Rocky Mountain Region Crude Oil Market Dynamics

Final Report

IOGCC Governors' Task Force
January 2007

INTERSTATE
Oil & Gas
COMPACT COMMISSION

CONTENTS

The Interstate Oil and Gas Compact Commission is a multi-state government organization that promotes the conservation and efficient recovery of our nation's oil and natural gas resources while protecting health, safety and the environment.

PREFACE

It has often been said "When we fail to plan, we plan to fail." That philosophy embodies the situation in the North Central Plains states' oil patch. While historically there has been a small price differential for U.S. domestic producers in the Rocky Mountain Region due primarily to transportation costs to major refining centers, the differential became extraordinary in the winter of 2005-06.

States lost millions of dollars in royalty and tax revenues while producers lost tens of millions of dollars in oil revenue that would have been reinvested into more development, more production of domestic energy, more jobs, and more economic activity in rural North Dakota, Montana, Wyoming, Colorado, South Dakota and Utah.

The cause is multi-faceted, but each facet links back to a failure to plan and communicate. Unlike other countries of the world, the crude oil industry in the United States is not vertically integrated. Producers produce, marketers market, and pipelines transport to refineries that refine the crude oil into the many products needed by U.S. consumers. With few exceptions, each industry segment performs in a separate compartment.

The information the various parties needed to plan for the future was often public information; for instance, permits to drill. Producers and state governments did not pro-actively share this information with pipeline owners and refiners while pipelines and refineries didn't seek it out because there had always been surplus capacity in the past.

Pipelines and refineries were planning for and properly anticipating increased production from the Canadian oil sands, which Canada and the province of Alberta have aggressively promoted. However, the same promotion of new crude oil resources in the United States did not take place. Therefore, pipelines and refineries were not anticipating the impressive boost in oil production from the Rocky Mountain states. This failure to communicate and plan cost the economy hundreds of millions of dollars. It slowed economic development in these states where the dollars would have been re-invested and it took essential public money from state coffers.

A failure to plan and communicate exacerbated this problem, but improved communications, planning, and policy making can solve it. As chairman of the Interstate Oil and Gas Compact Commission, I am calling upon our organization – as the steward of domestic petroleum resources – to help lead this effort.

Sincerely,

John Hoeven
Governor of North Dakota
2007 IOGCC Chairman

Executive Summary

Introduction

At the beginning of 2006, domestic crude oil producers in the Rocky Mountain Region began to receive much lower prices for their production than similar quality oil sold in other parts of the country. The lower prices resulted from crude oil supplies far exceeding demand. At the same time, a separate set of supply and demand market forces kept prices high for refined products in the region. While crude oil producers bore the brunt of the price collapse, governments at the federal, state and local levels were also impacted as a result of greatly reduced royalty payments, which are based on product sales value. In addition, state and local tax receipts suffered enormous revenue losses as well. The falling value of the crude oil itself could also result in a premature abandonment of the resource and a cutback in domestically produced petroleum –key concerns of the Interstate Oil and Gas Compact Commission (IOGCC).

As a result of these changing market conditions and the glut of crude oil in the Rocky Mountain states, during the first half of 2006 local domestic oil producers in those states were receiving as much as $25 to $30 per barrel less than what was paid for similar quality oil in other regions of the country. While these price differentials have declined to about $6 to $10 per barrel in the last half of 2006, the differentials remain much higher than the historical average of $1 to $3 per barrel. Furthermore, the imbalanced supply and demand conditions that caused the highest differentials in the early part of 2006 remain in place, and may cause further problems in the future.

In May 2006, IOGCC Chairman Dave Freudenthal, Governor of Wyoming, created a task force to specifically identify the reasons that domestically-produced crude oil within the Rocky Mountain Region was receiving significantly lower well head prices than similar oil sold in the rest of the country. The task force included representatives from Colorado, Montana, North Dakota, South Dakota, Utah, Wyoming, the Province of Alberta, the U.S. Department of Energy and the Federal Energy Regulatory Commission (FERC). Gov. Freudenthal charged the task force to:

- ***investigate the crude oil market dynamics in the Rockies***
- ***identify the conditions causing the precipitous price drop, and the expected duration of these conditions***
- ***recommend both near and long-term actions that could be taken to correct this situation***

Some of the factors evaluated by the Rocky Mountain task force included the impact of asphalt use, increased crude oil production in the Rockies, increased crude oil production in western Canada, refining capacity, pipeline capacity and crude oil quality variation. Some of the data considered by the task force included the number of new well permits, well completions, production quantities and trends, state tax information, forecasts for Canadian imports and Rockies regional production, exist-

ing pipeline and refinery capacities, plans for increasing pipeline and refinery capacities, and existing and proposed state and federal legislation.

This report is the result of the work of that task force.

Background

Prior to 2006, the crude oil markets in the Rocky Mountain states were generally in balance with supplies from local production and imports meeting the needs of the refineries in the region while any surplus production was exported out of the region to other areas of the country. Under these conditions, the price that local producers received for their crude oil was similar to prices throughout the country.

However, these conditions changed drastically at the beginning of 2006. A confluence of supply and demand factors came together at that time resulting in a significant over-supply of crude oil in the Rocky Mountain states as compared to demand for that oil. As a result of this oil glut, local producers began to receive prices as much as $25 to $30 per barrel less than similar quality oil sold in other parts of the country. At the same time supply and demand for refined products in the region kept those prices high. While producers bore the bulk of the price collapse; federal, fee, and state royalties as well as state and local tax receipts suffered enormous revenue losses as well.

Factors that contributed to and may continue to contribute to market volatility in the Rocky Mountain Region relative to other regions include the following:

- ***Supply - Increasing Local Production***
  Crude oil production in the Rockies is no longer declining, and in some areas, dramatic growth in production has occurred. This growth is anticipated to continue over the course of the next five to ten years. Specifically, North Dakota and Montana production, primarily in the Williston Basin, is growing more rapidly than in any other State in the region.

- Twenty years of production decline in Wyoming has been reversed in 2006 as a result of successful enhanced oil recovery operations and condensate production increases in the Jonah/Pinedale area. Growth in the Uintah Basin of Utah and along the Utah Hinge Line area also continues and could accelerate.

- ***Supply – Increasing Imports from Canada***
  In May 2005, the Express Pipeline bringing Canadian crude oil into the region expanded its capacity and actual imports of Canadian crude increased by an average 15,000 barrels of oil per day (bpd).

- ***Demand – A Decline in Demand by Refineries***
  From January to March 2006 Rockies refinery consumption declined due to refiners reducing demand as they upgraded their facilities to Ultra Low-Sulfur Diesel (ULSD) specifications, shifted from heating oil to gasoline production, scheduled maintenance, and forced outages.

- ***Demand - Pipelines Moving Crude Oil Out of the Region***
  The Enbridge Pipeline and the Platte Pipeline are the only two major crude oil pipelines that can move oil out of the region to other parts of the country. The Enbridge Pipeline became full in February 2005. The Platte Pipeline became full in December 2005. Having both pipelines at capacity created a bottleneck limiting the amount of oil that can be moved out of the region.

Conclusions

The task force concluded that extreme crude oil market volatility in several producing regions of the Rockies resulted when limited pipeline and refinery infrastructure was impacted by equipment failures and production growth. Factors that contributed to and may continue to contribute to market volatility in the Rocky Mountain Region relative to other regions include the following:

1. While the supply and demand were closer to being in balance since the early summer, excess supplies are still causing significant price differentials, albeit at lower levels.

2. In the next few years, Canadian imports will continue to increase. Canadian imports are reliable supplies from a secure country – i.e., good for energy security. On the other hand, Canadian imports are a concern in the sense that they can overload regional take away capacity and depress local prices. The key is to eliminate the bottlenecks that prevent oil in the Rockies from reaching destinations where it can maintain higher values.

3. Exporting pipeline capacity is expected to increase, although it is unclear if proposed capacity increases will be adequate.

4. There has been no significant change in refinery capacity in the region of study in the last 20 years. Although incremental expansions are being considered, none have been announced.

5. The production of Canadian heavy sour crude oil and Canadian synthetic crude oil has increased and refinery modifications have concentrated on processing sour crude. Regional U.S. production increases have been predominately sweet crude oil. With refinery demand staying constant, supply is now exceeding demand. The result is more crude oil needs to be exported out of the region; however, the export pipelines are already at full capacity.

6. Those who capitalized upon the changing market conditions and the glut of oil in the Rockies states did so at the expense of diverting supplies that they might otherwise have purchased under spot and term contracts.

7. Additional growth in regional production can be anticipated if prices and demand remain strong. In addition, growth in the Uintah Basin of Utah and along the Hinge Line area also continues and could accelerate. Additional growth can be anticipated in the 2012 to 2015 period if crude oil prices stay at current or higher levels and shale oil is developed.

Recommendations

The task force generally recognized that the underlying issues associated with market dynamics will not change over the short term. The group also concluded that crude oil imports from Canada are extremely important to the nation's energy mix, and the challenges of transportation of these resources to appropriate markets should be addressed.

Without the expansion of infrastructure (pipelines and refinery capacity) and a more coordinated regulatory framework, the continued growth in both Rocky Mountain Region and Canadian production will lead to increased crude oil market volatility in the region.

Timing of refining and pipeline expansions is uncertain as market participants attempt to sort out who is going to commit to and pay for new infrastructure.

1. The IOGCC should commission an annual study of each critical pipeline hub within the United States. This study should examine the volume of incoming crude, including local production and imports, with the available takeaway capacity, including refining consumption and pipeline export capacity. These results should be used to proactively promote pipeline and refinery development or other solutions that ensure a "healthy" marketplace.

2. The IOGCC should provide a platform where crude oil pipelines serving major hubs post capacity and aggregated, nominated volumes on a monthly basis. This platform would include current and historical information in order to increase transparency to the marketplace and provide producers and marketers a useful tool from which to determine if they need to add capacity to their markets.

3. The FERC should continue to adopt policies that promote infrastructure development.

4. The IOGCC should form a task force comprised of one regulatory member from each State to develop a model regulatory framework under which pipeline companies desiring to build new projects can operate. This will eliminate state by state confusion and should accelerate permitting and construction of new pipeline and refining projects.

5. The IOGCC should form a task force directed at working with Tribal groups to develop a model regulatory framework under which pipelines can cross Tribal lands.

6. States and the federal government should consider offering cost-effective tax incentives or royalty relief to producers, pipelines, and refiners if they commit to new build or expansion projects. Developers should be provided incentives to build "slack" capacity into their systems.

7. The IOGCC should promote the understanding that it is important to U.S. energy security that additional pipelines be built to carry Canadian crude to major U.S. refining centers. New and existing pipelines carrying Canadian crude oil should work with domestic producers and marketers to create receipt points for domestic crude to be shipped on their pipelines. In addition, crude oil pipelines should be permitted to sell firm service to shippers – especially on new pipelines.

8. The IOGCC should promote the understanding that localized prices in each state may fall out of favor from time to time due to changes in market forces such as imports, local production, refining capacity, pipeline capacity, crude quality and maintenance issues. Producers should be encouraged to work together to develop solutions that will assist in moving their oil to better valued markets. Aggregation of crude will assure the most efficient and economic development of pipeline or refining upgrades to each situation.

9. The IOGCC should work to streamline the overly burdensome, inconsistent and time-consuming refinery permit process by improving state, local and federal coordination, ensuring adequate resources at permitting authorities to shorten review timeframes, and empowering the U.S. Department of Energy to serve as a facilitator for timely permit reviews. Such projects should be viewed as a high priority due to national energy, national security and economic considerations.

10. The IOGCC should encourage Congress to codify the U.S. Environmental Protection Agency's (EPA) comprehensive reform of the New Source Review (NSR) regulations, including those that prohibit states from developing patchwork variations of the NSR process, which are stymied in judicial appeals.

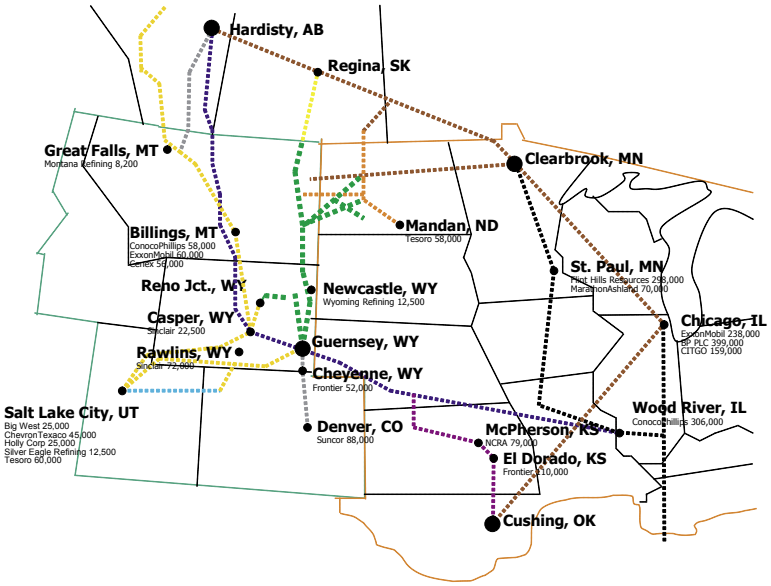
11. The IOGCC should work to align National Ambient Air Quality Standards (NAAQS) deadlines to take advantage of the significant emissions reduction benefits achieved by existing federal regulation. Changes to consider during the 2010 statutory review cycle include standards relating to ozone and fine particulate matter.

The Rocky Mountain Crude Oil Complex

Imports, Production, Consumption and Exports
and the Impact on the Wyoming Sweet Differential

Overview

Rocky Mountain Region Pipelines and Refineries



The Rocky Mountain Crude Oil Complex (Complex) describes the environment for the crude oil market in the Rocky Mountain Region. It defines the local production of crude, imports, crude consumption by refineries, the volume of crude exported from the region and storage. The Rocky Mountains Region, for these purposes, include Montana, North Dakota, Wyoming, South Dakota, Colorado and Utah. The Complex and its components can be used in several ways. The comparison of historical data for imports, production, refinery consumption and exports with the Wyoming Sweet differential illustrates the relationship between each component and their effect on regional pricing. Also, the sum of the imports and production should equal the sum of refining consumption, storage and pipeline exports. In other words, the sum of the inputs should equal the sum of the outputs. This is referred to as a material balance and can be used to identify infrastructure deficiencies. In addition, the Complex material balance can be used to forecast infrastructure requirements for the Rocky Mountains Region. The map above shows the Rocky Mountain Region and identifies each of the major pipelines and refineries in the region. Also, it emphasizes Guernsey, WY; Clearbrook, MN; and Cushing, OK, as major market hubs.

Rocky Mountain Material Balance

Local Production

Local production consists solely of domestic production from the Rocky Mountains Region. Although local production has declined from its highs in the mid 1980s, recent development effort has reversed that decline and since 2002 production volumes have increased. New fields in eastern Montana and Utah, horizontal re-entries and secondary recovery in South Dakota, secondary recovery in North Dakota and tertiary recovery efforts in Wyoming have all contributed to this increase in Rocky Mountain production. From a low level of 357,000 barrels per day (bpd) in December 2002, local production has increased to 464,000 bpd, a 107,000 bpd or 30% increase.

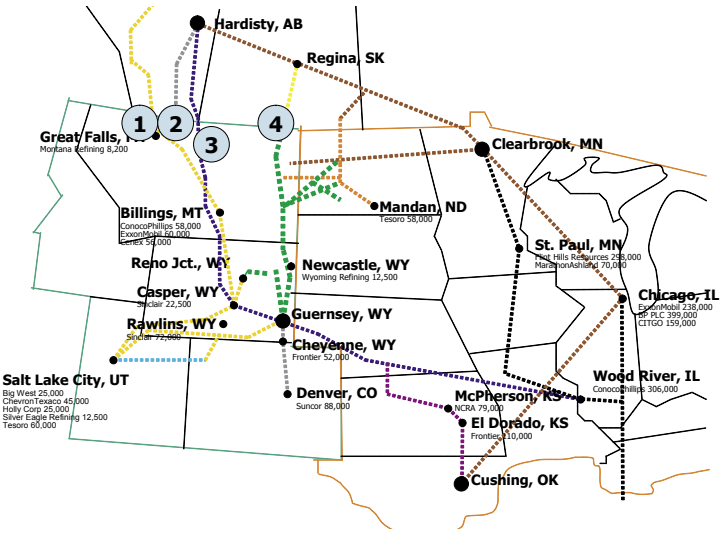
The Energy Information Administration (EIA) reports production from each state and Petroleum Administration for Defense Districts (PADD), which are districts that were delineated during World War II to facilitate oil allocation. The EIA then provides an adjustment number. For the months from November 2005 to June 2006 the Complex uses those numbers. For July and August of 2006, the Complex uses the aggregated PADD numbers from the EIA in addition to production numbers reported by North Dakota. Montana, North Dakota and South Dakota comprise the bulk of the U.S. portion of the Williston Basin. In June 2003, total production from these three states was 135,000 bpd. In July 2006, total production exceeded 220,000 bpd, an 85,000 bpd or 63% increase. The bulk of this increase came from Richland County, MT and Bowman County, ND, with lesser contributions from Harding County, SD.

Table 1 - Local Production

Date	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06
Local Production[1]	461,000	451,000	442,000	453,000	456,000	449,000	461,000	464,000	460,000	463,000
Wyoming[2]	145,000	139,000	140,000	140,000	144,000	144,000	129,000	123,000		
Colorado[3]	62,000	59,000	60,000	60,000	60,000	62,000	63,000	61,000		
Montana[4]	97,000	97,000	97,000	96,000	99,000	95,000	97,000	98,000		
North Dakota[5]	105,000	104,000	98,000	103,000	106,000	103,000	110,000	112,000	110,000	112,000
South Dakota[6]	4,000	4,000	4,000	4,000	4,000	3,000	4,000	4,000		
Utah[7]	48,000	48,000	45,000	46,000	45,000	50,000	48,000	47,000		
Adjustment[8]	0	0	-2,000	4,000	-2,000	-8,000	10,000	19,000		

Pipeline Imports

Pipelines From Canada



Since there are no crude oil pipelines into the Rocky Mountains from the West Coast or Gulf Coast, the Complex assumes that all foreign imports into the Rocky Mountains originate in Canada. There are four pipelines that import Canadian crude oil into the Rocky Mountains. They include (1)Glacier Pipeline which is jointly owned by Plains All-American and ConocoPhillips, (2)Cenex Pipeline, (3)Kinder Morgan's Express Pipeline, and (4)Bridger's Poplar Pipeline.

The capacities and volumes transported on each pipeline are confidential and proprietary to each company, but the EIA provides data for aggregated imports transported into PADD IV via pipeline. The pipelines that have import capability are estimated to have an aggregate capacity of approximately 442,000 bpd. The following table displays the import volumes from Canada from January 2002 to August 2006.

Table 2 - Pipeline Imports[9]

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2002	256,000	235,000	265,000	311,000	325,000	313,000	334,000	307,000	369,000	371,000	361,000	332,000
2003	325,000	331,000	316,000	248,000	282,000	331,000	336,000	354,000	391,000	349,000	347,000	349,000
2004	329,000	282,000	287,000	284,000	311,000	302,000	297,000	257,000	360,000	301,000	351,000	292,000
2005	316,000	303,000	317,000	301,000	352,000	334,000	329,000	328,000	336,000	337,000	346,000	375,000
2006	335,000	322,000	255,000	272,000	318,000	353,000	324,000	371,000				

During this period, the volume of imports reached a high in December 2005 at 375,000 bpd while reaching a low in March 2006 at 255,000 bpd which was the lowest level of imports since April 2003. The aggregated import capacity of 442,000 bpd includes Kinder Morgan's Express Pipeline expansion completed in April 2005 which increased its capacity from 171,000 bpd to 282,000 bpd. From January 2002 until April 2006, imports averaged 315,000 bpd. From that time until August 2006, imports have average 330,000 bpd. Although this was an 111,000 bpd increase in Import capacity, based on the averages, imports have increased by only 15,000 bpd.

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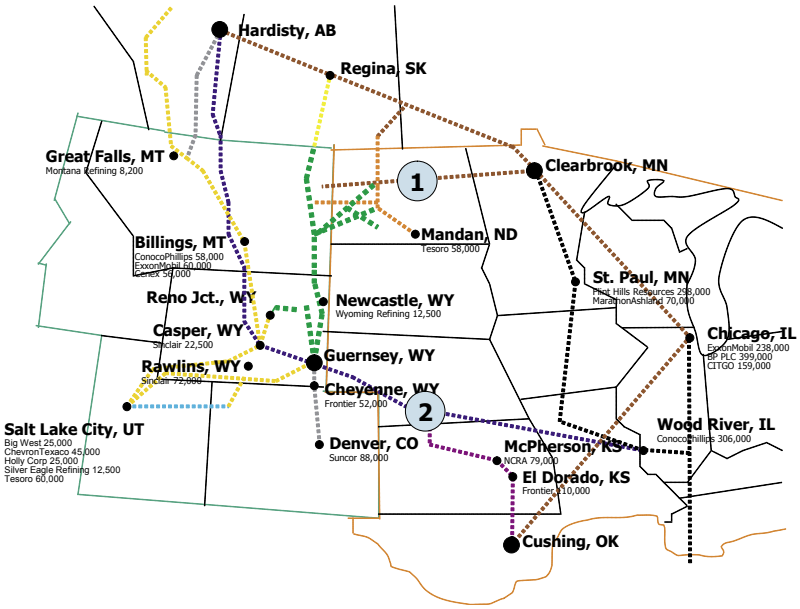
[1] *Energy Information Administration, Rocky Mountain (PADD 4) Crude Oil Production*
[2] *Energy Information Administration, Wyoming Crude Oil Production*
[3] *Energy Information Administration, Colorado Crude Oil Production*
[4] *Energy Information Administration, Montana Crude Oil Production*
[5] *Energy Information Administration, North Dakota Crude Oil Production; Data for July and August 2006 was provided by the North Dakota Industrial Commission*
[6] *Energy Information Administration, South Dakota Crude Oil Production*
[7] *Energy Information Administration, Utah Crude Oil Production*
[8] *Energy Information Administration, Rocky Mountain (PADD 4) Crude Oil Field Production Adjustment*
[9] *Energy Information Administration, Rocky Mountain (PADD 4) Crude Oil Imports*

Export Capacity

The two pipelines that have the ability to export crude from the Rocky Mountains to other regions of the country are (1)Enbridge North Dakota and (2)Platte Pipe Line.

Pipelines Serving Other Regions



Enbridge North Dakota gathers crude from the Williston Basin, delivers to Tesoro Pipeline at Beaver Lodge and terminates at the market hub in Clearbrook. Enbridge North Dakota has historically served half of the Williston Basin as a primary pipeline to transport crude to markets in PADD II. Butte Pipe Line has historically transported the remaining half of the Williston Basin production to the Guernsey market hub. In the first quarter of 2005, the volume of crude attempting to reach the Clearbrook market hub exceeded Enbridge's transportation capacity and thus became prorationed. Enbridge has made incremental expansions since that time, but the volume of crude still exceeded its expanded capacity. The pipeline has been apportioned since that time. Without the option of going east to the Clearbrook market, the incremental Williston Basin production went south to Guernsey.

Platte Pipe Line originates in Casper, WY, with an injection and delivery point at Guernsey. It makes deliveries to Jayhawk Pipeline at Holdredge, NE, and terminates in Wood River, IL. Historically and generally, Platte Pipe Line has served as the primary transportation for the heavy, sour Local and Canadian production. Platte has also served as a secondary pipeline for light sweet grades, including Wyoming Sweet. In effect, Platte Pipe Line was considered a safety valve for light sweet local production as it was rarely used.

Guernsey

As production from the Williston Basin continued to increase and more volumes were transported to Guernsey, the outgoing local pipelines at Guernsey quickly reached capacity. The outgoing local pipelines that serve refineries and other markets within the Rocky Mountains include (1)Rocky Mountain Pipeline, (2)Sinclair Pipeline and (3)Suncor Pipeline. After volumes coming into Guernsey exceeded the capacity of the outgoing local pipelines, (4)Platte Pipe Line, the "safety valve", began transporting Williston Basin production to markets in the Midwest. Finally, those volumes originating in the Williston Basin, in combination with other increased local production and imports, exceeded Platte Pipe Line's capacity in December 2005. Platte has been apportioned since that time.

Pipelines Serving Rocky Mountain Region

Export Capacity is provided in aggregated form to provide confidentiality to the individual pipelines. Currently, both Enbridge North Dakota and Platte Pipe Line operate at maximum capacities. The fluctuations seen in the table below are attributable to seasonal adjustments related to weather and intermittent downtime to incorporate capacity increases.

Table 3 - Pipeline Exports

Date	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06
Pipeline Exports	216,000	220,000	218,000	221,000	215,850	211,280	214,280	212,850	207,000	205,000

Refinery Consumption

In the Rocky Mountains, there are fifteen refineries with a combined nameplate capacity to consume and process 645,255 bpd. The following table lists each Rocky Mountain refinery and their nameplate capacity.

Table 4 - Rocky Mountain Refinery Nameplate Capacity

Refinery[10]	Capacity (Barrels Per Day)
Billings – Cenex	56,000
Billings – ConocoPhillips	55,755
Billings – ExxonMobil	58,000
Great Falls - Montana Refining	7,000
Montana Refining Capacity	176,755
Rawlins - Sinclair	70,000
Casper – Sinclair	22,500
Cheyenne - Frontier Refining	52,000
Newcastle - Wyoming Refining	12,500
Wyoming Refining Capacity	157,000
Denver, Colorado – Suncor	88,000
Mandan, North Dakota - Tesoro	56,000
Salt Lake - ChevronTexaco	45,000
Salt Lake - Flying J	25,000
Salt Lake - Holly	25,000
Salt Lake - Silver Eagle	12,500
Salt Lake - Tesoro	60,000
Utah Refining Capacity	167,500
Total Rocky Mountain Refining Capacity	**645,255**

Nameplate capacity does not indicate how much crude the refineries actually consume in a given day; instead, the EIA provides aggregated data for each PADD which is the source of values for the monthly refinery consumption. Because the Rocky Mountains include North Dakota while PADD IV does not, refinery consumption includes volume consumed by the Tesoro refinery in Mandan as provided by Tesoro.

Table 5 - Refinery Consumption[11]

Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06
597,000	599,000	622,000	564,000	534,000	601,000	619,000	642,000	650,000	648,000

[10] *Oil and Gas Journal, Worldwide Refining, December 19, 2005*
[11] *Energy Information Administration, Rocky Mountains (PADD 4) Gross Inputs to Refineries in combination with gross inputs for Tesoro's Mandan refinery.*

Refinery consumption reached a low of 534,000 bpd during March 2006 due to a refinery completing its Ultra Low Sulfur Diesel (ULSD) modifications. Since that time refinery consumption has steadily increased to July 2006 where total refinery crude consumption reached 650,000 bpd, an 116,000 bpd increase in three months.

Changes in Crude Oil Stocks (Storage)

Crude oil stocks defines the volume of crude oil used by pipelines as linefill and the volume of crude oil stored at Tank Farms. The month-to-month difference in crude oil stocks indicates the net volume of crude oil being put into storage or taken out of storage. A positive number indicates that crude is being stored, while a negative number indicates that crude is being taken from storage.

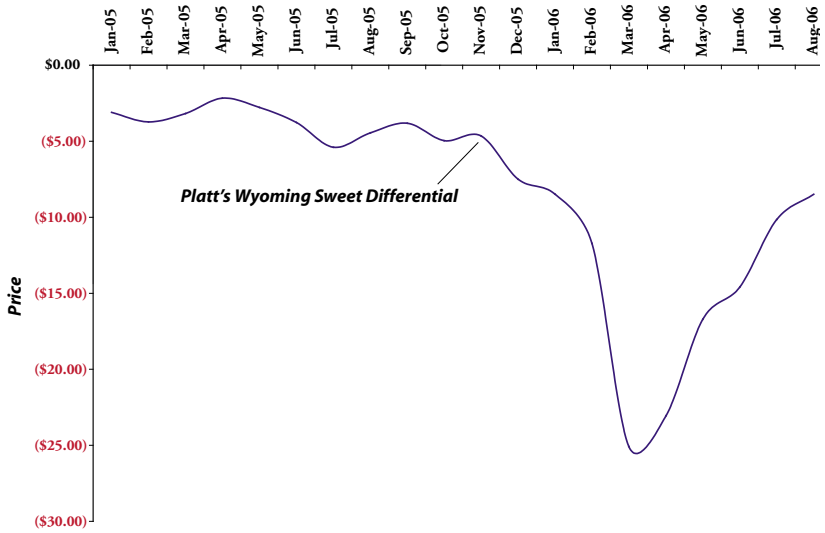
Table 6 - Changes in Crude Oil Stocks (Storage)[12]

Date	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06
Stocks	10,298,000	10,723,000	10,728,000	11,461,000	10,900,000	10,969,000	10,883,000	11,026,000	10,114,000	10,639,000
Change from Prior Month	171,000	425,000	5,000	733,000	-561,000	69,000	-86,000	143,000	-912,000	525,000
Change BPD	6,000	14,000	-	26,000	-18,000	2,000	-3,000	5,000	-29,000	17,000

Complex Components Compared to the Wyoming Sweet Differential

Wyoming Sweet Differential

There are many different grades of crude traded at Guernsey including sweet[13], sour, heavy and light. These crudes originate from Wyoming, Montana, North Dakota, Colorado, South Dakota and Canada. Although there are many different grades of crude that are traded at the Guernsey market hub, Wyoming Sweet was the most impacted causing a severe widening in its differential (see chart at right). As reported by Platts North American Crude Wire (Platts), Wyoming Sweet is a domestic sweet crude stream that is traded at the market hub in Guernsey. It is a commingled stream that includes sweet crude oil from North Dakota, Montana and Wyoming.



The Wyoming Sweet spread versus the first month West Texas Intermediate (WTI), as reported by Platts, tracks the difference between the approximate price paid for a barrel at the market hub in Cushing and the approximate price paid for Wyoming Sweet at Guernsey. The difference between those two prices is referred to as the Wyoming Sweet differential. The graph above illustrates the Wyoming Sweet differential between January 2005 and August 2006. The focus of this analysis is the time period from December 2005 to August 2006.

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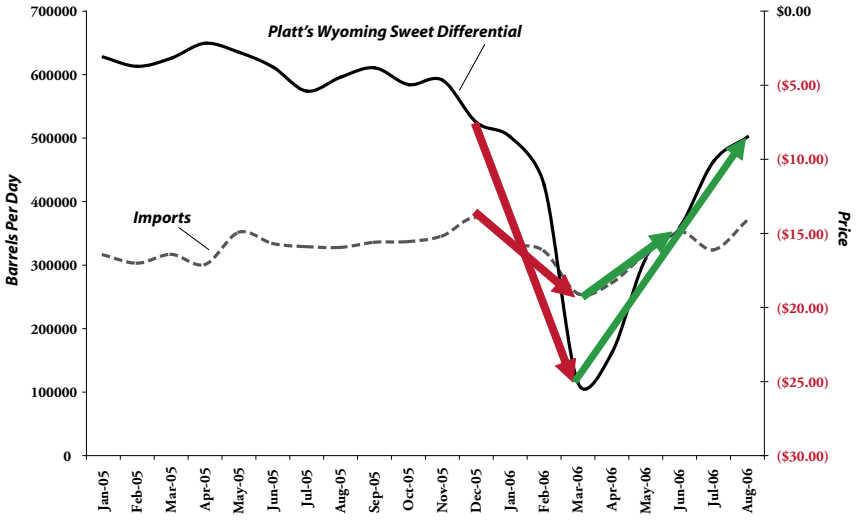
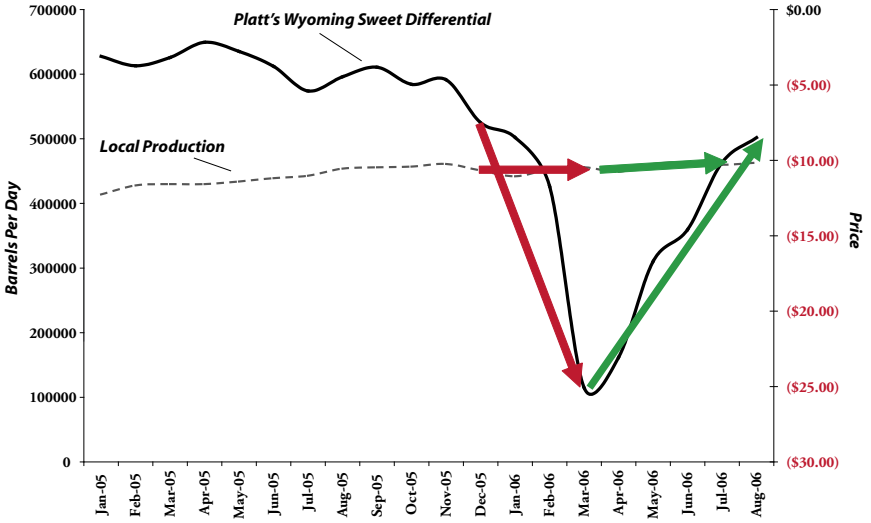
[12] *Energy Information Administration, Rocky Mountain (PADD 4) Crude Oil Stocks at Tank Farms*
[13] *Crude containing less than .5% sulfur content is considered sweet while that containing more than .5% is considered sour.*

Imports and the Wyoming Sweet Differential



In the month of March, total imports into PADD IV dropped by over 32% from the peak in December 2005 of 375,000 bpd to 255,000 bpd. In the same period, the Platt's Wyoming Sweet differential drops from approximately -$5.00 to under -$25.00 (see chart at right). During the five months following March 2006, the volume of imports increased to 371,000 bpd in August 2006 while the differential decreased to less than -$10.00. It is counterintuitive that fewer imports (less supply) would cause lower prices or an increased differential and that increased imports (more supply) would cause higher prices or a decreased differential. However, it is reasonable to suggest an indirect relationship between the volume of imports and the price of Wyoming Sweet. This indirect relationship may be best described from the perspective of an import barrel. An import barrel that originates in Canada has the option to access most U.S. markets, including PADD II (Gulf Coast), PADD III (Midwest), PADD IV (Rocky Mountains) and PADD V (West Coast). Ultimately, the import barrel will go to the market where it receives the highest price. This is unlike Wyoming Sweet which, as Enbridge and Platte are apportioned, is geographically and logistically constrained and consequently does not have access to multiple markets as long. As the differential widens (or prices decline), the import barrel will go to other higher paying markets whereas local production, without an unconstrained export route, does not have that same option. This would explain the correlative relationship between the Wyoming Sweet Differential and the volume of imports.

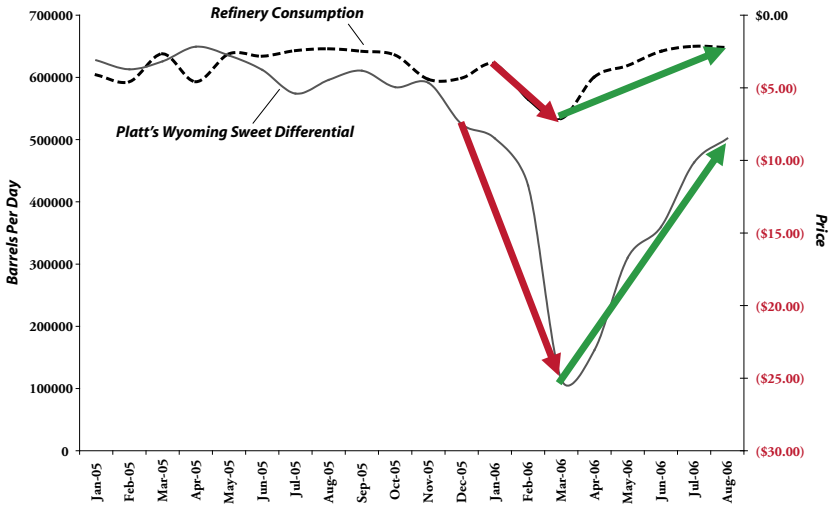
Local Production and the Wyoming Sweet Trade



From January 2005 to August 2006, production in the Rocky Mountains increased from 410,000 bpd to 460,000 bpd, a 12% increase in 19 months (see chart at right). The majority of this increase came from Montana and North Dakota. The development of the Bakken in Richland County grew Montana's total production from 76,000 bpd to 98,000 bpd. The secondary and tertiary recovery in Bowman County increased North Dakota's production from 90,000 bpd to 112,000 bpd. Unlike the other components of the Complex, the volumes of local production did not fluctuate with the differential. Instead, local production continued on a steady increase despite the steep price declines. Without unconstrained Export Capacity, local production lacks access to alternative markets making it vulnerable to regional price swings.

Refining Consumption and the Wyoming Sweet Trade

During this same period, refinery consumption decreased from approximately 600,000 bpd in December 2005 to 534,000 bpd in March 2006, an 11% decrease (see chart at right). Although it is typical for refineries to reduce consumption during the winter months, much of this decrease was due to one refinery shutting down to prepare for its upcoming ULSD production. The correlation between the amount of crude oil consumed by the refineries and the Wyoming Sweet differential is clear and reasonable: as the volume of crude consumed by the refineries decreases, so does the price of Wyoming Sweet. Conversely, as shown below, as refinery consumption increases, the Wyoming Sweet price increases as well.



Projected Material Balance

The goal of the projected material balance is to identify future infrastructure needs necessary to maintain a healthy market place. It attempts to balance the crude inputs (imports and local production) with the outputs (refinery consumption and pipeline exports). To do so, the projected material balance sums the individual components of the Complex. A positive balance indicates that there is a lack of export capacity while a negative balance indicates a surplus of export capacity. The infrastructure should maintain a surplus of export capacity to ensure that local production has access to multiple markets. In other words, to maintain a healthy market place, the projected material balance should have a negative balance. Set up as an equation, a perfectly balanced complex would look as follows:

Local Production + Imports – Refining Consumption – Exports – Storage Change = 0

Local Production

For the projected volume, Montana increases its production by 5% each year until 2008, where for these purposes, it maintains an even production volume of 105,000 bpd until 2010. Wyoming production increases by 5% annually until 2008 where it produces 160,000 bpd and maintains that production level until 2010. South Dakota increases production by 3% per year through 2010. North Dakota increases by 3% per year until 2010 where it reaches 120,000 bpd. Utah increases 6% per year until it reaches 63,000 bpd in 2010.

