# KAW PIPE LINE COMPANY

## **RULES AND REGULATIONS**

**GOVERNING** 

THE GATHERING AND TRANSPORTATION

OF

**CRUDE PETROLEUM** 

BY

## **PIPELINE**

## **GENERAL APPLICATION**

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

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#### 5. DEFINITIONS

API American Petroleum Institute.

Gravity determined in accordance with ASTM designation and expressed in degrees. **API Gravity** 

**Assay** A laboratory analysis of crude petroleum to include API gravity, Reid vapor pressure, pour

point, sediment and water content, sulfur content, viscosity at 100 degrees Fahrenheit, and

other characteristics as may be required by Company.

**ASTM** American Society for Testing Materials.

**Barrel** Forty-two (42) United States gallons of crude petroleum at a temperature of sixty (60)

degrees Fahrenheit.

Common Stream

Crude petroleum moved through Company's pipeline and pipeline facilities which is commingled or intermixed with crude petroleums of like quality and characteristics as may

be determined by Company based on crude petroleum assays and other pertinent analytical

data.

Company Kaw Pipe Line Company and other pipeline companies which may, by proper concurrence,

be parties to joint tariffs incorporating these regulations by specific reference.

Connecting Carrier

A connecting pipeline company as named or referred to herein.

Consignee The party to whom a shipper has ordered the delivery of crude petroleum.

Crude **Petroleum**  The direct liquid hydrocarbon production from oil or gas wells, or 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**  Liquid products resulting from operation in oil or gas fields of natural gasoline recovery plants, gas recycling plants, or condensate or distillate recovery equipment. or a mixture of such products; often referred to simply as "indirect products."

Intrasystem Transfer

A transfer of title to crude petroleum in the custody of Company from one party (the

"Transferor") to a second party (the "Transferee.")

K.S.C.C. **Kansas State Corporation Commission** 

Segregated **Batch** 

A tender of crude petroleum having specific identifiable characteristics which is moved through a pipeline and pipeline facilities so as to maintain its identity.

**Shipper** 

A party who contracts with Company for transportation of crude petroleum, as defined herein and under the terms of this tariff, or pursuant to Item No. 115 hereof (INTRASYSTEM TRANSFERS), a party who is recognized as having title to crude petroleum in Company's

custody.

Tender

A nomination by a shipper to Company of a stated quantity and grade of crude petroleum for transportation from a specified origin or origins to a specified destination or

destinations in accordance with these rules and regulations.

**Transferee** 

In an Intrasystem Transfer, the designated party receiving title to crude petroleum which is

transferred from a Transferor.

**Transferor** 

In an Intrasystem Transfer, the party relinquishing title to crude petroleum which is

transferred to a designated Transferee.

## 10. CRUDE PETROLEUM, ACCEPTANCE OF

- (A) Company reserves the right to reject crude petroleum containing more than one percent (1%) of basic sediment, water and other impurities, with water comprising no more than three-tenths of one percent (0.3%). No free water will be accepted during months of sub-freezing weather.
- (B) No crude petroleum will be accepted for transportation which has a pour point greater than 40 degrees Fahrenheit or viscosity greater than 60 Saybolt Universal Seconds at 100 degrees Fahrenheit unless under terms and conditions acceptable to Company. If such crude petroleum is accepted by Company, shippers will be subject to a charge in addition to trunk line transportation rates if such a charge is provided in published tariffs on file with the K.S.C.C.
- (C) Any crude petroleum tendered to Company from field tank batteries shall be heated, if necessary, to raise its temperature to such higher temperature as, in the discretion of Company, is the minimum temperature required to readily move the crude petroleum out of tankage and into Company's facilities; such heating shall be the sole responsibility of the shipper. Company may, at its discretion, reject crude petroleum having a temperature higher than 100 degrees Fahrenheit.
- (D) No crude petroleum will be accepted for transportation as part of a common stream unless it is readily susceptible to transportation through Company's existing facilities, and will not materially affect the quality of the crude petroleum being transported as the common stream. Upon request of Company, shippers are required to furnish crude petroleum assays of individual leases and/or Bill of Ladings or other documentation acceptable to Company evidencing the origin of the crude petroleum from individual oil or gas wells. The Company will not accept tenders of any material resulting from certain post production recovery operations (i.e. reclaimed or skimmed oil) unless such material is adaptable to refining as a whole crude and other conditions of company rules and regulations herein are met, including but not limited to having the ability to trace this material back to the original oil or gas well. If it is determined that the crude petroleum tendered for transportation differs materially in character from that being transported by Company, then such crude petroleum will only be transported in accordance with these rules and regulations and under such terms to which Company and shipper may agree. Company will make final determination of which grades of crude petroleum will be regularly transported as a common stream on Company's system.
- (E) Company will accept for transportation a grade of crude petroleum which differs in quality or characteristics from Company's common stream, provided that Company has available facilities to segregate such grade of crude petroleum while in transit from all other grades of crude petroleum, and Company shall not be liable to shipper or consignee for changes in the gravity or quality of such grade of crude petroleum while in transit.
- (F) Company may, from time to time, undertake to transport other or additional grades of crude petroleum and if, in the opinion of Company, sufficient quantities are not tendered or facilities are not available to justify continued transportation of other or additional grades, Company may, after giving reasonable notice to shippers who may be affected, cease transporting particular grades of crude petroleum.

