gravity content per barrel by the total barrels delivered to such shipper during the month; and (b) multiplying the result in (a) by the "Adjusted Gravity Value" referred to in Step 4.

If the weighted average gravity content per barrel delivered to a shipper is more than the weighted average gravity content per barrel of Carrier's OCS common stream, then the shipper's account shall be debited by an amount which shall be calculated by: (a) multiplying the differences in gravity content per barrel by the total barrels delivered to such shipper during the month; and (b) multiplying the result in (a) by the "Adjusted Gravity Value" referred to in Step 4.

#### STEP 6

Carrier or Carrier's authorized representative shall net out each shipper's sulfur differential account and gravity differential account and shall render a monthly accounting to each shipper stating the net credit or debit balance of each shipper's sulfur and gravity differential account. Shippers having a net debit balance shall remit to Carrier or Carrier's authorized representative the amount of the net debit balance within ten (10) days from receipt of the statement of such debit. Carrier or Carrier's authorized representative shall remit the amount of a net credit balance to any shipper having a net credit balance, after Carrier or Carrier's authorized representative has received the sums from those shippers having debits. Carrier or Carrier's authorized representative's obligations and liabilities with respect to sulfur and gravity differential accounting and adjustments for OCS are limited to those specified in this Item 125.

#### STEP 7

Each monthly accounting statement rendered by carrier shall be accompanied by tables containing the data used in the regression analysis and the regression coefficients underlying the accounting statement. Upon written request, carrier shall provide any shipper or potential shipper with the then current crude oil data base and transportation adjustments.

If the Shipper's credit worthiness becomes impaired at any time, Carrier or Carrier's authorized representative shall, 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 or its authorized representative.

Carrier or Carrier's authorized representative acts only as a clearinghouse for the sole benefit of the shippers. Carrier shall not have any obligation to make payments except from funds received. Accounting adjustments, debits and credits in this Item 125 are not a part of the transportation tariff rates of Carrier and such shall not be an offset or other claim by any shipper against sums due Carrier for transportation or other charges and costs collected pursuant to Carrier's tariffs. The same lien rights under Item 75 shall be applicable to secure payment of shipper's net debit balance, but Carrier shall have no obligation to exercise such lien rights.

The California crude oil data base will be reviewed and updated annually to be effective January 1 of each year, to reflect postings of new California crude oils with one percent (1%) or greater sulfur content that are capable of being transportation adjusted to a California market destination. Carrier will test such new crude oils to obtain pertinent gravity and sulfur content data. No new California crude oil will be added to the data base sooner than six (6) months after the commencement of production. However, if a new posting is made by any poster for either Point Arguello or Santa Ynez crude oils, then Carrier will add such crude oils to the regression analysis in the first full month following the posting. If California crude oils with a sulfur content greater than or equal to one percent (1%) are dropped from a posting, that poster's data shall be dropped from the regression analysis in the month after the last month for which a full month's data is available.

Gravity and sulfur analysis of the data base crude oil samples, other than Point Arguello and Santa Ynez crude oils, will be performed by Carrier every three (3) years, the first update to be effective on August 1, 1998. Gravity and sulfur analysis of the Point Arguello and Santa Ynez crude oils monthly composite samples will be performed every six (6) months. OCS shippers will cooperate with Carrier in securing samples and the cost for performing such analysis will be borne by the OCS shippers according to their pro rata share of the total OCS volumes shipped over the preceding year.

Carrier maintains the OCS gravity and sulfur bank solely for the benefit of its shippers and charges no fee for administrative service. Carrier shall bear the routine costs of administering the Sulfur and Gravity Banks on a monthly basis which shall include Carrier's internal administrative overhead costs. Effective March 1, 1996 Carrier's costs to add additional crude oils to the data base or to update the OCS data base for the Sulfur Bank and Gravity Bank, including the transportation and testing charges, and associated consultant or laboratory fees, in addition to any legal, consulting, court or administrative costs associated with implementing this provision will be apportioned among the then current OCS shippers according to volumes shipped during the preceding twelve (12) months. Carrier shall include a detailed accounting of these costs with the billing statements to each shipper. To the extent Carrier is reimbursed for these costs, Carrier will not seek to recover such costs in its transportation rates.