Imports

Imports and the Wyoming Sweet Differential showed that in an oversupply situation where the local production received wide differentials and imports can access multiple markets, the import volume will decrease to balance the Rocky Mountain market. In effect, the volume of imports depends upon market conditions making it difficult, if not impossible, to forecast import volumes. However, given the goal of using the projected material balance to analyze infrastructure requirements and to ensure that enough export capacity exists to maintain a negative balance, the projected material balance uses import capacity estimated to be 420,000 bpd. This estimate remains constant because, although there are various proposals, there are no firm plans to increase import capacity into the Rocky Mountains.

Refinery Consumption

Over the past 5 years, PADD IV Operable Crude Distillation Capacity averaged an annual 1.84%[14] increase. Over the same time period, the percent utilization of refinery operable capacity averaged 93.35%[15]. For the projected volume of refinery consumption the projected material balance assumes that refineries will continue to grow at the same rate of 1.84% and operate at 93.35% of that capacity.

Pipeline Exports

For the projected export capacity, the balance includes Enbridge's planned expansion that is expected to increase the export capacity of its line to 120,000 bpd by the third quarter of 2007. The projected volume for Platte Pipe Line leaving Guernsey remains at its current stated capacity of 143,000. Although there are various proposals, there are no firm planned expansions or new pipelines expected to be built out of the Rocky Mountains. One of the challenges faced in building or expanding a grassroots pipeline is that pipelines expect assurances that they will receive an adequate return on capital. Therefore pipelines typically require throughput commitments from shippers. Shippers on the other hand rightfully expect that in consideration for such guaranteed commitment, the pipeline will guarantee capacity to the shipper. However, FERC may view such an arrangement as a violation of the common carrier duty because it discriminates among shippers.

Another challenge is that local production has fragmented ownership and no one producer can provide the full volume commitment. In addition, much of the Local Production's longevity is uncertain. Since there are not any firm plans to increase export capacity, the capacity remains at 263,000 bpd through 2010.

Table 7 - Market Factor Projections: Rocky Mountain Complex

	Current	2007	2008	2009	2010
Imports	442,000	442,000	442,000	442,000	442,000
Local Production	466,000	484,000	503,000	509,000	516,000
Wyoming	145,000	152,000	160,000	160,000	160,000
Montana	99,000	102,000	105,000	105,000	105,000
Colorado	62,000	64,000	66,000	66,000	66,000
South Dakota	4,000	4,000	4,000	4,000	4,000
North Dakota	106,000	109,000	112,000	115,000	118,000
Utah	50,000	53,000	56,000	59,000	63,000
Refinery Consumption	602,000	613,000	624,000	635,000	647,000
Export Capacity	223,000	263,000	263,000	263,000	263,000
Balance	83,000	50,000	58,000	53,000	48,000

Based on the assumptions noted above, this projection indicates a positive ending balance of 83,000 bpd demonstrating a deficiency in export capacity from the Rocky Mountain Region. In 2007, when Enbridge completes their expansion in North Dakota, the export capacity deficiency decreases to 50,000 bpd. However, additional export capacity is required in order to ensure that local production has sufficient access to multiple markets that ultimately provides for a healthy market within the Rocky Mountain Region.

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[14] *Energy Information Administration, Rocky Mountains (PADD 4) Gross Inputs to Refineries*
[15] *Energy Information Administration, Rocky Mountains (PADD 4) Percent Utilization of Refinery Operable Capacity*

Recommendations

1. The IOGCC in conjunction with the Energy Information Administration should commission an annual study to create a material balance for the Rocky Mountains and each critical market hub within the United States. This study should examine the volume of incoming crude, including local production and imports, with the available takeaway capacity, including refining consumption, storage and pipeline export capacity. In addition to analyzing the current status, the study should also provide projections of potential incoming crude volumes and takeaway capacity. This study should include those hubs not only in the Rocky Mountains, but also in other regions of the United States. The following is a list of hubs for potential analysis:

    a. Guernsey, WY
    b. Clearbrook, MN
    c. Chicago, IL
    d. Casper, WY
    e. Patoka, IL
    f. Cushing, OK

2. The IOGCC should recommend that FERC continue to adopt policies that promote infrastructure development. Specifically, FERC should explore new approaches to providing crude oil pipelines the means to guarantee recovery of capital costs necessary to expand current levels of takeaway capacity in the Rocky Mountains. To accomplish this, the IOGCC should support pipeline proposals filed with FERC that provide assurance or guarantee throughput to shippers who commit to shipping a specified volume under long-term contracts.

3. The IOGCC, in conjunction with the EIA, should provide a platform where crude oil pipelines serving major pipeline hubs post capacity and aggregated throughputs (to preserve shipper confidentiality) on a monthly basis. This platform would include current and historical information in order to provide transparency to the marketplace and provide producers and marketers a useful tool from which to determine if they need to seek capacity increases on pipelines serving their markets.

Rocky Mountain Crude Oil Refining Market Dynamics

This document may contain certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to future events. These statements are subject to uncertainties and other factors that could cause actual results to differ materially from the statements made. You are cautioned not to place undue reliance on any of these forward-looking statements since there can be no assurances that the forward-looking information contained herein will in fact transpire.

The crude oil market in the Rocky Mountain Region is a commodity-based market influenced by regional dynamics. These dynamics include the influences of local production, imports, pipeline capacity, refining capability, demand, and product regulation. In general, regional refining capabilities in the last decade have been constant, while crude production has been on the decline. Regional and national fundamentals started changing at the end of 2005. Elevated commodity prices have stimulated production. Regional crude imports have increased. Refining capabilities have been influenced by natural disasters, scheduled maintenance and operational disruptions, consumer demand, and regulatory requirements.

In the short-term review, the 2005 hurricanes decreased refining capacity in other areas of the country causing Rocky Mountain Region refineries to continue full operations through their usual 'turnaround' or maintenance season (March-May). Furthermore, as a result of high commodity prices, regional oil production had an increase after years of flat-to-declining production. Also, a Denver, Colorado refinery experienced two fires, shutting down two-thirds of its refining capacity, which was the equivalent of 60,000 barrels per day (bpd). To add to the dynamics, refineries were approaching a June 1, 2006, U.S. Environmental Protection Agency (EPA) required diesel fuel sulfur reduction deadline. Regional refineries not only had to perform annual maintenance, but many were retrofitted with new processing equipment. This created a situation where excess crude oil was available to the market, but due to pipeline constraints, was unable to move. In addition, the lower quality production (i.e. "light sour" or heavier residual crude oils) were very much reduced in value. Additionally, lower quality grades of regionally crude oil (sour) were impacted more significantly in the marketplace. Sour crude oils (higher sulfur and higher density) tend to yield lower value products and require increased refinery processing to produce fungible products.

In the long-term consideration, refining capacity in the Rocky Mountain Region (Wyoming, Montana, Utah, Colorado, Idaho, and for the purpose of this document, North Dakota) has had no significant changes in the last 20 years. Consumer demand for gasoline and diesel fuel has continued to rise, and with no new refineries being built, refineries have expanded existing equipment or added new units to try to keep up with growing demand. Refineries differ in the type and how much of any one type of crude oil they can process, and rarely are they able to process 100 percent of any one type of crude oil. In addition, refiners do not want to be dependent upon one supply of crude oil. Local refiners need access to a mix of crude oil types beyond what is available in local markets, and generally have to pay a higher price for the sweet grades, which is why many expansion projects are focusing on adding equipment that will enable refiners to process heavier sour crude oils. Looking

forward, several Rocky Mountain Region area refineries are planning to add coking units to their facilities. The coker allows a refinery to process low gravity, high sulfur crude oil and make gasoline or diesel fuel. Without a coker, these refiners would make lower value asphalt or simply not process the low gravity, high sulfur crude oil.

During this same time period when refining capabilities have shown limited growth, regional crude oil production, as well as Canadian production, has continued to grow. The production of Canadian heavy sour crude oil and Canadian synthetic crude oil has increased. Regional production increases have been predominately sweet crude oil. With refinery demand staying constant, supply is now exceeding demand. The result is more crude oil needs to be exported out of the region; however, the export pipelines are already at full capacity. With the increased amount of crude oil from Alberta's oil sands, refiners can secure long-term, high-volume contracts from Canadian producers. Many domestic producers are too small to be able to commit to the same contracts. As a result, domestic producers find themselves at a pricing disadvantage. In this region, the result is excess crude oil on the market that is not being purchased by local refineries.

As drilling and production in the region increase, this trend is likely to continue unless regional refining capacity is increased, new pipelines are built, or existing pipelines are expanded. Crude oil differentials have been heavily impacted by this supply-demand shift. Wide differential swings from month to month have replaced historical tight trading ranges. One result could be tightening of the sweet/sour spread as sweet crude oil production continues to grow. For example, for August 2006 refinery supply, 30,000-40,000 bpd of synthetic crude oil came back on the market (production had been down due to unplanned synthetic crude oil plant maintenance). Prices for Canadian sweet crude oil and synthetic crude oil dropped $2 to $4 per barrel from the previous month, but heavy sour differentials decreased only $1 or less per barrel. As crude oil production continues to increase in this area, it is likely the differentials sweet and sour crude receive will change to a level higher than historical averages. Overall differentials in the region are much higher today than the historical averages.

The market has begun to respond to the financial drivers, thereby improving the crude oil bottleneck in the Rocky Mountain Region. The Denver, CO, refinery is back to full capacity (90,000 bpd) since May of 2006, and like other refiners, is studying potential expansion plans. Enbridge Pipelines North Dakota, LLC is increasing the capacity of their crude oil pipeline from Minot, ND, to Clearbrook, MN. There have been proposals to reconvert the Pony Express pipeline, which extends from Riverton, WY, southeast through portions of Colorado, Nebraska, and Kansas, terminating south of Kansas City, MO, from natural gas back to crude oil. Finally, there are tentative grassroots proposals for new pipeline development from Guernsey, WY, to Cushing, OK. However, it is uncertain that these improvements will be adequate.

The impact of Canadian crude oil production on Rocky Mountain Region markets was reviewed during the course of this investigation of crude oil production, supply, and refining capacity. Canadian crude oil helps supply Rocky Mountain regional refinery demand and provides security and assurance that if a significant disruption occurs in one supply area, there is access to multiple supplies available for continued refining output in the Rocky Mountain Region. It is estimated by the Canadian Association of Petroleum Producers (CAPP) that Canadian crude oil production will double by 2015. However, in 2005 Alberta delivered 18% (approximately 305 mbpd) of crude oil and equivalent into the US PADD IV area. These volumes included deliveries to refineries in Montana and Southern PADD IV (Utah) as well as deliveries to Wood River, IL, (PADD II) via the Platt pipeline. Due to a shortage of refining capacity and constrained pipeline capacity on the Platt Pipeline, deliveries into

PADD IV are not expected to increase in the short term. Current planned pipeline expansions are all tailored to take Alberta crude east or westward. The Rocky Mountain Region and Canada need to work together to address potential supply and demand issues to assure that all sectors of the oil and gas industry can thrive and grow in the future.

Refining Capacity In Alberta

In general, refining capacity in Alberta has been built to supply the regional market. In 2005, Alberta refineries, with total inlet capacity of 463.2 thousand bpd equivalent, processed 204 thousand bpd of conventional crude oil. Synthetic crude oil, bitumen, and pentanes plus made up the remaining feedstock. Crude oil accounts for roughly 48 percent of the total crude oil and equivalent feedstock. The following table outlines the capacity and location of Alberta refineries.

Table 8 - Alberta Refinery Crude Capacity

Alberta Refineries	Crude Capacity (bpd)
Imperial - Strathcona	187,300
Petro-Canada - Edmonton	125,200
Shell – Scotford	118,900
Husky- Lloyminster	25,800
Parkland - Bowden*	6,000
Total	**463,200**

** Parkland refinery processed pentanes plus and was closed down Oct 2001.*
Source: CAPP, company disclosures

There are currently no significant planned incremental refinery capacity additions on the horizon. However, it is expected that refineries will make the necessary modifications to process increased volumes of bitumen and synthetic crude oil. The Petro-Canada refinery in Edmonton will undergo a conversion project set to fully replace light-medium crude oil with synthetic crude oil and non-upgraded bitumen starting in 2008.

Refinery utilization for 2005 was 95 percent and is expected to remain at or above this level as demand for refined petroleum products increases in western Canada.

Shipments of crude oil outside of Alberta amounted to 64 percent of total production in 2005. Alberta crude oil, and equivalent, is expected to increase from 1,693 thousand bpd in 2005 to 3,033 thousand bpd in 2015. The growth in production of non-upgraded bitumen and synthetic crude oil is expected to significantly offset the decline in conventional crude oil. The share of synthetic crude oil and non-upgraded bitumen will account for some 85 percent of total production by 2015.

Alberta Bitumen Upgraders

A large portion of Alberta's bitumen production is upgraded to yield a higher quality crude oil. Currently, three upgrader sites produce a variety of synthetic products: Suncor produces light sweet and medium sour crude oils plus diesel, Syncrude produces light sweet synthetic crude oil, and the Shell upgrader produces intermediate refinery feedstock for the Shell Scotford Refinery, as well as sweet and heavy synthetic crude oil. Production from the new upgraders is expected to align in response to both specific refinery product requirements and generic fungible product.

Table 9 - Existing And New Upgrader Synthetic Crude Oil Capacities

Existing Bitumen Upgraders	Bitumen Capacity (bpd)
Suncor	324,000
Syncrude*	407,000
Shell – Scotford	155,000
Total	**886,000**

Planned Bitumen Upgraders	Bitumen Capacity (bpd)	Start-up
BA Energy Heartland Upgrader	54,000	2008
CNRL Horizon	135,000	2008
North West Upgrading	50,000	2010
Synenco Northern Lights	50,000	2010
UTS/Teck Cominco/ Petro-Canada Fort Hills	100,000	2011

** Includes Stage 3 expansion.*
Source: EUB/Industry

The Alberta representatives note that contrary to the refining analysis regarding the U.S., there is significant potential for the construction of further upgrading facilities and facilities similar in scale to upgrading, such as refining facilities in Alberta, to match the expected increases in oil sands production over the next few decades. The capabilities of greenfield construction has been demonstrated by the recent approvals for construction of new greenfield upgrading projects and continuing announcements of proposed greenfield projects.

Frequently Asked Questions Regarding Refining Capacity

What is the refining capacity of the U.S.?

Refining capacity is the amount of crude oil that can be put into a refinery for processing into petroleum products like gasoline, diesel, and jet fuels. Capacity is measured in barrels per day bpd.

According to information from the Energy Information Administration, as of January 1, 2006, U.S. refining capacity is 17.3 million bpd. In 1996, the U.S. capacity was 15.3 bpd. Thus, over the past decade, there has been an increase of just over two million bpd, or nearly 12 percent, even though 20 refineries closed down in that time frame. This new capacity brought online is equivalent to 10 new 200,000 bpd refineries being built. Currently, 46 percent of the U.S. refining capacity is along the Gulf Coast.

Why aren't new refineries being built in the U.S.?

No new refineries have been built in the U.S. in the past 30 years but refining capacity has been expanding. In fact, the last new grassroots refinery was built by Marathon Oil Company in Garyville, Louisiana, which was completed in 1976. Quite simply, the cost is extreme and the risk is significant. The cost to build a new refinery in the U.S. is estimated to be about $2.5 to $3 billion. With an average rate of return of about 6.2 percent for refining and marketing in the 1994–2003 time frame (less than half of the 13.5 percent average for S&P Industrials), it is difficult to justify such a large capital expenditure. It is

considerably more expensive to build a new refinery than to expand an existing refinery. In addition, the required permits from federal, state, and local governments could take years and face sufficient opposition to derail the project. It would most likely take up to 10 years to site, permit, design, engineer, procure, and construct a new refinery. Such a large investment in a low-return and uncertain economic and regulatory environment imposes a significant hurdle for building new refineries. It is also likely that any new potential refinery would face opposition from communities and have to be approved by numerous state and local jurisdictions during this lengthy time period.

New refineries are being built in growing international markets. The industry operates in a global marketplace and there is sufficient flexibility to provide the right products at the right places in an international marketplace. However, this trend of importing increased amounts of foreign refined petroleum products has its own set of issues. How individual refiners choose to use that flexibility is driven by economic incentives set by the marketplace. Imports provide an important balance between domestic refinery production and U.S. consumer demand. Most refined product imports come from Canada, the U.S. Virgin Islands, and Europe. Petroleum product imports into the U.S. have risen from 1.6 million bpd in 1995 to 3.1 million bpd in 2005. Gasoline imports supplied four percent of domestic use in 1995, and averaged about 10 percent in 2005. However, the U.S. has been importing refined products since World War II.

Is new refining capacity needed to keep up with demand?

There is sufficient global refining capacity to meet U.S. needs and new domestic and foreign refining capacity is being added every year. In mature markets, such as the U.S., additional capacity is achieved through more efficient and less-costly incremental expansion of existing facilities. Problems result when refining disruptions occur in specific markets and such a narrow margin of excess refining capacity makes meeting supply and demand in all markets a challenge.

What can be done to help facilitate refining capacity expansions?

Changes in government policies are needed to create a climate conducive to investments to expand refining capacity. Many of the steps the federal government could take to help the refining capacity situation are covered in the December 2004 National Petroleum Council (NPC) study, Observations on Petroleum Product Supply – A Supplement to the NPC Reports "U.S. Petroleum Product Supply – Inventory Dynamics, 1998" and 'U.S. Petroleum Refining – Assuring the Adequacy and Affordability of Cleaner Fuels, 2000." For example, the NPC study suggested that the federal government should take steps to streamline the permitting process to ensure the timely review of federal, state, and local permits to increase refining capacity. Other NPC recommendations include the immediate implementation of comprehensive New Source Review (NSR) reform to improve the climate for investment in domestic refinery expansion and the revision of National Ambient Air Quality Standards (NAAQS) compliance deadlines to take full advantage of emissions reduction benefits from current regulatory programs.

What efforts are being made to expand refining capacity?

Based on publicly available data on announced refinery capacity expansion plans, roughly 1.6 million bpd of additional refinery capacity projects are either planned or under strong consideration for the years 2006 to 2011. Such expansions will boost domestic refining capacity to nearly 19 million bpd, which is the all-time high for U.S. operable refinery capacity. (Note: This information includes only expansion plans announced to the public. Additional plans may be under initial consideration or kept confidential.)

Why haven't more funds been invested to expand refining capacity?

In the last 20 years, more than 50 refineries have closed down, but refinery output, including gasoline production, is up 35 percent. In general, higher cost, less-efficient refineries have been replaced by lower cost, more-efficient capacity expansions at the remaining facilities. This capacity increase has resulted from advances in technology and process improvements that enabled some refineries to increase throughput and product yields while being more energy efficient.

Nearly two million bpd capacity has been added to existing refineries in the past 10 years. That is the equivalent of 10 new 200,000 bpd refineries. However, this increase in refining capacity has not kept pace with growing U.S. demand. Furthermore, in recent years, refinery investment has been directed at very expensive modifications to comply with environmental requirements and to produce cleaner burning fuels. For example, from 1995 to 2004, the industry spent $47.7 billion to bring refineries into compliance with environmental regulations. Moreover, by 2010, the U.S. refining industry will have invested upwards of $20 billion to comply with new clean fuel regulations.

Additional significant new investments will be required to comply with the ozone and particulate matter standards. This is in addition to the cost to comply with many dozens of other environmental, health, safety, and security regulations. These non-discretionary, low-return investments have reduced funding and human resources available for discretionary capacity expansion projects.

Three Refining Recommendations

Any legislative policies should encourage expansion and not be limited to new refineries only. Removal of these constraints could improve the outlook for increasing capacity at existing U.S. refineries where the infrastructure is already in place and expansion projects could come online more quickly.

1. Streamline the overly burdensome, time-consuming refinery permit process.
    a. There is no consistent national permitting program for refinery expansions. The process is long with uncertain timeframes for permit reviews. There is a lack of coordination at federal, state, and local levels and there are not enough resources devoted to permitting authorities.
    b. A reasonable time period (90 days) must be implemented with sufficient agency resources to meet the deadlines. A deadline-based approach designed to coordinate and eliminate overlap among numerous permitting processes should be implemented. Due to national security and economic significance, energy projects should be a priority.
    c. Grant DOE authority to serve as the facilitator, if requested, for ensuring timely review of all permits to build new refineries or add new capacity. Initiate federal, state, and local review processes, while simultaneously allow-

2. Codify EPA's comprehensive reform of the NSR regulations, including those which prohibit states from developing patchwork variations on the NSR permit process.
    a. EPA's NSR reform rules remain stymied in judicial appeals. Still, other reform provisions have not been formally proposed or have been held at EPA. Meanwhile, states continue to develop variations on the NSR permit process resulting in different timing and outcomes in different jurisdictions. EPA's ability to reform NSR through regulation is limited by judicial interpretations of current statutory language.

b. Codify 2002 and 2003 regulations, as well as Plantwide Applicability Limitations (PALs), aggregation, and debottlenecking proposals. In addition, codify that NSR programs cannot be altered by states, codify a 10-year refinery PAL which is applicable in all states, and incorporate (and reduce emissions) as new federal regulations are implemented, but wait for the 10-year term of the PAL to end before applying any SIP-required emissions reductions due to NAAQS attainment.

3. Align NAAQS deadlines to take advantage of the significant emissions reduction benefits achieved by existing federal regulations and consider changes to the existing NAAQS for ozone and fine particulate matter during the 2010 statutory review cycle.

a. Coordinate/Extend NAAQS attainment deadlines. The current NAAQS deadlines are not aligned with the bulk of emissions reduction benefits that will be realized from existing federal programs (mobile source rules and Clean Air Interstate Rule (CAIR)). Therefore, states cannot take full credit for these programs in demonstrating attainment in their State Implementation Plans. As a result, states will be forced to make drastic NOx reductions on local stationary sources to compensate. The impact will be a full depletion of the NOx credits and little to no ability to generate internal NOx emissions credits. Without the ability to generate these credits, refineries will not be able expand, because expansion permits require that the facility be able to off-set any new emissions with even greater emissions reductions elsewhere.

b. Congress could enact legislation directing EPA to either establish NAAQS deadlines that are aligned to take full advantage of the emissions reduction benefits from existing federal programs or allow states to take full credit for these programs in demonstrating attainment in their State Implementation Plans. Allow time for implementation of new NAAQS standards.

State Oil Pipeline Siting Processes

The tabulation of state oil pipeline siting processes clearly illustrates the patchwork of processes that pipeline companies must navigate to develop or expand interstate infrastructure. The state-to-state variation in pipeline siting processes can significantly delay and increase the cost of projects.

The tabulation that follows includes states outside the Rockies area that is our focus of study. These states are included to provide comparisons of processes in as many states as possible. By comparing processes in many states, the work group should be able to:

1) "benchmark good or poor processes;
2) Develop recommendations for improving state processes;
3) Provide recommendations and principles that will facilitate energy infrastructure expansion;
4) Recommend overall principles or practices that all states should consider as "best practice in facilitating energy pipeline/infrastructure expansion and construction.

The states represented on the work group need to recognize the interdependence between Rockies states and other states on interstate infrastructure. For example, the process in Illinois includes permitting (Certificate of Need) challenges that will impact North Dakota and Montana as those systems interconnect into other pipelines that require expansions in Illinois, Wisconsin and elsewhere as volumes from Rockies states and the oil sands increase.

In order to conduct the necessary assessment in states not represented on the work group, we may need to hold discussions with additional pipeline environmental and permitting experts.

Master Oil Pipeline Regulatory Chart

State or Province	Certificate of Public Convenience & Need	Routing Approval	Eminent Domain	State Environmental Permits	Process
Alberta	Alberta Energy and Utilities Board (EUB) filing	Yes - EUB	Surface Rights Board	Not all projects are subject to Environmental Assessment process under APEEA (Alberta Environment). Examples of mandatory projects include oil refineries, pulp mills, large dams, pipelines exceeding certain length and diameter.	Routine if meets all requirements as set out in Acts, Regulations and Directives otherwise non routine leading to public hearing
Canada (international and interprovincial pipelines)	National Energy Board (NEB) (approval under section 52 of the NEB Act)	yes, NEB	yes , NEB	yes, from provincial authorities, some federal authorities may also be required.	Pipeline files application with NEB. If pipeline greater than 40km, public hearing is required.
Colorado	Public Utilities Commission Section 40-1-103 (1) (a)				Pipeline files route and posts bond for restoration
Illinois	Illinois Corporation Commission Certificate proceeding (threshold for "need" was raised in 1998)	None		Separate by agency	ICC "Certification of Public Convenience and Necessity"
Kansas					
Minnesota	Public Utilities Commission filing	Yes - Combined with PUC & Environmental Quality Board		Coordinated with PUC/EQB	PUC "Certification of Public Convenience and Necessity"
Montana	Certificate of Compliance though Department of Environmental Quality for certain pipelines greater than 25 inches inside diameter and more than 50 miles in length	Yes	Eminent domain available but not directly linked to Certificate of Compliance	Addressed during Certification process by DEQ	Major Facility Siting Act and administrative rules Montana Code Annotated Title 75 Chapter 20, ARM Title 17 Chapter 20, Montana DEQ Circular MFSA-2
Nebraska					

State or Province	Proceedings	Certification	Route and Environmental	Tariff	Apportionment	Comments
Alberta	Either routine approval by EUB or public hearing where decision is determined by 3 EUB panel members	EUB issuing Permit/ Licence or approval (surface facilities)	Covered by EUB approval. Some instances require additional approvals from Provincial environmental department or federal jurisdiction	EUB for either fully regulated or common carrier facilities	EUB under Oil and Gas Conservation Act which among other things affords each owner the opportunity fo obtaining its share of the production of oil and gas	
Canada (international and interprovincial pipelines)	Pipeline files application with NEB. If pipeline greater than 40km public hearing is required. The Canadian Environmental Assessment Act (CEAA) requires an EA prior to NEB decision	For pipeline greater than 40 Km certificate of public convenience and necessity issued by NEB subject to federal Government approval	Pipeline route approved by NEB. If dispute, a detailed routing process made be held following certificate	Tolls and tariff approved by the NEB under Part IV of the NEB Act. Generally, NEB-regulated pipelines are required to be common carriers.	Apportionment addressed through NEB approved tariff	NEB also has responsibility for construction, operation and abandonment of international and interprovincial (gas and oil) pipelines, including, safety, environment and financial regulation
Colorado	District court, decided by three commissioners -or- jury (per landowner request)			FERC under Interstate Commerce Act 49 App. U.S.C. 1 et. Seq. (1988), 1992 Energy Policy Act, Orders 561/571/572	FERC under Interstate Commerce Act 49 App. U.S.C. 1 et. Seq. (1988), 1992 Energy Policy Act, Orders 561/571/572	
Illinois	Filing with state to demonstrate good faith negotiations; then court determination of compensation			FERC under Interstate Commerce Act 49 App. U.S.C. 1 et. Seq. (1988), 1992 Energy Policy Act, Orders 561/571/572	FERC under Interstate Commerce Act 49 App. U.S.C. 1 et. Seq. (1988), 1992 Energy Policy Act, Orders 561/571/572	
Kansas		Notice to Construct to KCC and KS Pipeline Safety	No centralized routing or environmental permit	FERC under Interstate Commerce Act 49 App. U.S.C. 1 et. Seq. (1988), 1992 Energy Policy Act, Orders 561/571/572	FERC under Interstate Commerce Act 49 App. U.S.C. 1 et. Seq. (1988), 1992 Energy Policy Act, Orders 561/571/572	Individual state/local permits
Minnesota	District court petition; three commissioners appointed to determine compensation	PUC requires Certificate	Dept. of Commerce (former Environmental Quality Board) routing & centralized environmental	FERC under Interstate Commerce Act 49 App. U.S.C. 1 et. Seq. (1988), 1992 Energy Policy Act, Orders 561/571/572	FERC under Interstate Commerce Act 49 App. U.S.C. 1 et. Seq. (1988), 1992 Energy Policy Act, Orders 561/571/572	EQB pipeline authority now moved into Dept. of Commerce and process merged with PUC Certificate process.
Montana	Certification decission by Director of the Department of Environmental Quality, appeals heard by the Board of Environmental Review, subsequent appeals in state court.	Department of Environmental Quality	Department of Environmental Quality	FERC under Interstate Commerce Act 49 App. U.S.C. 1 et. Seq. (1988), 1992 Energy Policy Act, Orders 561/571/572	FERC under Interstate Commerce Act 49 App. U.S.C. 1 et. Seq. (1988), 1992 Energy Policy Act, Orders 561/571/572	
Nebraska				FERC under Interstate Commerce Act 49 App. U.S.C. 1 et. Seq. (1988), 1992 Energy Policy Act, Orders 561/571/572	FERC under Interstate Commerce Act 49 App. U.S.C. 1 et. Seq. (1988), 1992 Energy Policy Act, Orders 561/571/572	

Master Oil Pipeline Regulatory Chart Cont'd

State or Province	Certificate of Public Convenience & Need	Routing Approval	Eminent Domain	State Environmental Permits	Process
North Dakota	Public Service Commission Certificate (North Dakota Century Code Chapters 49 & 69)	Yes - Combined with PSC process	Yes - from PSC process	Coordinated with PSC	
Oklahoma	Oklahoma Corporation Commission by filing	None		Separate by agency	Statute upon filing of pipeline design/plat maps with OCC
South Dakota	Public Service Commission Certificate (South Dakota Codified Laws Section 49-34B-14)				
Texas					Granted by statute for pipeline defined as common carrier or utility
Utah	Not a utility Utah Code Section 54-2-1 (15)				
Wisconsin					
Wyoming	Wyoming Public Service Commission (PSC) Wyoming Statutes 37-2-112	Separate by Agency	State Court	Separate by Agency	PSC certification Wyoming Statutes 37-1-101(a) (vi) (G)

State or Province	Proceedings	Certification	Route and Environmental	Tariff	Apportionment	Comments
North Dakota				FERC under Interstate Commerce Act 49 App. U.S.C. 1 et. Seq. (1988), 1992 Energy Policy Act, Orders 561/571/572	FERC under Interstate Commerce Act 49 App. U.S.C. 1 et. Seq. (1988), 1992 Energy Policy Act, Orders 561/571/572	
Oklahoma	Petition filed with county court and three commissioners determine			FERC under Interstate Commerce Act 49 App. U.S.C. 1 et. Seq. (1988), 1992 Energy Policy Act, Orders 561/571/572	FERC under Interstate Commerce Act 49 App. U.S.C. 1 et. Seq. (1988), 1992 Energy Policy Act, Orders 561/571/572	
South Dakota				FERC under Interstate Commerce Act 49 App. U.S.C. 1 et. Seq. (1988), 1992 Energy Policy Act, Orders 561/571/572	FERC under Interstate Commerce Act 49 App. U.S.C. 1 et. Seq. (1988), 1992 Energy Policy Act, Orders 561/571/572	
Texas	Petition court and three residents appointed to determine compensation; otherwise civil trial			FERC under Interstate Commerce Act 49 App. U.S.C. 1 et. Seq. (1988), 1992 Energy Policy Act, Orders 561/571/572	FERC under Interstate Commerce Act 49 App. U.S.C. 1 et. Seq. (1988), 1992 Energy Policy Act, Orders 561/571/572	
Utah				FERC under Interstate Commerce Act 49 App. U.S.C. 1 et. Seq. (1988), 1992 Energy Policy Act, Orders 561/571/572	FERC under Interstate Commerce Act 49 App. U.S.C. 1 et. Seq. (1988), 1992 Energy Policy Act, Orders 561/571/572	
Wisconsin		Public Service Commission Certificate (only required for condemnation)	No centralized routing or environmental permit	FERC under Interstate Commerce Act 49 App. U.S.C. 1 et. Seq. (1988), 1992 Energy Policy Act, Orders 561/571/572	FERC under Interstate Commerce Act 49 App. U.S.C. 1 et. Seq. (1988), 1992 Energy Policy Act, Orders 561/571/572	Requires Chapter 30 permit for stream and wetland crossings; Act 89 requires coordination between the PSC & Department of Natural Resources
Wyoming	Separate by Agency	PSC certification process	No centralized routing or environmental permit	Wyoming PSC and/or FERC under Interstate Commerce Act 49 App. U.S.C. 1 et. Seq. (1988), 1992 Energy Policy Act, Orders 561/571/572	Wyoming PSC and/or FERC under Interstate Commerce Act 49 App. U.S.C. 1 et. Seq. (1988), 1992 Energy Policy Act, Orders 561/571/572	

Tariffs

A set of pipeline tariffs is included as an Appendix to illustrate the various methods that crude oil pipeline operators have used to fund projects and to deal with pipeline capacity apportionment.

Wolverine Pipe Line Company
Post Office Box 2220
Houston, Texas 77252-2220

(713) 656-5419 Telephone
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ORIGINAL

Robert C. Luckner
President

Wolverine Pipe Line Company

January 20, 2006

TRANSMITTAL NO. 93

IS06-140-000

Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Oil Pipeline Filing

Dear Ms. Secretary,

This tariff is sent to you for filing by Wolverine Pipe Line Company (WPLC) in accordance with the requirements of the Interstate Commerce Act and the rules and regulations of the Federal Energy Regulatory Commission, bearing **F.E.R.C. Tariff No. 144**, to be effective on March 1, 2006.

F.E.R.C. Tariff No. 144 cancels F.E.R.C. Tariff No. 143 and extends the volume incentive programs described in tables 4 and 5 for movements of Low Sulfur Diesel from Joliet, Illinois to Hammond, Indiana through February 28, 2007 and changes wording to clarify the qualifying product for the Diesel program in table 4 is On Road Low/Ultra Low Diesel. WPLC's rate for movements from Joliet, Illinois to Hammond, Indiana is market based pursuant to Commission order in Docket OR99-15-000, issued July 15, 2001. No other rates or rules are changed in **F.E.R.C. Tariff No. 144.**

Please call Patrick Smith at (713) 656-8959 if you have any questions or require additional information. Pursuant to 18CFR, Part 343.3(a), WPLC requests that any protests or complaints which affect this publication in any way be transmitted to Mr. R. C. (Bob) Luckner concurrent with their filing/issuance via facsimile at (713) 656-9586.

I hereby certify that I have on or before this day sent one copy of the publication listed hereon to each subscriber thereto by first-class mail, or by other means of transmission agreed upon by the subscriber. This filing is being hand-delivered to FERC. Please acknowledge receipt of this transmittal on the duplicate copy enclosed and our courier will pick up the date-stamped duplicate copy at the time of filing.

Sincerely,

Enclosures

ORIGINAL

F.E.R.C. No. 144
(Cancels F.E.R.C. No. 143)

WOLVERINE PIPE LINE COMPANY

LOCAL AND PROPORTIONAL TARIFF

CONTAINING

NON-CONTRACT RATES, CONTRACT RATES, AND VOLUME INCENTIVE RATES

THE RATES AND CHARGES NAMED IN THIS TARIFF ARE FOR THE TRANSPORTATION AND DELIVERY OF

PETROLEUM PRODUCTS

AS DEFINED IN ITEM 10, BY PIPELINES, SUBJECT TO THE REGULATIONS NAMED HEREIN.

FROM POINTS NAMED IN:
ILLINOIS, INDIANA, AND MICHIGAN

TO POINTS NAMED IN:
ILLINOIS, INDIANA, AND MICHIGAN

ISSUED: January 24, 2006 ***EFFECTIVE: March 1, 2006***

Certain rates included in this tariff, as noted in the tables of rates, are market-based pursuant to Commission order in Docket OR99-15-000, issued July 15, 2001.

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

Issued by:
R. C. LUCKNER, President
Wolverine Pipe Line Company
P. O. Box 2220
Houston, Texas 77252-2220

Compiled by:
P. S. Smith
P.O. Box 2220
Houston, Texas 77252-2220
(713) 656-8959
Fax (713) 656-9586

LIST OF POINTS FROM AND TO WHICH NON-CONTRACT RATES APPLY AND NON-CONTRACT RATES ON PETROLEUM PRODUCTS IN CENTS PER BARREL OF 42 UNITED STATES GALLONS

TO ESTABLISHED DESTINATIONS	TABLE 1: NON-CONTRACT RATES FROM:				
	Hammond, Lake County, Indiana	Joliet, Will County, Illinois	Lemont-Lockport, Will County, Illinois	NilesTwp. Berrien County, Michigan (C)	Stockbridge, Ingham County, Michigan (B)
ILLINOIS Lemont-Lockport, Will County (E)	-----	[U] 9.02	-----	-----	-----
INDIANA Hammond, Lake County (E)	[U] 8.00 (A)	[U] 31.08 (G)	[U] 31.08 (F)	-----	-----
MICHIGAN Blackman Twp. (Jackson Meter Station), Jackson County (E)	[U] 81.93 (D)	[U] 85.93 (D)	[U] 84.93 (D)	-----	-----
Detroit (Deacon Avenue Meter Station), Wayne County (E)	[U] 84.44 (D)	[U] 88.44 (D)	[U] 87.44 (D)	-----	-----
Detroit (Detroit Metropolitan Airport Meter Station), Wayne County (E)	[U] 84.44 (D)	[U] 88.44 (D)	[U] 87.44 (D)	-----	-----
Detroit (Wyoming Avenue Meter Station), Wayne County (E)	[U] 84.44 (D)	[U] 88.44 (D)	[U] 87.44 (D)	-----	-----
Grand Haven, Ottawa County	-----	-----	-----	[U] 25.79	-----
Holland, Ottawa County	-----	-----	-----	[U] 20.48	-----
Marshall Twp. (Marshall Meter Station), Calhoun County	[U] 44.87	[U] 58.45	[U] 55.98	-----	-----
Niles Twp. (Niles Meter Station), Berrien County (C) (E)	[U] 41.69 (D)	[U] 43.78	[U] 43.78	-----	-----
River Rouge (Marion Avenue Meter Station), Wayne County (E)	[U] 84.44 (D)	[U] 88.44 (D)	[U] 87.44 (D)	-----	-----
Taylor Twp. (Ecorse Road Meter Station), Wayne County (E)	[U] 84.44 (D)	[U] 88.44 (D)	[U] 87.44 (D)	-----	-----
Woodhaven, Wayne County (E)	[U] 84.44 (D)	[U] 88.44 (D) (H)	[U] 87.44 (D)	-----	-----
Stockbridge, Ingham County (B)	[U] 71.94 (D)	[U] 81.47 (D)	[U] 81.47 (D)	-----	-----
Lansing, Clinton County (B)	[U] 85.43 (D)	[U] 94.97 (D)	[U] 94.97 (D)	-----	[U] 13.49 (D)
Bay City, Bay County (B)	[U] 115.63 (D)	[U] 125.16 (D)	[U] 125.16 (D)	-----	[U] 43.68 (D)

NOTES (Applicable only to Table 1):

(A) Applies to movements from Explorer Pipeline at Hammond, Indiana to ExxonMobil's White Oak Terminal at Hammond, Indiana.
(B) Use of common carrier breakout tankage at Stockbridge, Michigan will result in an additional fee as further described in Item 26 of the rules and regulations published herein.
(C) Use of common carrier breakout tankage at Niles, Michigan will result in an additional fee as further described in Item 27 of the rules and regulations published herein.
(D) For contract rates see Table 2.
(E) Market-based rate.
(F) See Table 3 for Volume Incentive Rates applicable to High Sulfur Off-Road Diesel shipments.
(G) See Table 4 for Volume Incentive Rates applicable to Low Sulfur Diesel shipments and see Table 5 for Volume Incentive Rates applicable to Reformulated Gasoline Blendstock for Oxygenate Blending (RBOB) shipments.
(H) For contract rate see Table 6.