(G) If, upon investigation, Company determines that a shipper has delivered to Company's facilities crude petroleum that has been contaminated by the existence of and/or excess amounts of impure substances, including but not limited to chlorinated and/or oxygenated hydrocarbons, arsenic, lead and/or other metals, 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 Company.

If a shipper delivers to Company crude petroleum which is not compatible with Company's common stream to which it has been tendered, or crude petroleum that has been altered, or material, including but not limited to reclaimed or skimmed oil, that cannot be readily documented as being naturally produced and traced to specific oil or gas wells, Company reserves the right to take appropriate actions including but not limited to: (1) requiring the shipper to test its crude petroleum at Company approved laboratory, at shipper's expense, prior to each tender; (2) suspension; and (3) permanent disconnection.

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

#### ▲ 15. INDIRECT LIQUID PRODUCTS

Unless specific rules and regulations published in tariffs making reference to this item provide otherwise, the indirect liquid products of oil or gas wells, uncontaminated by chemicals or other material foreign to natural production from oil or gas fields, will be accepted and transported only if:

- (A) Company has adequate facilities available with which to mix such indirect liquid products with crude petroleum;
- (B) Company has crude petroleum in its custody in such facilities, consigned to the same shipper or consignee and destination as the indirect liquid products, with which the indirect liquid products can be mixed;
- (C) The Reid vapor pressure of the indirect products does not exceed 18 pounds per square inch absolute (psia), and the Reid vapor pressure of the resulting mixture of crude petroleum and indirect liquid products does not exceed 10 psia; except that Company reserves the right to limit the Reid vapor pressure of indirect products or mixtures of crude petroleum and indirect products, to such lower levels as may be required by Company's facilities and operating conditions;
- (D) The indirect products do not exceed 20% by volume of the total volume of a mixture of indirect products and crude petroleum; except that where Company's facilities and operating conditions permit, Company reserves the right to accept mixtures containing more than 20% by volume of indirect products.

Nothing in this rule shall be construed to affect the provisions of Item No. 70 (MIXING IN TRANSIT) of this tariff or shall require Company to receive, transport, and deliver unmixed indirect liquid products; however, unmixed indirect liquid products may be transported for subsequent mixing with direct products in accordance with this rule where facilities exist and operating conditions permit transporting such indirect liquid products.

## 20. ADDITIVES

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

#### 25. STORAGE

Company has working tanks incident to transportation of crude petroleum, and unless otherwise specifically provided for in a specific tariff, Company does not have facilities for rendering, nor does it offer a storage service.

## 30. RECEIPT FACILITIES REQUIRED

Where crude petroleum to be shipped requires transportation in a segregated batch, shippers or consignees shall be responsible for providing tankage to meet minimum tender requirements as provided in Item No. 50 hereof (TENDER, MINIMUM QUANTITY) at a point where Company facilities are available for receipt and transportation of such crude petroleum batches.

## 35. DESTINATION FACILITIES REQUIRED

Company will 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 batches. If the shipper, or consignee, is unable or refuses to receive said crude petroleum as it arrives at destination, Company 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 Company in making such arrangements shall be borne by the shipper or consignee.