Alternative Adjustments for Sulfur and Gravity Differentials for the Outer Continental Shelf Common Stream (Sulfur and Gravity Banks). In the event that price postings for enough California crude oils are not available in a given month to enable Carrier or Carrier's authorized representative to calculate the Adjusted Sulfur Value and Adjusted Gravity Value for that month pursuant to the procedure set forth in this Item No. 125, Carrier or Carrier's authorized representative shall calculate the Adjusted Sulfur Value and Adjusted Gravity Value for that month as follows:

*Adjusted Sulfur Value.* The Adjusted Sulfur Value for a given month shall equal the average of the corresponding monthly Adjusted Sulfur Values for the last twelve (12) months preceding that month for which an Adjusted Sulfur Value had previously been calculated pursuant to Steps 1 through 4 in this Item No. 125.

*Adjusted Gravity Value.* The Adjusted Gravity Value for a given month shall equal the average of the gravity differentials posted that month by Chevron, ExxonMobil, Union 76 and Equiva, or their successors, for California crude oils containing sulfur content greater than or equal to one percent (1%) and which are capable of being transportation adjusted to a California market destination, multiplied by a factor of 0.8.

Carrier or Carrier's authorized representative shall then determine the gravity and sulfur adjustments among shippers pursuant to Steps 5 through 7 above using this alternative Adjusted Sulfur and Adjusted Gravity Value.

### **130 Retesting for Sulfur Determination**

Shipper shall have the right to request the retest of a sample for sulfur determination. Requests for retest must be received by Carrier at its Bakersfield office in writing within fifteen (15) days following the end of the month in which the receipt or delivery occurred. Requests beyond the fifteen (15) day period will not be honored. Shipper will identify the sample to be retested by the custody ticket number and submit a retention sample to a mutually agreed upon laboratory. If the results of the laboratory differ by more than the allowed reproducibility between two laboratories as defined by ASTM Standard D-1552-64 and D-287-67, then such "referee" results shall be used in the sulfur determinations. The cost of all retesting shall be borne by Shipper.

**135 Table of Rates**

FROM ORIGIN STATIONS	TO DESTINATION STATIONS	RATE PER BARREL (42 U.S. GALLONS) IN CENTS
<del>[C] Santa Barbara County, California</del>	<del>[C] Sisquoc Station, Santa Barbara County, California</del>	<del>[C] 243.03</del>
Santa Barbara County, California	Pentland Station, Kern County, California	<b>[U] 261.10</b>

**TABLE I**

Reid Vapor Pressure Limit / API Gravity Correlation  
 @ 100 Degrees Fahrenheit  
 OUTER CONTINENTAL SHELF

Degrees API Gravity	RVP psia	Degrees API Gravity	RVP psia	Degrees API Gravity	RVP psia
18.0	8.000	19.3	8.325	20.7	8.675
18.1	8.025	19.4	8.350	20.8	8.700
18.2	8.050	19.5	8.375	20.9	8.725
18.3	8.075	19.6	8.400	21.0	8.750
18.4	8.100	19.7	8.425	21.1	8.775
18.5	8.125	19.8	8.450	21.2	8.800
18.6	8.150	19.9	8.475	21.3	8.825
18.7	8.175	20.0	8.500	21.4	8.850
18.8	8.200	20.1	8.525	21.5	8.875
18.9	8.225	20.2	8.550	21.6	8.900
19.0	8.250	20.3	8.575	21.7	8.925
19.1	8.275	20.4	8.600	21.8	8.950
19.2	8.300	20.5	8.625	21.9	8.975
		20.6	8.650	22.0	9.000

**TABLE II**

Minimum Temperatures in Degrees Fahrenheit  
at Various API Gravities

Liquid Percent Recovered

API	10%	30%	50%
19.5	265	509	594
20.0	261	502	591
20.5	257	495	588
21.0	253	489	585
21.5	249	482	583
22.0	245	475	580
22.5	241	468	577
23.0	237	461	575
23.5	233	455	572
24.0	229	448	569
24.5	225	441	566
25.0	220	434	564
25.5	216	427	561
26.0	212	420	558
26.5	208	424	555
27.0	204	407	553
27.5	200	400	550
28.0	197	394	547
28.5	197	389	544
29.0	191	383	541
29.5	189	377	539
30.0	186	371	536
30.5	183	366	533
31.0	180	360	530
31.5	177	354	527
32.0	174	349	524
32.5	171	343	521
33.0	169	337	519
33.5	166	331	516
34.0	163	326	513
34.5	160	320	510
35.0	157	314	507
35.5	154	309	504
36.0	151	303	501
36.5	149	297	499
37.0	146	291	496
37.5	143	286	493

**TABLE II** (continued from previous page)

Liquid Percent Recovered			
API	10%	30%	50%
38.0	140	280	490
38.5	137	274	487
39.0	134	269	484
39.5	129	257	479
40.0	126	251	476

Note: If a gravity falls between the gravities on the table, use the next higher gravity.