LIST OF POINTS FROM AND TO WHICH CONTRACT RATES APPLY AND CONTRACT RATES ON PETROLEUM PRODUCTS IN CENTS PER BARREL OF 42 UNITED STATES GALLONS

TO ESTABLISHED DESTINATIONS	TABLE 2: CONTRACT RATES FROM:			
	Hammond, Lake County, Indiana	Joliet, Will County, Illinois	Lemont-Lockport, Will County, Illinois	Stockbridge, Ingham County, Michigan (B)
MICHIGAN Blackman Twp. (Jackson Meter Station), Jackson County (D)	[U]75.93 (B)	[U]76.07 (B)	[U]77.32 (B)	-----
Detroit (Deacon Avenue Meter Station), Wayne County (D)	[U]78.44 (B)	[U]80.44 (B)	[U]81.46 (B)	-----
Detroit (Detroit Metropolitan Airport Meter Station), Wayne County (D)	[U]78.44 (B)	[U]80.44 (B)	[U]81.46 (B)	-----
Detroit (Wyoming Avenue Meter Station), Wayne County (D)	[U]78.44 (B)	[U]80.44 (B)	[U]81.46 (B)	-----
Niles Twp. (Niles Meter Station), Berrien County (A) (D)	[U] 29.69 (B) (C)	-----	-----	-----
River Rouge (Marion Avenue Meter Station), Wayne County (D)	[U]78.44 (B)	[U]80.44 (B)	[U]81.46 (B)	-----
Taylor Twp. (Ecorse Road Meter Station), Wayne County (D)	[U]78.44 (B)	[U]80.44 (B)	[U]81.46 (B)	-----
Woodhaven, Wayne County (D)	[U]78.44 (B)	[U]80.44 (B)	[U]81.46 (B)	-----
Stockbridge, Ingham County	[U] 71.94 (B)	[U] 81.47 (B)	[U] 81.47 (B)	-----
Lansing, Clinton County (B)	[U] 79.43 (B)	[U] 88.97 (B)	[U] 88.97 (B)	[U] 7.49 (B)
Bay City, Bay County (B)	[U] 109.63 (B)	[U] 119.16 (B)	[U] 119.16 (B)	[U] 37.68 (B)

NOTES (Applicable only to Table 2):

(A) Use of common carrier breakout tankage at Niles, Michigan will result in an additional fee as further described in Item 27 of the rules and regulations published herein.

(B) See Item No. 115 of this tariff for provisions of Carrier 's contract rate program.

(C) Contract rate is applicable only for barrels in excess of 477,544 and less than 1,538,752 per calendar quarter originating in Hammond and delivered to Niles, providing Shipper delivers at least 1,275,000 barrels from Hammond to Niles within the calendar quarter.

(D) Market-based rate.

TABLE 3: VOLUME INCENTIVE RATES ON HIGH SULFUR OFF-ROAD DIESEL IN CENTS PER BARREL OF 42 UNITED STATES GALLONS

TO ESTABLISHED DESTINATION:	FROM:	PRODUCT TYPE	ANNUAL VOLUME	RATES	RATE TYPE
Hammond, Lake County, Indiana (A)	Lemont-Lockport, Will County, Illinois	High Sulfur Off-Road Diesel	225,001 to 400,000 Barrels per year	[U] Base Rate less 10.00 cents per barrel (B)	Volume Incentive Rate 1
		High Sulfur Off-Road Diesel	400,001 Barrels per year or more	[U] Base Rate less 20.00 cents per barrel (B)	Volume Incentive Rate 2

NOTES (Applicable only to Table 3):

(A) Market-based rate.

(B) **Terms of Volume Incentive Rates:**

1.) The term "Annual Volume" is defined as the total barrels of High Sulfur Off-Road Diesel delivered to Hammond, Indiana for any one shipper within the 12 month period beginning February 1, 2006 and ending January 31, 2007.

2.) Wolverine Pipe Line Company will invoice Shipper monthly based on the following three rates:
- **Base Rate** as shown in Table 1 applies to the first 225,000 barrels or less of High Sulfur Off-Road Diesel that any one Shipper ships from Lemont-Lockport, Illinois to Hammond, Indiana within the 12 month period beginning February 1, 2006 and ending January 31, 2007.
- **Volume Incentive Rate 1** shall be 10.00 cents per barrel less than the base rate as shown in Table 1 for shipments from Lemont-Lockport, Illinois to Hammond, Indiana and shall apply to barrels from 225,001 barrels and up to and including 400,000 barrels of High Sulfur Off-Road Diesel that any one Shipper ships from Lemont-Lockport, Illinois to Hammond, Indiana within the 12 month period beginning February 1, 2006 and ending January 31, 2007.
- **Volume Incentive Rate 2** shall be 20.00 cents per barrel less than the base rate as shown in Table 1 for shipments from Lemont-Lockport, Illinois to Hammond, Indiana and shall apply to barrels in excess of 400,000 barrels of High Sulfur Off-Road Diesel that any one Shipper ships from Lemont-Lockport, Illinois to Hammond, Indiana within the 12 month period beginning February 1, 2006 and ending January 31, 2007.

3.) Shipments that apply to the above described Volume Incentive Rate program may not include petroleum products that are acquired from a third party prior to movement on Carrier and subsequently reacquired by the same third party after movement on Carrier where such actions are taken for the primary purpose of gaining eligibility for the Volume Incentive Rates described in table 3 above.

4.) Volume Incentive Rates 1 and 2 expire January 31, 2007 unless amended, extended or previously canceled.

TABLE 4: VOLUME INCENTIVE RATES ON [W] ON ROAD LOW/ULTRA LOW SULFUR DIESEL IN CENTS PER BARREL OF 42 UNITED STATES GALLONS

TO ESTABLISHED DESTINATION:	FROM:	PRODUCT TYPE	ANNUAL VOLUME	RATES	RATE TYPE
Hammond, Lake County, Indiana (A)	Joliet, Will County, Illinois	[W] On Road Low/Ultra Low Sulfur Diesel	1,825,001 to 3,650,000 Barrels per year	[U] Base Rate less 10.00 cents per barrel (B)	Volume Incentive Rate 1
		[W] On Road Low/Ultra Low Sulfur Diesel	3,650,001 Barrels per year or more	[U] Base Rate less 15.00 cents per barrel (B)	Volume Incentive Rate 2

NOTES (Applicable only to Table 4):

(A) Market-based rate.

(B) **Terms of Volume Incentive Rates:**

1.) The term "Annual Volume" is defined as the total barrels of [W] On Road Low/Ultra Low Sulfur Diesel delivered to Hammond, Indiana for any one shipper within the 12 month period beginning March 1, [W] 2006 and ending February 28, [W] 2007.

2.) Wolverine Pipe Line Company will invoice Shipper monthly based on the following three rates:
- **Base Rate** as shown in Table 1 applies to the first 1,825,000 barrels or less of [W] On Road Low/Ultra Low Sulfur Diesel that any one Shipper ships from Joliet, Illinois to Hammond, Indiana within the 12 month period beginning March 1, [W] 2006 and ending February 28, [W] 2007.
- **Volume Incentive Rate 1** shall be 10.00 cents per barrel less than the base rate as shown in Table 1 for shipments from Joliet, Illinois to Hammond, Indiana and shall apply to barrels from 1,825,001 barrels and up to and including 3,650,000 barrels of [W] On Road Low/Ultra Low Sulfur Diesel that any one Shipper ships from Joliet, Illinois to Hammond, Indiana within the 12 month period beginning March 1, [W] 2006 and ending February 28, [W] 2007.
- **Volume Incentive Rate 2** shall be 15.00 cents per barrel less than the base rate as shown in Table 1 for shipments from Joliet, Illinois to Hammond, Indiana and shall apply to all barrels in excess of 3,650,000 barrels of [W] On Road Low/Ultra Low Sulfur Diesel that any one Shipper ships from Joliet, Illinois to Hammond, Indiana within the 12 month period beginning March 1, [W] 2006 and ending February 28, [W] 2007.

3.) Shipments that apply to the above described Volume Incentive Rate program may not include petroleum products that are acquired from a third party prior to movement on Carrier and subsequently reacquired by the same third party after movement on Carrier where such actions are taken for the primary purpose of gaining eligibility for the Volume Incentive Rates described in table 4 above.

4.) Volume Incentive Rates 1 and 2 expire February 28, [W] 2007 unless amended, extended or previously canceled.

TABLE 5: VOLUME INCENTIVE RATES ON REFORMULATED GASOLINE BLENDSTOCK FOR OXYGENATE BLENDING (RBOB) IN CENTS PER BARREL OF 42 UNITED STATES GALLONS

TO ESTABLISHED DESTINATION:	FROM:	PRODUCT TYPE	ANNUAL VOLUME	RATES	RATE TYPE
Hammond, Lake County, Indiana (A)	Joliet, Will County, Illinois	RBOB	1,278,001 to 2,555,000 Barrels per year	[U] Base Rate less 10.00 cents per barrel (B)	Volume Incentive Rate 1
		RBOB	2,555,001 Barrels per year or more	[U] Base Rate less 15.00 cents per barrel (B)	Volume Incentive Rate 2

NOTES (Applicable only to Table 5):

(A) Market-based rate.

(B) **Terms of Volume Incentive Rates:**

1.) The term "Annual Volume" is defined as the total barrels delivered to Hammond, Indiana for any one shipper within the 12 month period beginning March 1, [W] 2006 and ending February 28, [W] 2007.

2.) Wolverine Pipe Line Company will invoice Shipper monthly based on the following three rates:
- **Base Rate** as shown in Table 1 applies to the first 1,278,000 barrels or less of RBOB that any one Shipper ships from Joliet, Illinois to Hammond, Indiana within the 12 month period beginning March 1, [W] 2006 and ending February 28, [W] 2007.
- **Volume Incentive Rate 1** shall be 10.00 cents per barrel less than the base rate as shown in Table 1 for shipments from Joliet, Illinois to Hammond, Indiana and shall apply to barrels from 1,278,001 barrels and up to and including 2,555,000 barrels of RBOB that any one Shipper ships from Joliet, Illinois to Hammond, Indiana within the 12 month period beginning March 1, [W] 2006 and ending February 28, [W] 2007.
- **Volume Incentive Rate 2** shall be 15.00 cents per barrel less than the base rate as shown in Table 1 for shipments from Joliet, Illinois to Hammond, Indiana and shall apply to all barrels in excess of 2,555,000 barrels of RBOB that any one Shipper ships from Joliet, Illinois to Hammond, Indiana within the 12 month period beginning March 1, [W] 2006 and ending February 28, [W] 2007.

3.) Shipments that apply to the above described Volume Incentive Rate program may not include petroleum products that are acquired from a third party prior to movement on Carrier and subsequently reacquired by the same third party after movement on Carrier where such actions are taken for the primary purpose of gaining eligibility for the Volume Incentive Rates described in table 5 above.

4.) Volume Incentive Rates 1 and 2 expire February 28, [W] 2007 unless amended, extended or previously canceled.

TABLE 6: LIST OF POINTS FROM AND TO WHICH CONTRACT RATE APPLIES ON FINISHED GASOLINE AND DIESEL IN CENTS PER BARREL OF 42 UNITED STATES GALLONS

TO ESTABLISHED DESTINATION:	FROM:	PRODUCT TYPE	ANNUAL VOLUME	CONTRACT RATE
Woodhaven, Wayne County, Michigan (A)	Joliet, Will County, Illinois	Finished Gasoline and Diesel	3,650,001 Barrels per year or more	[U] 63.44 (B)

NOTES (Applicable only to Table 6):

(A) Market-based rate.

(B) **Terms of Contract Rate:**

1.) Contract Rate shall apply to all Shippers that execute a Throughput and Deficiency Agreement with the Carrier to ship a minimum of 3,650,000 barrels of Finished Gasoline and Diesel from Joliet, Illinois to Woodhaven, Michigan within the 12 month period beginning January 1, 2006 and ending December 31, 2006.

2.) Wolverine Pipe Line Company will invoice Shipper monthly based on the following two rates:
- **Base Rate** as shown in Table 1 applies to the first 3,650,000 barrels or less of Finished Gasoline and Diesel that any one Shipper ships from Joliet, Illinois to Woodhaven, Michigan within the 12 month period beginning January 1, 2006 and ending December 31, 2006.
- **Contract Rate** as shown in Table 6 is 25.00 cents per barrel less than the base rate as shown in Table 1 for shipments from Joliet, Illinois to Woodhaven, Michigan and shall apply to volumes from 3,650,001 barrels and up that any one Shipper ships from Joliet, Illinois to Woodhaven, Michigan within the 12 month period beginning January 1, 2006 and ending December 31, 2006.

3.) Shipments that apply to the above described Volume Incentive Contract Rate program may not include petroleum products that are acquired from a third party prior to movement on Carrier and subsequently reacquired by the same third party after movement on Carrier where such actions are taken for the primary purpose of gaining eligibility for the Volume Incentive Contract Rate described in table 6 above.

4.) Contract Rate expires December 31, 2006 unless amended, extended or previously canceled.

RULES AND REGULATIONS

Carrier will transport petroleum products from origin points named herein to destinations named herein subject to the following rules and regulations.

Item No.	Subject	Rules and Regulations
5	Definitions	"Carrier" means Wolverine Pipe Line Company. "Barrel" means forty-two (42) gallons, U.S. Measurement. "Distillate" means a general classification for one of the petroleum fractions which when produced in conventional distillation operations, has a boiling point at 675°F. "Petroleum Products" means gasolines and petroleum oil distillates as further described in Item No. 10. "Consignee" means the party to whom a Shipper has ordered the delivery of petroleum products. "Shipper" means the party who contracts with the Carrier for transportation of petroleum products under the terms of this tariff.
10	Specifications	(a) Petroleum products will not be accepted for transportation hereunder unless such products are free from water and other impurities; have a color not darker than No. 3 ASTM (except that gasolines to which artificial coloring has been added will be accepted for transportation regardless of color); have a vapor pressure not more than fifteen (15) pounds absolute at one-hundred (100) degrees Fahrenheit; have an API gravity at sixty (60) degrees Fahrenheit, not less than thirty (30) degrees and not more than eighty (80) degrees; have a viscosity not more than forty (40) seconds Saybolt Universal at one-hundred (100) degrees Fahrenheit; and have a temperature not exceeding one-hundred and twenty-five (125) degrees Fahrenheit (b) Carrier may require the Shipper to furnish certified laboratory reports showing the results of tests of the petroleum products offered for transportation. Carrier may also make such tests of the petroleum products as it deems necessary, but shall not be required to, and in the event of variance between Shippers report and Carrier's test, Carrier's test shall prevail.
15	Minimum Batch	(a) All nominations for Petroleum products shall be accepted for transportation in quantities of not less than ten thousand (10,000) barrels of similar quality and color from one Shipper consigned to one consignee. Delivery will be made in whole or in part at destinations along Carrier's lines subject to the provisions of Item No. 20 and to the rates applicable to the destinations of actual delivery. (b) A Shipper shall be permitted to aggregate volumes with other Shippers in order to meet these minimum batch requirements.
20	Minimum Delivery	No delivery of less than five thousand (5,000) tendered barrels of petroleum products of a given quality and color will be made at any of the destinations along Carrier's line. The provisions of this item shall not apply to such buffer material as may be required under Item No. 25 or to delivery of interface commingled products as provided under Item No. 100.
25	Tenders for Shipment - Shipping Schedules	(a) Carrier will prepare and furnish to each Shipper schedules showing the estimated time that each shipment will be received for transportation at origin points and the estimated time of arrival at destinations. Such schedules may be modified from time to time to the extent reasonably desirable to facilitate the efficient and economical use and operation of Carrier's facilities and to reasonably accommodate Shipper's needs for transportation. Carrier will furnish Shippers revised schedules when issued.

RULES AND REGULATIONS (Cont.)

Item No.	Subject	Rules and Regulations
25 (Cont.)	Tenders for Shipment - Shipping Schedules	(b) Shipper shall have each shipment available in tankage connected to Carrier's origin stations at least eight (8) hours before the scheduled time for receipt by Carrier. When a product is not available in tankage within the time limits as aforesaid, acceptance of said product will be at the *discretion of the Carrier; however, the Carrier will endeavor to accept* same so long as such acceptance does not adversely affect operation of Carrier's facilities. (c) Nominations/Requests for Service; Shipping Schedules *(1) Nominations/requests for service are due to carrier on or before 4:15* p.m. Central Time on the tenth (10th) day of the month preceding the month in which shipments are to be made. If the tenth (10th) day falls on a weekend or holiday, nominations are due the last business day preceding the tenth (10th) day. (2) Shipper shall nominate all product movements, including all movements through common carrier breakout tankage at Niles or Stockbridge, MI, by accessing the Carrier's Shipper Information System ("SIS"). SIS requires that each nomination include the Cycle Number, the Shipper name, the product, the volume, the origination location, the source, and the destination location. Additionally, for common carrier breakout tankage, the Shipper shall specify the type and/or grade of product for which common carrier breakout tankage is required, the cycle for which such tankage is required, and the volume desired to be shipped for that cycle. The nomination shall be acknowledged on line in SIS by the Carrier as a valid request for service. In the alternative, Shipper may notify the Carrier in writing or by telephone, and Carrier shall acknowledge the nomination in writing as a valid request for service. (3) Carrier shall schedule all nominated movements if space is available. Carrier's determination whether a nomination for shipment shall be approved or denied shall be made as soon as practicable, but in no event later than ten (10) days preceding the shipment cycle for which the nomination was made. In the event that Carrier denies a nomination/request for service, Carrier shall submit a written response to Shipper providing a full explanation of the nature, basis and reasons for such denial. (4) Shipments pursuant to such nominations shall commence on or about the first (1st), eleventh (11th) and twenty-first (21st) day of each month. Each month is divided into three shipment cycles of approximately ten (10) days each. (5) If space is available and operating conditions permit, Carrier may, at its reasonable discretion, accept Nominations, or revised Nominations after the Carrier's Monthly Nomination date. (6) Because petroleum products are pumped in a certain sequence for efficient operation, Carrier reserves the right to specify the sequence of shipment of each kind of product on a nondiscriminatory basis. (7) All common carrier breakout tankage at Niles or Stockbridge, MI shall be nominated in accordance with (2) above. Also, see Item No. 26 and 27 below.

RULES AND REGULATIONS (Cont.)

Item No.	Subject	Rules and Regulations
26	Common Carrier Breakout Tankage at Stockbridge, MI	Carrier shall provide access to common carrier breakout tankage at Stockbridge, MI in conjunction with Shipper's nomination/request for service in accordance with Item No. 25(c) and the following: (a) Such common carrier breakout tankage shall be provided at a rate of [U] $0.15 per barrel. (b) In the event total nominations for a given cycle exceed the Carrier's tankage capacity, Carrier will prorate the amounts in accordance with Item No. 70 to allocate the nominations between the cycles for a given month. In the event total nominations for a given month exceed the Carrier's tankage capacity, capacity will be prorated in accordance with Item No. 70 to determine which nominations are accepted. (c) Product using common carrier breakout tankage will be commingled with products of the same grade in the common carrier breakout tankage in accordance with the specifications in Item No. 10. (d) Carrier will determine how common carrier tankage at Stockbridge, MI will be allocated between product grades in a non-discriminatory manner to facilitate the efficient and economical use and operation of Carrier's facilities, and to reasonably accommodate Shipper's needs for transportation.
27	Common Carrier Breakout Tankage at Niles, MI	Carrier shall provide access to common carrier breakout tankage at Niles, MI in conjunction with Shipper's nomination/request for service in accordance with Item No. 25(c) and the following: (a) Such common carrier breakout tankage shall be available in the amounts of ten thousand (10,000) barrels for three cycles per month, for a total of thirty thousand (30,000) barrels per month for each of three petroleum products: low sulfur diesel; regular unleaded gasoline; and premium unleaded gasoline. In the event that demand for tankage exceeds these amounts, Carrier shall make all reasonable efforts to make additional tankage available. Each Shipper may nominate no more than 10,000 barrels of a particular product grade through common carrier tankage for a given cycle. (b) Such common carrier breakout tankage shall be provided at a rate of [U] $0.21 per barrel. (c) In the event total nominations for a given cycle exceed the Carrier's tankage capacity, Carrier will prorate the amounts in accordance with Item No. 70 to allocate the nominations between the cycles for a given month. In the event total nominations for a given month exceed the Carrier's tankage capacity, capacity will be prorated in accordance with Item No. 70 to determine which nominations are accepted. (d) Product using common carrier breakout tankage will be commingled with products of the same grade in the common carrier breakout tankage in accordance with the specifications in Item No. 10 and the requirements of the tank owner. Carrier shall establish from time to time specifications in addition to those listed in Item No. 10 and by the tank owner, to control the quality of these commingled products. Carrier shall make the specification requirements of the tank owner available on request. (e) Shipper's volume must be moved out of the common carrier breakout tankage no later than the cycle immediately following delivery into the common carrier breakout tankage or an incremental charge of [U] $0.05 per barrel will be assessed on each cycle the volume is not moved. (f) The obligation to pay for common carrier breakout tankage accrues with Carrier's acceptance of the nomination.

RULES AND REGULATIONS (Cont.)

Item No.	Subject	Rules and Regulations
30	Segregation and Variations in Quality and Gravity	(a) Carrier shall not be liable for variation in gravity or quality of petroleum products occurring while in its custody, resulting from normal pipeline operations. (b) Petroleum products will be accepted for transportation on the condition that Carrier will use due diligence to transport same to destination with a minimum of contamination and to maintain the identity of each shipment. However, it being impracticable to maintain absolute identity of each inbound shipment of petroleum products, reasonable substitution of barrelage of the same kind of commodity will be permitted.
35	Origin and Destination Facilities Disposition of Products on Failure to Accept Delivery	(a) Shipper shall provide reasonable evidence to Carrier that it has appropriate facilities to deliver petroleum products to the Carrier's manifold at origin stations at a rate equal to Carrier's full-line pumping rate and at a pressure as required by operating conditions. Common carrier breakout tankage at Niles, MI shall not constitute an origin station for purpose of this Item. (b) No duty to transport will arise until Shipper has provided reasonable evidence to the Carrier that it has appropriate facilities connected to Carrier's system at destination points, other than common carrier breakout tanks at Niles, MI, capable of receiving such shipments without delay at pressures and pumping rates required by Carrier, and has made necessary arrangements for accepting delivery of shipments promptly on arrival at destination. Common carrier breakout tanks at Niles, MI shall not constitute a destination for purpose of this Item. (c) In the event the Carrier has accepted petroleum for transportation in reliance upon Shipper's representations as to acceptance at destination, and there is failure to take such petroleum products at destination as provided in paragraph (b) hereof, then and in such event Carrier shall have the right to divert, reconsign, or make whatever arrangements for disposition of the petroleum products it deems appropriate to clear its pipeline, including the right to sell the petroleum products at private sale for the best price obtainable. The Carrier may be a purchaser at such sale. Out of the proceeds of said sale, Carrier may pay itself all transportation charges and other necessary expense of caring for and maintaining the petroleum products and the balance shall be held for whosoever may be lawfully entitled thereto. (d) The Carrier shall not be liable for any damage to Shipper's or consignee's receiving facilities or products within such facilities resulting from the process of transferring custody of products from the Carrier to the Shipper or consignee.
40	Interconnection Agreements	Pursuant to its obligations under applicable law, Carrier shall connect with the facilities of a proposed Shipper upon request. Separate interconnection agreements in accordance with this tariff and these rules and regulations may be required of the proposed Shipper before any duty of transportation shall arise. The terms of such an interconnection agreement shall be offered on the same basis as agreements have been offered to, and entered into with, other Shippers similarly situated and on a non-discriminatory basis.
45	Measuring and Volume Corrections	Quantities at origin and destination shall be determined either by meters or tank gauges. All shipments will be received and delivered with volume corrected to sixty (60) degrees Fahrenheit by use of applicable API-ASTM-IP Table 5B or 6B. Shipper or consignee may have representatives present during testing, meter reading, calibration, and gauging. Full deductions will be made for all water and other impurities in Petroleum Products received or delivered.

RULES AND REGULATIONS (Cont.)

Item No.	Subject	Rules and Regulations
50	Diversion or Reconsignment	Diversion or reconsignment may be made without charge if requested by the Shipper at least forty-eight (48) hours prior to scheduled arrival 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.
55	Applicable Rates	Petroleum products transported shall be subject to rates in effect on the date such petroleum products are received by the Carrier.
60	Transportation Charges	(a) Transportation charges will be computed and collected at the rates provided herein, on the basis of the number of barrels of petroleum products delivered at destinations, after volume corrections as provided in Item No. 45. (b) All payments are due within 10 days of receipt of the invoice, unless the Carrier determines in a manner not unreasonably discriminatory that the financial condition of Shipper or Shipper's guarantor (if any) is or has become impaired or unsatisfactory or Carrier determines in a manner not unreasonably discriminatory it necessary to do so, in which case the payment due date shall be that specified in a written notice to the Shipper. (c) If any charge remains unpaid after the due date specified in Carrier's invoice, then such amount due may bear interest from the day after the due date until paid, calculated at an annual rate equivalent to the lesser of (1) 125% of the prime rate of interest, as of the date of Carrier's invoice, charged by the Citibank N.A. of New York, New York, for ninety (90) day loans made to substantial and responsible commercial borrowers or (2) the maximum rate allowed by law. In addition Shipper shall pay all documented costs incurred by Carrier to collect any unpaid amounts, including but not limited to reasonable attorney fees. (d) In the event Shipper fails to pay any such charges when due, Carrier shall not be obligated to provide Shipper access to Carrier's facilities or provide services pursuant to Carrier's tariff until such time as payment is received by Carrier and Shipper meets the requirements of the following paragraph. In addition, in the event Shipper fails to pay any such charges when due, Carrier shall have the right to setoff such amounts owed and future amounts owed against those amounts Carrier owes Shipper.

RULES AND REGULATIONS (Cont.)

Item No.	Subject	Rules and Regulations
60 (Cont.)	Transportation Charges	(e) In the event Carrier determines in a manner not unreasonably discriminatory that the financial condition of Shipper or Shipper's guarantor (if any) is or has become impaired or unsatisfactory or Carrier determines in a manner not unreasonably discriminatory it is necessary to obtain security from Shipper, Carrier, upon notice to Shipper, may require any of the following prior to Carrier's delivery of Shipper's Petroleum Products in Carrier's possession or prior to Carrier's acceptance of Shipper's Petroleum Products: (1) prepayment of all charges, (2) a letter of credit at Shipper's expense in favor of Carrier in an amount sufficient to ensure payment of all such charges and, in a form, and from an institution acceptable to Carrier, or (3) a guaranty in an amount sufficient to ensure payment of all such charges and in a form and from a third party acceptable to Carrier. In the event, Shipper fails to comply with any such requirement on or before the date supplied in Carrier's notice to Shipper, Carrier shall not be obligated to provide Shipper access to Carrier's facilities or provide services pursuant to this tariff until such requirement is fully met. (f) Carrier shall have a lien on all Petroleum Products delivered to Carrier to secure the payment of any and all transportation or any other charges that are owed Carrier. Such lien shall survive delivery of Petroleum Products to Shipper. Such lien shall extend to all Petroleum Products in Carrier's possession beginning with Shipper's first receipt of transportation or other services from Carrier. The lien provided herein shall be in addition to any lien or security interest provided by statute or applicable law. Carrier may withhold delivery to Shipper of any of Shipper's Petroleum Products in its possession and exercise any other rights and remedies granted under this tariff or existing under applicable law until all such charges have been paid as provided above. (g) If Shipper fails to pay an invoice by the due date, in addition to any other remedies under this tariff or under applicable law, Carrier shall have the right, either directly or through an agent, to sell at a private sale any and all Petroleum Products of such Shipper in its custody at fair market value at the time of sale. The proceeds of any sale shall be applied to the following order: (A) To the reasonable expenses of holding, preparing for sale, selling, and to the extent allowed by law, reasonable attorney's fees and legal expenses incurred by Carrier; and (B) To the satisfaction of the Shipper's indebtedness including interest herein provided from the date of payment is due. The balance of the proceeds of the sale remaining, if any, shall be paid to Shipper or, if there is a dispute or claim as to entitlement, held for whoever may be lawfully entitled thereto.
65	Corrosion Inhibitors	Shipper may be required to inject oil-soluble corrosion inhibitor, approved by Carrier, in the petroleum products to be transported.
70	Proration of Pipeline Capacity	When the total volume offered for shipment in accordance with Items No. 25, No. 26 or No. 27 is greater than can be transported within the period covered by such offers, petroleum products offered by each Shipper for transportation will be transported in such quantities and at such time to the limit of Carrier's capacity so as to avoid discrimination among the Shippers. Such prorationing will be performed in accordance with Carrier's "Wolverine Pipe Line Company Proration" dated September 1, 2001, supplements thereto and reissues thereof, which is available upon request.
75	Title	An offer of petroleum products for shipment shall be deemed a warranty of title by the party offering, but acceptance shall not be deemed a representation by the Carrier as to title. The Carrier may, in the absence of adequate security, decline to receive any petroleum products which are in litigation, or as to which a dispute over title may exist, or which are encumbered by a lien.

RULES AND REGULATIONS (Cont.)

Item No.	Subject	Rules and Regulations
80	Liability of Carrier	The Carrier shall not be liable for any delay, damage, or loss caused by acts of God, public enemy, quarantine, authority of law, riots, nuclear or atomic explosion, floods, strikes, picketing, or other labor stoppages, whether of Carrier's employees or others, or act of default of Shipper or owner, or any other cause not due to the negligence of Carrier, whether similar or dissimilar to the causes herein enumerated. In the event of such loss each Shipper shall bear the loss in the same proportion as its share of the total quantity of the batch involved and shall be entitled to receive only so much of its share remaining after its due proportion of the loss is deducted. Transportation charges will be assessed only on the quantity delivered.
90	Use of Communication Facilities	Where Carrier maintains a private or leased telegraph, teletype, or telephone system, Shippers may use same without extra charge for messages incident to shipment. However, Carrier shall not be liable for non-delivery of messages away from its offices, for delay in transmission, or for interruption of service.
95	Claims, Suits, Time for Filing	As a condition precedent to recovery, claims must be filed in writing with Carrier within nine (9) months after the delivery of the petroleum products or, in case of failure to make delivery, within nine (9) months after a reasonable time for delivery has elapsed; and suit shall be instituted against Carrier only within two (2) years from the day when notice in writing is given by Carrier to the claimant that Carrier has disallowed the claim or any part or parts thereof as specified in the notice. Where claims are not filed or suits are not instituted thereon in accordance with the foregoing provisions, Carrier shall not be liable and such claims will not be paid.
100	Delivery Adjustments	(a) Subject to Item No. 80 and Paragraph (b) of this Item No. 100, Carrier shall account to each Shipper for one-hundred (100) per cent of the Petroleum Products received in accordance with Item No. 45. (b) Interface generated between batches of different products in the pipeline will be subject to transportation charges to the final destination and will be disposed of in the following manner: (1) Interface generated between Petroleum Products with compatible specifications will be fully included in the petroleum product shipment and will be divided equally (50-50) between those shipments which precede and follow this interface as nearly as operating conditions will permit. (2) The interface of commingled products occurring in the pipeline between Petroleum Products having dissimilar basic physical characteristics, which commingled products cannot be readily absorbed into the shipments immediately preceding and following the interface (non-compatible interface), shall be retained in the pipeline and transported to the destination. The non-compatible interface material resulting from each distillate cycle will be prorated equally among the Shippers in that distillate cycle and, subject to Paragraph (3) below, it shall be the Shipper's responsibility to remove such material from the Carriers facilities. (3) At destinations where no interface tanks are provided by the Carrier, the interface material will be delivered into facilities to be provided by the Shipper, such deliveries to be in proportion to their respective shipments as nearly as operating conditions will permit. (c) Any settlement adjustments for overages and shortages borne by Carrier which are directly associated with handling petroleum products will be billed or credited to each Shipper in proportion to their respective shipments. Such settlement will be performed in the month subsequent to the month in which the overages and shortages occur.

RULES AND REGULATIONS (Cont.)

Item No.	Subject	Rules and Regulations
110	Temporary Service	Petroleum products will be transported through Carrier's facilities only as provided in these rules, to the extent space is not utilized for the transportation of normal refined petroleum products, and subject to public notice, hereby given, that such service is temporary, and may be canceled at any time after notice Service thereof, as Carrier shall determine is necessary to properly serve its primary business of transporting normal refined petroleum products.
115	Wolverine Pipe Line Company's Contract Rate Program	(a) General Provisions - Carrier is offering a contract rate program which provides for certain contract rates which are shown in Table 2 herein. Carrier's contract rate program shall be available to any Shipper that signs a 20 year contractual commitment to ship sufficient quantities of petroleum products through the Carrier's system to provide incremental revenue ("Incremental Revenue Obligation") to Carrier. Such annual Incremental Revenue Obligation must be no less than the annual equivalent of $12,000,000 as of June 1, 2002 and adjusted for inflation as described in Item 115 (e). Only the portion of annual revenue that is above the Shipper's base amount paid to Carrier during the 12 months preceding the date that the contractual obligation is executed shall be applicable. Shipments that generate the above described incremental annual revenue may not include petroleum products that are acquired from a third party prior to movement on Carrier and subsequently reacquired by the same third party after movement on Carrier where such actions are taken for the primary purpose of gaining eligibility for the contract rates described in this tariff item. (b) Term - Any Shipper who makes a contractual commitment, as described in Item 115 (a) above, prior to August 31, 2022 is eligible for Carrier 's contract rates. (c) Waiver of Tankage Fee - Any Shipper who has entered into the contractual arrangement with Carrier as described in Item 115 (a) above is qualified for a common carrier breakout tankage fee of $0.0 per barrel for use of Carrier's Stockbridge tankage facility as further described in Item 26 herein. (d) Consequence of Insufficient Pipeline Capacity - In the event that Carrier is unable to accept Shipper's entire nominated volume due to proration of pipeline capacity as described in Item 70 herein, the Shipper's Incremental Revenue Obligation will be reduced by the amount of revenue that was not generated due to such proration. (e) Adjustment of Incremental Revenue Obligation - The annual Incremental Revenue Obligation will be adjusted annually for inflation based on the average of the Consumer Price Index - Urban ("CPI") and the Producer Price Index-Finished Goods ("PPI"), as published by the U. S. Bureau of Labor Statistics, or any successor indices. (f) Example of Contract Rate Program A Shipper signs a contractual commitment with an effective start date of January 2003. The Incremental Revenue Obligation in Year 2003 would be $11,958,800. Each January for the following 20 years, this Incremental Revenue Obligation would be adjusted as described in Item 115 (e) above. The example below illustrates such adjustments using preliminary CPI and PPI figures for June 2002 and assuming that CPI and PPI will increase by 2% for all future years beyond June 2002:

RULES AND REGULATIONS (Cont.)

Item No.	Subject	Rules and Regulations					
115 (Cont)	Wolverine Pipe Line Company's Contract Rate Program	CPI/PPI	CPI/PPI		Incremental Revenue		
		Month	CPI	PPI	Average	% Change	Obligation
		June 2001	178.0	142.2	160.1	------	------
		June 2002	179.9	139.2	159.6	-0.34%	$12,000,000
		June 2003	183.5	142.0	162.7	2.00%	$11,958,800
		June 2004	187.2	144.8	166.0	2.00%	$12,198,000
		June 2005	190.9	147.7	169.3	2.00 %	$12,441,900
		June 2006	194.7	150.7	172.7	2.00 %	$12,690,700
		June 2007	198.6	153.7	176.2	2.00 %	$12,944,600
		June 2008	202.6	156.8	179.7	2.00 %	$13,203,500
		June 2009	206.6	159.9	183.3	2.00 %	$13,467,500
		June 2010	210.8	163.1	186.9	2.00 %	$13,736,900
		June 2011	215.0	166.4	190.7	2.00 %	$14,011,600
		June 2012	219.3	169.7	194.5	2.00 %	$14,291,800
		June 2013	223.7	173.1	198.4	2.00 %	$14,577,700
		June 2014	228.2	176.5	202.3	2.00 %	$14,869,200
		June 2015	232.7	180.1	206.4	2.00 %	$15,166,600
		June 2016	237.4	183.7	210.5	2.00 %	$15,470,000
		June 2017	242.1	187.3	214.7	2.00 %	$15,779,400
		June 2018	247.0	191.1	219.0	2.00 %	$16,094,900
		June 2019	251.9	194.9	223.4	2.00 %	$16,416,800
		June 2020	256.9	198.8	227.9	2.00 %	$16,745,200
		June 2021	262.1	202.8	232.4	2.00 %	$17,080,100
		June 2022	267.3	206.8	237.1	2.00 %	$17,421,700

Explanation of Reference Marks:

[U] Unchanged rate.
[W] Change in Wording Only.

ORIGINAL

ConocoPhillips
Transportation Alaska, Inc.
P.O. BOX 100360
ANCHORAGE, ALASKA 99510-0360

August 22, 2005

Honorable, Magalie R. Salas, Secretary
Federal Energy Regulatory Commission
888 1st Street, N.E., Room 1-A
Washington, D.C. 20426

OIL PIPELINE FILING
Transmittal No. 8

IS05-449-000

Subject: Supplement No. 2 to F.E.R.C. No. 7 Rules and Regulations tariff

Dear Ms. Secretary:

The accompanying schedules are sent to you for filing in compliance with the requirements of the Interstate Commerce Act and the regulations promulgated thereunder, and are issued by ConocoPhillips Transportation Alaska, Inc. (CPTAI) with the following identification:

Tariff Number:	Effective Date:
Supplement No. 2 to F.E.R.C. No. 7	September 1, 2005

(Issued in Lieu of Supplement No. 1 to F.E.R.C. No. 7, issued on August 1, 2005, which was withdrawn)

Supplement No. 2 to F.E.R.C. No. 7 adds new language to the Proration Policy set forth in Item 4 (IV) to make three changes to CPTAI's proration policy: (1) to increase the capacity set aside for New Shippers from 5 percent to 10 percent of available interstate capacity; (2) to extend the date on which the new proration policy will be implemented from January 1, 2006 (as set forth in Supplement No. 1 to F.E.R.C. No. 7) to July 1, 2006; and (3) to amend the penalty provision in Item 4 (IV) F. to reduce the penalty period from three months to one month and to reduce the amount of the penalty to the volume of the shortfall in the month in which the penalty was incurred. Supplement No. 2 to F.E.R.C. No. 7 supersedes and replaces Supplement No. 1 to F.E.R.C. No. 7, which as been withdrawn simultaneously herewith.