## 40. NOTICE OF DELIVERY, DEMURRAGE

Company may, at any time after receipt of a consignment of crude petroleum and upon 24-hour notice to shipper or consignee, begin delivery of crude petroleum at Company's then current rate of pumping consistent with system capacity. Commencing after the first seven o'clock a.m., after expiration of said 24-hour notice, Company shall assess a demurrage charge on any part of said crude petroleum shipment offered for delivery and not taken by shipper or consignee; the demurrage charge will be one-half cent per barrel per day for each day of 24 hours or fractional part thereof. After expiration of said 24-hour notice, Company's liability for loss, damage or delay with respect to crude petroleum offered for delivery but not taken by shipper or consignee shall be that of warehouseman only.

#### 45. TENDER REQUIRED

Crude petroleum will be transported by Company only under a tender accepted by Company.

Any shipper desiring to tender crude petroleum for transportation shall make such tender to Company on or before the twenty-fifth (25th) day of the month preceding the month during which transportation under the tender is to begin; except that, if space is available for current movement and at the sole discretion of the Company, a shipper may tender crude petroleum for transportation after the twenty-fifth (25th) day of the month preceding the month during which transportation under the tender is to begin. All tenders shall be confirmed in writing prior to the end of the month during which transportation of the crude petroleum tendered is begun.

## 50. TENDER, MINIMUM QUANTITY

Tenders for the transportation of crude petroleum for which Company has facilities will be accepted into Company's system under this tariff in quantities of not less than ten thousand (10,000) barrels aggregate from one or more shippers as operations permit and provided such crude petroleum is of similar quality and characteristics as is being transported from receipt point to destination point; except that Company reserves the right to accept any quantity of crude petroleum from lease tanks or other facilities to which Company's facilities are connected if such quantity can be consolidated with other crude petroleum such that Company can make a single delivery of not less than ten thousand (10,000) barrels, and Company will not be obligated to make any single delivery of less than ten thousand (10,000) barrels. The term "single delivery" as used herein means a delivery of crude petroleum in one continuous operation to one or more consignees into a single facility, furnished by such consignee or consignees, to which Company is connected.

#### 55. TITLE

Company shall have the right to reject any crude petroleum which, when tendered for transportation, 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 Company may require of the shipper satisfactory evidence of the shipper's perfect and unencumbered title or satisfactory indemnity bond to protect Company. By tendering crude petroleum, the shipper warrants and guarantees that it has good title thereto and agrees to hold Company harmless for 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 Company as to title.

## 60. GAUGING, TESTING AND DEDUCTIONS

- (A) Crude petroleum tendered to Company for transportation shall be measured by tank gauges and computations made from 100% of the full capacity of the tanks, or by mutually accepted automatic custody transfer facilities. Shipper and consignee shall have the privilege of being present or represented during measuring and testing of shipments by Company.
- (B) When, in Company's opinion, lease operator or connecting carrier's tanks are unsafe or unsuitable for use in custody transfer because of improper connections, high bottom accumulations of any extraneous matter, incrustations on the inside of the tank walls, or any other conditions unacceptable to Company, Company may reject the use of such tank until the unacceptable conditions have been corrected. Alternatively, in the case of incrustation inside any tank, Company may determine and apply a correction factor to ascertain the correct tank capacity.
- (C) Corrections will be made for temperature from observed degrees Fahrenheit to 60 degrees Fahrenheit. Company will deduct the full amount of sediment, water and other impurities as the centrifugal or other test may show.
- (D) A deduction of two-tenths of one per cent (0.2%) will be made to cover evaporation, interface losses, and other normal losses during transportation.
- (E) All receipts of crude petroleum and indirect liquid products having an API gravity of 45° or above shall also be subject to a deduction to cover the shrinkage and incremental evaporation resulting from the mixture thereof, in Company's facilities, with crude petroleum having an API gravity of 44.9° or less. Such deduction shall be determined in accordance with the following table:

API Gravity, Degrees Corrected to 60°F	Deduction for Incremental Evaporation and Shrinkage
45 through 54.9°	0.5%
55 through 64.9°	1.0%
65 through 74.9°	1.5%
75 and above	2.0%

(F) After consideration of all of the factors set forth in this Item No. 60, a net balance will be determined as the quantity deliverable by Company, and transportation charges will be assessed on this net balance.

## 65. EVIDENCE OF RECEIPTS & DELIVERIES

Crude petroleum received from shipper and crude petroleum delivered to consignee shall, in each instance, be evidenced by tickets or Company's statements containing data essential to the determination of quantity.

## 70. MIXING IN TRANSIT

Company shall not be liable to shipper for changes in gravity or quality of shipper's crude petroleum which may occur from commingling or intermixing shipper's crude petroleum with other crude petroleum in the same common stream while in transit. Company is not obligated to deliver to shipper the identical crude petroleum tendered by shipper; Company will deliver the grade of crude petroleum it is regularly transporting as a common stream.

Company shall have no responsibility in, or for, any revaluations or settlements which may be deemed appropriate by shippers and/or consignees because of mixing or commingling of crude petroleum shipments between the receipt and delivery of such shipments by Company within the same common stream.

#### 75. LIABILITY OF COMPANY

Company will not be liable for any loss of crude petroleum herein described, or damage thereto, or delay of the delivery thereof, because of an act of God, the public enemy, quarantine, the authority of law, strikes, riots, acts of default by shipper or consignee, requisition or necessity of the Government of the United States in time of war, or for any other cause not within the reasonable control of Company whether similar or dissimilar to the causes herein enumerated.

In case of losses from such causes, other than the negligence of Company, the shipper(s) whose crude petroleum has been tendered to Company and scheduled for transportation over that segment of Company's system in which the loss occurs shall bear such loss in the same proportion that the amount of its tendered crude petroleum scheduled for transportation over such segment at the time of loss bears to the total amount of crude petroleum then tendered and scheduled for transportation over such segment, except that in the case of such losses of crude petroleum in a segregated shipment, then the shipper and/or consignee thereof shall bear the entire loss, damage, or delay which 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. Company will not be liable for incidental, consequential, or exemplary damages.

## 80. DUTY OF COMPANY

Company 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, and will not accept crude petroleum to be transported in time for any particular market.

## 85. COMMON STREAM CRUDE PETROLEUM, CONNECTING CARRIERS

When both receipts from and deliveries to a connecting pipeline of substantially the same grade of petroleum are scheduled at the same interconnection, Company reserves the right, with the cooperation of the operator of the connecting pipeline, to offset like volumes of such common stream 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, Company will make the further deliveries for the shipper involved from Company's common stream petroleum.

#### 90. PAYMENT OF TRANSPORTATION AND OTHER CHARGES

Shipper shall be responsible for payment of transportation and all other charges applicable to the shipment, and at the discretion of Company, may be required to prepay such charges or furnish quaranty of payment satisfactory to Company. Crude petroleum accepted for gathering and/or transportation shall be subject to the rates in effect on the date of receipt by Company, irrespective of the date of the tender. Payments not received by Company in accordance with invoice terms shall be subject to a late charge equivalent to 125% of prime rate as quoted by a major New York bank. Company will have a lien on all crude petroleum accepted for transportation to secure the payment of all charges, including demurrage charges, and may refuse to make delivery of the crude petroleum until all charges have been paid. If said charges, or any part thereof, shall remain unpaid for five days, as computed from the first seven o'clock a.m. after written notice is mailed to shipper of Company's intention to enforce its lien as herein provided, or when there shall be failure to take the crude petroleum at the point of destination as provided in Item No. 40 (NOTICE OF DELIVERY, DEMURRAGE) within five days, as computed from the first seven o'clock a.m. after expiration of the notice therein provided, Company shall have the right through an agent to sell said crude petroleum at public auction for cash, between the hours of ten o'clock a.m. and four o'clock p.m. on any day not a weekend or legal holiday, and not less than twenty-four hours after notice of the time and place of such sale and the quantity, general description, and location of the crude petroleum to be sold has been published in a daily newspaper of general circulation published in the town or city where the sale is to be held, and sent by telegraph (or other comparable means) to shipper. Company may be a bidder and purchaser at such sale. Out of the proceeds of said sale, Company shall pay itself for all transportation, demurrage, and other lawful charges, expenses of notice, advertisement, sale and other necessary expenses, and expenses of caring for and maintaining the crude petroleum, and the balance shall be held for whomsoever may be lawfully entitled thereto; if the proceeds of said sale do not cover all expenses incurred by Company, the shipper and/or consignee are liable to Company for any deficiency.

#### 95. CLAIMS

Notice of claims for loss or damage in connection with shipments must be made to Company in writing within nine (9) months and one day after same shall have accrued, or, in case of failure to make delivery, within nine (9) months and one day after a reasonable time for delivery shall have elapsed. Such claims, fully amplified, must be filed with Company within nine (9) months and one day thereafter, and unless so made and filed, Company shall be wholly released and discharged therefrom and shall not be liable therefore in any court of justice. 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. Any such loss or damage shall be determined solely on

the basis of volumetric loss and not on the monetary value of the crude petroleum.