This tariff is issued on 9 day's notice under authority of 18 CFR 341.14. This tariff publication is conditionally accepted subject to refund pending a 30-day review period. The purpose of seeking shortened notice is to put Supplement No. 2 to F.E.R.C. No. 7 into effect on September 1, 2005, which would have been the effective date of Supplement No. 1 to F.E.R.C. No. 7, so that shippers are on notice of the changes as soon as possible.

Any questions regarding these tariffs should be directed to Bernie Washington at (907) 263-3703. As outlined in 18 CFR § 343.3, we request that all protests to the aforementioned ConocoPhillips Transportation Alaska, Inc. tariffs be faxed to the following contact person:

Steven Reed / Steven Brose
Steptoe & Johnson
Fax: (202) 429-3902
Phone: (202) 429-6250

We certify that we have on or before this day sent copies of the publication listed hereon to all subscribers thereto by U.S. Postal Service (First Class Mail postage prepaid) or via email notification stating the website location for the document(s).

This filing is being hand-delivered to F.E.R.C. Please acknowledge receipt of this transmittal by date-stamping the enclosed duplicate file copy and return it to our courier at the time of filing.

Sincerely,

Joseph C Falcone for

John M. Christal
Business Manager

Enclosures
cc: Tariff Subscribers
Mr. David Ulevich

Supplement No. 2 to F.E.R.C. No. 7
(Issued in lieu of Supplement No. 1 to F.E.R.C. No. 7
which was issued on August 1, 2005 and withdrawn)

CONOCOPHILLIPS TRANSPORTATION ALASKA, INC.

LOCAL PIPELINE TARIFF

Containing

RULES AND REGULATIONS

Governing the Transportation of

CRUDE PETROLEUM

Transported by Pipeline from Points in Prudhoe, North Slope Borough, Alaska
to
City of Valdez, Alaska

The matter published herein will have no adverse effect on the quality of the human environment.

This tariff is issued on 9 day's notice under authority of 18 CFR §341.14. This tariff publication is conditionally accepted subject to refund pending a 30-day review period.

ISSUED: August 22, 2005

EFFECTIVE: September 1, 2005

ISSUED BY
John M. Christal
Vice-President & Controller
ConocoPhillips Transportation Alaska, Inc.
700 G Street, ATO-920
Anchorage, AK 99501

COMPILED BY
Bernard W. Washington
Tariff Coordinator
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Anchorage, Alaska 99501
Phone 907-263-3703

TABLE OF CONTENTS

EXPLANATION OF REFERENCE MARKS

[N] New

[W] Wording

RULES AND REGULATIONS

ITEM NO.	SUBJECT	RULES AND REGULATIONS
1.	Definitions	"Actual Arrival Time" means the time according to Valdez, Alaska, local time that a vessel communicates to the Operator its readiness to commence loading after entering the Prince William Sound Vessel Traffic Service Area or an area subsequently designated by Carrier.
		"Available Interstate Capacity" means the volume of space in Carrier's Pipeline available for interstate movement during any Month after accounting for all intrastate nominations accepted.
	[W]	"Average Regular Shipper Volume" means the average interstate volume (measured in Barrels per Day) actually shipped by a Regular Shipper during the Rolling Period.
		"Barrel" means forty-two United States gallons.
		"Base Fluctuation" is the daily increase or decrease to Fixed Base Inventory as a result of Pipeline operations resulting from such things as temperature, flow rate or pressure changes
		"Base Inventory" as herein used means Fixed Base Inventory adjusted for any increase or decrease in the Base Fluctuation.
		"Carrier" means ConocoPhillips Transportation Alaska, Inc.
		"Carrier Work Day" means a regularly scheduled workday for Carrier.
		"Consignee" means anyone that a shipment, or a portion of a shipment, is consigned to when delivered from the Pipeline.
		"Day" means the period of time commencing at 0000 hours on one Day and running until 2400 hours on the same Day according to Valdez, Alaska, local time.
		"Excess Shipper" is a Shipper that has a volume of Petroleum in the custody of the Carrier that exceeds 100 percent of Shipper's Working Tankage Entitlement at the beginning of the Day for which the Carrier is assessed a penalty. The excess is computed by taking the Shipper's share of Total Inventory Barrels less Shipper's share of Base Inventory less Shippers Working Tankage Entitlement.
		"Fixed Base Inventory" as herein used means the standard total volume of Petroleum in System's Pipeline Base Inventory and terminal tankage base inventory that has not been adjusted for any Base Fluctuation and excludes Petroleum in fuel tanks and in Working Capacity.
		"Month or Monthly" means a calendar Month commencing at 0000 hours on the first Day thereof and running until 2400 hours on the last Day thereof according to Valdez, Alaska, local time.
		"New Shipper" means any Shipper who does not qualify as a Regular Shipper. A New Shipper becomes a Regular Shipper when it satisfies the conditions to be a Regular Shipper based on documented volumes shipped in prior Months.
1.	(Continued)	"100-Barrel Mile Deliveries" as herein used means the number of Barrels of

RULES AND REGULATIONS

ITEM NO.	SUBJECT	RULES AND REGULATIONS
	Definitions	Petroleum delivered out of the System multiplied by the number of miles each such Barrel was transported, divided by 100. "Operator" means the contract Operator of the Trans Alaska Pipeline System. "Operator Business Day" means a regularly scheduled workday for Operator's scheduling department. "Owner(s)" refers to all of the Owners of undivided interests in the Trans Alaska Pipeline System. "Petroleum" means unrefined liquid hydrocarbons including gas liquids. "Pipeline" means Carrier's undivided interest ownership in the Trans Alaska Pipeline System. "Port Information Manual" means the manual governing vessel characteristics, required equipment and operation of vessels arriving to lift Petroleum at Valdez, Alaska. Copies of the Port Information Manual are available upon written request. "Prospective Shipper" means a person nominating Petroleum for transportation through the Pipeline whose nomination has not yet been accepted by Carrier.
	[W]	"Regular Shipper" means a Shipper who has shipped interstate volumes at any time during the period July 1, 2005 through June 30, 2006, or a Shipper who thereafter ships interstate volumes each month during any consecutive twelve-month period; provided, however, that once a Shipper becomes a Regular Shipper, it will lose its Regular Shipper status only if it does not ship interstate volumes at all during a period of twelve (12) consecutive months. Regular Shippers not shipping interstate volumes for any Tender Period will be credited with zero Barrels accepted for that Tender Period in establishing their Average Regular Shipper Volume.
	[W]	"Reserved Capacity" means for any Month in which prorationing applies, the greater of 90 percent of the Available Interstate Capacity or the percentage of Available Interstate Capacity for which no New Shipper nominations have been received.
	[W]	"Rolling Period" means the twelve (12) Month period beginning fourteen (14) Months prior to the Month requiring proration, except that, with respect to nominations for July 2006, the Rolling Period will be July 1, 2005 through April 30, 2006, and with respect to nominations for August, 2006, the Rolling Period will be July 1, 2005 through May 31, 2006.
		"Scheduled Arrival Day" means the Day stated in a lifting schedule that a vessel is scheduled to enter the Prince William Sound Vessel Traffic Service Area or an area subsequently designated by Carrier. "Shipper" means anyone who ships Petroleum through the Pipeline.
	(Continued)	"Shipper's Accepted Tender Percentage" is the ratio (expressed as a percentage to two decimal places, XX.XX%) that the Shipper's daily accepted tender, bears

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ITEM NO.	SUBJECT	RULES AND REGULATIONS
	Definitions	to the total daily accepted tenders for all Shippers. "Shipper's Working Tankage Entitlement" is equal to the Shipper's Accepted Tender Percentage of the Carrier's Working Capacity. "System" means the Trans Alaska Pipeline System. "Tender Period" means the Month in which the Barrels are shipped. "Total Inventory" is all inventories in tanks and Pipeline at any given time including both Base Inventory and Working Inventory. "Working Capacity" is the total capacity of all operational terminal tankage for the handling of Petroleum at Valdez, Alaska, pending delivery out of the System into vessels, between 2'6" above the bottom of the each tank shell and 3'9" below the top of each tank shell, less the capacity, as determined by the Operator, required to receive the volume of Petroleum which should be moved out of the System to prevent internal pressure in the Pipeline from exceeding design limits in the event its operation should be shut down. "Working Inventory" means the volume of Petroleum derived by taking Total Inventory less Base Inventory at any given time. It is part of Working Capacity.
4.B	Nomination Policy and Proration Procedures	Item 4.B. cancels Item 4 I. Nomination of Tenders A. Good-faith nominations will be received and considered for acceptance only if they conform in full to Carrier's requirements. To maintain equity among Shippers and to ensure equitable application of proration when proration shall be required, Carrier does not permit over-nominating. When considering nominations for acceptance and proration, Carrier reserves the right to revise, reduce or reject a nomination if acceptance of Shipper's nomination in the form provided would adversely affect the rights of other Shippers to equitable and fair treatment. Such adverse affect includes, but is not limited to, the following acts or omissions: 1. Shipper nominating more Petroleum for transportation than that to which it has title or than it plans to ship. 2. Shipper fails upon request to demonstrate satisfactorily that it currently has unencumbered title to the Petroleum being nominated. 3. Shipper has failed to make timely payment for previous shipments.
4.B.	(Continued) Nomination Policy and Proration Procedures	4. Shipper has nominated the same Petroleum currently being nominated to Carrier to another System Owner or Owners and has been accepted provisionally or otherwise is being considered for acceptance provisionally or otherwise by another System Owner or Owners.

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ITEM NO.	SUBJECT	RULES AND REGULATIONS

5. Shipper individually or through the use of multiple related entities, nominates Petroleum in excess of Carrier's Available Capacity (as defined in Item 4B.II.A).

6. *Employment of schemes or devices to over-nominate* will be deemed to be grounds for rejection of the over-nominating Shipper's entire nomination for the Tender Period (as defined in Item 4B.I.B.).

7. Shipper declines to provide, without exclusion or limitation, certification of compliance with Carrier rules and regulations. The form of the required certification shall be communicated to Shippers by Carrier.

8. Shipper has failed (unless such failure is due to reasons beyond Shipper's control) to provide Carrier with all required information in a *timely manner*.

B. Nominations will be considered for acceptance only if received by Carrier's office no later than 1100, Anchorage, Alaska local time, on the 3rd Carrier Work Day of each Month ("Nomination Day"). Nominations received by the deadline ("Initial Nominations") will cover the ensuing one-month period that begins on the first Day of the next successive calendar Month following the Nomination Day ("Tender Period"). Carrier will notify Shippers of their allocated space prior to 1100, Anchorage, Alaska local time, on the next successive Carrier Work Day following the Nomination Day.

All nominations will be submitted by facsimile transmission or email to:

ConocoPhillips Transportation Alaska, Inc.
Attention: Oil Movements Coordinator
700 "G" Street, ATO 912
Anchorage, Alaska 99501
Telephone: (907) 265-6525
Facsimile: (918) 662-5440
Email: robert.j.wilks@conocophillips.com

Carrier does not accept responsibility for nominations sent but not received. *It is the Shipper's responsibility to confirm receipt via* telephone.

4.B (Continued)

Nomination Policy and Proration Procedures

C. Nominations received after the deadline set forth in Item 4B.I.B. will be considered revised nominations. A revised nomination that increases the number of nominated Barrels is known as an "Increased Nomination". A revised nomination that reduces the number of nominated Barrels is known as a "Decreased Nomination".

D. Carrier will accept an Increased Nomination only after Operator determines that capacity is available and the additional Barrels Shipper proposes to nominate (or, if Shipper has not previously nominated Barrels for the Tender Period, the Barrels Shipper nominates) are not nominated to another carrier.

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		E. Carrier will accept a Decreased Nomination only after Operator determines that the Barrels Shipper proposes not to tender to Carrier are properly nominated to another Carrier or are not available for tender.
		F. A revised nomination will be effective at 0000 hours on the later of (a) the Day Shipper indicates in its revised nomination or (b) the Day that begins after four Operator Business Days have elapsed since Carrier accepted the nomination. Carrier will notify Shipper when Carrier accepts Shipper's revised nomination and when the revised nomination will become effective.
		G. Shipper may not nominate the same Barrels of Petroleum to Carrier and to another carrier. If, as of 2400 hours of the 15th day of a Month (or, if that Day is not an Operator Business Day, then of the first Operator Business day thereafter), Operator determines that Shipper has nominated to another Carrier Barrels that Carrier has accepted for the coming Month, Carrier will reduce Shipper's nomination to Carrier by the number of Barrels that Carrier accepted that were also nominated to another carrier.
		H. No person or entity may deliver to the System, Petroleum that has not been nominated to and accepted by Carrier or another carrier. If by 2400 hours of the 15th Day of a Month (or, if that Day is not an Operator Business Day, then of the first Operator Business Day thereafter) there is Petroleum scheduled to be delivered to the System in the coming Month that has not been nominated and accepted by Carrier or another carrier, Operator will notify the owner of such Petroleum at least one Operator Business Day before the deadline by which such Petroleum Owner must nominate the Petroleum to Carrier or another carrier that has available capacity through a revised nomination. If, notwithstanding Operator's notice, the Petroleum is not nominated but is delivered to the System, such Petroleum shall be deemed to be the property of Carrier and the other carriers, and the prior Petroleum Owner shall have no interest in the Petroleum.
4.B	(Continued) Nomination Policy and Proration Procedures	I. Once Shipper's nomination or Increased Nomination has been accepted by Carrier as provided in Item 4B.1.B or 4B.1.D. above, Shipper shall become liable for a reservation fee of 25 cents per Barrel for each Barrel nominated and accepted, which fee shall be credited against the transportation charge incurred by Shipper for the transportation of Petroleum by Carrier during the Month for which such Barrels were nominated. In the event Shipper does not tender a quantity of Petroleum equal to the number of Barrels nominated and accepted for a given Month, the reservation fee applicable to the Barrels not so tendered shall be waived only if the failure of Shipper to tender the number of Barrels nominated and accepted for that Month occurred due to the inability of the Carrier to accept the full number of Barrels tendered by Shipper or if the delivered Barrels are less than 2 percent under the nominated Barrels for reasons not reasonably foreseeable at the time Shipper made the nomination. Nominations withdrawn prior to the Tender Period will not be charged the reservation fee except

RULES AND REGULATIONS

ITEM NO.	SUBJECT	RULES AND REGULATIONS
		nominations withdrawn within six (6) Operator Business Days before the Tender Period will be subject to the reservation fee.
		II. Available Pipeline Capacity
		A. Carrier's Available Capacity ("Available Capacity") is Carrier's Pipeline ownership interest in the total estimated Pipeline capacity of the System plus or minus the Adjustment Capacity for the applicable Tender Period. Adjustment Capacity is an adjustment made to balance Carrier's actual shipments to Carrier's actual Pipeline capacity.
		B. If the total of all nominations received is less than Carrier's Available Capacity in the Tender Period, all nominations are accepted in full, except that the acceptance of a nomination for intrastate movement may be limited to a percentage of the total Petroleum being tendered by the Shipper to all System Owners for the specific intrastate movement in accordance with Item 4B.III.A.
		C. After acceptance of nominations, Carrier will advise its Shippers of the amount of remaining capacity available ("Remaining Capacity"). If more nominations are received than Remaining Capacity, all timely nominations will be prorated after the time and date specified. However, Carrier may only accept that portion of a nomination for Remaining Capacity from an intrastate Shipper subject to the terms as set forth in Item 4B.III.A.
		D. If an accepted nomination is withdrawn or partially withdrawn at a later date, Carrier will notify all its Shippers of the capacity made available by such withdrawal ("Returned Capacity") and will seek further nominations. Nominations for this Returned Capacity will be accepted until the close of the period specified in the notification message. Carrier will accept nomination for Returned Capacity from an intrastate Shipper subject to the terms as set forth in Item 4B.III.A. If more nominations are received than Returned Capacity, all timely nominations will be prorated after the time and date specified.
		E. If, subsequent to acceptance of nominations, Carrier's capacity in the System is increased for any reason, Carrier will advise all its Shippers of such change. Changes of nominations will be subject to the same terms as set forth in Item 4B.II.D.
4.B	(Continued)	
	Nomination Policy and Proration Procedures	F. If, subsequent to acceptance of nominations, Carrier's capacity is decreased for any reason, Carrier will recalculate prorations based on original nominations and notify Shippers of revised acceptances.
		G. Tender Substitutions Carrier does not permit a full or partial transfer or a full or partial assignment of confirmed nominations among Shippers. In cases where a Shipper is unable to deliver the expected tender of Petroleum from any source, it may substitute its own Petroleum from another source that meets transportation requirements up to the total amount of space for which it previously has received acceptance.

ITEM NO.	SUBJECT	RULES AND REGULATIONS
		H. Prior to 1100, Anchorage Alaska local time, on the 3rd Carrier Work Day of each Month, Carrier will notify each prospective Shipper of its Available Capacity. Any prospective Shipper may obtain this information by request to the Oil Movements Coordinator as set out in Item 4B.1.B.
		III. Intrastate Shipments
		A. Any Shipper nominating volumes for intrastate shipment, regardless of destination, in Carrier is required to advise the total volume being nominated to all System Owners for each intrastate movement for the Month being nominated.
		1. If nominations by Shippers to Carrier exceed Carrier's Available Capacity for the Tender Period, the maximum amount of any intrastate Shipper's nomination that may be accepted is the Carrier's Pipeline ownership percent of the total volume of Petroleum being nominated to all System Owners by that Shipper for that specific intrastate movement during the Tender Period.
		2. Carrier shall have the option to accept from any intrastate Shipper nominations in excess of the Pipeline ownership interest percentage of that Shipper's total nominations to all System Owners for that particular intrastate movement when Carrier would otherwise have unused capacity.
		B. Any Shipper nominating shipments to the Port of Valdez for delivery by marine tanker to an in-state destination must provide certification, in a form satisfactory to Carrier, that the volume nominated is intended to be delivered to an intrastate destination for use within the State of Alaska. Such certification must include (1) the ultimate intrastate destination; (2) the total volume to be transported to that destination that has been nominated for transportation on Carrier; and (3) the name of the marine vessel on which the shipment is to be loaded.
4.B	(Continued) Nomination Policy and Proration Procedures	C. If the Shipper changes the ultimate destination of a shipment to the Port of Valdez and that shipment was nominated and accepted as an interstate shipment but is now intended for intrastate use, then Shipper must provide verbal notice or written certification to the Carrier by 6 am Alaska Time the Day following the final lifting in Valdez, stating that the new destination is now intrastate and the number of Barrels involved; this provision applies to vessels with full loads to the new intrastate destination.
		D. Shippers on vessels with partial loads to the new intrastate destination must provide verbal notice or written certification to the Carrier within five (5) Carrier Work Days following the final lifting in Valdez. For both of the above, if initial notification was verbal, a written certification must follow by close of the next Carrier Work Day. Likewise, if the Shipper changes the ultimate destination of a shipment to the Port of Valdez and that shipment was first nominated and accepted as an intrastate shipment but is now intended for interstate delivery, then Shipper must notify Carrier of such change in destination by 6am Alaska Time the Day following the final lifting in Valdez, via

ITEM NO.	SUBJECT	RULES AND REGULATIONS
		verbal notice or written certification; this provision applies to vessels with full loads to the new interstate destination. Shippers on vessels with partial loads to the new interstate destination must provide verbal notice or written certification to the Carrier within five (5) Carrier Work Days following the final lifting in Valdez. For both of the above, if initial notification was verbal, a written certification must follow by close of the next Carrier Work Day. Both such changes of destination after nomination and acceptance shall be subject to the penalty provisions set out in Item 7.E.
		IV. Proration Policy
	[W]	A. For all months through June 30, 2006 in which proration of interstate volumes is required, each interstate shipper will be pro-rated based on its current interstate nominations for that month divided by the total of all current interstate nominations for that month. *Commencing with nominations for July, 2006, the following provisions* will apply to all interstate nominations: If the total of all nominations received for a Tender Period is greater than Carrier's Available Interstate Capacity in the Tender Period, acceptance of a nomination for intrastate movement will be limited to a percentage of the total Petroleum being nominated by that Shipper to all *System Owners for the specific intrastate movement in accordance with* item 4B.III.A, and interstate nominations will be allocated to the balance of the Carrier's Available Interstate Capacity remaining after the intrastate nominations have been finalized, by prorating (i) among Regular Shippers and New Shippers, and (ii) among the Shippers in each category based on volumes nominated for each category. The *total of all New Shippers' nominations that may be accepted* will be limited to Ten percent (10%) of the Available Interstate Capacity remaining for interstate movement in the Tender Period after accounting for intrastate nominations ("New Shipper Available Interstate Capacity") (iii) The Reserved Capacity will be allocated among all Regular Shippers based on the lesser of each such Shipper's Average Regular Shipper Volume or its actual tender for the month and *(iv) any remaining* Available Interstate Capacity not allocated through the preceding steps will be allocated pro rata among all Shippers whose nominations were not previously accepted in full. To avoid inflated nominations, for all purposes under this rule a Shipper's nomination will be deemed to be no greater than the Available Interstate Capacity or such Shipper's actual nomination, whichever is less.
4.B	(Continued) Nomination Policy and Proration Procedures	
		B. "New Shipper Proration Factor" shall be calculated by dividing each Shipper's nomination for that category by the total of all nominations for the category.
		C. Upon acceptance of New Shipper nominations, each New Shipper will be allocated space equal to: (i) the New Shipper Available Interstate Capacity multiplied by the New Shipper Proration Factor for that Shipper if the total of all New Shipper nominations is greater than the New Shipper Available Interstate Capacity for that Tender Period; or (ii) the volume nominated by that New Shipper if the total of all New Shipper nominations is less than the New Shipper Available Interstate Capacity

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ITEM NO.	SUBJECT	RULES AND REGULATIONS
	[W]	for that Tender Period. New Shipper Available Interstate Capacity will be allocated on a current nomination basis among all New Shippers. If Available Interstate Capacity remains for the Regular Shipper category after allocation to all Regular Shippers for a Tender Period and if the total of all New Shipper nominations exceeds the New Shipper Available Interstate Capacity for that Tender Period, the Ten percent limitation for New Shipper Available Interstate Capacity for that Tender Period may be waived by the Carrier.
		D. The remaining Available Interstate Capacity shall be allocated among New Shippers in proportion to their nominations and Proration Factor.
		E. No Shipper may use any nomination or allocation of any Available Interstate Capacity in any category to supplement, enhance, or benefit the nomination or allocation of any other Shipper beyond the Available Interstate Capacity to which such other Shipper may be entitled to nominate or be allocated. Carrier may require a verified statement regarding utilization of allocated space from a responsible officer of the Shipper stating that no violations of this rule have occurred. Violation of this rule will result in rejection of any nomination by any involved Shipper(s) in the next Tender Period following discovery by the Carrier of the violation.
	[W]	F. If a Shipper fails, without reasonable cause in the judgment of Carrier, to ship its full allocated volume within the Tender Period, the Carrier shall limit the volume accepted from such Shipper in the next Month in which prorationing occurs to not more than the volume nominated for that next Month minus the difference between the volume allocated and the volume received by Carrier from such Shipper in the Month in question.

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ORIGINAL

May 31, 2005

OIL PIPELINE TARIFF FILING

The Honorable Magalie R. Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

IS05-333-000

Dear Secretary Salas:

In compliance with the Interstate Commerce Act (ICA), 49 U.S.C. § 1 *et seq.*, and the Rules and Regulations of the Federal Energy Regulatory Commission (Commission), 18 C.F.R. Part 341, Butte Pipe Line Company (Butte) hereby submits the following Supplements, to be effective July 1, 2005:

Supplement No. 11 to F.E.R.C. Nos. 549 and 550

Supplement No. 10 to F.E.R.C. No. 551

Supplement No. 12 to F.E.R.C. No. 552

Explanation of Tariff Filing

The tariff supplements are filed in compliance with 18 C.F.R. § 342.3 (2003). Butte is filing these Supplements to increase the rates for services outlined in the tariffs, effective July 1, 2005. Pursuant to 18 C.F.R. § 342.3, Butte is enclosing an Index Summary outlining the previous index ceilings, effective July 1, 2004, and the index ceilings that will be effective July 1, 2005. As indicated in the Index Summary, the proposed rates under the Supplements outlined above will be equal to or less than the index ceiling rate effective July 1, 2005.

Certification

I hereby certify that Butte Pipe Line Company has, on or before this date, delivered copies of the above referenced tariffs to each person on the subscriber list pertaining to the referenced tariffs of Butte Pipe Line Company by U.S. postal service (First Class Mail) or by other means agreed upon.

Please date stamp the enclosed extra three copies of this transmittal letter and the accompanying tariff and return it to the messenger.

Pursuant to 18 C.F.R. § 343.3 of the Commission's Rules and Regulations, it is requested that any protest to this tariff be sent via facsimile to Robert Stamp at (307) 237-3164. Should you have any questions, please contact me at the address or telephone number listed above.

Respectfully submitted,

Mona Tandon
Attorney for Butte Pipe Line Company

CC: Mr. Dave Ulevich

Supplement No. 10 to F.E.R.C. No. 549
Cancels Supplement No. 10 to F.E.R.C. No. 549

BUTTE PIPE LINE COMPANY

PROPORTIONAL TARIFF

THE RATES AND CHARGES NAMED IN THIS TARIFF ARE FOR THE
TRANSPORTATION AND DELIVERY OF
PETROLEUM

List of Points from and to which Rates Apply and
Rates on Petroleum in Cents per Barrel of 42 U.S. Gallons

ROUTE NO.	From Montana Points	TO	Through Rate to Established Destination
01	Baker, Fallon County	Mush Creek Junction Weston County, WY	[I] 45.25
01	Cabin Creek, Fallon County		
01	Little Beaver, Fallon County		
01	Pennel, Fallon County		
01	Pine, Wibuax County		
02	Alzada, Carter County		[I] 34.21

GATHERING SERVICE: No gathering service will be performed under this tariff, and the rate named herein is for trunk line transportation only.

Filed in compliance with 18 C.F.R. 342.3 (Indexing)

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

ISSUED: May 31, 2005 **EFFECTIVE: July 1, 2005**

Issued By:
H.A. True, III, President
Belle Fourche Pipeline Company
P. O. Box 2360
Casper, WY 82602

Compiled By:
Robert Stamp
Belle Fourche Pipeline Company
P. O. Box 2360
Casper, WY 82602
307-237-9301

ITEM NO.	SUBJECT	RULES AND REGULATIONS
19 [R10]	**Line Fill Requirement**	Carrier will require each shipper to supply a pro rata share of Petroleum for line fill and tankage necessary for the efficient operation of Carrier's system. Such line fill Petroleum may be withdrawn from Carrier's system only after ninety (90) days and subsequent to: (1) Shipper having ceased tendering shipments and notified Carrier in writing that it would no longer tender shipments to Carrier; (2) Shipper balances having been reconciled between Shipper and Carrier; and (3) Shipper having paid Carrier for all services.
25A [R10]	**Minimum Tender, Shipments**	Tenders for the transportation of any kind of mixture of such petroleum for which the Carrier has facilities for segregating will be accepted under this tariff in quantities of not less than ten thousand (10,000) barrels from one shipper consigned to one consignee and destination. If Carrier's facilities and operating conditions permit, petroleum in lots of less than ten thousand (10, 000) barrels will received for trunk line transportation within a 60-day period. The Carrier will not be obliged to forward petroleum so tendered until it has received from one or more shippers, to be delivered at a single destination, a sufficient quantity of petroleum of the same quality or different qualities to be commingled – provided that the shippers agree to said commingling, to permit handling as a segregated movement through Carrier's existing facilities.
26 [R10]	**Prorationing**	When more petroleum is tendered for transportation in a month on a line segment than Carrier can transport, Carrier shall apportion its capacity by allocating space in such line segment in the following manner: *(1) Existing Shippers: The percentage of pipeline capacity to be allocated to each* Existing Shipper will be calculated by using data from the immediately preceding three months and dividing the sum of the shipments made for the account of each Existing Shipper on such line segment in the immediately preceding three months by the total shipments made for all Shippers on such line segment during the immediately preceding three months. The resulting percentages will then be applied to the line segment to determine the capacity allocation for each Existing Shipper. Each Existing Shipper will receive the lesser of its actual nomination or its allocation resulting from the above calculation. In the event that the above calculation results in any Shipper being allocated more capacity than its actual nomination, the excess of the calculated allocation over the Shipper's actual nomination will be reallocated per capita among all other New Shippers *and Existing Shippers whose nominations would not be fulfilled through the allocations* calculated in Paragraphs (1) and (2) of this Item. Allocations for Existing Shippers will be subject to pro rata reduction on the basis of the percentages calculated in this Paragraph (1), if required, to accommodate New Shippers. (2) New Shippers: Up to two and one-half percent (2.5%) of available capacity on a line segment will be allocated to each New Shipper, subject to a cap of ten percent (10%) of available capacity for all New Shippers. During periods of prorationing, New Shippers will be allocated pipeline capacity as follows: If less than four (4) New Shippers have submitted nominations for the affected line *segment, each New Shipper will be allocated the lesser of either two and one-half percent* (2.5%) of available capacity or its nominated volume. In the event that more than four (4) New Shippers have submitted nominations for the affected line segment, the nominated volumes for each New Shipper shall be totaled and divided into ten percent (10%) of the available pipeline capacity. The resulting percentage shall be the initial New Shipper's Proration Factor. Each New Shipper will be allocated pipeline segment capacity equal to the lesser of: (a) 2.5% of available capacity, or (b) its nominated volumes, or (c) its nominated volumes multiplied by the initial New Shipper Proration Factor. Any remaining pipeline segment capacity, subject to the maximum cap of ten percent of all available capacity, as outlined above, will be allocated equally among the New Shippers whose nominations were not fulfilled under the allocations calculated in

		Paragraph (2). (3) For purposes of Carrier's prorationing policies, the following definitions will be applicable: "Existing Shipper" – A shipper that has tendered petroleum or petroleum products for transportation on a specific line segment consecutively for the immediately preceding three months. "New Shippers" – A shipper that tenders petroleum or petroleum products for transportation on a specific line segment that does not qualify as an Existing Shipper, as defined in this Item, Paragraph (3) above.

EXPLANATION OF REFERENCE MARKS:

[I] Increase
[R10] Reissued from Supplement No. 10 to F.E.R.C. No. 549, March 1, 2005.

Supplement No. 11 to F.E.R.C. No. 550
Cancels Supplement No. 10 to F.E.R.C. No. 550

BUTTE PIPE LINE COMPANY

LOCAL TARIFF

THE RATES AND CHARGES NAMED IN THIS TARIFF ARE FOR THE
TRANSPORTATION AND DELIVERY OF
PETROLEUM

List of Points from and to which Rates Apply and
Rates on Petroleum in Cents per Barrel of 42 U.S. Gallons

ROUTE NO.	From Montana Points	TO	Through Rate to Established Destination
01	Baker, Fallon County	Osage Station Weston County, WY	[I] 41.62
01	Cabin Creek, Fallon County		
01	Little Beaver, Fallon County		
01	Pennel, Fallon County		
01	Pine, Wibuax County		
02	Alzada, Carter County		[I] 31.43

GATHERING SERVICE: No gathering service will be performed under this tariff, and the rate named herein is for trunk line transportation only.

Filed in compliance with 18 C.F.R. 342.3 (Indexing)

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

ISSUED: May 31, 2005 **EFFECTIVE: July 1, 2005**

Issued By:
H.A. True, III, President
Belle Fourche Pipeline Company
P. O. Box 2360
Casper, WY 82602

Compiled By:
Robert Stamp
Belle Fourche Pipeline Company
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307-237-9301

ITEM NO.	SUBJECT	RULES AND REGULATIONS
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25A [R10]	**Minimum Tender, Shipments**	Tenders for the transportation of any kind of mixture of such petroleum for which the Carrier has facilities for segregating will be accepted under this tariff in quantities of not less than ten thousand (10,000) barrels from one shipper consigned to one consignee and destination. If Carrier's facilities and operating conditions permit, petroleum in lots of less than ten thousand (10, 000) barrels will received for trunk line transportation within a 60-day period. The Carrier will not be obliged to forward petroleum so tendered until it has received from one or more shippers, to be delivered at a single destination, a sufficient quantity of petroleum of the same quality or different qualities to be commingled – provided that the shippers agree to said commingling, to permit handling as a segregated movement through Carrier's existing facilities.
26 [R10]	**Prorationing**	When more petroleum is tendered for transportation in a month on a line segment than Carrier can transport, Carrier shall apportion its capacity by allocating space in such line segment in the following manner: (1) Existing Shippers: The percentage of pipeline capacity to be allocated to each Existing Shipper will be calculated by using data from the immediately preceding three months and dividing the sum of the shipments made for the account of each Existing Shipper on such line segment in the immediately preceding three months by the total shipments made for all Shippers on such line segment during the immediately preceding three months. The resulting percentages will then be applied to the line segment to determine the capacity allocation for each Existing Shipper. Each Existing Shipper will receive the lesser of its actual nomination or its allocation resulting from the above calculation. In the event that the above calculation results in any Shipper being allocated more capacity than its actual nomination, the excess of the calculated allocation over the Shipper's actual nomination will be reallocated per capita among all other New Shippers and Existing Shippers whose nominations would not be fulfilled through the allocations calculated in Paragraphs (1) and (2) of this Item. Allocations for Existing Shippers will be subject to pro rata reduction on the basis of the percentages calculated in this Paragraph (1), if required, to accommodate New Shippers. (2) New Shippers: Up to two and one-half percent (2.5%) of available capacity on a line segment will be allocated to each New Shipper, subject to a cap of ten percent (10%) of available capacity for all New Shippers. During periods of prorationing, New Shippers will be allocated pipeline capacity as follows: If less than four (4) New Shippers have submitted nominations for the affected line segment, each New Shipper will be allocated the lesser of either two and one-half percent (2.5%) of available capacity or its nominated volume. In the event that more than four (4) New Shippers have submitted nominations for the affected line segment, the nominated volumes for each New Shipper shall be totaled and divided into ten percent (10%) of the available pipeline capacity. The resulting percentage shall be the initial New Shipper's Proration Factor. Each New Shipper will be allocated pipeline segment capacity equal to the lesser of: (a) 2.5% of available capacity, or (b) its nominated volumes, or (c) its nominated volumes multiplied by the initial New Shipper Proration Factor. Any remaining pipeline segment capacity, subject to the maximum cap of ten percent of all available capacity, as outlined above, will be allocated equally among the New Shippers whose nominations were not fulfilled under the allocations calculated in

		Paragraph (2). (3) For purposes of Carrier's prorationing policies, the following definitions will be applicable: "Existing Shipper" – A shipper that has tendered petroleum or petroleum products for transportation on a specific line segment consecutively for the immediately preceding three months. "New Shippers" – A shipper that tenders petroleum or petroleum products for transportation on a specific line segment that does not qualify as an Existing Shipper, as defined in this Item, Paragraph (3) above.

EXPLANATION OF REFERENCE MARKS:

[I] Increase
[R10] Reissued from Supplement No. 10 to F.E.R.C. No. 550, March 1, 2005.

Supplement No. 10 to F.E.R.C. No. 551
Cancels Supplement No. 9 to F.E.R.C. No. 551

BUTTE PIPE LINE COMPANY

PROPORTIONAL TARIFF

THE RATES AND CHARGES NAMED IN THIS TARIFF ARE FOR THE
TRANSPORTATION AND DELIVERY OF
CRUDE PETROLEUM

List of Points from and to which Rates Apply and
Rates on Petroleum in Cents per Barrel of 42 U.S. Gallons

ROUTE NO.	From Montana Point	TO	Through Rate to Established Destination
01	# Baker, Fallon County	Alzada Station Carter County, MT	[I] 25.86

GATHERING SERVICE: *No gathering service will be performed under this tariff, and the rate named herein is for trunk line transportation only.*

Filed in compliance with 18 C.F.R. 342.3 (Indexing)

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

ISSUED: May 31, 2005 **EFFECTIVE: July 1, 2005**

Issued By:
H.A. True, III, President
Belle Fourche Pipeline Company
P. O. Box 2360
Casper, WY 82602

Compiled By:
Robert Stamp
Belle Fourche Pipeline Company
P. O. Box 2360
Casper, WY 82602
307-237-9301

ITEM NO.	SUBJECT	RULES AND REGULATIONS
19 [R9]	**Line Fill Requirement**	Carrier will require each shipper to supply a pro rata share of Petroleum for line fill and tankage necessary for the efficient operation of Carrier's system. Such line fill Petroleum may be withdrawn from Carrier's system only after ninety (90) days and subsequent to: (1) Shipper having ceased tendering shipments and notified Carrier in writing that it would no longer tender shipments to Carrier; (2) Shipper balances having been reconciled between Shipper and Carrier; and (3) Shipper having paid Carrier for all services.
25A [R9]	**Minimum Tender, Shipments**	Tenders for the transportation of any kind of mixture of such petroleum for which the Carrier has facilities for segregating will be accepted under this tariff in quantities of not less than ten thousand (10,000) barrels *from one shipper consigned to one consignee and* destination. If Carrier's facilities and operating conditions permit. petroleum in lots of less than ten thousand (10, 000) barrels will received for trunk line transportation within a 60-day period. The Carrier will not be obliged to forward petroleum so tendered until it *has received from one or more shippers, to be delivered at a single destination, a* sufficient quantity of petroleum of the same quality or different qualities to be commingled – provided that the shippers agree to said commingling, to permit handling as a segregated movement through Carrier's existing facilities.
26 [R9]	**Prorationing**	When more petroleum is tendered for transportation in a month on a line segment than Carrier can transport, Carrier shall apportion its capacity by allocating space in such line segment in the following manner: (1) Existing Shippers: The percentage of pipeline capacity to be allocated to each Existing Shipper will be calculated by using data from the immediately preceding three months and dividing the sum of the shipments made for the account of each Existing Shipper on such line segment in the immediately preceding three months by the total shipments made for all Shippers on such line segment during the immediately preceding three months. The resulting percentages will then be applied to the line segment to determine the capacity allocation for each Existing Shipper. Each Existing Shipper will receive the lesser of its actual nomination or its allocation resulting from the above calculation. In the event that the above calculation results in any Shipper being allocated more capacity than its actual nomination, the excess of the calculated allocation over the Shipper's actual nomination will be reallocated per capita among all other New Shippers and Existing Shippers whose nominations would not be fulfilled through the allocations calculated in Paragraphs (1) and (2) of this Item. Allocations for Existing Shippers will be subject to pro rata reduction on the basis of the percentages calculated in this Paragraph (1), if required, to accommodate New Shippers. (2) New Shippers: Up to two and one-half percent (2.5%) of available capacity on a line segment will be allocated to each New Shipper, subject to a cap of ten percent (10%) of available capacity for all New Shippers. During periods of prorationing, New Shippers will be allocated pipeline capacity as follows: If less than four (4) New Shippers have submitted nominations for the affected line segment, each New Shipper will be allocated the lesser of either two and one-half percent (2.5%) of available capacity or its nominated volume. In the event that more than four (4) New Shippers have submitted nominations for the affected line segment, the nominated volumes for each New Shipper shall be totaled and divided into ten percent (10%) of the available pipeline capacity. The resulting percentage shall be the initial New Shipper's Proration Factor. Each New Shipper will be allocated pipeline segment capacity equal to the lesser of: (a) 2.5% of available capacity, or (b) its nominated volumes, or (c) its nominated volumes multiplied by the initial New Shipper Proration Factor. Any remaining pipeline segment capacity, subject to the maximum cap of ten percent of all available capacity, as outlined above, will be allocated equally among the New Shippers whose nominations were not fulfilled under the allocations calculated in

		Paragraph (2). (3) For purposes of Carrier's prorationing policies, the following definitions will be applicable: "Existing Shipper" – A shipper that has tendered petroleum or petroleum products for transportation on a specific line segment consecutively for the immediately preceding three months. "New Shippers" – A shipper that tenders petroleum or petroleum products for transportation on a specific line segment that does not qualify as an Existing Shipper, as defined in this Item, Paragraph (3) above.