Where claims are not filed or suits are not instituted thereon in accordance with the foregoing provisions, Company will not be liable and such claims will not be accepted.

#### 100. PIPEAGE OR OTHER CONTRACTS

Separate pipeage and other contracts in accord with applicable tariff and these rules and regulations covering further details may be required by Company before any duty for transportation shall arise.

## 105. APPLICATION OF RATES FROM AND TO INTERMEDIATE POINTS

For crude petroleum accepted for transportation from any point on Company's lines not named in a particular tariff which is intermediate to a point from which rates are published therein, through such unnamed point, Company 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 a particular tariff 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.

#### 110. DIVERSION OR RECONSIGNMENT

Subject to Item No. 30 (RECEIPT FACILITIES REQUIRED), diversion or reconsignment may be made without charge if requested in writing by 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.

#### 115. INTRASYSTEM TRANSFERS

An intrasystem transfer of title to crude petroleum will be allowed at a tariff origin point on Company's system for a fee of \$200.00 charged to the Transferor; provided however, that no transfer fee shall be assessed to the Transferor if the Transferor pays the mainline transportation charges to the specified transfer point. The Transferee accepting volumes on an intrasystem transfer shall be responsible for payment of transportation charges from the transfer point to destination. Company 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. An intrasystem transfer request, if recognized, shall be confirmed in writing by both the Transferor and the Transferee within seventy-two (72) hours after the request. Such request shall indicate the party to which the transfer is to be made, the amount of crude petroleum to be transferred, its location and grade, and a warranty statement of unencumbered title. In addition, the Transferor and Transferee, upon the request of Company and at Company's option, shall provide an irrevocable letter of credit in terms satisfactory to Company and in an amount necessary to cover all charges and fees.

#### 120. LINE FILL AND TANK BOTTOM INVENTORY REQUIREMENTS

Company will require each shipper to supply a pro rata share of crude petroleum necessary for pipeline and tankage fill to ensure efficient operation of Company's pipeline system prior to delivery. Crude petroleum provided by shippers for this purpose may be withdrawn only after: (1) shipments have ceased and shippers have notified Company in writing to discontinue shipments in the Company's system, and (2) shipper balances have been reconciled between shippers and Company.

Company, at its discretion, may require advance payment of transportation charges on the volumes to be cleared from Company's system, and any unpaid accounts receivable, before final delivery will be made. Company shall have a reasonable period of time from the receipt of said notice to complete administrative and operational requirements incidental to shipper withdrawal.

#### 125. ACCESS AND USE OF SHIPPER'S AND PRODUCER'S FACILITIES

Company shall have the right to install, in suitable locations, and to operate and maintain pipelines, pumping equipment, other auxiliary pipeline equipment, and power service facilities upon and across surface lands held by shipper (or producer) in connection with the production of crude petroleum tendered to Company for transportation.

Company, by its representative, shall have the right to go upon the premises where crude petroleum tendered for shipment is produced or stored, and shall have access to any metering installations or storage facilities for the purpose of making examinations, inspections, measurements or tests authorized by these rules and regulations.

Company shall be allowed full and free use of roads, helicopter pads and airstrips built or owned by shipper or producer when in Company's opinion such use is required for access to, and the operation and maintenance of, Company's pumping equipment and pipeline system. The shipper or producer shall maintain such roads in a reasonable condition.

## 130. CHARGE FOR COMPENSATION FUND FEES INCURRED BY COMPANY

In addition to all other charges accruing on crude petroleum accepted for transportation through Company's facilities, a per barrel charge will be assessed and collected in the amount of any tax, fee, or other charge levied against Company by any Federal, State or local agency for the purpose of creating a fund for the reimbursement of parties who sustain costs or losses resulting from oil pipeline industry operations.

## 135. APPORTIONMENT WHEN TENDERS ARE IN EXCESS OF FACILITIES

When there shall be tendered to Company, for transportation, more crude petroleum than can be immediately transported, the transportation furnished by Company shall be apportioned among shippers on an equitable basis.

Company shall be considered as a shipper of crude petroleum owned by itself and shall be entitled to participate in such apportionment.

#### **EXPLANATION OF REFERENCE MARKS:**

Changes in wording which result in neither increases nor reductions in charges