EXPLANATION OF REFERENCE MARKS:

#	Applies only to shipments destined to points outside of the State of Montana.
[I]	Increase
[R9]	Reissued from Supplement No. 9 to F.E.R.C. No. 551, March 1, 2005.

Supplement No. 12 to F.E.R.C. No. 552
Cancels Supplement No. 11 to F.E.R.C. No. 552

BUTTE PIPE LINE COMPANY

PROPORTIONAL TARIFF

THE RATES AND CHARGES NAMED IN THIS TARIFF ARE FOR THE
TRANSPORTATION AND DELIVERY OF
PETROLEUM

List of Points from and to which Rates Apply and
Rates on Petroleum in Cents per Barrel of 42 U.S. Gallons

ROUTE NO.	From Montana Points	TO	Through Rate to Established Destination
01	Baker, Fallon County	Ft. Laramie, Goshen County WY	
01	Cabin Creek, Fallon County	Guernsey, Platte County WY	
01	Little Beaver, Fallon County	Eighty-Eight Oil LLC,	[I] 45.25
01	Pennel, Fallon County	Platte County, WY	
01	Pine, Wibuax County		
02	Alzada, Carter County		[I] 34.21

GATHERING SERVICE: No gathering service will be performed under this tariff, and the rate named herein is for trunk line transportation only.

Filed in compliance with 18 C.F.R. 342.3 (Indexing)

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

ISSUED: May 31, 2005 **EFFECTIVE: July 1, 2005**

Issued By:
H.A. True, III, President
Belle Fourche Pipeline Company
P. O. Box 2360
Casper, WY 82602

Compiled By:
Robert Stamp
Belle Fourche Pipeline Company
P. O. Box 2360
Casper, WY 82602
307-237-9301

ITEM NO.	SUBJECT	RULES AND REGULATIONS
19 [R11]	**Line Fill Requirement**	Carrier will require each shipper to supply a pro rata share of Petroleum for line fill and tankage necessary for the efficient operation of Carrier's system. Such line fill Petroleum may be withdrawn from Carrier's system only after ninety (90) days and subsequent to: (1) Shipper having ceased tendering shipments and notified Carrier in writing that it would no longer tender shipments to Carrier; (2) Shipper balances having been reconciled between Shipper and Carrier; and (3) Shipper having paid Carrier for all services.
25A [R11]	**Minimum Tender, Shipments**	Tenders for the transportation of any kind of mixture of such petroleum for which the Carrier has facilities for segregating will be accepted under this tariff in quantities of not less than ten thousand (10,000) barrels from one shipper consigned to one consignee and destination. If Carrier's facilities and operating conditions permit, petroleum in lots of less than ten thousand (10, 000) barrels will received for trunk line transportation within a 60-day period. The Carrier will not be obliged to forward petroleum so tendered until it has received from one or more shippers, to be delivered at a single destination, a sufficient quantity of petroleum of the same quality or different qualities to be commingled – provided that the shippers agree to said commingling, to permit handling as a segregated movement through Carrier's existing facilities.
26 [R11]	**Prorationing**	When more petroleum is tendered for transportation in a month on a line segment than Carrier can transport, Carrier shall apportion its capacity by allocating space in such line segment in the following manner: (1) *Existing Shippers: The percentage of pipeline capacity to be allocated to each* Existing Shipper will be calculated by using data from the immediately preceding three months and dividing the sum of the shipments made for the account of each Existing Shipper on such line segment in the immediately preceding three months by the total *shipments made for all Shippers on such line segment during the immediately preceding* three months. The resulting percentages will then be applied to the line segment to determine the capacity allocation for each Existing Shipper. Each Existing Shipper will receive the lesser of its actual nomination or its allocation resulting from the above calculation. In the event that the above calculation results in any Shipper being allocated more capacity than its actual nomination, the excess of the calculated allocation over the Shipper's actual nomination will be reallocated per capita among all other New Shippers and Existing Shippers whose nominations would not be fulfilled through the allocations calculated in Paragraphs (1) and (2) of this Item. Allocations for Existing Shippers will be subject to pro rata reduction on the basis of the percentages calculated in this Paragraph (1), if required, to accommodate New Shippers. (2) New Shippers: Up to two and one-half percent (2.5%) of available capacity on a line segment will be allocated to each New Shipper, subject to a cap of ten percent (10%) of available capacity for all New Shippers. During periods of prorationing, New Shippers will be allocated pipeline capacity as follows: If less than four (4) New Shippers have submitted nominations for the affected line segment, each New Shipper will be allocated the lesser of either two and one-half percent (2.5%) of available capacity or its nominated volume. In the event that more than four (4) New Shippers have submitted nominations for the affected line segment, the nominated volumes for each New Shipper shall be totaled and divided into ten percent (10%) of the available pipeline capacity. The resulting percentage shall be the initial New Shipper's Proration Factor. Each New Shipper will be allocated pipeline segment capacity equal to the lesser of: (a) 2.5% of available capacity, or (b) its nominated volumes, or (c) its nominated volumes multiplied by the initial New Shipper Proration Factor. Any remaining pipeline segment capacity, subject to the maximum cap of ten percent of all available capacity, as outlined above, will be allocated equally among the New Shippers whose nominations were not fulfilled under the allocations calculated in

		Paragraph (2). (3) For purposes of Carrier's prorationing policies, the following definitions will be applicable: "Existing Shipper" – A shipper that has tendered petroleum or petroleum products for transportation on a specific line segment consecutively for the immediately preceding three months. "New Shippers" – A shipper that tenders petroleum or petroleum products for transportation on a specific line segment that does not qualify as an Existing Shipper, as defined in this Item, Paragraph (3) above.

EXPLANATION OF REFERENCE MARKS:

[I] Increase
[R11] Reissued from Supplement No. 11 to F.E.R.C. No. 552, March 1, 2005.

BUTTE PIPE LINE COMPANY INDEX SUMMARY

Current FERC No.	New FERC No.	Origins	Destination	Index Ceiling 7/1/2004	Current Rate 7/1/2004	Index Ceiling 7/1/2005	Proposed Rate 7/1/2005
No. 549 Supp. No. 10	No. 549 Supp. No. 11	Baker, Cabin Creek, Little Beaver Pennel, Pine and Alzada Stations	Mush Creek Station	43.67 33.01	43.67 33.01	45.25 34.21	45.25 34.21
No. 550 Supp. No. 10	No. 550 Supp. No. 11	Baker, Cabin Creek, Little Beaver Pennel, Pine and Alzada Stations	Osage Station	40.16 30.33	40.16 30.33	41.62 31.43	41.62 31.43
No. 551 Supp. No. 9	No. 551 Supp. No. 10	Baker Station	Alzada Station	24.95	24.95	25.86	25.86
No. 552 Supp. No. 11	No. 552 Supp. No. 12	Baker, Cabin Creek, Little Beaver Pennel, Pine and Alzada Stations	Ft. Laramie, Goshen County, WY Guernsey, Platte County, WY and Eighty Eight Oil LLC, Platte County, WY	43.67 33.01	43.67 33.01	45.25 34.21	45.25 34.21

ORIGINAL

Valero LP
Valero Logistics Operations, L.P.

P.O. Box 696000 • San Antonio, Texas 78269-6000
One Valero Way • San Antonio, Texas 78249-1112
Phone: 210/345-2000

May 27, 2004

OIL PIPELINE TARIFF FILING

VIA OVERNIGHT FEDERAL EXPRESS

Ms. Magalie R. Salas
Office of the Secretary
Federal Energy Regulatory Commission
888 First Street, N.E., Room 1A East
Washington, DC 20426

IS05-337-000

Dear Secretary Salas:

In accordance with the Interstate Commerce Act ("ICA") and the Rules and Regulations of the Federal Energy Regulatory Commission ("F.E.R.C."), Valero Logistics Operations, L.P. submits for filing three (3) copies of the following tariffs, effective July 1, 2005:

- F.E.R.C. No. 40 (Cancels F.E.R.C. No. 28)
- F.E.R.C. No. 41 (Cancels F.E.R.C. No. 29)
- F.E.R.C. No. 42 (Cancels F.E.R.C. No. 30)
- F.E.R.C. No. 43 (Cancels F.E.R.C. No. 31)
- F.E.R.C. No. 44 (Cancels F.E.R.C. No. 32)
- F.E.R.C. No. 45 (Cancels F.E.R.C. No. 33)
- F.E.R.C. No. 46 (Cancels F.E.R.C. No. 39)
- F.E.R.C. No. 47 (Cancels F.E.R.C. No. 35)
- F.E.R.C. No. 48 (Cancels F.E.R.C. No. 36, and all Supplements thereto)
- F.E.R.C. No. 49 (Cancels F.E.R.C. No. 37)
- F.E.R.C. No. 50 (Cancels F.E.R.C. No. 38, and all Supplements thereto)

All rates in the above referenced tariffs are increased in compliance with 18 C.F.R. § 342.3.

Attached is a worksheet for each of the above-referenced pipeline routes including the revised 2005-2006 index ceilings, existing rates and the proposed rates. The proposed rate is equal to the 2005-2006 index ceiling for the applicable pipeline route.

I hereby certify that copies of the above referenced tariff publications have been sent via first class mail, or other means of transmission as agreed upon by the subscriber, to all subscribers on the Valero Logistics Operations, L.P. subscriber list.

In accordance with 18 CFR § 343.3(a), Valero Logistics Operations, L.P. hereby requests that any protest of the attached tariffs be telefaxed to Valero Logistics Operations, L.P. in care of Andrew Dalton at (210) 353-8363.

Also enclosed herewith is one additional copy of this transmittal, including all attachments. Valero Logistics Operations, L.P. respectfully requests that this additional copy be stamped at the time of filing with the Commission's file stamp and returned to the undersigned in the enclosed self-addressed stamped envelope for our records.

If you have any questions regarding this filing, please contact the undersigned at (210) 345-5954.

Respectfully submitted,

Valero Logistics Operations, L.P.

By: Valero GP, Inc., its General Partner

By: _____
Andrew J. Dalton

Enclosure: Table of Tariff Schedule Changes

cc: EC-22255

Mr. David Ulevich
Federal Energy Regulatory Commission
888 First Street NE
Washington DC 20426

Valero Logistics Operation, L.P.
Tariff Schedule Changes
In Compliance with 18 CFR 342.3 and F.E.R.C. Order on Remand
Issued May 17, 2005, in Docket RM93-11-000, et al.
(Rates are in Dollars per Barrel)

Issued: May 17, 2005 | Effective: July 1, 2005

McKee-DS El Paso Station, TX	El Paso Station, TX	FERC 28	$1.1573	$1.1573	1.036288	$ 1.1993	$1.1993	FERC 40
McKee Station and McKee-DSCOLO Station, TX	Colorado Springs Station, CO *0 to 10,000 bpd*	FERC 29	$1.1555	$1.1555	1.036288	$ 1.1974	$1.1974	FERC 41
McKee Station and McKee-DSCOLO Station, TX	Colorado Springs Station, CO *10,001 bpd & over*	FERC 29	$0.6500	$0.6500	1.036288	$ 0.6736	$0.6736	
McKee Station and McKee-DSCOLO Station, TX	Denver Station, CO *0 to 13,000 bpd*	FERC 29	$1.2483	$1.2483	1.036288	$ 1.2936	$1.2936	
McKee Station and McKee-DSCOLO Station, TX	Denver Station, CO *13,001 bpd & over*	FERC 29	$0.8666	$0.8666	1.036288	$ 0.8980	$0.8980	
Colorado Springs Station, CO	Denver Station, CO *all bpd*	FERC 29	$0.3597	$0.3597	1.036288	$ 0.3728	$0.3728	
McKee Station, TX	Skellytown Station, TX	FERC 30	$0.1628	$0.1628	1.036288	$ 0.1687	$0.1687	FERC 42
Berryman Field, KS	McKee Station, TX	FERC 31	[1] $0.6190	$0.6190	1.036288	$ 0.6415	$0.6415	FERC 43
Richfield Field, KS			$0.6190	$0.6190	1.036288	$ 0.6415	$0.6415	
Flank Field, CO			$0.6190	$0.6190	1.036288	$ 0.6415	$0.6415	
Brandon Field, CO			$0.6190	$0.6190	1.036288	$ 0.6415	$0.6415	
Golden Spike Field, CO			$0.6190	$0.6190	1.036288	$ 0.6415	$0.6415	
Ladder Creek Field, CO			$0.6190	$0.6190	1.036288	$ 0.6415	$0.6415	
Smokey Creek Field, CO			$0.6190	$0.6190	1.036288	$ 0.6415	$0.6415	
Cheyenne Wells Field, CO			$0.6190	$0.6190	1.036288	$ 0.6415	$0.6415	
Hooker Station, OK	McKee Station, TX	FERC 32	$0.4557	$0.4557	1.036288	$ 0.4722	$0.4722	FERC 44
Clawson Station, TX	McKee Station, TX		$0.0867	$0.0867	1.036288	$ 0.0898	$0.0898	
Ardmore, OK	Wynnewood, OK	FERC 33	$0.1626	$0.1626	1.036288	$ 0.1685	$0.1685	FERC 45
Ringgold Station, TX	Wasson Station, OK	FERC 39	$0.4441	$0.4441	1.036288	$ 0.4602	$0.4602	FERC 46
Healdton/Amoco Station, OK	Wasson Station, OK		$0.1276	$0.1276	1.036288	$ 0.1322	$0.1322	
Wasson Station, OK	Ardmore Station, OK		[1] $0.1154	$0.1154	1.036288	$ 0.1196	$0.1196	
Amarillo Station, TX	Albuquerque Station, NM	FERC 35	$0.8952	$0.8952	1.036288	$ 0.9277	$0.9277	FERC 47

[1] Effective November 1, 2004, the rate on this pipeline route was increased from .1044 to .1154. The November 1, 2004 rate is the basis for subsequent index adjustments

Valero Logistics Operation, L.P.
Tariff Schedule Changes
In Compliance with 18 CFR 342.3 and F.E.R.C. Order on Remand
Issued May 17, 2005, in Docket RM93-11-000, et al.
(Rates are in Dollars per Barrel)

Issued: May 17, 2005

Effective: July 1, 2005

McKee Station, TX	Altus AFB Station, OK	Supp No. 1 to FERC No. 36	$1.3563	$1.3563	1.036288	$1.4055	$1.4055	FERC 48
McKee Station, TX	Skellytown Station, TX	FERC 37	$0.2170	$0.2170	1.036288	$0.2249	$0.2249	FERC 49
McKee Station, TX	Southlake Terminal, TX		$0.9765	$0.9765	1.036288	$1.0119	$1.0119	
McKee Station, TX	Wichita Falls, TX		$0.8136	$0.8136	1.036288	$0.8431	$0.8431	
Skellytown Station, TX	McKee Station, TX		$0.2712	$0.2712	1.036288	$0.2810	$0.2810	
Three Rivers, Live Oak County, Texas 1 - 5000 barrels per day (bpd)	United States/Mexico Int'l Boundary (near Laredo, Webb County, Texas) [1]	Supp No. 1 to FERC No. 38	$1.0000	$1.0000	1.036288	$1.0363	$1.0363	FERC 50
Three Rivers, Live Oak County, Texas 5001 bpd or more			$0.3500	$0.3500	1.036288	$0.3627	$0.3627	

[1] Effective 4/6/05, the rate on this pl route was decreased from $1.30 to $1.00 for 1 to 5000 bpd and from $0.02 to $0.35 for 5,001 bpd or more . The 04/06/05 rate is the basis for subsequent index adjustments.

F.E.R.C. No. 40
(Cancels F.E.R.C. No. 28)

VALERO LOGISTICS OPERATIONS, L.P.

LOCAL PIPELINE TARIFF

Containing the Rates, Rules and Regulations Governing the Interstate Transportation by Pipeline of

PETROLEUM PRODUCTS

[I] All rates in this issue are increased.

From	To	Rate in Dollars Per Barrel of 42 U.S. Gallons
McKee-DS El Paso Station, Moore County, Texas	El Paso Station, El Paso County, Texas	[I] $1.1993

Issued under authority of 18 C.F.R. §342.3. This tariff publication contains rates that are subject to indexation under authority of 18 C.F.R. §342.3.

Subject to the rules and regulations shown in Items 1 through 90, herein.

ISSUED: **May 31, 2005** **EFFECTIVE:** **July 1, 2005**

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

Issued By:

Curtis V. Anastasio
President and Chief Executive Officer
Valero G.P., Inc., as General Partner of
Valero Logistics Operations, L.P.
One Valero Way [W]
San Antonio, Texas 78249-1112 [W]

Compiled By:

Andrew Dalton
One Valero Way
San Antonio, Texas 78249-1112
(210) 345-5954

Symbols:

[I] Increase
[W] Change in wording only

INDEX OF COMMODITIES

Gasolines, Jet A turbine fuel, diesel fuels, propane, and MTBE.

RULES AND REGULATIONS

ITEM 1 **GENERAL APPLICATION OF TARIFF**

Carrier will transport Product, only as defined herein, by pipeline from each point of origin to each destination named herein, only as provided in these rules and regulations.

ITEM 5 **DEFINITIONS**

"Barrel"	means forty-two (42) United States gallons at sixty degrees Fahrenheit (60°F.) determined as prescribed in Item 35 (Measurement).
"Carrier"	*means and refers to Valero Logistics Operations, L.P.*
"Consignee"	means any party, other than Shipper, designated by Shipper as the party to withdraw Petroleum Products transferred to the destination.
"Consignor"	means the Shipper which tendered Petroleum Products to Carrier for transportation.
"Petroleum Products"	means gasolines, Jet A turbine fuel, diesel fuels, and MTBE.
"Shipper"	*means the party who gives notice to transport Petroleum Products under the* provisions outlined in this tariff.

ITEM 10 **SCHEDULING OF SHIPMENTS**

Shipper desiring to originate Petroleum Products shall furnish Carrier a written notice ("Shipment Notice") received by Carrier on or before the 15th day of the month prior to the calendar month in which Shipper desires transportation. Shipment Notice shall specify each Petroleum Product, the volume, origin and destination of each Petroleum Product offered to Carrier. If Shipper does not furnish such notice, Carrier will be under no obligation to accept such Petroleum Products for transportation.

Petroleum Products will be accepted for transportation, subject to items contained herein, only at such time as products of same quality and specifications are scheduled by Carrier for transport from receiving point to destination. Petroleum Products shall be available in Shipper's tankage for shipment 24 hours prior to the scheduled date for movement into Carrier's pipeline.

Carrier will transport and deliver Petroleum Products with reasonable diligence and dispatch considering the quantity, distance of transportation, safety of operations, and other material factors. Petroleum Products are pumped in a certain sequence for efficient operation and carrier reserves the right to specify the sequence of transportation of Petroleum Products.

ITEM 15 **PRODUCT ACCEPTANCE SPECIFICATIONS**

Petroleum Products accepted for transportation shall meet the following minimum specifications issued by Carrier and any additional specifications that may be promulgated by Carrier from time to time:

PRODUCT/SPECIFICATION	MINIMUM	MAXIMUM	STANDARD PROCEDURE
Gasolines			
Octane Number, (RON + MON)/2			
Regular Unleaded (only) MON	81.3		ASTM D-4814
Premium Unleaded	91.0		
Regular Unleaded	86.3		ASTM D-2699
Regular Unleaded CBOB	84.3		ASTM D-2700
Vapor pressure, @ 100° F. (psig) - April 1 to September 15		7.0	ASTM D-5191
Sulfur		300 Wt. PPM	ASTM D-2622-92
Lead, Unleaded only		0.03 g/US Gal.	ASTM D-3237
Diesel Fuels			
Gravity, API	30	42	ASTM D-1298
Distillation			ASTM D-86
90% Recovered		640°F.	
End Point		675°F.	
Flash, TCC	140°F.		ASTM D-56
Sulfur, Wt. % Off Road		0.50	ASTM D-4294
Highway		0.0500	ASTM D-2622
Color		2.0	ASTM D-1500
Cetane Index, Calculated	45		ASTM D-4737
Cloud Point			ASTM D-2500
March 1 – October 15		+20°F.	
October 16 – February 29		+10°F.	
Pour Point			ASTM D-97
March 1 – October 15		+10°F.	
October 16 – November 30		-5°F.	
December 1 – February 29		-10°F.	
Propane – HD-5 grade			GPA – 2140
Fluorine Wt. PPM		1.0 PPM	UOP – 619-83
Dryness Test (Cobalt Bromide)	"Dry"		GPA – Method

ITEM 30 **TESTING**

Shipper may be required to furnish Carrier with a certificate from a licensed petroleum inspector, setting forth the final tests showing the specifications of each shipment of Petroleum Products to be transported in Carrier's pipeline. Carrier may sample and/or test any such shipment prior to acceptance or during receipt, and in the event of variance between Shipper's certificate and Carrier's test, the latter shall prevail.

ITEM 35 **MEASUREMENT AND VOLUME CORRECTIONS**

No charge shall be made by Carrier for metering Petroleum Products upon receipt and delivery. All shipments tendered to Carrier for transportation shall be towed, gauged or metered by Carrier's representative prior to, or at the time of receipt from Shipper, but Shipper at all times may be present or represented during the testing, gauging or metering. Quantities shall be corrected as to temperature from observed temperatures to 60°F. Full deduction shall be made for all water and other impurities.

Carrier will adjust any overage or shortage of Petroleum Products with Shippers to allow for inherent losses or gains, including but not limited to shrinkage, evaporation, interface mixture, product measurements and other physical losses not due to negligence of Carrier. The adjustments for losses or gains will be allocated monthly among the Shippers in the proportion that the total number of Barrels delivered out of the system for each Shipper bears to the total number of Barrels delivered out of the system for all Shippers.

ITEM 40 **IDENTITY OF SHIPMENTS**

Carrier will not maintain the identity of Petroleum Products shipments and will commingle Petroleum Products received from the origin shown herein into a common fungible stream. Petroleum Products shall be accepted for transportation only on condition same will be subject to changes in gravity, color, quality or characteristics while in transit or as may result from unavoidable contamination and Carrier shall not be obligated to make delivery of the identical Petroleum Products received for transportation. Carrier reserves the right at any time to substitute and deliver Petroleum Products of the same character as the Petroleum Products shipped.

ITEM 45 **PRORATION OF PIPELINE CAPACITY**

In the event Shippers' total requirements are greater than can be currently handled by Carrier, in order to allow Carrier to equitably allocate line capacity to all Shippers during any month for which nominations set forth in Shipment Notices for that month exceed capacity, Carrier shall prorate available capacity so as to avoid discrimination among Shippers. The details of this procedure are set out in the following paragraphs.

Definitions

"Proration Month" is the calendar month for which space is being allocated.

"Calculation Month" is the calendar month just preceding the Proration Month for which space is being allocated.

"Base Period' is the 12-calandar month period just preceding the Calculation Month. Individual months within the Base period are designated by Nos. 1 through 12, with "Month 1" being the most recent Base Period month and "Month 12" being the oldest base Period month.

"New Shipper" is any Shipper who is not a Regular Shipper.

"Regular Shipper" is any Shipper who had a record of movements of Petroleum Product(s) in any eight (8) of Months 1 through 12.

"Base Shipments" are the average monthly movements over a line segment by a Regular Shipper during the Base Period. Base Shipments will be calculated by dividing the total movements by a Regular Shipper during the Base Period by 12.

"Forecast Volumes" is the total of all nominations set forth in Shipment Notices for a given calendar month. If it appears to Carrier that it will be necessary to allocate pipeline space for an extended period of time, Carrier may request Shippers to furnish in writing monthly forecasts of volumes to be shipped during the forward 24-calendar months. Carrier will carefully examine all Shipment Notices and forecasts using every means available to ensure that they are true and realistic and reserves the right to disregard any Forecast Volumes which appear to be inflated.

Proration Procedure

When Forecast Volumes for any month exceed the capacity, space shall be allocated among Shippers in that segment by the following procedure:

a. The Forecast Volumes for each Regular Shipper and each New Shipper shall be totaled and divided into the line capacity. The resultant fraction will be the "proration factor."

b. Each New Shipper shall be allocated space equal to its Forecast Volumes, up to a maximum of 50,000 barrels for each Proration Month, multiplied by the proration factor.

c. The remaining capacity shall be allocated among Regular Shippers in proportion to their Base Shipments.

d. In the event any Shipper(s) is (are) allocated more capacity that its (their) forecast requirement, the excess of its (their) allocation(s) over its (their) forecast(s) will be reallocated among all other Shippers in proportion to their unsatisfied requirements (i.e., each Shipper's forecast minus initial allocation).

Proration Penalty

To penalize inflation of Shippers' nominations, a Shipper's space allocation for the next Proration Month will be reduced by the amount of allocated throughput not shipped in the preceding Proration Month unless such failure to use allocated throughput is excused by force majeure. For this purpose "force majeure" means any of the following which directly affects or involves facilities used in the production of Petroleum Products, and from which facilities Petroleum Products have been tendered for shipment under this tariff during any eight (8) of Months 1 through 12 of the Base Period: act of God, storm, flood, extreme weather, fire, explosion, act of war, quarantine, authority of law, strike, riot. or breakdown of machinery or equipment.

General

Space allocated to a Shipper may neither be assigned by that Shipper nor used by that Shipper for the benefit of another Shipper. Upon request of Carrier, a responsible official of a Shipper's company may be required to give assurances to Carrier that this provision has not been violated. In the event such provision is violated, the allocated space for all Shippers involved in the violation shall be reduced by the amount of the unauthorized space obtained; the reduction being effective for the remainder of the current month as well as for the next month of proration for which pipeline capacity has not yet been allocated. Carrier may reallocate the space so withdrawn.

ITEM 50 PAYMENT OF CARRIER CHARGES

The Shipper shall pay all transportation and other lawful charges accruing on Petroleum Products delivered to and accepted by Carrier for shipment by the due date stated in Carrier's invoice (see Item 85), and if required by Carrier, shall prepay the same before delivery at point of origin. Carrier shall have a lien on all Petroleum Products in its possession belonging to Shipper to secure the payment of any and all unpaid transportation, or any lawful charges that are due Carrier, that are unpaid by Shipper and may withhold such Petroleum Products from delivery until all unpaid charges have been paid. Carrier reserves the right to set-off any such charges against any monies owed to Shipper by Carrier or any Petroleum Products of Shipper in Carrier's custody. If said charges remain unpaid ten (10) days after the due date therefor, Carrier shall have the right, through an agent to sell such Petroleum Products at public auction, on any day not a legal holiday, in not less than forty-eight (48) hours after publication of notice of such safe in a daily newspaper of general circulation published in the town or city where the sale is to be held, stating the time, place of sale. and the quantity and location of Petroleum Products to be sold. At said sale, Carrier shall have the right to bid and if the highest bidder, to become the purchaser. From The proceeds of said sale, Carrier will pay itself the transportation and all other lawful charges, including expenses incident to said sale, and the balance remaining, if any, shall be held for whomsoever may be lawfully entitled thereto.

ITEM 55 ACCEPTANCE FREE FROM LIENS AND CHARGES

When any Petroleum Products tendered for transportation are involved in litigation, a dispute over ownership or title, or encumbered by a lien or charge of any kind, the Shipper shall so advise Carrier in writing not less than five (5) business days before tendering for shipment. Carrier will refuse receipt of delivery of any Petroleum Products for transportation which are involved in litigation or in a dispute over ownership of title unless Shipper provides proof of Shipper's lawful right to ship such Petroleum Products or provides a satisfactory indemnity bond at least equal to the value of the Petroleum Products.

ITEM 60 LIABILITY OF CARRIER

Carrier shall not be liable for any delay in delivery of or any loss of Petroleum Products caused by acts of God, storm, flood, extreme weather, fire, explosion, by acts of war, quarantine, authority of law, strike, riot, by breakdown or accident to machinery or equipment, or by act of default of Shipper, Consignor or Consignee, or resulting from any other cause reasonably beyond the control of Carrier and not due to the negligence of Carrier, whether similar or dissimilar to the causes herein enumerated. Any such loss shall be apportioned by Carrier to each shipment of Petroleum Products or portion thereof involved in such loss in the proportion that such shipment or portion thereof bears to the total of all Petroleum Products in the loss, and each Consignee shall be entitled to receive only that portion of its shipment remaining after deducting such Consignee's proportion as above determined of such loss. Carrier shall prepare and submit a statement to Shippers and Consignee showing the apportionment of any such loss.

ITEM 65 **CLAIMS - TIME FOR FILING**

Notice of claims for delay, loss or damage must be made in writing to Carrier within nine (9) months after delivery of the Petroleum Products, or in the case of a failure to make delivery, then within nine (9) months after the date upon which delivery would have reasonably been completed by Carrier. Such written claim, as aforesaid, shall be a condition precedent to any suit. Suit against Carrier shall be instituted only within two (2) years and one (1) day from the day when notice in writing is given by Carrier to the claimant that Carrier has disallowed the claim or any part or parts thereof specified in the notice. Where claims are not filed or suits are not instituted thereon in accordance with the foregoing provisions, such claims will not be paid and the Carrier shall not be liable.

ITEM 70 **SCHEDULING OF DELIVERY**

When Shippers request delivery from the pipeline at a destination of a volume of Petroleum Products greater than can be immediately delivered, Carrier shall schedule delivery. Carrier shall not be liable for any delay in delivery resulting from such scheduling of delivery.

ITEM 75 **PIPEAGE AGREEMENT**

Separate agreements in accordance with this tariff and these regulations covering further details may be required by Carrier before any duty for transportation shall arise.

ITEM 80 **APPLICATION OF RATES**

The Rates set forth on the Title Page of this tariff, in effect on the date Petroleum Products are received by Carrier for shipment, apply to all Petroleum Products shipped under this tariff.

ITEM 85 **INVOICES**

Unless other arrangements have been required by Carrier, in advance, Shipper will be invoiced by the 10th day of the month following the month in which the shipment was completed, and payment will be due by wire transfer of immediately available funds on the 15th day of the month following the month in which the shipment was completed. For purposes of making such payments, a "Business Day" will be a day of the year on which banks are not required or authorized to be closed in New York City. Whenever any payment of Carrier's charges shall be stated to be due on a day that is not a Business Day, then (i) such due date falls on a Friday or Saturday, payment shall be due on the next preceding Business Day, or (ii) if such due date falls on any day of the week other than Friday or Saturday, payment shall be due on the next succeeding Business Day.

ITEM 90 **ROUTING**

The rates set forth herein apply via all routes of the Carrier except as otherwise specifically stated in the tariff.

F.E.R.C. No. 41
(Cancels F.E.R.C. No. 29)

VALERO LOGISTICS OPERATIONS, L.P.

LOCAL PIPELINE TARIFF

Containing the Rates, Rules and Regulations Governing the Interstate Transportation by Pipeline of

PETROLEUM PRODUCTS

[I] All rates in this issue are Increased.

From	To	Monthly Volume Incentives* (in Barrels per Day "BPD")	Rate in Dollars Per Barrel of 42 U.S. Gallons*
McKee Station and McKee-DSCOLO Station, Moore County, Texas	Colorado Springs Station, El Paso County, Colorado	0 to 10,000 BPD	[I] $1.1974 (Rate 1)
		10,001 BPD and over	[I] $0.6736 (Rate 2)
	Denver Station, Adams County, Colorado	0 to 13,000 BPD	[I] $1.2936 (Rate 3)
		13,001 BPD and over	[I] $0.8980 (Rate 4)
Colorado Springs Station, El Paso County, Colorado	Denver Station, Adams County, Colorado	All BPD	[I] $0.3728

Issued under authority of 18 C.F.R. §342.3. This tariff publication contains rates that are subject to indexation under authority of 18 C.F.R. §342.3.

Subject to the Rules and Regulations set forth in Items 1 to 95, herein.

ISSUED: **May 31, 2005** **EFFECTIVE:** **July 1, 2005**

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

Issued By:

Curtis V. Anastasio
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Symbols:

[I] Rate Increase

[W] Change in wording only

INDEX OF COMMODITIES

Gasolines, aircraft turbine fuel, diesel fuels, jet fuel and MTBE.

RULES AND REGULATIONS

ITEM 1 **GENERAL APPLICATION OF TARIFF**

Carrier will transport Product, only as defined herein, by pipeline from the points of origin to the destinations named herein, only as provided in these rules and regulations.

ITEM 5 **DEFINITIONS**

"Barrel"	means forty-two (42) United States gallons at sixty degrees Fahrenheit (60°F.) determined as prescribed in Item 35 (Measurement).
"Carrier"	means and refers to Valero Logistics Operations, L.P.
"Consignee"	means the party having ownership of Petroleum Products transferred to them.
"Consignor"	means the party which tendered Petroleum Products to Carrier for transportation.
"Petroleum Products"	means gasolines, aircraft turbine fuel, diesel fuels, jet fuel and MTBE.
"Shipper"	means any party who gives notice to transport Petroleum Products under the provisions outlined in this tariff.

ITEM 10 **SCHEDULING OF SHIPMENTS**

Shipper desiring to originate Petroleum Products shall furnish Carrier a written notice ("Shipment Notice") by the 15th day of the month prior to the calendar month in which Shipper desires transportation.

Shipment Notice shall specify each Product, the volume, origins and destinations of the Petroleum Products offered to Carrier. If Shipper does not furnish such notice, Carrier will be under no obligation to accept such Petroleum Products for transportation.

Petroleum Products will be accepted for transportation, subject to items contained herein, at such time and in such quantity as scheduled by Carrier.

Carrier will transport and deliver Petroleum Products with reasonable diligence and dispatch considering the quantity, distance of transportation, safety of operations, and other material factors.

ITEM 15 **PRODUCT ACCEPTANCE SPECIFICATIONS**

Petroleum products accepted for transportation shall meet the following minimum specifications issued by Carrier and any additional specifications that may be promulgated by Carrier from time to time:

PRODUCT/SPECIFICATION	MINIMUM	MAXIMUM	TEST PROCEDURE
Gasolines			
Octane Number, (RON+MON)/2			ASTM D-2699
Premium Unleaded	91.0		ASTM D-2700
Midgrade Unleaded	87.0		
Regular Unleaded	85.0		
Vapor Pressure, @ 100° F. (psig)	Seasonal	Seasonal	ASTM D-439
T (V/L) = 20	Seasonal	Seasonal	ASTM D-439
Distillation (29.92"Hg),			
End Point		437°F.	ASTM D-86
Corrosion	Must pass 1B		ASTM D-130
Doctor	Negative		ASTM D-484
Sulfur, Unleaded only		0.1 wt. %	ASTM D-1266
Lead		0.03 g/US Gal.	ASTM D-3237

PRODUCT/SPECIFICATION	MINIMUM	MAXIMUM	TEST PROCEDURE
Diesel Fuels	30	42	ASTM D-287
Gravity, API			ASTM D-86
Distillation		485°F.	
10% Recovered		640°F.	
90% Recovered		675°F.	
End Point			
Flash, TCC	140°F.		ASTM D-56
Sulfur, Wt. % Off Road		0.5	ASTM D-129
Highway		0.3	ASTM D-129
Color	40	2.5	ASTM D-1500
Cetane Index, Calculated			ASTM D-976
Cloud Point			ASTM D-2500
March 1 - October 15		+20°F.	
October 16 - February 29		+10°F.	
Pour Point			ASTM D-97
March 1 - October 15		+10°F.	
October 16 – November 30		-5°F.	
December 1 - February 29		-10°F.	
Aircraft Turbine Fuel			
Gravity, API	37	51	ASTM D-287
Distillation, @750 mm Hg			ASTM D-86
10% Recovered		400°F.	
50% Recovered		Report	
90% Recovered		Report	
End Point		572°F.	
% Residue		1.5	
% Loss		1.5	
Flash Point, TCC	100°F.	150°F.	ASTM D-56
Freeze Point		-40°F.	ASTM D-2386
Viscosity, Centistokes			
@ -4°F.		8	ASTM D-445
Corrosion, 2 hours @			
212°F. (Bomb)		1	ASTM D-130
Sulfur, Wt. %		0.3	ASTM D-1266
Color, Saybolt	+15		ASTM D-156
Jet Fuel			ASTM D-1266
Sulfur		0.40 wt. %	or D-2622
Vapor Pressure, psig @			
100°F.	2.0	3.0	ASTM D-323 or D-2551
Distillation temperature, (°F.)			ASTM D-216
20% Recovered		293°F.	
50% Recovered		375°F.	
90% Recovered		473°F.	
End Point		518°F.	
% Residue		1.5	
% Loss		1.5	
Density (API, @ 15°C.)	45.0	57.0	ASTM D-1298
MTBE			
Composition, LV %	85%		
Vapor Pressure, psig @ 100		10.0	ASTM D-439

Petroleum Products, before tender, shall be dehydrated sufficiently to prevent the deposition of free water in pipeline, and shall be free of suspended aqueous chemical solutions and solid matter in suspension. Consignor and Shipper warrant to Carrier that any Petroleum Products tendered to Carrier will conform with the specifications for such Petroleum Products.

If, upon investigation, Carrier determines that a Shipper has delivered to Carrier's facilities Petroleum Products that are not fungible with, or that has contaminated, the common fungible stream being transported, rendering all or a portion of the fungible Petroleum Products stream undeliverable, Carrier reserves the right to treat or otherwise dispose of the contaminated Petroleum Products in any reasonable commercial manner and at Shipper's sole expense.

Carrier reserves the right to refuse to accept any Petroleum Products that do not meet the foregoing acceptance requirements.

ITEM 20 SIZE OF SHIPMENTS

A minimum scheduled delivery volume of 10,000 barrels or more of the same quality and specifications, to be offered for shipment in Shipper's tanks and accepted by Carrier at the inlet to McKee-DSCOLO Station, Texas, through Shipper's connections shall be required on all Petroleum Products. To prevent inconvenience to the rights of other Shippers, Carrier may reduce a Shipper's scheduled volume it such Shipper fails to have Petroleum Products available for shipment when scheduled or if such Shipper is unable to maintain sufficient flow rates so as to enable Carrier to utilize the maximum pipeline capacity.

ITEM 25 ORIGIN AND DESTINATION FACILITIES

Carrier will not undertake to provide tankage for the receipt of Petroleum Products at the receiving point or for the delivery of Petroleum Products at destination. Shipments will be accepted for transportation only from tankage provided by Shipper at the established receiving point for delivery to tankage provided in advance by Consignor or Consignee at the established delivery point. Satisfactory evidence of the availability of such facilities may be required by Carrier before any obligation to furnish transportation shall arise.

ITEM 30 TESTING

Shipper may be required to furnish Carrier with a certificate from a licensed petroleum inspector setting forth the final tests showing the specifications of each shipment of Petroleum Products to be transported in Carrier's pipeline. Carrier may sample and/or test any such shipment prior to acceptance or during receipt, and in the event of variance between Shipper's certificate and Carrier's test, the latter shall prevail.

ITEM 35 MEASUREMENT AND VOLUME CORRECTIONS

No charge shall be made by Carrier for metering Petroleum Products upon receipt and delivery. All shipments tendered to Carrier for transportation shall be tested, gauged or metered by Carrier's representative prior to, or at the time of receipt from Shipper, but Shipper at all times may be present or represented during the testing, gauging or metering. Quantities shall be corrected as to temperature from observed temperatures to 60°F. Full deduction shall be made for all water and other impurities.

Carrier will adjust any overage or shortage of Petroleum Products with Shippers to allow for inherent losses or gains, including but not limited to shrinkage, evaporation, interface mixture, product measurements and other physical losses not due to negligence of Carrier. The adjustments for losses or gains will be allocated monthly among the Shippers in the proportion that the total number of Barrels delivered out of the system for each Shipper bears to the total number of Barrels delivered out of the system for all Shippers.

ITEM 40 IDENTITY OF SHIPMENTS

Carrier will not maintain the identity of Petroleum Products shipments and will commingle Petroleum Products received from the origin shown herein into a common fungible stream. Petroleum Products shall be accepted for transportation only on condition same will be subject to changes in gravity, color, quality or characteristics while in transit or as may result from unavoidable contamination and Carrier shall not be obligated to make delivery of the identical Petroleum Products received for transportation. Carrier reserves the right at any time to substitute and deliver Petroleum Products of the same character as the Petroleum Products shipped.

ITEM 45 PRORATION OF PIPELINE CAPACITY

In the event Shippers' total requirements are greater than can be currently handled by Carrier, Carrier shall prorate available capacity so as to avoid discrimination among Shippers. The details of this procedure are set out in the following paragraphs.

Purpose of Policy

To allow Carrier to equitably allocate line capacity to all Shippers during any month for which nominations set forth in Shipment Notices for that month exceed capacity.

Definitions

"Proration Month" is the calendar month for which space is being allocated.

"Calculation Month" is the calendar month just preceding the Proration Month for which space is being allocated.

"Base Period" is the 12-calendar month period just preceding the Calculation Month. Individual months within the Base Period are designated by Nos. 1 through 12, with "Month 1" being the most recent Base Period month and "Month 12" being the oldest Base Period month.

"New Shipper" is any Shipper who is not a Regular Shipper.

"Regular Shipper" is any Shipper who had a record of movements of Petroleum Product(s) in any eight (8) of Months 1 through 12.

"Base Shipments" are the average monthly movements over a line segment by a Regular Shipper during the Base Period. Base Shipments will be calculated by dividing the total movements by a Regular Shipper during the Base Period by 12.

"Forecast Volumes" is the total of all nominations set forth in Shipment Notices for a given calendar month. If it appears to Carrier that it will be necessary to allocate pipeline space for an extended period of time, Carrier may request Shippers to furnish in writing monthly forecasts of volumes to be shipped during the forward 24-calendar months. Carrier will carefully examine all Shipment Notices and forecasts using every means available to ensure that they are true and realistic and will challenge any Forecast Volumes which appear to be inflated.

Proration Procedure

When Forecast Volumes for any month exceed the capacity, space shall be allocated among Shippers in that segment by the following procedure:

a. The Forecast Volumes for each Regular Shipper and each new Shipper shall be totaled and divided into the line capacity. The resultant fraction will be the "proration factor."

b. Each new Shipper shall be allocated space equal to its Forecast Volumes, up to a maximum of 50,000 barrels for each Proration Month, multiplied by the proration factor.

c. *The remaining capacity shall be allocated among Regular Shippers in proportion to their Base* Shipments.

d. In the event any Shipper(s) is (are) allocated more capacity than its (their) forecast requirement, the excess of its (their) allocation(s) over its (their) forecast(s) will be reallocated among all other Shippers in proportion to their unsatisfied requirements (i.e. each Shipper's forecast minus initial allocation).

Proration Penalty

To penalize inflation of Shippers' nominations, a Shipper's space allocation for the next Proration Month will *be reduced by the amount of allocated throughput not shipped in the preceding Proration Month, unless such failure* to use allocated throughput is excused by force majeure. For this purpose "force majeure" means any of the following which directly affects or involves facilities used in the production of Petroleum Products, and from which facilities Petroleum Products have been tendered for shipment under this tariff during any eight (8) of Months 1 through 12 of the Base Period: acts of God, storm, flood, extreme weather, fire, explosions, acts of war, quarantine, authority of low, strikes, riots, or breakdown of machinery or equipment.

General

Space allocated to a Shipper may neither be assigned to nor used for the benefit of another Shipper. Upon request of Carrier, a responsible official of a Shipper's company may be required to give assurances to Carrier that this provision has not been violated. In the event such provision is violated, the allocated space for all Shippers involved in the violation shall be reduced by the amount of the unauthorized space obtained; the reduction being

effective for the remainder of the current month as well as for the next month of proration for which pipeline capacity has not yet been allocated. Carrier may reallocate the space so withdrawn.

ITEM 50 PAYMENT OF CARRIER CHARGES

The Shipper shall pay all transportation and other lawful charges accruing on Petroleum Products delivered to and accepted by Carrier for shipment by the due date stated in Carrier's invoice (see Item 85), and if required by Carrier, shall prepay the same before delivery at point of origin. Carrier shall have a lien on all Petroleum Products in its possession belonging to Shipper to secure the payment of any and all unpaid transportation, or any lawful charges that are due Carrier, that are unpaid by Shipper, and may withhold such Petroleum Products from delivery until all unpaid charges have been paid. Carrier reserves the right to set-off any such charges against any monies owed to Shipper by Carrier or any Petroleum Products of Shipper in Carrier's custody. If said charges remain unpaid ten (10) days after the due date therefor, Carrier shall have the right, through an agent, to sell such Petroleum Products at public auction, on any day not a legal holiday, in not less than forty-eight (48) hours after publication of notice of such sale in a daily newspaper of general circulation published in the town or city where the sale is to be held, stating the time, place of sale, and the quantity and location of Petroleum Products to be sold. At said sale, Carrier shall have the right to bid, and if the highest bidder, to become the purchaser. From the proceeds of said sale, Carrier will pay itself the transportation and all other lawful charges, including expenses incident to said sale, and the balance remaining, if any, shall be held for whomsoever may be lawfully entitled thereto.

ITEM 55 ACCEPTANCE FREE FROM LIENS AND CHARGES

When any Petroleum Products tendered for transportation are involved in litigation, a dispute over ownership or title, or encumbered by a lien or charge of any kind, the Shipper shall so advise Carrier in writing not less than five (5) business days before tendering for shipment. Carrier will refuse receipt of delivery of any Petroleum Products for transportation which are involved in litigation or in a dispute over ownership or title unless Shipper provides proof of Shipper's lawful right to ship such Petroleum Products or provides a satisfactory indemnity bond equal to the value of the Petroleum Products.

ITEM 60 LIABILITY OF CARRIER

Carrier shall not be liable for any delay in delivery of or any loss of Petroleum Products caused by acts of God, storm, flood, extreme weather, fire, explosion, by acts of war, quarantine, authority of law, strikes, riots, by breakdown or accident to machinery or equipment, or by act of default of Shipper, Consignor or Consignee, or resulting from any other cause reasonably beyond the control of Carrier and not due to the negligence of Carrier, whether similar or dissimilar to the causes herein enumerated. Any such loss shall be apportioned by Carrier to each shipment of Petroleum Products or portion thereof involved in such loss in the proportion that such shipment or portion thereof bears to the total of all Petroleum Products in the loss, and each Consignee shall be entitled to receive only that portion of its shipment remaining after deducting such Consignee's proportion as above determined of such loss. Carrier shall prepare and submit a statement to Shippers and Consignee showing the apportionment of any such loss.

ITEM 65 CLAIMS TIME FOR FILING

Notice of claims for delay, loss or damage must be made in writing to Carrier within nine (9) months after delivery of the Petroleum Products, or in the case of a failure to make delivery, then within nine (9) months after the date upon which delivery would have reasonably been completed by Carrier. Such written claim, as aforesaid, shall be a condition precedent to any suit. Suit against Carrier shall be instituted only within two (2) years and one (1) day from the day when notice in writing is given by Carrier to the claimant that Carrier has disallowed the claim or any part or parts thereof specified in the notice. Where claims are not filed or suits are not instituted thereon in accordance with the foregoing provisions, such claims will not be paid and the Carrier shall not be liable.

ITEM 70 SCHEDULING OF DELIVERY

When Shippers request delivery from the pipeline at a destination of a volume of Petroleum Products greater than can be immediately delivered, Carrier shall schedule delivery. Carrier shall not be liable for any delay in delivery resulting from such scheduling of delivery.

ITEM 75 PIPAGE AGREEMENT

Separate agreements in accordance with this tariff and these regulations covering further details may be required by Carrier before any duty for transportation shall arise.

ITEM 80 APPLICATION OF RATES

The Rates set forth an the Title Page of this tariff, in effect on the date Petroleum Products are received by Carrier for shipment, apply to all Petroleum Products shipped under this tariff.

ITEM 85 INVOICES

Unless other arrangements have been required by Carrier, in advance, Shipper will be invoiced by the 10th day of the month following the month in which the shipment was completed, and payment will be due by wire transfer of immediately available funds on the 15th day of the month following the month in which the shipment was completed. For purposes of making such payments, a "Business Day" will be a day of the year on which banks are not required or authorized to be closed in New York City. Whenever any payment of Carrier's charges shall be stated to be due on a day that is not a Business Day, then (i) if such due date falls on a Friday or Saturday, payment shall be due on the next preceding Business Day, or (ii) if such due date falls an any day of the week other than Friday or Saturday, payment shall be due on the next succeeding Business Day.

ITEM 90 ROUTING

The rates set forth herein apply via all routes of the Carrier except as otherwise specifically stated in the tariff.

ITEM 95 MONTHLY VOLUME INCENTIVE RATE TERMS

The Pipeline will invoice each shipper monthly at the appropriate rate set forth herein based on the average number of barrels shipped per day ("BPD") in a given month. The average BPD shipped is determined by dividing (a) the total barrels shipped by a given shipper in a given month by (b) the number of days in that month. The four rates then apply as follows:

(1) Rate 1 applies to the first 10,000 BPD shipped;
(2) Rate 2 applies to any additional barrels in excess of 10,000 BPD shipped;
(3) Rate 3 applies to the first 13,000 BPD shipped; and
(4) Rate 4 applies to any additional barrels in excess of 13,000 BPD shipped.

If a shipper does not average greater than 10,000 or 13,000 BPD during a given month, that shipper cannot qualify for Rate 2 or 4, respectively, in that month.

F.E.R.C. No. 42
(Cancels F.E.R.C. No. 30)

VALERO LOGISTICS OPERATIONS, LP

LOCAL PIPELINE TARIFF

Containing the Rates, Rules and Regulations Governing the Interstate Transportation by Pipeline of

PETROLEUM PRODUCTS

[I] All rates in this issue are increased.

From	To	Rate in Dollars Per Barrel of 42 U.S. Gallons
McKee Station, Moore County, Texas	Skellytown Station, Carson County, Texas	[I] $0.1687

Issued under authority of 18 C.F.R. §342.3. This tariff publication contains rates that are subject to *indexation under authority of 18 C.F.R. §342.3.*

Subject to the Rules and Regulations Shown in Items 1000.01 to 1000.11, herein.

ISSUED: **May 31, 2005** **EFFECTIVE:** **July 1, 2005**

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

Issued By:

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Symbols:

[I] Increase
[W] Change in wording only

RULES AND REGULATIONS

Carrier will accept products (as defined herein) for interstate transportation by pipeline from the point of origin to the point of destination named in this tariff, subject to the following rules and regulations:

1000.01. DEFINITIONS

"Carrier" shall mean Valero Logistics Operations, L.P.

"Petroleum Products" shall mean and is limited to normal butane, propane and propylene-propane mixtures conforming to specifications issued by Valero Logistics Operations, L.P.

"Barrel" shall mean forty-two (42) United States gallons equivalent liquid volume at sixty degrees Fahrenheit (60°F.) and equilibrium vapor pressure.

"Shipper" shall mean the party who contracts with Carrier for transportation of Petroleum Products under the terms of this staff.

1000.02. SPECIFICATIONS REQUIRED

Petroleum products will be accepted for transportation only at such time as petroleum products of similar quality and characteristics are being transported from receiving point to delivery point.

Carrier may require Shipper to furnish a certificate by a licensed petroleum inspector showing the final tests of the petroleum products tendered for transportation.

Petroleum products, before tender, shall be dehydrated sufficiently to prevent the deposition of free water in the pipelines, and shall be free of suspended aqueous chemical solutions and solid matter in suspension.

1000.03. STORAGE AND DESTINATION FACILITIES

Carrier will not undertake to provide tankage for the receipt of petroleum products at receiving point or for the delivery of petroleum products at destination. Shipments will be accepted for transportation only from tankage provided by Shipper at established receiving point for delivery to tankage provided in advance by Shipper or consignee at established delivery point.

1000.04. MINIMUM TENDER

Petroleum products may be tendered for transportation in quantities of not less than 15,000 barrels to be offered for shipment in Shipper's tanks and accepted by the Carrier at the inlet to McKee station through Shipper's connections.

1000.05. APPORTIONMENT WHEN TENDERS ARE IN EXCESS OF FACILITIES.

When there shall be tendered to Carrier for transportation greater quantities than can be immediately transported, the transportation shall be apportioned among all Shippers in proportion to the amounts tendered by each; provided that no tender for transportation shall be considered beyond the amount which the Shipper requesting the shipment has on hand available and ready for shipment. Carrier shall be considered as a Shipper of quantities tendered by itself and held for shipment through its lines and its shipments shall be entitled to participate ratably in such apportionment.

1000.06. PETRROLUME PRODUCTS INVOLVED IN LITIGATION, ETC.

Carrier shall have the right to reject any petroleum products, 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 all loss.

1000.07. MEASURING, TESTING AND DEDUCTIONS

All shipments tendered 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, but the Shipper shall at all times have the privilege of being

present or represented during the testing, gauging or metering. Quantities shall be corrected as to temperature from observed temperatures to sixty degrees (60°F.) Fahrenheit. Full deduction will be made for all water and other impurities.

1000.08. IDENTITY OF PETROLEUM PRODUCTS

Petroleum products will be accepted for transportation only on condition same will be subject to changes in gravity, color, quality or characteristics while in transit or as may result from unavoidable contamination and Carrier will not be obligated to make delivery of the identical petroleum products received for transportation. Carrier may, therefore, make delivery of petroleum products out of common stocks of similar petroleum products on hand at delivery point.

1000.09. LIABILITY OF CARRIER

Carrier shall not be liable for any loss of any petroleum products, or damage thereto, or delay, because of an act of God , the public enemy, quarantine, the authority of law, strikes, riots, or the acts of default of the Shipper or consignee, or from any other cause not due to 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 shipment, 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 its shipment remaining after deducting its proportion of such loss or damage determined as aforesaid and shall be required to pay transportation charges only on the quantity delivered.

Carrier will assume no liability where operational, scheduling, excess demand, delays and other problems encountered in pipeline operations prevents its ability to maintain schedules or comply with Shipper's withdrawal requirements.

1000.10. UNPAID CHARGES, LIEN FOR AND SALE TO COVER

The Shipper or consignee shall pay the transportation and all other lawful charges accruing, and, if required, shall pay same before delivery at destination. Carrier shall have a lien on all petroleum products to cover charges for more than five (5) days after notice of readiness to deliver, Carrier, by agent, may sell said petroleum products at public auction at the office of the Carrier in San Antonio, Bexar County, Texas, on any day not a legal holiday and not less than forty-eight (48) hours after publication of notice in a daily newspaper of general circulation published in San Antonio, Texas, said notice giving the time and place of the sale and the quantity of the petroleum products to be sold. Carrier may be a bidder and purchase at such ale. From the proceeds of the sale Carrier may pay itself all charges lawfully accruing, and all expenses of said sale, and the net balance shall be held for whosoever may be lawfully entitled thereto.

1000.11. NOTICE OF CLAIMS

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 such nine (9) month period, and unless so made and filed the Carrier shall be wholly released and discharged therefrom and shall not be liable therefor 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.

F.E.R.C. No. 43
(Cancels F.E.R.C. No. 31)

VALERO LOGISTICS OPERATIONS, L.P.

LOCAL PIPELINE TARIFF

Containing the Rates, Rules and Regulations Governing the Interstate Transportation by Pipeline of

CRUDE PETROLEUM

[I] All rates in this issue are increased.

From	*To*	Rate in Dollars Per Barrel of 42 U.S. Gallons
Berryman (Upper Morrow) Field, Morton County, Kansas	McKee Station, Moore County, *Texas*	[I] $0.6415
Richfield (Upper Morrow) Field, Morton County, Kansas		
Flank Field, Baca County, Colorado		
Brandon Field, Kiowa County, Colorado		
Golden Spike Field, Cheyenne County, Colorado		
Ladder Creek Field, Cheyenne County, Colorado		
Smoky Creek Field, Cheyenne County, Colorado		
Cheyenne Wells Field, Cheyenne County, Colorado		

Issued under authority of 18 C.F.R. §342.3. This tariff publication contains rates that are subject to indexation under authority of 18 C.F.R. §342.3.

Subject to the Rules and Regulations set forth in Items 1 to 14, herein.

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

Issued By:

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Symbols:

[I] Increase
[W] Change in wording only

RULES AND REGULATIONS

Valero Logistics Operations, L.P., herein called "the Carrier," will undertake the interstate transportation of crude petroleum hereunder through its own pipe lines only and deliver same only to the destinations named herein, all subject to the following regulations:

ITEM 1. "CRUDE PETROLEUM" AND "BARREL" DEFINED:

"Barrel" as herein used means forty-two (42) United States gallons at sixty degrees Fahrenheit (60° F.).

"Crude Petroleum" means liquid petroleum in its crude state, or mixtures thereof, of a gravity of twenty-nine degrees (29°) American Petroleum Institute or higher, which is suitable or adapted for refining purposes, properly settled and containing not more than two per cent (2%) of basic sediment, water or other impurities, above a point six inches (6") below pipe line connection with the tank from which it enters the Carrier's facilities.

ITEM 2. MINIMUM TENDER:

Crude petroleum will be accepted for transportation under this tariff in tenders of not less than ten thousand (10,000) barrels from one consignor consigned to one consignee at the destination point. Crude petroleum so tendered for gathering and pipe line transportation will be received as currently available providing he total within a thirty (30) day period is not less than ten thousand (10,000) barrels.

ITEM 3. APPORTIONMENT WHEN TENDERS ARE IN EXCESS OF FACILITIES:

When there shall be tendered to the Carrier for transportation more crude petroleum than can be immediately received, stored or transported, the services and transportation furnished by the Carrier shall be apportioned among all shippers in proportion to the amounts tendered by each; provided, no tender shall be accepted beyond the amount which the shipper then has on hand accessible to and ready for shipment by the Carrier.

ITEM 4. GAUGING, TESTING AND DEDUCTIONS:

Crude petroleum tendered to the Carrier shall be gauged and tested by a representative of the Carrier prior to its receipt from shipper, but shipper shall be given the opportunity to being present or represented at the gauging and testing. Quantities will be computed from regularly compiled tank tables on a one hundred per cent (100%) volume basis and shall show the gross volume at the observed fluid temperature. Corrections will be made for temperatures from observed degrees Fahrenheit to sixty degrees Fahrenheit (60° F.). Deductions will be made for the full percentage of basic sediment, water and other impurities, as ascertained by the centrifugal or other test used by the Carrier. A further deduction of one percent (1%) shall be made for evaporation and other unavoidable loss incident to the transportation by pipe line. The net corrected balance at sixty degrees Fahrenheit (60° F.) will be the quantity deliverable to the consignee and upon which transportation charges will be assessed.

ITEM 5. DESTINATION FACILITIES REQUIRED:

All necessary facilities for promptly receiving crude petroleum as it arrives at the destination point must be provided by the shipper or consignee, and the Carrier may refuse to accept crude petroleum for transportation unless satisfactory evidence be furnished that the shipper or consignee has provided such necessary facilities for promptly receiving said crude petroleum at the destination point.

ITEM 6. NOTICE OF ARRIVAL AND DEMURRAGE CHARGES:

The Carrier's duty is to deliver at the destination point the quantity of crude petroleum to be transported, less deductions, and such delivery may be made upon twenty-four (24) hours' notice to the shipper of consignee who shall immediately accept and receive said crude petroleum from the Carrier into tanks or receptacles to be provided by the shipper of consignee. After the expiration of 24 hours' notice from the Carrier, a demurrage charge of one cent (1¢) per barrel will accrue on all crude petroleum not received by the shipper or consignee for each delay of 24 hours, or fractional part thereof, until said crude petroleum is received.

ITEM 7. DELIVERIES AT DESTINATION:

Deliveries will be made only into shipper's or consignee's tanks or receptacles at the destination point without any additional delivery charge, provided such tanks or receptacles are located on the Carrier's pipe line. Upon failure by a shipper or consignee promptly to take crude petroleum at the destination point, or upon failure to pay

any charge due the Carrier, such crude petroleum may be sold by the Carrier, or its representatives, at public auction for cash at the office of the Carrier in San Antonio, Texas, not less than forty-eight (48) hours after publication of notice in a daily newspaper published in San Antonio, Texas, of the time and place of sale and the quantity of the crude petroleum to be sold. The proceeds of such sale shall be applied to the payment of all unpaid charges of the Carrier, if any, and of all expenses incident to the sale, and the balance shall be held for whomsoever shall be lawfully entitled thereto.

ITEM 8. SHIPMENTS:

Crude petroleum accepted for transportation is subject to such changes in gravity or quality while in transit or storage as result from its mixture with other crude petroleum in the pipe lines or tanks of the Carrier. The Carrier shall not be obligated to deliver the identical crude petroleum received but may make delivery out of its common mixed stock. Subject to the foregoing, the Carrier will use its best efforts to deliver crude petroleum of a grade and gravity substantially equivalent to that accepted from the shipper.

ITEM 9. CRUDE PETROLEUM INVOLVED IN LITIGATION, LIENS AND TITLE DISPUTES:

The Carrier shall have the right to refuse to receive any crude petroleum which may be involved in litigation, or to which the title may be in dispute, or which may be encumbered by liens or charges of any kind, and it may require of the shipper satisfactory evidence of his perfect and unencumbered title, or satisfactory indemnity to protect the Carrier.

ITEM 10. PAYMENT OF CHARGES:

Unless credit arrangements satisfactory to the Carrier are made in advance, the shipper or consignee shall pay transportation and all other lawful charges accruing on crude petroleum tendered for shipment before delivery of such crude petroleum; if required by the Carrier, such charges shall be prepaid at the point of origin. Crude petroleum accepted for transportation shall be subject to a lien for all such charges in favor of the Carrier, which lien may be enforced by sale at public auction as provided in Item 7.

ITEM 11. LIABILITY OF CARRIER:

The Carrier shall not be liable for any loss, damage to, or delay in delivery of, crude petroleum caused by any act of God, public enemy, quarantine, authority of law, strikes, riots, act 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, and the consignee shall be entitled to receive only that portion of this 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.

ITEM 12. CLAIMS, SUITS AND TIME FOR FILING:

As a condition precedent to recovery, claims must be filed in writing with the Carrier within nine (9) months after delivery of the crude petroleum concerned, or in case the Carrier fails to make delivery, then within nine (9) months after a reasonable time for deliver has elapsed. Suites may be instituted against the Carrier within two (2) years and one (1) day from the day when notice in writing is given by the Carrier to the claimant that its claim has been disallowed. Where claims are not filed or suits are not instituted thereon in accordance with the foregoing, the Carrier shall not be liable and such claims will not be paid.

ITEM 13. PIPEAGE CONTRACTS REQUIRED:

Separate pipeage contracts in accordance with this tariff and these regulations covering further details may be required of the proposed shipper before any duty of transportation shall arise.

ITEM 14. APPLICATION OF RATES FROM INTERMEDIATE POINTS:

For crude petroleum accepted for transportation from any point on the Carrier's lines not named in this tariff or any other of the Carrier's tariffs which is intermediate to any point from which rates are published herein, through such unnamed point, the Carrier will apply from such unnamed point the rate published herein from the next more distant point specified in the tariff.

F.E.R.C. No. 44
(Cancels F.E.R.C. No. 32)

VALERO LOGISTICS OPERATIONS, L.P.

LOCAL PIPELINE TARIFF

Containing the Rates, Rules and Regulations Governing the Interstate Transportation by Pipeline of

CRUDE PETROLEUM

[I] All rates in this issue are increased.

From	To	Rate in Dollars Per Barrel of 42 U.S. Gallons
Hooker Station, Texas County, Oklahoma	McKee Station, Moore County, Texas	[I] $0.4722
Clawson Station, Hansford County, Texas	McKee Station, Moore County, Texas	[I] $0.0898

Issued under authority of 18 C.F.R. §342.3. This tariff publication contain rates that are subject to indexation under authority of 18 C.F.R. §342.3.

Subject to the Rules and Regulations shown herein.

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

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Symbols:

[I] Increase
[W] Change in wording only

RULES AND REGULATIONS

Carrier will accept and transport crude petroleum (as defined below) for interstate transportation through Carrier's facilities from the points of origin to the point of destination named in this tariff, subject to the following rules and regulations:

Rule 1. DEFINITIONS:

a. "Carrier" means Valero Logistics Operations, L.P.

b. "Crude petroleum" means liquid petroleum in its crude state, or mixtures thereof, of a gravity of twenty-nine degrees (29°) American Petroleum Institute or higher, which is suitable or adapted for refining purposes, properly settled and containing not more than two per cent (2%) of basic sediment, water or other impurities, above a point six inches (6") below pipe line connection with the tank from which it enters Carrier's facilities.

c. "Barrel" means forty-two (42) United States gallons liquid volume at sixty degrees Fahrenheit (60°F.) and equilibrium vapor pressure.

d. "Shipper" means the party who contracts with Carrier for transportation of crude petroleum under the terms of this tariff.

e. "Consignee" means anyone to whom custody is to be given, at the specific instructions of a shipper, when crude petroleum is delivered out of Carrier's facilities.

Rule 2. MINIMUM TENDER:

Crude petroleum will be accepted for transportation under this tariff in tenders of not less than ten thousand (10,000) barrels from one shipper consigned to one consignee at the destination point. Crude petroleum so tendered for gathering and pipe line transportation will be received as currently available providing the total within a thirty (30) day period is not less than ten thousand (10,000) barrels.

Rule 3. APPORTIONMENT WHEN TENDERS ARE IN EXCESS OF FACILITIES:

Carrier shall be considered as a shipper of quantities tendered by itself and held for shipment through its lines, and its shipments may participate ratably in apportionment. When there is tendered to Carrier for transportation more crude petroleum than can be immediately transported, the transportation shall be apportioned among all shippers in proportion to the amounts tendered by each; provided that no tender for transportation shall be accepted beyond the amount which the shipper has on hand available and ready for shipment.

Rule 4. GAUGING, TESTING AND DEDUCTIONS:

Crude petroleum tendered to Carrier shall be gauged and tested by Carrier's representative prior to its receipt from shipper, but shipper may be present or represented at the gauging and testing. Quantities will be computed from regularly compiled tank tables on a one hundred per cent (100%) volume basis and shall show the gross volume at the observed fluid temperature. Corrections will be made for temperatures from observed degrees Fahrenheit to 60°F. Full deduction will be made for basic sediment, water and other impurities, as ascertained by the centrifugal or other test used by Carrier. A further deduction of one per cent (1%) may be made for evaporation and other unavoidable loss incident to the transportation by pipe line. The net corrected balance at 60°F. will be the quantity deliverable to the consignee and upon which transportation charges will be assessed.

Rule 5. DESTINATION FACILITIES REQUIRED:

All necessary facilities for promptly receiving crude petroleum as it arrives at the destination

point must be provided by the shipper or consignee, and Carrier may refuse to accept crude petroleum for transportation unless satisfactory evidence be furnished that the shipper or consignee has provided such necessary facilities for promptly receiving said crude petroleum at the destination point.

Rule 6. NOTICE OF ARRIVAL AND DEMURRAGE CHARGES:

Delivery of crude petroleum may be made upon twenty-four (24) hours' notice to the shipper or consignee who shall immediately receive, at the pipeline's normal pumping rate, said crude petroleum into tanks to be provided by the shipper or consignee. After the expiration of 24 hours' notice from Carrier, a demurrage charge of one cent (1¢) per barrel will accrue on all crude petroleum not received by the consignee for each delay of 24 hours, or fractional part thereof, until said crude petroleum is received.

Rule 7. DELIVERIES AT DESTINATION:

Deliveries will be made only into consignee's tanks at the destination point without any additional delivery charge, provided such tanks are located on Carrier's pipeline. Upon failure by a consignee promptly to take crude petroleum at the destination point, or upon failure to pay any charge due Carrier, such crude petroleum may be sold by Carrier, or its representatives, at public auction for cash at Carrier's office in San Antonio, Texas, not less than forty-eight (48) hours after publication of notice in a daily newspaper published in San Antonio, Texas, of the time and place of sale and the quantity of the crude petroleum to be sold. The proceeds of such sale shall be applied to the payment of all unpaid charges, if any, and of all expenses incident to the sale, and the balance shall be held for whoever is lawfully entitled to it. Carrier may be a bidder and purchaser at such sale.

Rule 8. SHIPMENTS:

Any Crude petroleum accepted for transportation is subject to changes in gravity or quality while in transit or storage resulting from mixture with other crude petroleum in Carrier's pipe lines or tanks. Carrier shall not be obligated to deliver the identical crude petroleum received for transportation but may make delivery out of its common mixed stock. Subject to the foregoing, Carrier will deliver crude petroleum of a grade and gravity substantially equivalent to that accepted from the shipper as Carrier is regularly transporting as a common stream to the destination point.

Rule 9. CRUDE PETROLEUM INVOLVED IN LITIGATION, LIENS AND TITLE DISPUTES:

When any crude petroleum tendered for transportation is involved in litigation, a dispute over ownership or title, or encumbered by lien or charge of any kind, shipper shall so advise Carrier in writing in not less than five business days before tendering for shipment. If shipper, due to litigation, disputed ownership or encumbrance, has caused title in the crude petroleum to be in dispute, Carrier will refuse receipt or delivery of crude petroleum unless shipper provides an indemnity equal to the value of the crude petroleum.

Rule 10. PAYMENT OF CHARGES:

Unless credit arrangements satisfactory to Carrier are made in advance, the shipper or consignee shall pay transportation and all other lawful charges accruing on crude petroleum tendered for shipment before delivery of such crude petroleum. If required by Carrier, such charges shall be prepaid at the point of origin. Crude petroleum accepted for transportation shall be subject to a lien for all such charges in favor of Carrier, which lien may be enforced by sale at public auction as provided in Rule 7.

Rule 11. LIABILITY OF CARRIER:

Carrier shall not be liable for any loss, damage to, or delay in delivery of, crude petroleum caused by any act of God, public enemy, quarantine, authority of law, strikes, riots, act or default of the

shipper or consignee, or from any other cause not due to Carrier's negligence. In case of losses from such causes, other than Carrier's negligence, losses shall be charged proportionately to each shipment in the ratio that such shipment, or portion of it, received and undelivered when the loss or damage occurs, bears to the total of all shipments, or portions of them, then in Carrier's custody for shipment. The consignee shall be entitled to receive only that portion of its shipment remaining after deducting its proportion of such loss or damage, determined as aforesaid, and shall be required to pay transportation charges only on the quantity delivered. Carrier assumes no liability where operational, scheduling, excess demand, delays and difficulties in pipeline operations prevent its ability to maintain schedules or comply with shippers' or consignees' withdrawal requirements.

Rule 12. CLAIMS, SUITS AND TIME FOR FILING:

Claims for loss, damage or delay in connection with shipments must be made in writing within nine months after delivery of the crude petroleum concerned, or, if Carrier fails to make delivery, then within nine months after a reasonable time for delivery has elapsed. Suit may be instituted against Carrier within two years and one day from the day when written notice is given by Carrier to the claimant that its claim has been disallowed. Where claims are not filed or suits are not instituted thereon in accordance with the foregoing, Carrier shall not be liable and such claims will not be paid.

Rule 13. PIPEAGE CONTRACTS REQUIRED:

Separate pipeage contracts in accordance with this tariff and these regulations covering further details may be required of the proposed shipper before any duty of transportation shall arise.

Rule 14. APPLICATION OF RATES FROM INTERMEDIATE POINTS:

For crude petroleum accepted for transportation from any point on Carrier's lines not named in this tariff or any other of Carrier's tariffs which is intermediate to any point from which rates are published in this tariff, through such unnamed point, Carrier will apply from such unnamed point the rate published in this tariff from the next more distant point specified in this tariff.

F.E.R.C. 45
(Cancels F.E.R.C. No. 33)

VALERO LOGISTICS OPERATIONS, L.P.

LOCAL PIPELINE TARIFF

Containing the Rates, Rules and Regulations Governing the
Interstate Transportation of

PETROLEUM PRODUCTS

[I] All rates in this issue are increased.

From	To	Rate in Dollars Per Barrel of 42 U.S. Gallons
Ardmore, Oklahoma (Carter County)	*Wynnewood, Oklahoma* (Murray County)	[I] $0.1685

Issued under authority of 18 C.F.R. §342.3. This tariff publication contains rates that are subject to indexation under authority of 18 C.F.R. §342.3.

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

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Symbols:
[I] Increase
[W] Change in wording only

RULES AND REGULATIONS

ITEM NO. 1 DEFINITIONS

A. "Barrel" as used herein refers to forty-two (42) U.S. gallons.

B. "Petroleum Products" as used herein refers to gasoline, petroleum fuel oil distillate, military and commercial jet fuel, kerosene, and special petroleum products.

C. "Carrier" as used herein refers to Valero Logistics Operations, L.P.

ITEM NO. 2 SPECIFICATIONS REQUIRED

Petroleum Products will be accepted for transportation at such time as Petroleum Products of same quality and specifications are currently being transported from receiving point to destination.

All additives and inhibitors to be included in shippers' Petroleum Products must first be approved by the Carrier before such Petroleum Products will be accepted for transportation.

ITEM NO. 3 MINIMUM SHIPMENT

Shipments of Petroleum Products will be accepted for transportation in quantities of not less than 5,000 barrels.

Any shipper desiring pipeline transportation of Petroleum Products hereunder will, on or before the 15th day of the month, submit to the Carrier a notice of shipment of the quantity of Petroleum Products to be shipped during the following month. Unless such notification is made, Carrier will be under no obligation to accept Petroleum Products for transportation.

ITEM NO. 4 PIPEAGE CONTRACTS REQUIRED

Separate pipeage contracts in accord with this tariff and these regulations covering further details may be required of the proposed shipper before any duty of transportation shall arise.

Carrier may decline to accept Petroleum Products for transportation which are involved in litigation or which are not free from liens or charges.

ITEM NO. 5 GAUGING, TESTING, AND DEDUCTIONS

Twenty-four (24) hours prior to acceptance of Petroleum Products for transportation, Carrier may test such Petroleum Products and may require from shipper a certificate setting forth in detail the specifications of each shipment of Petroleum Products which must indicate all additives and inhibitors included. Where shipment originates over system of a connecting pipeline, Carrier may require certificate setting forth in detail the specification of each shipment of Petroleum Products to be identified by batch number from the connection pipeline twenty-four (24) hours prior to delivery of the shipment to Carrier. Quantities of Petroleum Products accepted for transportation and quantities delivered to shipper will be gauged or metered at Carrier's option. Both Carrier and the shipper will have the privilege of witnessing gauges, meter readings, and tests to which shipment of Petroleum Products are subjected.

A tender deduction of 1/10 of one percent by volume will be made on the quantity of Petroleum Products accepted for transportation.

ITEM NO. 6 TEMPERATURE CORRECTIONS

In measuring the quantity of Petroleum Products received and delivered, correction shall be made from volume at actual or observed temperature to volume at 60° Fahrenheit.

ITEM NO. 7 IDENTITY OF SHIPMENT

Petroleum Products will be accepted for transportation hereunder only on condition that same shall be subject to such changes in gravity, color, quality, or characteristics while in transit as may result from its mixture with other Petroleum Products. Carrier may inject corrosion inhibitor compound in the product to be transported, and the shipper will accept deliveries of shipments at destinations containing portions of the corrosion inhibitor compound.

Because of the impracticability of maintaining the exact identity of Petroleum Products accepted for transportation, carrier reserves the right to substitute for delivery a like volume of the same kind and quality.

ITEM NO. 8 ORIGIN AND DESTINATION FACILITIES

Carrier will provide no storage facilities at the origin and destination stations. Petroleum Products will be accepted for transportation only when shipper has provided equipment and facilities satisfactory to Carrier for delivery of such shipments to Carrier's origin station at a pumping rate equal to Carrier's current rate of pumping and for receiving same without delay upon arrival at destination.

ITEM NO. 9 TRANSPORTATION CHARGES

Transportation charges accruing on any shipment of Petroleum Products will be based on rates named herein on the quantity actually delivered at destination after making temperature adjustment as set forth in Item 6. Carrier may require that transportation charges be prepaid at point of origin or paid at destination prior to release of products from Carrier's custody. Petroleum Products accepted for transportation shall be subject to a lien for all lawful charges. In-transit storage in shipper's facilities will be permitted. Shipper will be charged monthly for all products received at intermediate points and thereafter for the difference, if any, in rates attributable to those volumes delivered to further destinations. Payments not received by Carrier in accordance with invoice terms shall be subject to a late charge at an annual interest rate of 12 percent.

ITEM NO. 10 PRORATION OF PIPELINE CAPACITY

In the event Shippers offer to ship more Petroleum Product via a particular pipeline or segment of line during any period of time than can be pumped through such line or segment of line during such period, then the space in the Carrier's facilities shall be equitably allocated among all Shippers based on a prorationing ratio. In determining the ratio, nominations by any single Shipper in excess of the capacity of the pipeline shall be reduced to the pipeline capacity. Nominations by affiliated Shippers shall be aggregated and treated as a single nomination. The prorationing ratio shall be the percentage of each Shipper's nomination as compared to total nominations. Each Shipper's allocation shall be determined by multiplying pipeline capacity by the applicable prorationing ratio.

ITEM NO. 11 LIABILITY OF CARRIER

While in possession of Petroleum Products for shipment, the Carrier shall not be liable for any loss thereof or damage thereto or delay caused by the acts of God, public enemy, civil disorder, quarantine, authority of law, strikes, riots, fire, floods, or act or default of shipper or from any other cause not due to the negligence of Carrier whether similar or dissimilar to the causes herein enumerated. Any such loss or damage shall be apportioned to each shipment in the same proportion that such shipment, or part thereof, received and undelivered at the time such loss or damage occurs bears to the total of all shipments, or part thereof, then in the custody of the carrier for transportation. Each shipper

shall be entitled to receive only that portion of his shipment remaining after deducting his proportion, as so determined, of such loss or damage, and transportation charges shall be assessed only on the quantity delivered.

Carrier will not be liable for discoloration, contamination, or deterioration of Petroleum Products transported, unless such discoloration, contamination, or deterioration results from negligence of Carrier in movement or handling of the product through the facilities of Carrier. In the event of such damage, each owner's share of the damaged product shall be in the same proportion as its share of the total quantity of shipments involved, and each such owner shall be allocated only its proportionate share of damaged product. Carrier shall prepare and submit a statement to the owners showing the apportionment of the damaged product among the owners involved.

ITEM NO. 12 CLAIMS, TIME FOR FILING

Except where property is lost or damaged in transit by carelessness or negligence of Carrier, claims for loss or damage must be made in writing to 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 within only 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 Carrier, suit must be brought within two (2) years and one (1) day after notice in writing is given by Carrier to the claimant that Carrier has disallowed the claim or any part or parts thereof specified in the notice. Where claims 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 Carrier will not be liable.

ITEM NO. 13 APPLICATION OF RATES TO INTERMEDIATE POINTS

Petroleum Products received from a point on Carrier's lines which is not named in this tariff, but which is located intermediate to published origin and destination points, will be assessed the rate in effect from the next more distant origin point published in this tariff.

Petroleum Products destined to a point on Carrier's lines which is not named in this tariff, but which is located intermediate to published origin and destination points, will be assessed the rate in effect to the next more distant destination point published in this tariff.

If an intermediate point is to be used on a continuous basis for more than 30 days, Carrier will file a tariff publication applicable to such service within 30 days after it starts.

ITEM NO. 14 USE OF COMMUNICATION FACILITIES

Where Carrier maintains private communication facilities, transmission of messages incident to a shipment may be made by Carrier for the shipper without additional charge. Carrier, however, assumes no liability for nondelivery of messages, for error or delay in transmission, or for interruption of service.

Explanation of Abbreviations

F.E.R.C. means Federal Energy Regulatory Commission

F.E.R.C. No. 46
(Cancels F.E.R.C. No. 39)

VALERO LOGISTICS OPERATIONS, L.P.

LOCAL PIPELINE TARIFF

Containing the Rates, Rules and Regulations Governing the
Interstate Transportation by Pipeline of

CRUDE PETROLEUM

[I] All rates in this issue are increased.

From	To	Rate in Dollars Per Barrel of 42 U.S. Gallons
Ringgold Station, Montague County, Texas	Wasson Station, Carter County, Oklahoma	[I] $0.4602
Healdton/Amoco Station, Carter County, Oklahoma	Wasson Station, Carter County, Oklahoma	[I] $0.1322
Wasson Station, Carter County, Oklahoma	Ardmore Station, Carter County, Oklahoma	[I] $0.1196

Issued under the authority of 18 C.F.R. §342.3. This tariff publication contains rates that are subject to indexation under authority of 18 C.F.R. §342.3.

Subject to the Rules and Regulations shown in Items 5 to 135, herein.

ISSUED: **May 31, 2005** **EFFECTIVE:** **July 1, 2005**

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

Issued By:

Curtis V. Anastasio
President and Chief Executive Officer
Valero G.P., Inc., as General Partner of
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Symbols:
[I] Increase
[W] Change in wording only

RULES AND REGULATIONS

Item 5 General

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 carriers and not otherwise, subject to the rules and regulations contained in this tariff publication.

Crude Petroleum will be accepted for transportation only at such time as Crude Petroleum of similar quality and characteristics are being transported from receiving point to delivery point.

Carrier may require shipper to furnish a certificate by a licensed petroleum inspector showing the final tests of the Crude Petroleum tendered for transportation.

Item 10 Definitions

"Barrel" means forty-two (42) United States gallons equivalent liquid volume at sixty degrees Fahrenheit (60° F) and zero (0) gauge pressure if the vapor pressure of the Crude Petroleum is at or below atmospheric pressure, or at equilibrium vapor pressure if the vapor pressure of the Crude Petroleum is above atmospheric pressure.

"Carrier" as used herein refers to Valero Logistics Operations, L.P.

"Consignee" means any party, other than Shipper, designated by Shipper as the party to withdraw Crude Petroleum transferred to the destination.

"Consignor" means the Shipper which tendered Crude Petroleum to Carrier for transportation.

"Crude Petroleum" means liquid petroleum in its crude state, or mixtures thereof, of a gravity of twenty-nine degrees (29°) American Petroleum Institute or higher, which is suitable or adapted for refining purposes, properly settled and containing not more than one percent (1%) of basic sediment, water or other impurities, above a point six inches (6") below pipeline connection with the tank from which it enters Carrier's facilities.

"Shipper" means the party who gives notice to transport Crude Petroleum under provisions outlined in this tariff.

"Tender" means the provision of a Shipper Notice, as defined herein, and delivery by a Shipper to Carrier of a stated quantity of Crude Petroleum from the specified origin to a specified destination or destinations pursuant to the terms of Carrier's tariff.

Item 15 Tender, Minimum Quantity

Unless stated otherwise by Carrier, Crude Petroleum of the required specifications may be Tendered for transportation in quantities of not less than 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 Carrier reserves the right to accept any quantity of Crude Petroleum from lease tanks or other facilities to which Carrier's facilities are connected if such quantity can be consolidated with other Crude Petroleum such that Carrier can make a single delivery of not less than 10,000 Barrels, unless Carrier's operations dictate otherwise. Crude Petroleum so Tendered for gathering and pipeline transportation will be received as currently available providing the total within a thirty (30) day period is not 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 Carrier is connected.

Item 20 Product Acceptance Specifications

No Crude Petroleum will be accepted for transportation except merchantable Crude Petroleum which is properly settled and contains not more than one percent (1%) of basic sediment, water, and other impurities, and has a temperature not in excess of one hundred and twenty degrees (120°) Fahrenheit and its gravity, viscosity, pour point, and other characteristics are such that it will be readily susceptible to transportation through the Carrier's existing facilities, and will not materially affect the quality of other shipments or cause disadvantage to other Shippers and/or

the Carrier. If Crude Petroleum is accepted from tankage, settled bottoms in such tanks must not be above a point six inches (6") below the bottom of the pipeline connection with the tank from which it enters Carrier's facilities.

Sediment and water limitations of a connecting carrier may be imposed upon Carrier when such limits are less than that of Carrier, in which case the limitations of the connecting carrier will be applied.

Carrier may, from time to time and on a non-discriminatory basis, undertake to transport other or additional grades of Crude Petroleum and if, in the opinion of Carrier, sufficient quantities are not Tendered or facilities are not available to justify continued transportation of other or additional grades, Carrier may, after filing notice with the Commission and giving reasonable public notice to Shipper(s) who may be affected, cease transporting particular grades of Crude Petroleum.

If, upon investigation, Carrier determines that a Shipper has delivered to Carrier's facilities Crude Petroleum that has been contaminated by the existence and/or excess amount of impure substances, including but not limited to, chlorinated and/or oxygenated hydrocarbons, arsenic, lead and/or other metals, such Shipper 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 Carrier. This practice will be on a non-discriminatory basis and shall apply equally to all Shippers. Further, Carrier 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 Carrier's system.

Item 25 Scheduling of Shipments

A Shipper desiring to originate transportation of Crude Petroleum shall furnish Carrier a written notice ("Shipment Notice") by the 15th day of the month prior to the calendar month in which the Shipper desires transportation. Each Shipment Notice shall specify the type of Crude Petroleum, the volume, origins and destinations of such Crude Petroleum. If a Shipper does not furnish a Shipment Notice, Carrier will be under no obligation to accept such Crude Petroleum for transportation. Crude Petroleum will be accepted for transportation, subject to the Rules and Regulations contained herein, at such time and in such quantity as scheduled by Carrier.

Crude Petroleum will be accepted for transportation only at such time as Crude Petroleum of the same quality and specifications are scheduled by Carrier for transportation from receiving point to destination. Crude Petroleum shall be available in Shipper's tankage for shipment 24 hours prior to the scheduled date for movement into Carrier's pipeline.

Carrier will transport and deliver Crude Petroleum with reasonable diligence and dispatch considering the quantity, distance of transportation, safety of operations, and other material factors. Crude Petroleum may be pumped in a certain sequence for efficient operation and Carrier reserves the right to specify the sequence of transportation of Crude Petroleum.

Item 30 Line Fill and Tank Bottom Inventory Requirements

Prior to delivering Barrels out of Carrier's pipeline system, each Shipper will be required, to the extent deemed necessary, to supply a pro rata share of Crude Petroleum necessary for pipeline and tankage fill to ensure efficient operation of Carrier's pipeline system. Crude Petroleum provided by Shippers for this purpose may be withdrawn only after: (1) shipments have ceased and the Shipper has notified Carrier in writing of its intention to discontinue shipments in Carrier's system, and (2) Shipper balances have been reconciled between Shipper and Carrier. Carrier, on a non-discriminatory basis, may require advance payment of transportation charges on the volumes to be cleared from Carrier's system or any unpaid accounts receivable before final delivery will be made. Carrier shall have a reasonable period of time from the receipt of said notice to complete administrative and operational requirements incidental to Shipper withdrawal.

Item 35 Title; Acceptance Free From Liens and Charges

The Carrier shall have the right to reject any Crude Petroleum, when Tendered for transportation, which may be involved in litigation, or title of which may be involved in litigation, or the title of which may be in dispute, or which may be encumbered by a lien or charge of any kind. Carrier may require Shippers to present satisfactory evidence of its perfect and unencumbered title or satisfactory indemnity bond to protect Carrier. By Tendering Crude Petroleum, the Shipper warrants and guaranties that the Shipper has good title thereto and agrees to hold Carrier 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 the Carrier as to title.

When any Crude Petroleum tendered for transportation is involved in litigation, a dispute over ownership or title, or encumbered by a lien or charge of any kind, the Shipper shall so advise Carrier in writing not less than five (5) business days before Tendering for shipment. Carrier will refuse receipt or delivery or any Crude Petroleum which is involved in litigation or in a dispute over ownership or title unless Shipper provides proof of Shipper's lawful right to ship such Crude Petroleum or provides a satisfactory bond at least equal to the value of the Crude Petroleum.

Item 40 Shipments, Maintenance of Identity

Carrier 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. Carrier is not obligated to deliver to Shipper the identical Crude Petroleum Tendered by Shipper; Carrier will deliver the grade of Crude Petroleum it is regularly transporting as a common stream.

Carrier shall have no responsibility in, or for, any revaluation 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 Carrier within the same common stream.

Item 45 Common Stream Crude Petroleum – Connecting Carriers

When both receipts from and deliveries to a connecting pipeline of substantially the same grade of Crude Petroleum are scheduled at the same interconnection, Carrier reserves the right, with the cooperation of the operator of the connecting pipeline, 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, Carrier will make the further deliveries for the Shipper involved from Carrier's common stream Crude Petroleum.

Item 50 Additives

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

Shipper is required to inform Carrier before Tender is made of the percentage by volume and kind of any blending components used which are not pure hydrocarbons and are in excess of one-tenth of one percent (0.1%) of the total volume tendered.

Item 55 Mixtures

The indirect liquid products of oil and gas wells, including gasoline and liquefied petroleum gases, hereinafter referred to as indirect products, will be accepted and transported as a mixture with the direct liquid products of oil wells, hereinafter referred to as direct products, provided that the vapor pressure of the resulting mixture does not exceed that permitted by Carrier's facilities and operating conditions.

The indirect products portion of the mixture will be accepted for transportation at reception points other than the one at which the direct products portion of the same mixture is received, provided that the Shipper, Consignee, and destination are the same, and that operating conditions and the Carrier's facilities permit the indirect products portion to be mixed with the direct products of the same Shipper or Consignee.

Mixtures will be transported and delivered as Crude Petroleum only. Nothing in this rule is to be construed to waive provisions of Item 40 (Shipments, Maintenance of Identity) of these rules or to require the Carrier to receive, transport, and deliver unmixed indirect products. However, unmixed indirect Products may be transported for subsequent mixing with direct products in accordance with this rule where facilities exist and operations permit transporting such indirect products.

Item 60 Origin and Destination Facilities

Carrier does not furnish storage facilities or services at origin or destination points. Carrier does not provide tankage for the receipt of Crude Petroleum at the receiving point, or for the delivery of Crude Petroleum at the destination point. All necessary facilities for promptly receiving Crude Petroleum as it arrives at the destination point must be provided by the Shipper or Consignee, and Carrier may refuse to accept Crude Petroleum for transportation unless satisfactory evidence is furnished that the Shipper or Consignee has provided such necessary facilities for promptly receiving said Crude Petroleum at the destination point.

Item 65 Origin Facilities Required For Automatic Custody Transfer

Where Consignor (or Shipper) elects to deliver Crude Petroleum into the Carrier at a point of origin through automatic custody transfer facilities (in lieu of tankage), the Consignor (or Shipper) shall furnish the required automatic measuring and sampling facilities and the design, construction, and calibration of such facilities must be approved by the Carrier and any appropriate regulatory body. In the event automatic custody transfer is made by meters, the Consignor (or Shipper) shall also furnish whatever pumping service is necessary to insure that the Crude Petroleum being delivered to the meter is at a pressure in excess of the bubble point of the liquid.

Item 70 Notice of Delivery, Demurrage

The Carrier's duty is to deliver at the destination point the quantity of Crude Petroleum to be transported, less deductions, and such delivery may be made upon twenty-four (24) hours notice to the Shipper or Consignee who shall immediately accept and receive said Crude Petroleum from the Carrier into tanks or receptacles to be provided by Shipper or Consignee. Commencing after the first seven o'clock a.m., after expiration of said 24-hours notice, Carrier shall assess a demurrage charge on any part of the Crude Petroleum shipment offered for delivery and not taken by Shipper or Consignee; the demurrage charge will be [U] one cent (1¢) per Barrel per day for each day of 24-hours or fractional part thereof, after expiration of said 24-hour notice. Carrier'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.

If the Shipper or Consignee is unable or refuses to receive said Crude Petroleum upon arrival at the destination point, Carrier reserves the right to make whatever arrangements, including those discussed in Item 75 (Deliveries at Destination), for disposition of the Crude Petroleum it deems appropriate in order to clear its pipeline. Any additional expenses incurred by Carrier in making such arrangements shall be borne by the Shipper or Consignee.

Item 75 Deliveries At Destination

Deliveries will be made only into Consignee's (or Shipper's) tanks at the destination point without any additional delivery charge, provided such tanks are located on Carrier's pipeline. Upon failure by a Consignee (or Shipper) promptly to take Crude Petroleum at the destination point, or upon failure to pay any charge due Carrier, such Crude Petroleum may be sold in accordance with Item 105 (Payment of Transportation and Other Charges) below, by Carrier, or its representatives, at public auction for cash not less than forty-eight (48) hours after publication of notice in a daily newspaper published in San Antonio, Texas, of the time and place of sale and the quantity of the Crude Petroleum to be sold. The proceeds of such sale shall be applied to the payment of all unpaid charges, if any, and of all expenses incident to the sale, and the balance shall be held for whoever is lawfully entitled to it. Carrier may be a bidder and purchaser at such sale.

Item 80 Gauging, Testing, and Volume Corrections

No charge shall be made by Carrier for metering Crude Petroleum upon receipt and delivery. All shipments tendered to Carrier for transportation shall be tested, gauged or metered by Carrier's representative or by automatic equipment approved by the Carrier prior to, or at the time of, receipt from Shipper, but Shipper at all times may be present or represented during the testing, gauging or measuring.

Quantities shall be determined by dynamic or static measurement methods in accordance with appropriate American Petroleum Institute (API) standards, latest revision, and adjusted to base (reference or standard) conditions.

Quantities will be computed from regularly compiled tank tables on a one hundred percent (100%) volume basis and shall show the gross volume at the observed fluid temperature. Corrections will be made for temperatures from observed degrees Fahrenheit to 60° F. Full deduction will be made for basic sediment, water and other impurities, as ascertained by the centrifugal or other test used by Carrier. A further deduction of one percent (1%) may be made for evaporation and other unavoidable loss incident to the transportation by pipeline. The net corrected balance at 60° F will be the quantity deliverable to the Consignee and upon which transportation charges will be assessed. When, in Carrier's opinion, a lease operator or connection 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 Carrier, Carrier may reject the use of such tank until the unacceptable conditions have been corrected. Alternatively, in the case of incrustation inside any tank, Carrier may determine and apply a correction factor to ascertain the correct tank capacity.

Item 85 Proration of Pipeline Capacity

In the event Shipper's total requirements are greater than can be currently handled by Carrier via a particular pipeline or segment of line, in order to allow Carrier to equitably allocate line capacity to all Shippers during any month for which nominations set forth in Shipment Notices for that month exceed capacity, Carrier shall prorate available capacity so as to avoid discrimination among Shippers. The details of this procedure are set out in the following paragraphs.

Definitions

"Proration Month" is the calendar month for which space is being allocated.

"Calculation Month" *is the calendar month just preceding the Proration Month for which space is being* allocated.

"Base Period" is the 12-calendar month period just preceding the Calculation Month. Individual months within the Base Period are designated by Nos. 1 through 12, with "Month 1" being the most recent Base Period month and "Month 12" being the oldest Base Period month.

"New Shipper" is any Shipper who is not a Regular Shipper.

"Regular Shipper" is any Shipper who had a record of movements of Crude petroleum in any eight (8) of Months 1 through 12.

"Base Shipments" are the average monthly movements over a line segment by a Regular Shipper during the Base Period. Base Shipments will be calculated by dividing the total movements by a Regular Shipper during the Base Period by 12.

"Forecast Volumes" is the total of all nominations set forth in Shipment Notices for a given calendar month. If it appears to Carrier that it will be necessary to allocate pipeline space for an extended period of time, Carrier may request Shippers to furnish in writing monthly forecasts of volumes to be shipped during the forward 24-calendar mohths. Carrier will carefully examine all Shipment Notices and forecasts using every means available to ensure that they are true and realistic and reserves the right to disregard on a non-discriminatory basis any Forecast Volumes which appear to be inflated.

Proration Procedure.

When Forecast Volumes for any month exceed the capacity, space shall be allocated among Shippers in that segment by the following procedure:

a. The Forecast Volumes for each Regular Shipper and each New Shipper shall be totaled and divided into the line capacity. The resultant fraction will be the "proration factor."

b. Each New Shipper shall be allocated space equal to its Forecast Volumes, up to a maximum of 50,000 Barrels for each Proration Month, multiplied by the proration factor.

c. The remaining capacity shall be allocated among Regular Shippers in proportion to their Base Shipments.

d. In the event any Shipper(s) is (are) allocated more capacity than its (their) forecast requirement, the excess of its (their) allocation(s) over its (their) forecast(s) will be reallocated among all other Shippers in proportion to their unsatisfied requirements (i.e., such Shipper's forecast minus initial allocation).

Proration Penalty

To penalize inflation of Shippers' nominations, a Shipper's space allocation for the next Proration Month will be reduced by the amount of allocated throughput not shipped in the preceding Proration Month, unless such failure to use allocated throughput is excused by force majeure. For this purpose "force majeure" means any of the following which directly affects or involves facilities used in the production of Crude Petroleum, and from which facilities Crude Petroleum has been tendered for shipment under the particular tariff during any eight (8) of Months 1 through 12 of the Base Period: act of God, storm, flood, extreme weather, fire, explosion, act of war, quarantine, authority of law, strike, riot, or breakdown of machinery or equipment.

General

Space allocated to a Shipper may neither be assigned by that Shipper to nor used by that Shipper for the benefit of another Shipper. Upon request of Carrier, a responsible official of a Shipper's company may be required to give assurances to Carrier that this provision has not been violated. In the event such permission is violated, the allocated space for all Shippers involved in the violation shall be reduced by the amount of the unauthorized space obtained; the reduction being effective for the remainder of the current month as well as for the next month of proration for which pipeline capacity has not yet been allocated. Carrier may reallocate the space so withdrawn on non-discriminatory basis.

Item 90 Shipments

Crude Petroleum accepted for transportation is subject to changes in gravity or quality while in transit or storage resulting from mixture with other Crude Petroleum in Carrier's pipelines or tanks. Carrier shall not be obligated to deliver the identical Crude Petroleum received for transportation but may make delivery out of its common mixed stock. Subject to the foregoing, Carrier will deliver Crude Petroleum of a grade and gravity substantially equivalent to that accepted from the Shipper as Carrier is regularly transporting as a common stream to the destination point. Carrier shall have no responsibility in, or for, any revaluation 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 Carrier within the same common stream.

Item 95 Application of Rates and Charges; Rates to Intermediate Points

Crude Petroleum accepted for transportation shall be subject to the rates and charges in effect on the date of receipt of such Crude Petroleum by the Carrier. Trunkline transportation and all other lawful charges will be collected on net quantities of Crude- Petroleum delivered. Gathering charges, to the extent applicable, will be collected on the basis of net quantities of Crude Petroleum received. All net quantities will be determined in the manner provided in Item 80 (Gauging, Testing and Deductions).

Crude Petroleum accepted for transportation from any point on Carrier's lines not named in a tariff of Carrier which is intermediate to any point from which rates are published, through such unnamed point, Carrier will apply from such unnamed point the rate published in the tariff from the next more distant point specified in the 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.

If an intermediate point is to be used on a continuous basis for more than 30 days, Carrier will file a tariff publication applicable to such service within 30 days after it starts.

Item 100 *Charge for Compensation Fund Fees Incurred By Carrier*

To the extent any federal, state or local agency creates a fund for the reimbursement of parties who sustain costs or losses resulting from Crude Petroleum pipeline industry operations, Carrier, after filing notice with the Commission, will be permitted to assess a per Barrel charge in the amount of any tax, fee, or charge levied against Carrier by any such federal, state or local agency, in addition to all other charges accruing on Crude Petroleum accepted for transportation through Carrier's facilities.

Item 105 Payment of Transportation and Other Charges

Shipper shall be responsible for payment of transportation and all other charges applicable to the shipment, and, on a non-discriminatory basis, may be required to prepay such charges or furnish guaranty of payment satisfactory to Carrier. Payments not received by Carrier in accordance with invoice terms shall be subject to a late charge equivalent to 125% of the prime rate as quoted by a major New York bank. It is the intention of Carrier to comply strictly with applicable usury laws; accordingly, notwithstanding any provision to the contrary in this Tariff or in any related documents in no event shall this Tariff or such documents require the payment or permit the payment, taking, reserving, receiving, collection or charging of any sums constituting interest under applicable laws which exceed the maximum amount permitted by such laws. If any such excess interest is called for, contracted for, charged, taken, reserved, or received in connection with this Tariff or, in any of the documents otherwise relating hereto, or in any communication by Carrier or any other person to Shipper or any other person, shall exceed the maximum amount of interest permitted by applicable usury laws, then in any such event it is agreed as follows: (i) the provisions of this Tariff shall govern and control; (ii) neither the Shipper nor any other person or entity now or hereinafter liable for the payment under this Tariff shall be obligated to pay the amount of such interest to the extent such interest is in excess

of the maximum amount of interest permitted by applicable usury laws; (iii) any such excess which is or has been received notwithstanding this Tariff provision shall be credited against the then unpaid balance (or equivalent thereto) hereof or, if this Tariff has been or would be paid in full by such credit, refunded to Shipper, and (iv) the provisions of this Tariff and documents otherwise relating hereto, and any communication to Shipper, shall immediately be deemed reformed and such excess interest reduced, without the necessity of executing any other document, to the maximum lawful rate allowed under applicable laws as now or hereafter construed by courts having jurisdiction hereof or thereof, on a non-discriminatory basis.

Carrier shall have a lien on all Crude Petroleum accepted for transportation to cover payment of all charges, including demurrage and late 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 after notice of readiness to deliver, the Carrier may sell the Crude Petroleum at public auction. Carrier shall have a lien on Crude Petroleum when there shall be failure to take the Crude Petroleum at the point of destination as provided in Item 70. Carrier shall have the right to sell said Crude Petroleum at public auction, for cash. The auction will be held 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 the Shipper has been officially notified of the time and place of such sale and the quantity, general description, and location of the Crude Petroleum to be sold. Carrier may be a bidder and purchaser at such sale. Out of the proceeds of said sale, Carrier shall pay itself for all transportation, demurrage, and other lawful charges, expenses of notice, advertisement, sale and other necessary expense, and expenses of caring for and maintaining the Crude Petroleum, and the balance shall be held for whomsoever may be lawfully entitled thereto after the auction. If the proceeds of said sale do not cover all expenses incurred by Carrier, the Shipper and/or Consignee are liable to Carrier for any deficiency.

Item 110 Liability of Carrier

The Carrier, while in possession of any of the Crude Petroleum herein described, shall not be liable for any loss thereof except to the extent that liability therefor is imposed on the Carrier by law. In case of loss of Crude Petroleum for which Carrier is not responsible, the Shipper shall bear the loss. Where such loss occurs in a tank containing Crude Petroleum which is the property of more than one Shipper, or in a line containing a segregated batch of Crude Petroleum which is the property of more than one Shipper, each Shipper shall bear the loss in such proportion as its volume in said tank or batch bears to the total volume in said tank or batch.

Carrier shall not be liable for any damage to, delay in delivery of or any loss of Crude Petroleum caused by acts of God, storm, flood, extreme weather, fire, explosion, by acts of war, quarantine, authority of law, strikes, riots, by breakdown or accident to machinery or equipment, or by act of default of Shipper, Consignor or Consignee, or resulting from any other cause reasonably beyond the control of Carrier and not due to the negligence of Carrier, whether similar or dissimilar to the causes herein enumerated. Any such loss shall be apportioned by Carrier to each shipment of Crude Petroleum or portion thereof involved in such loss in the proportion that such shipment or portion thereof bears to the total of all Crude Petroleum in the loss, and each Consignee shall be entitled to receive only that portion of its shipment remaining after deducting such Consignee's proportion as above determined of such loss. Carrier shall prepare and submit a statement to Shippers and Consignee showing the apportionment of any such loss.

Carrier shall assume no liability where operational, scheduling, excess demand, delays and difficulties encountered in pipeline operations prevent its ability to maintain schedules or comply with Shipper's withdrawal requirements.

Carrier will not be liable for damage, contamination, or deterioration of Crude Petroleum transported and/or handled, unless liability for such damage, contamination, or deterioration is imposed on the Carrier by law. In the event of such damage, contamination, or deterioration, each owner's share of the damaged petroleum shall be in the same proportion as its share of the total quantity of shipments involved, and each such owner shall be allocated only its proportionate share of damaged Crude Petroleum. Carrier shall prepare and submit a statement to the owners showing the apportionment of the damaged petroleum among the owners involved.

Item 115 Claims, Suits, and Time for Filing

As a condition precedent to recovery for loss, damage, or delay to shipments, claims must be in writing with the Carrier within six (6) months after delivery of the Crude Petroleum, or, in case of failure to make delivery, then within six (6) months after a reasonable time for delivery has elapsed; and suits arising out of such claims shall be instituted against the Carrier only within two (2) years from the time when the Carrier delivers, or arranges for delivery of, the Crude Petroleum or, in case of failure to make or arrange for delivery, then within two (2) years after a reasonable time for delivery has elapsed. 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 hereon in accordance with the foregoing provisions, Carrier will not be liable and such claim will not be paid.

Item 120 Invoicing

Unless other arrangements have been required by Carrier in writing, Shipper will be invoiced by the 10th day of the month following the month in which the Shipment was completed, and payment will be due by wire transfer of immediately available funds on the 15th day of the month following the month in which the shipment was completed. For purposes of making such payments, a "Business Day" will be a day of the year on which banks are not required or authorized to be closed in New York City. Whenever any payment of Carrier's charges shall be stated to be due on a day that is not a Business Day, then (i) if such due date falls on a Friday or Saturday, payment shall be due on the next preceding Business Day, or (ii) if such due date falls on any day of the week other than Friday or Saturday, payment shall be due on the next succeeding Business Day.

Item 125 Pipeage Agreement

Separate pipeage or other agreements in accordance with this tariff and these regulations covering further details may be required by Carrier before any duty for transportation shall arise.

Item 130 Diversion

Subject to Item 15 (Tender, Minimum Quantity), a change in destination or routing will be permitted without additional charge, on written request from Shipper, provided an applicable tariff is in effect for any requested destination or routing, and provided that no back-haul is required.

Item 135 Communication Facilities

Shippers may use Carrier's private communication facilities without additional charge for messages incident to their shipment. The Carrier will not be liable for nondelivery of messages, or for errors or delays in transmission or interruption of the service.

F.E.R.C. No. 47
(Cancels F.E.R.C. No. 35)

VALERO LOGISTICS OPERATIONS, L.P.

LOCAL PIPELINE TARIFF

Containing the Rates, Rules and Regulations Governing the
Interstate Transportation by Pipeline of

PETROLEUM PRODUCTS

[I] All rates in this issue are increased.

From	To	Rate in Dollars Per Barrel of 42 U.S. Gallons
Amarillo Station, Potter County, Texas	Albuquerque Station, Bernalillo County, New Mexico	[I] $0.9277

Issued under authority of 18 C.F.R. §342.3. This tariff publication contains rates that are subject to indexation under authority of 18 C.F.R. §342.3.

Subject to the Rules and Regulations shown in Item Nos. 1 through 11, herein.

ISSUED: **May 31, 2005** **EFFECTIVE:** **July 1, 2005**

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

Issued By:

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Symbols:

[I] Increase
[W] Change in wording only

RULES AND REGULATIONS

Company will accept Petroleum Products (as defined herein) for interstate transportation by pipeline from the point of origin to a destination named in this tariff, subject to the following rules and regulations.

1. PETROLEUM PRODUCTS", "BARREL", and "COMPANY" DEFINED

"Petroleum Products" as used herein means and is limited to gasolines, kerosene, diesel fuel, and jet fuel.

"Barrel" means a barrel of forty-two (42) gallons, United States measurement at sixty degrees (60°) Fahrenheit.

"Company" means Valero Logistics Operations, L.P.

2. SPECIFICATIONS REQUIRED

Petroleum Products will be accepted for transportation only at such time as Petroleum Products of similar quality and characteristics are being transported from receiving point to delivery point.

Company may require consignor to furnish a certificate by a licensed petroleum inspector showing the final tests of the Petroleum Products tendered for transportation.

Petroleum Products, before tender, shall be dehydrated sufficiently to prevent the deposition of free water in the pipelines, and shall be free of suspended aqueous chemical solutions and solid matter in suspension.

3. STORAGE AND DESTINATION FACILITIES

Company will not undertake to provide tankage for the receipt of Petroleum Products at receiving points or for the delivery of Petroleum Products at destinations. Shipments will be accepted for transportation only from tankage provided by shipper at established receiving points for delivery to tankage provided in advance by consignor or consignee at established delivery points.

4. SCHEDULING OF SHIPMENTS; MINIMUM TENDER

A shipper desiring to originate Petroleum Products shall furnish Company a written notice ("Shipment Notice") by the 15th day of the month prior to the calendar month in which the shipper desires transportation. Each Shipment Notice shall specify the type of Petroleum Product, the volume, origins and destinations of such Petroleum Product. If a shipper does not furnish a Shipment Notice, Company will be under no obligation to accept such Petroleum Product for transportation. Petroleum Product will be accepted for transportation, subject to the Rules and Regulations contained herein, at such time and in such quantity as scheduled by Company. Petroleum Products may be tendered for transportation in quantities of not less than 15,000 barrels, with a minimum of 5,000 barrels of the same quality and characteristics for any one commodity from one consignor consigned to one consignee, to be offered for shipment in shipper's tanks and accepted by the Company at the inlet to Company's Amarillo station through shipper's connections.

5. APPORTIONMENT WHEN TENDERS ARE IN EXCESS OF FACILITIES

When there shall be tendered to Company for transportation greater quantities than can be immediately transported, the transportation shall be apportioned among all shippers in proportion to the amounts tendered by each; provided that no tender for transportation shall be considered beyond the amount which the shipper requesting the shipment has on hand available and ready for shipment. Company shall be considered as a shipper of quantities tendered by itself and held for shipment through its lines, and its shipments shall be entitled to participate ratably in such apportionment.

6. PETROLEUM PRODUCTS INVOLVED IN LITIGATION, ETC.

Company shall have the right to reject any Petroleum Products, 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 Company may require of the shipper satisfactory evidence of its perfect and unencumbered title or satisfactory indemnity bond to protect Company.

7. MEASURING, TESTING AND DEDUCTIONS

All shipments tendered Company for transportation shall be tested, gauged or metered by a representative of Company prior to, or at the time of receipt from the shipper, but the shipper shall at all times have the privilege of being present or represented during the testing, gauging or metering. Quantities shall be corrected as to temperature from observed temperatures to sixty degrees (60°) Fahrenheit. Full deduction will be made for all water and other impurities.

8. IDENTITY OF PETROLEUM PRODUCTS

Petroleum Products will be accepted for transportation only on condition same will be subject to changes in gravity, color, quality or characteristics while in transit or as may result from unavoidable contamination and Company will not be obligated to make delivery of the identical Petroleum Products received for transportation. Company may, therefore, make delivery of Petroleum Products out of common stocks of similar Petroleum Products on hand at delivery point.

9. LIABILITY OF COMPANY

Company shall not be liable for any loss of any Petroleum Products, or damage thereto, or delay, because of an act of God, the public enemy, quarantine, the authority of law, strike, riot, or the act of default of the shipper or consignee, or from any other cause not due to the negligence of Company; in case of losses from such causes, other than the negligence of Company, 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 shipment, or portions thereof, then in the custody of Company 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 its shipment remaining after deducting its proportion of such loss or damage determined as aforesaid and shall be required to pay transportation charges only on the quantity delivered.

10. UNPAID CHARGES, LIEN FOR AND SALE TO COVER

The consignor or consignee shall pay the transportation and all other lawful charges accruing. Company shall have a lien on all Petroleum Products to cover charges for transportation, and may withhold delivery of Petroleum Products until said charges are paid. If such charges remain unpaid for more than five (5) days after notice of readiness to deliver, Company, by agent, may sell said Petroleum Products at public auction at the office of the Company in Amarillo, Texas, on any day not a legal holiday and not less than forty-eight (48) hours after publication of notice in a daily newspaper of general circulation published in Amarillo, Texas, said notice giving the time and place of the sale and the quantity of the Petroleum Products to be sold. The Company may be a bidder and purchaser at such sale. From the proceeds of the sale Company may pay itself all charges lawfully accruing, and all expenses of said sale, and the net balance shall be held for whomsoever may, be lawfully entitled thereto.

11. NOTICE OF CLAIMS

Notice of claims for loss, damage or delay in connection with shipments must be made to Company 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 Company within nine (9) months thereafter and unless so made and filed the Company shall be wholly released and discharged therefrom and shall not be liable therefor 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. Where claims are not filed or suits are not instituted thereon in accordance with the foregoing provisions, such claims will not be paid and Company shall not be liable.

F.E.R.C. No. 48
(Cancels F.E.R.C. No. 36, and all Supplements thereto)

VALERO LOGISTICS OPERATIONS, L.P.

LOCAL PIPELINE TARIFF

Containing the Rates, Rules and Regulations Governing the Interstate Transportation by Pipeline of

PETROLEUM PRODUCTS

[I] All rates in this Issue are Increased.

From	To	Rate in Dollars Per Barrel of 42 U.S. Gallons
McKee Station, Moore County, Texas	Altus AFB Station,Jackson County, Oklahoma	[I] $1.4055 *[Note 1]*

Issued under authority of 18 C.F.R. §342.3. This tariff publication contains rates that are subject to indexation under authority of 18 C.F.R. §342.3.

ISSUED:	**May 31, 2005**	**EFFECTIVE:**	**July 1, 2005**

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

Issued By

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Symbols:

[I] Increase
[W] Change in wording only

RULES AND REGULATIONS

Carrier will accept petroleum products (as defined herein) for interstate transportation by pipeline from the point of origin to the point of destination named in this tariff, subject to the following rules and regulations:

1000.01 "PETROLEUM PRODUCTS", "BARREL", AND "CARRIER", DEFINED

"Petroleum Products" as used herein means and is limited to Jet Fuel Grade JP-4 conforming to specifications issued by The Shamrock Pipe Line Corporation.

"Barrel" means a barrel of forty-two (42) gallons, United States measurement at sixty degrees Fahrenheit (60°F) and equilibrium vapor pressure.

"Carrier" means [w][Valero Logistics Operations, L.P.].

1000.02 SPECIFICATIONS REQUIRED

Petroleum products accepted for transportation shall meet the following minimum specifications issued by the Carrier and any additional specifications that may be established by Carrier from time to time (said additional specifications are available upon request):

	MINIMUM	MAXIMUM	TEST PROCEDURE
Sulfur, Percentage (%) weight		0.40	ASTM D1266 or D2622
Distillation temperature, (°F)			ASTM D86 or D2887
20 percent recovered		290°F	
50 percent recovered		374°F	
90 percent recovered		473°F	
End point, temperature (°F)		518°F	
Residue, Volume Percentage (%)		1.5	
Loss, Volume Percentage (%)		1.5	
Vapor pressure, 100°F (psi)	2.0	3.0	ASTM D323 or D2551
Density (API, at 15°C)	45.0	57.0	ASTM D1298

Compliance with any specification will be determined under the method prescribed by the latest edition of the American Society for Testing and Materials (ASTM) publication referred to under the column entitled "Test Procedure".

Petroleum products will be accepted for transportation only at such time as petroleum products of similar quality and characteristics are being transported from receiving point to delivery point.

Carrier may require shipper to furnish a certificate by a licensed petroleum inspector showing the final tests of the petroleum products tendered for transportation.

Petroleum products, before tender, shall be dehydrated sufficiently to prevent the desposition of free water in pipeline, and shall be free of suspended aqueous chemical solutions and solid matter in suspension.

1000.03 ORIGIN AND DESTINATION FACILITIES

Carrier will not undertake to provide tankage for the receipt of petroleum products at the receiving point or for the delivery of petroleum products at destination. Shipments will be accepted for transportation only from tankage provided by shipper at the established receiving point for delivery to tankage provided in advance by consignor or consignee at the established delivery point.

1000.04 MINIMUM TENDER

Petroleum products may be tendered for transportation in quantities of not less than 10,000 barrels to be offered for shipment in shipper's tanks and accepted by the Carrier at the inlet to McKee Station, Texas, through shipper's connections.

1000.05 APPORTIONMENT WHEN TENDERS ARE IN EXCESS OF FACILITIES

When there shall be tendered to Carrier for transportation greater quantities than can be immediately transported, the transportation shall be apportioned among all shippers in proportion to the amounts tendered by each; provided that no tender for transportation shall be considered beyond the amount which the shipper requesting the shipment has on hand available and ready for shipment. Carrier shall be considered as a shipper of quantities tendered by itself and held for shipment through it lines, and its shipments shall be entitled to participate ratably in such apportionment.

1000.06 PETROLEUM PRODUCTS INVOLVED IN LITIGATION, ETC.

Carrier shall have the right to reject any petroleum products, when tendered for transportation, which may be involved in litigation, or the title of which may be encumbered by lien or charge of any kind, and it may require of the shipper satisfactory evidence of its perfect and unencumbered title or satisfactory indemnity bond to protect Carrier against all loss.

1000.07 MEASURING, TESTING AND DEDUCTIONS

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 shipper, but the shipper shall at all times have the privilege of being present or represented during the testing, gauging or metering. Quantities shall be corrected as to temperature from observed temperatures to sixty degrees Fahrenheit (60' F). Full deduction will be made for all water and other impurities.

1000.08 IDENTITY OF PETROLEUM PRODUCTS

Petroleum products will be accepted for transportation only on condition same will be subject to changes in gravity, color, quality or characteristics while in transit or as may result from unavoidable contamination and Carrier will not be obligated to make delivery of the identical petroleum products received for transportation. Carrier may, therefore, make delivery of petroleum products out of common stocks of similar petroleum products on hand at the delivery point.

1000.09 LIABILITY OF CARRIER

Carrier shall not be liable for any loss of any petroleum products, or damage thereto, or delay, because of an act of God, the public enemy, quarantine, the authority of law, strikes, riots, war, fire, flood, or the acts of default of the shipper or consignee, or from any other cause not due to the negligence of Carrier; in case of losses from such causes, other than negligence of 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 custody of 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 its shipment remaining after deducting its proportion of such loss or damage determined as aforesaid and shall be required to pay transportation charges only on the quantity delivered.

Carrier will assume no liability where operational, scheduling, excess demand, delays and other problems encountered in pipeline operations prevent its ability to maintain schedules or comply with shipper's withdrawal requirements.

1000.10 UNPAID CHARGES, LIEN FOR AND SALE TO COVER

The shipper or consignee shall pay the transportation and all other lawful charges accruing. Carrier shall have a lien on all petroleum products to cover transportation and all other lawful charges, and may withhold delivery of petroleum products until said charges are paid. If such charges remain unpaid for more than five (5) days after notice of readiness to deliver, Carrier, by agent, may sell said petroleum products at public auction at the office of Carrier in San Antonio, Texas, on any day not a legal holiday and not less than forty-eight (48) hours after publication of notice in a daily newspaper of general circulation published in San Antonio, Texas, said notice giving the time and place of the sale and the

quantity of the petroleum products to be sold. Carrier may be a bidder and purchaser at such sale. From the proceeds of the sale Carrier may pay itself all charges lawfully accruing, and all expenses of said sale, and the net balance shall be held for whomsoever may be lawfully entitled thereto.

1000.11 NOTICEOFCLAIMS

Notice of claims for loss, damage or delay in connection with shipments must be made to 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 Carrier within nine (9) months thereafter, and unless so made and filed, Carrier shall be wholly released and discharged therefrom and shall not be liable therefor 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.

EXPLANATIONS OF ABBREVIATIONS AND REFERENCE MARKS

[Note1] In addition to the above, Carrier will provide the necessary equipment for injection blending of Fuel System Icing Inhibitor (FSII) and conductivity additives. When requested by the shipper, Carrier will perform the services of injection blending of FSII and conductivity additives as directed, at an additional charge of one cent ($.01) per barrel. When Carrier furnishes FSII and conductivity additives, same shall be billed to shipper at the actual cost thereof unless otherwise agreed to in advance in writing.

F.E.R.C. No. 49
(Cancels F.E.R.C. No. 37)

VALERO LOGISTICS OPERATIONS, L.P.

LOCAL PIPELINE TARIFF

Containing the Rates, Rules and Regulations Governing the Interstate Transportation by Pipeline of

PETROLEUM PRODUCTS

[I] All rates in this issue are increased.

From	To	Rate in Dollars Per Barrel of 42 United States Gallons
McKee Station, Moore County, Texas	Skellytown Station, Carson County, Texas	[I] $0.2249
	Southlake Terminal, Tarrant County, Texas	[I] $1.0119
	Wichita Falls, Wichita County, Texas	[I] $0.8431
Skellytown Station, Carson County, Texas	McKee Station, Moore County, Texas	[I] $0.2810

Issued under authority of 18 C.F.R. §342.3. This tariff publication contains rates that are subject to indexation under authority of 18 C.F.R. §342.3.

Subject to the rules and regulations set forth in item nos. 1000.01 through 1000.11, herein.

The provisions published in this tariff will, if effective, not affect the quality of the human environment.

ISSUED: **May 31, 2005** | **EFFECTIVE:** **July 1, 2005**

Issued By

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[I] Increase
[W] Change in wording only

RULES AND REGULATIONS

Carrier will accept petroleum products (as defined herein) for interstate transportation by pipeline from the point of origin to the point of destination named in this tariff, subject to the following rules and regulations:

1000.01 DEFINITIONS

"Carrier" shall mean [w] [Valero Logistics Operations, L.P.]. "Petroleum Products" shall mean and is limited to gasolines, turbine fuel, diesel fuel, natural gasoline, propane, normal butane, and iso-butane, each such product conforming to specifications issued by Carrier. "Barrel" shall mean forty-two (42) United States gallons liquid volume at sixty degrees Fahrenheit (60°F.) and equilibrium vapor pressure. "Shipper" shall mean the party who contracts with Carrier for transportation of petroleum products under the terms of this tariff.

1000.02 SPECIFICATIONS REQUIRED

Petroleum products accepted for transportation shall meet the following minimum specifications issued by Carrier and any additional specifications that may be established by Carrier from time to time (such additional specifications are available upon request):

PRODUCT/SPECIFICATION	MINIMUM	MAXIMUM	TEST PROCEDURE
Gasolines			
Octane Number, (RON+MON)/2			ASTM D-2699
Premium Unleaded	91.0		ASTM D-2700
Regular Unleaded	87.0		
Regular Leaded	89.0		
Vapor Pressure, @ 100°F. (psig)	Seasonal	Seasonal	ASTM D-439
Car Vapor Lock Index	Seasonal	Seasonal	ASTM D-439
Distillation (29.92" Hg),			
End Point		437°F.	ASTM D-86
Corrosion	Must pass 1B		ASTM D-130
Doctor	Negative		ASTM D-484
Sulfur, Unleaded only		0. 1 wt. %	ASTM D-1266
Sulfur, Leaded only		0.15 wt. %	ASTM D-1266
Lead, on Unleaded only		0.03 g/ US Gal.	ASTM D-3237
No. 2 Diesel Fuel			
Gravity, API	30	42	ASTM D-287
Distillation			ASTM D-86
10% Recovered		485°F.	
90% Recovered		640°F.	
End Point		675°F.	
Flash, TCC	140°F.		ASTM D-56
Sulfur, Wt. %		0.5	ASTM D-129
Color		2.5	ASTM D-1500
Cetane Index, Calculated	40		ASTM D-976
Cloud Point			ASTM D-2500
March 1 - October 15		+ 20°F.	
October 16 - February 29		+ 14°F.	

PRODUCT/SPECIFICATION	MINIMUM	MAXIMUM	TEST PROCEDURE
No. 2 Diesel Fuel (cont.)			
Pour Point			ASTM D-97
March I - October 15		+ 10°F.	
October 16 - November 30		- 5°F.	
December 1 - February 29		- 10°F.	
Aircraft Turbine Fuel			
Gravity, API	37	51	ASTM D-287
Distillation, @760 mm Hg		400°F	ASTM D-86
10% Recovered		Report	
50% Recovered		Report	
90% Recovered		572°F	
End Point		1.5	
% Residue		1.5	
% Loss			
Flash Point, TCC	100°F	150°F	ASTM D-56
Freeze Point		-40°F	ASTM D-2386
Viscosity, Centistokes			
@-4°F.		8	ASTM D-445
Corrosion, 2 hours @			
212°F. (Bomb)		1	ASTM D-130
Sulfur, Wt. %		0.3	ASTM D-1266
Color, Saybolt	+15		ASTM D-156
Natural Gasoline (M-Grade)			
Composition, % liquid volume			ASTM D-2597
Hexanes and heavier		50.0	
Pentanes	40.0		
Butanes		8.0	
Propane and lighter	None		
Vapor Pressure, psig @			
100°F.	12.0	14.2	ASTM D-323
Distillation			ASTM D-216
25% Evaporated Temperature		140°F	
90% Evaporated Temperature		275°F	
End Point		375°F	
Corrosiveness, copper strip			
@ 100°F		No. 1	ASTM D-130
Doctor Test	Negative		GPA Std. 1138
Free Water, @60°F.	None		
Color, Saybolt No.	+25		ASTM D-156
Specific Gravity, @ 60/60°F.	.630	.660	ASTM D-1657
Normal Butane (D-Grade)			
Composition, % liquid volume			ASTM D-2163
Normal Butane	95.00		
Iso-Butane		4.0	

PRODUCT/SPECIFICATION	MINIMUM	MAXIMUM	TEST PROCEDURE
Normal Butane (D-Grade) (cont.)			
Pentanes		2.0	
Propane		3.0	
Vapor Pressure, psig. @ 100°F.	37	45	ASTM D-1267
Weathering, 95% Evaporated Temperature		36°F	ASTM D-1837
Volatile Sulfur, grains/100 cu. ft.		15	ASTM D-1266
Corrosiveness, copper strip @100°F.		No. 1	ASTM D-1838
Free Water, @ 60°F.	None		
Specific Gravity, @ 60/60°F.	.580	.588	ASTM D-1657
Iso-Butane (I Grade)			
Composition, % liquid volume			ASTM D-2165
Iso-butane	95		
Propane		3	
Butane		5	
Vapor Pressure, psig @ 100°F.	58	64	ASTM D-1267
Weathering, 95% Evaporated Temperature		16°F.	ASTM D-1837
Volatile Sulfur, grains/100 cu. ft.		5	ASTM D-1266
Corrosiveness, copper strip @ 100°F.		No. 1	ASTM D-1838
Free Water, @ 60°F.	None		
Specific Gravity, @ 60/60°F.	.560	.570	ASTM D-1657
HD5 Propane (P-Grade)			
Composition, % liquid volume			ASTM D-2163
Propane	90.0		
Propylene		5.0	
Butanes and heavier		2.5	
Pentanes and heavier		None	
Vapor Pressure, psig @ 100°F.	175	208	ASTM D-1267
Weathering, 95% Evaporated Temperature		-37°F	ASTM D-1837
Volatile Sulfur, grains/100 cu. ft.		15	ASTM D-2784
Corrosiveness, copper strip @ 100°F.		No. 1	ASTM D-1838
Dryness			
Cobalt Bromide	blue for 30 min.		GPA Std. 2140
Dew Point		-15°F.	GPA Std. 2140
Freeze Valve, seconds	30		ASTM D-2713
Residues			
Non Volatile @ 100°F. ml.		0.05	ASTM D-2158
Oil Stain (after 0.3 ml.)	Pass		

Compliance with any specification shall be determined under the method prescribed by the latest edition of the American Society for Testing and Materials (ASTM) procedure or the Gas Processor Association (GPA) standard referred to under the column entitled "Test Procedure".

Petroleum products will be accepted for transportation only at such time as petroleum products of similar quality and characteristics are being transported from receiving point to delivery point.

Carrier may require shipper to furnish a certificate by a licensed petroleum inspector showing the final tests of the petroleum products tendered for transportation.

Petroleum products, before tender, shall be dehydrated sufficiently to prevent the deposition of free water in pipeline, and shall be free of suspended aqueous chemical solutions and solid matter in suspension.

1000.03 *ORIGIN AND DESTINATION FACILITIES*

Carrier will not undertake to provide tankage for the receipt of petroleum products at the receiving point or for the delivery of petroleum products at destination. Shipments will be accepted for transportation only from tankage provided by shipper at the established receiving point for delivery to tankage provided in advance by consignor or consignee at the established delivery point.

1000.04 MINIMUM TENDER

Petroleum products may be tendered for transportation in quantities of not less than 10,000 barrels to be offered for shipment in shipper's tanks and accepted by Carrier at the inlets to McKee Station, Texas, and Skellytown Station, Texas through shipper's connections.

1000.05 APPORTIONMENT WHEN TENDERS ARE IN EXCESS OF FACILITIES

When there shall be tendered to Carrier for transportation greater quantities than can be immediately transported, the transportation shall be apportioned among all shippers in proportion to the amounts tendered by each; provided that no tender for transportation shall be considered beyond the amount which the shipper requesting the shipment has on hand available and ready for shipment. Carrier shall be considered as a shipper of quantities tendered by itself and held for shipment through its lines, and its shipments shall be entitled to participate ratably in such apportionment.

1000.06 PETROLEUM PRODUCTS INVOLVED IN LITIGATION, ETC.

Carrier may reject any petroleum products, when tendered for transportation, which may be involved in litigation, or the title of which may be encumbered by lien or charge of any kind, and it may require of the shipper satisfactory evidence of its perfect and unencumbered title or satisfactory indemnity bond to protect Carrier against all loss.

1000.07 MEASURING, TESTING AND DEDUCTIONS

All shipments tendered to Carrier for transportation shall be tested, gauged or metered by Carrier's representative prior to, or at the time of receipt from shipper, but shipper at all times may be present or represented during the testing, gauging or metering. Quantities shall be corrected as to temperature from observed temperatures to 60°F. Full deduction shall be made for all water and other impurities.

1000.08 *IDENTITY OF PETROLEUM PRODUCTS*

Petroleum products shall be accepted for transportation only on condition same will be subject to changes in gravity, color, quality or characteristics while in transit or as may result from unavoidable contamination and Carrier shall not be obligated to make delivery of the identical petroleum products received for transportation. Carrier may make delivery of petroleum products out of common stocks of similar petroleum products on hand at delivery point.

1000.09 LIABILITY OF CARRIER

Carrier shall not be liable for any loss of petroleum products, or damage thereto, or delay, because of an act of God or the public enemy, quarantine, the authority of law, strikes, riots, war, fire, flood, or the acts of default of shipper or consignee, or from any other cause not due to the negligence of Carrier. In case of losses from such causes, other than negligence of 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 custody of 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 its shipment remaining after deducting its proportion of such loss or damage determined as aforesaid and shall be required to pay transportation charges only on the quantity delivered.

Carrier shall assume no liability where operational, scheduling, excess demand, delays and difficulties encountered in pipeline operations prevent its ability to maintain schedules or comply with shippers withdrawal requirements.

1000.10 UNPAID CHARGES, LIEN FOR AND SALE TO COVER

Shipper or consignee shall pay the transportation and all other lawful charges accruing, and if required, shall pay same before delivery at destination. Carrier shall have a lien on all petroleum products to cover transportation and all other lawful charges, and may withhold delivery of petroleum products until said charges are paid. If such charges remain unpaid for more than five (5) days after notice of readiness to deliver, Carrier, by agent, may sell said petroleum products at public auction at the office of Carrier in San Antonio, Texas, on any day not a legal holiday and not less than forty-eight (48) hours after publication of notice in a daily newspaper of general circulation published in San Antonio, Texas, said notice giving the time and place of the sale and the quantity of the petroleum products to be sold. Carrier may be a bidder and purchaser at such sale. From the proceeds of the sale Carrier may pay itself all charges lawfully accruing, and all expenses of said sale, and the net balance shall be held for whomsoever may be lawfully entitled thereto.

1000.11 NOTICE OF CLAIMS

Notice of claims for loss, damage or delay in connection with shipments must be made to Carrier in writing within nine (9) months after accrual, or, in case of failure to make delivery, within nine (9) months after a reasonable time for delivery elapses. Such claims, fully amplified, must be filed with Carrier within nine (9) months thereafter, and unless so made and filed, Carrier shall be wholly released and discharged therefrom and shall not be liable therefor 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.

EXPLANATIONS OF ABBREVIATIONS AND REFERENCE MARKS

Note 1 Applies only on gasolines, turbine fuel and diesel fuel.

Note 2 Applies only on normal butane, iso-butane and natural gasoline.

F.E.R.C. No. 50

(Cancels F.E.R.C. No. 38, and all Supplements thereto)

VALERO LOGISTICS OPERATIONS, L.P.

LOCAL PIPELINE TARIFF

Containing the Rates, Rules and Regulations Governing the Interstate Transportation by Pipeline of

LIQUEFIED PETROLEUM GAS

[I] All rates in this issue are increased.

From	To	Rate in Dollars Per Barrel of 42 U.S. Gallons	
Three Rivers, Live Oak County, Texas	United States/Mexico International Boundary (near Laredo, Webb County, Texas)	[I] 1 to 5000 barrels per day (bpd)	[I] $1.0363
		[I] 5001 bpd or more	[I] $0.3627

Issued under authority of 18 C.F.R. §342.3. This tariff publication contains rates that are subject to indexation under authority of 18 C.F.R. §342.3.

Subject to the Rules and Regulations set forth in Items 1 to 90, herein.

ISSUED: May 31, 2005 **EFFECTIVE: July 1, 2005**

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

Issued By:

Curtis V. Anastasio
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Valero G.P., Inc., as General Partner of
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Symbols:

[W] *Wording Change*

[I] Increased

INDEX OF COMMODITIES

Liquefied Petroleum Gas, subject to the definitions and specifications set forth herein.

RULES AND REGULATIONS

ITEM 1 **GENERAL APPLICATION OF TARIFF**

Carrier will transport LPG, only as defined herein, by pipeline from the points of origin to the destinations named herein, only as provided in these rules and regulations.

ITEM 5 **DEFINITIONS**

"Barrel" means forty-two (42) United States gallons at sixty degrees Fahrenheit (60°F.) determined as prescribed in Item 35 (Measurement).

"Carrier" means and refers to Valero Logistics Operations, L.P.

"Consignee" means the party having ownership of LPG transferred to them.

"Consignor" means the party which tendered LPG to Carrier for transportation.

"LPG" means Liquefied Petroleum Gas, as specifically defined in Item 15.

"Shipper" means any party who gives notice to transport LPG under the provisions outlined in this tariff.

ITEM 10 **SCHEDULING OF SHIPMENTS**

Shipper desiring to originate LPG shall furnish Carrier a written notice ("Shipment Notice") by the 15th day of the month prior to the calendar month in which Shipper desires transportation.

Shipment Notice shall specify the volume, origins and destinations of the LPG offered to Carrier. If Shipper does not furnish such notice, Carrier will be under no obligation to accept such LPG for transportation.

LPG will be accepted for transportation, subject to Items contained herein, at such time and in such quantity as scheduled by Carrier.

Carrier will transport and deliver LPG with reasonable diligence and dispatch considering the quantity, distance of transportation, safety of operations, and other material factors.

ITEM 15 **PRODUCT ACCEPTANCE SPECIFICATIONS**

LPG accepted for transportation shall meet the following specifications issued by Carrier and any additional specifications that may be promulgated by Carrier from time to time:

PRODUCT	Components/Properties	ASTM Method	Content/Specifications Minimum/Maximum
LPG Mix	Ethane	D-2163	2% of Volume Maximum
	Pentane and Heavier		2% of Volume Maximum
	Propane		90% of Volume Minimum
	Propylene		2% of Volume Maximum
	Normal Butane + ISO Butane		10% of Volume Maximum
	Butylene		1% of Volume Maximum
	Vapor Pressure	D-1267	190 psig Maximum
	Volatility at 95% Distils at:	D-1837	2 Celsius Maximum

PRODUCT	Components/Properties	ASTM Method	Content/Specifications Minimum/Maximum
	Evaporation Residual of 100 ml	D-2158	0.05 ml Maximum
	Corrosion of Cu strip, 1 hour at 37.8 C	D-1838	Standard 1 Maximum
	Total Sulfur	D-4045	140 ppm Maximum
	Water	D-2713	None Visible
	Specific Weigh 15.6/15.6 C	D-1657	Report
	Ethyl Mercaptan content	D-4952	17 ppm Mimimum to 28 ppm Maximum

LPG, before tender, shall be dehydrated sufficiently to prevent the deposition of free water in pipeline, and shall be free of suspended aqueous chemical solutions and solid matter in suspension. Consignor and Shipper warrant to Carrier that any LPG tendered to Carrier will conform with the specifications for such LPG.

If, upon investigation, Carrier determines that a Shipper has delivered to Carrier's facilities LPG that are not fungible with, or that has contaminated, the common fungible stream being transported, rendering all or a portion of the fungible LPG stream undeliverable, Carrier reserves the right to treat or otherwise dispose of the contaminated LPG in any reasonable commercial manner and at Shipper's sole expense.

Carrier reserves the right to refuse to accept any LPG that does not meet the foregoing acceptance requirements.

ITEM 20 **RESERVED**

ITEM 25 **ORIGIN AND DESTINATION FACILITIES**

Carrier will not undertake to provide tankage for the receipt of LPG at the receiving point or for the delivery of LPG at destination. Shipments will be accepted for transportation only from tankage provided by Shipper at the established receiving point for delivery to Shipper, Consignor or Consignee at the International Boundary. Shipper, Consignor or Consignee shall make arrangements for transportation or delivery across the International Boundary.

ITEM 30 **TESTING**

Shipper may be required to furnish Carrier with a certificate from a licensed petroleum inspector setting forth the final tests showing the specifications of each shipment of LPG to be transported in Carrier's pipeline. Carrier may sample and/or test any such shipment prior to acceptance or during receipt, and in the event of variance between Shipper's certificate and Carrier's test, the latter shall prevail.

ITEM 35 **MEASUREMENT AND VOLUME CORRECTIONS**

No charge shall be made by Carrier for metering LPG upon receipt and delivery. All shipments tendered to Carrier for transportation shall be tested, gauged or metered by Carrier's representative prior to, or at the time of receipt from Shipper, but Shipper at all times may be present or represented during the testing, gauging or metering. Quantities shall be corrected as to temperature from observed temperatures to 60°F. Full deduction shall be made for all water and other impurities.

Carrier will adjust any overage or shortage of LPG with Shippers to allow for inherent losses or gains, including but not limited to shrinkage, evaporation, interface mixture, product measurements and other physical losses not due to negligence of Carrier. The adjustments for losses or gains will be allocated monthly among the Shippers in the proportion that the total number of Barrels delivered out of the system for each Shipper bears to the total number of Barrels delivered out of the system for all Shippers.

ITEM 40 **IDENTITY OF SHIPMENTS**

Carrier will not maintain the identity of LPG shipments and will commingle LPG received from the origin shown herein into a common fungible stream. LPG shall be accepted for transportation only on condition same will be subject to changes in gravity, color, quality or characteristics while in transit or as may result from unavoidable contamination and Carrier shall not be obligated to make delivery of the identical

LPG received for transportation. Carrier reserves the right at any time to substitute and deliver LPG of the same character as the LPG shipped.

ITEM 45 **PRORATION OF PIPELINE CAPACITY**

In the event Shippers' total requirements are greater than can be currently handled by Carrier, Carrier shall prorate available capacity so as to avoid discrimination among Shippers. The details of this procedure are set out in the following paragraphs.

Purpose of Policy

To allow Carrier to equitably allocate line capacity to all Shippers during any month for which nominations set forth in Shipment Notices for that month exceed capacity.

Definitions

"Proration Month" is the calendar month for which space is being allocated.

"Calculation Month" is the calendar month just preceding the Proration Month for which space is being allocated.

"Base Period" is the 12-calendar month period just preceding the Calculation Month. Individual months within the Base Period are designated by Nos. 1 through 12, with "Month 1" being the most recent Base Period month and "Month 12" being the oldest Base Period month.

"New Shipper" is any Shipper who is not a Regular Shipper.

"Regular Shipper" is any Shipper who had a record of movements of Petroleum Product(s) in any eight (8) of Months 1 through 12.

"Base Shipments" are the average monthly movements over a line segment by a Regular Shipper during the Base Period. Base Shipments will be calculated by dividing the total movements by a Regular Shipper during the Base Period by 12.

"Forecast Volumes" is the total of all nominations set forth in Shipment Notices for a given calendar month. If it appears to Carrier that it will be necessary to allocate pipeline space for an extended period of time, Carrier may request Shippers to furnish in writing monthly forecasts of volumes to be shipped during the forward 24-calendar months. Carrier will carefully examine all Shipment Notices and forecasts using every means available to ensure that they are true and realistic and will challenge any Forecast Volumes which appear to be inflated.

Proration Procedure

When Forecast Volumes for any month exceed the capacity, space shall be allocated among Shippers in that segment by the following procedure:

a. The Forecast Volumes for each Regular Shipper and each new Shipper shall be totaled and divided into the line capacity. The resultant fraction will be the "proration factor."

b. Each new Shipper shall be allocated space equal to its Forecast Volumes, up to a maximum of 50,000 barrels for each Proration Month, multiplied by the proration factor.

c. The remaining capacity shall be allocated among Regular Shippers in proportion to their Base Shipments.

d. In the event any Shipper(s) is (are) allocated more capacity than its (their) forecast requirement, the excess of its (their) allocation(s) over its (their) forecast(s) will be reallocated among all other Shippers in proportion to their unsatisfied requirements (i.e. each Shipper's forecast minus initial allocation).

Proration Penalty

To penalize inflation of Shippers' nominations, a Shipper's space allocation for the next Proration Month will be reduced by the amount of allocated throughput not shipped in the preceding Proration Month, unless such failure to use allocated throughput is excused by force majeure. For this purpose "force majeure" means any of the following which directly affects or involves facilities used in the production of LPG, and from which facilities LPG have been tendered for shipment under this tariff during any eight (8) of Months 1 through 12 of the Base Period: acts of God, storm, flood, extreme weather, fire, explosions, acts of war, quarantine, authority of low, strikes, riots, or breakdown of machinery or equipment.

General

Space allocated to a Shipper may neither be assigned to nor used for the benefit of another Shipper. Upon request of Carrier, a responsible official of a Shipper's company may be required to give assurances to Carrier that this provision has not been violated. In the event such provision is violated, the allocated space for all Shippers involved in the violation shall be reduced by the amount of the unauthorized space obtained; the reduction being effective for the remainder of the current month as well as for the next month of proration for which pipeline capacity has not yet been allocated. Carrier may reallocate the space so withdrawn.

ITEM 50 PAYMENT OF CARRIER CHARGES

The Shipper shall pay all transportation and other lawful charges accruing on LPG delivered to and accepted by Carrier for shipment by the due date stated in Carrier's invoice (see Item 85), and if required by Carrier, shall prepay the same before delivery at point of origin. Carrier shall have a lien on all LPG in its possession belonging to Shipper to secure the payment of any and all unpaid transportation, or any lawful charges that are due Carrier, that are unpaid by Shipper, and may withhold such LPG from delivery until all unpaid charges have been paid. Carrier reserves the right to set-off any such charges against any monies owed to Shipper by Carrier or any LPG of Shipper in Carrier's custody. If said charges remain unpaid ten (10) days after the due date therefor, Carrier shall have the right, through an agent, to sell such LPG at public auction, on any day not a legal holiday, in not less than forty-eight (48) hours after publication of notice of such sale in a daily newspaper of general circulation published in the town or city where the sale is to be held, stating the time, place of sale, and the quantity and location of LPG to be sold. At said sale, Carrier shall have the right to bid, and if the highest bidder, to become the purchaser. From the proceeds of said sale, Carrier will pay itself the transportation and all other lawful charges, including expenses incident to said sale, and the balance remaining, if any, shall be held for whomsoever may be lawfully entitled thereto.

ITEM 55 ACCEPTANCE FREE FROM LIENS AND CHARGES

When any LPG tendered for transportation are involved in litigation, a dispute over ownership or title, or encumbered by a lien or charge of any kind, the Shipper shall so advise Carrier in writing not less than five (5) business days before tendering for shipment. Carrier will refuse receipt of delivery of any LPG for transportation which are involved in litigation or in a dispute over ownership or title unless Shipper provides proof of Shipper's lawful right to ship such LPG or provides a satisfactory indemnity bond equal to the value of the LPG.

ITEM 60 LIABILITY OF CARRIER

Carrier shall not be liable for any delay in delivery of or any loss of LPG caused by acts of God, storm, flood, extreme weather, fire, explosion, by acts of war, quarantine, authority of law, strikes, riots, by breakdown or accident to machinery or equipment, or by act of default of Shipper, Consignor or Consignee, or resulting from any other cause reasonably beyond the control of Carrier and not due to the negligence of Carrier, whether similar or dissimilar to the causes herein enumerated. Any such loss shall be apportioned by Carrier to each shipment of LPG or portion thereof involved in such loss in the proportion that such shipment or portion thereof bears to the total of all LPG in the loss, and each Consignee shall be entitled to

receive only that portion of its shipment remaining after deducting such Consignee's proportion as above determined of such loss. Carrier shall prepare and submit a statement to Shippers and Consignee showing the apportionment of any such loss.

ITEM 65 CLAIMS TIME FOR FILING

Notice of claims for delay, loss or damage must be made in writing to Carrier within nine (9) months after delivery of the LPG, or in the case of a failure to make delivery, then within nine (9) months after the date upon which delivery would have reasonably been completed by Carrier. Such written claim, as aforesaid, shall be a condition precedent to any suit. Suit against Carrier shall be instituted only within two (2) years and one (1) day from the day when notice in writing is given by Carrier to the claimant that Carrier has disallowed the claim or any part or parts thereof specified in the notice. Where claims are not filed or suits are not instituted thereon in accordance with the foregoing provisions, such claims will not be paid and the Carrier shall not be liable.

ITEM 70 SCHEDULING OF DELIVERY

When Shippers request delivery from the pipeline at a destination of a volume of LPG greater than can be immediately delivered, Carrier shall schedule delivery. Carrier shall not be liable for any delay in delivery resulting from such scheduling of delivery.

ITEM 75 PIPAGE AGREEMENT

Separate agreements in accordance with this tariff and these regulations covering further details may be required by Carrier before any duty for transportation shall arise.

ITEM 80 APPLICATION OF RATES

The Rates set forth an the Title Page of this tariff, in effect on the date LPG are received by Carrier for shipment, apply to all LPG shipped under this tariff.

ITEM 85 INVOICES

Unless other arrangements have been required by Carrier, in advance, Shipper will be invoiced by the 10th day of the month following the month in which the shipment was completed, and payment will be due by wire transfer of immediately available funds on the 15th day of the month following the month in which the shipment was completed. For purposes of making such payments, a "Business Day" will be a day of the year on which banks are not required or authorized to be closed in New York City. Whenever any payment of Carrier's charges shall be stated to be due on a day that is not a Business Day, then payment shall be due on the next succeeding Business Day.

ITEM 90 ROUTING

The rates set forth herein apply via all routes of the Carrier except as otherwise specifically stated in the tariff.

IOGCC Charter

WHEREAS, on the 16th day of February 1935, in the City of Dallas, Texas, there was executed "An Interstate Compact to Conserve Oil and Gas," which was thereafter formally ratified and approved by the States of Oklahoma, Texas, New Mexico, Illinois, Colorado, Kansas and 24 additional States; which said compact was duly amended at Tulsa, Oklahoma on September 25, 1970, a true copy of which as so amended follows:

An Interstate Compact To Conserve Oil And Gas

Article I

This agreement may become effective within any compacting State at any time as prescribed by that State, and shall become effective within those States ratifying it whenever any three of the States of Texas, Oklahoma, California, Kansas and New Mexico have ratified and Congress has given its consent. Any oil-producing State may become a party hereto as hereinafter provided.

Article II

The purpose of this compact is to conserve oil and gas by the prevention of physical waste thereof from any cause.

Article III

Each State bound hereby agrees that within a reasonable time it will enact laws, or if the laws have been enacted, then it agrees to continue the same in force, to accomplish within reasonable limits the prevention of:

(a) The operation of any oil well with an inefficient gas-oil ratio.

(b) The drowning with water of any stratum capable of producing oil or gas, or both oil and gas, in paying quantities.

(c) The avoidable escape into the open air or the wasteful burning of gas from a natural gas well.

(d) The creation of unnecessary fire hazards.

(e) The drilling, equipping, locating, spacing or operating of a well or wells so as to bring about physical waste of oil or gas or loss in the ultimate recovery thereof.

(f) The inefficient, excessive or improper use of the reservoir energy in producing any well.

The enumeration of the foregoing subjects shall not limit the scope of the authority of any State.

Article IV

Each State bound hereby agrees that it will, within a reasonable time, enact statutes, or if such statutes have been enacted then that it will continue the same in force, providing in effect that oil produced in violation of its valid oil and/or gas conservation statutes or any valid rule, order or regulation promulgated thereunder, shall be denied access to commerce; and providing for stringent penalties for the waste of either oil or gas.

Article V

It is not the purpose of this compact to authorize the States joining herein to limit the production of oil or gas for the purpose of stabilizing or fixing the price thereof, or create or perpetuate monopoly, or to promote regimentation, but is limited to the purpose of conserving oil and gas and preventing the avoidable waste thereof within reasonable limitations.

Article VI

Each State joining herein shall appoint one representative to a commission hereby constituted and designated as "The Interstate Oil Compact Commission," the duty of which said Commission shall be to make inquiry and ascertain from time to time such methods, practices, circumstances, and conditions as may be disclosed for

bringing about conservation and the prevention of physical waste of oil and gas, and at such intervals as said Commission deems beneficial it shall report its findings and recommendations to the several States for adoption or rejection.

The Commission shall have the power to recommend the coordination of the exercise of the police powers of the several States within their several jurisdictions to promote the maximum ultimate recovery from the petroleum reserves of said States, and to recommend measures for the maximum ultimate recovery of oil and gas. Said Commission shall organize and adopt suitable rules and regulations for the conduct of its business.

No action shall be taken by the Commission except: (1) by the affirmative votes of the majority of the whole number of the compacting States represented at any meeting, and (2) by a concurring vote of a majority in interest of the compacting States at said meeting, such interest to be determined as follows: such votes of each state shall be in the decimal proportion fixed by the ratio of its daily average production during the preceding calendar half-year to the daily average production of the compacting States during said period.

Article VII

No State joining herein shall become financially obligated to any other State, nor shall the breach of the terms hereof by any State subject such State to financial responsibility to the other States joining herein.

Article VIII

This compact shall continue in effect until Congress withdraws its consent. But any State joining herein may, upon sixty (60) days notice, withdraw herefrom.

The representatives of the signatory States have signed this agreement in a single original which shall be deposited in the archives of the Department of State of the United States, and a duly certified copy shall be forwarded to the Governor of e-ach of the signatory States.

This compact shall become effective when ratified and approved as provided in Article I. Any oil-producing State may become a party hereto by affixing its signature to a counterpart to be similarly deposited, certified, and ratified.

Acknowledgements

Wyoming

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Wyoming Pipeline Authority

Bruce Hinchey
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Petroleum Association of Wyoming

Tad True
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About the IOGCC

The Interstate Oil and Gas Compact Commission is a multi-state government agency that promotes the conservation and efficient recovery of our nation's oil and natural gas resources while protecting health, safety and the environment. The IOGCC consists of the governors of 37 states (30 members and seven associate states) that produce most of the oil and natural gas in the United States, as well as seven international affiliates including Alberta. Chartered by Congress in 1935, the organization is the oldest and largest interstate compact in the nation.

The IOGCC assists states in balancing interests through sound regulatory practices. These interests include: maximizing domestic oil and natural gas production, minimizing the waste of irreplaceable natural resources, and protecting human and environmental health. The IOGCC also provides an effective forum for government, industry, environmentalists and others to share information and viewpoints, allowing members to take a proactive approach to emerging technologies and environmental issues. For more information visit www.iogcc.state.ok.us or call 405-525-3556.

Member Governors

IOGCC Chairman
North Dakota
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Alabama
Gov. Bob Riley

Alaska
Gov. Sarah Palin

Arizona
Gov. Janet Napolitano

Arkansas
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Louisiana
Gov. Kathleen Blanco

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Gov. Ted Strickland

Oklahoma
Gov. Brad Henry

Pennsylvania
Gov. Edward G. Rendell

South Dakota
Gov. M. Michael Rounds

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Gov. Rick Perry

Utah
Gov. Jon Huntsman Jr.

Virginia
Gov. Tim Kaine

West Virginia
Gov. Joe Manchin

Wyoming
Gov. Dave Freudenthal