

JAYHAWK PIPELINE, L.L.C.

LOCAL PIPELINE TARIFF

**RULES, REGULATIONS AND RATES
APPLYING ON
CRUDE PETROLEUM
TRANSPORTED BY PIPELINE**

FROM:

TO:

CUSHING, OKLAHOMA

EL DORADO, KANSAS

Filed in Compliance with 18 CFR 342.3 Indexing.

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

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Issued By:
GREGORY L. BROWN, General Manager
JAYHAWK PIPELINE, L.L.C.
2000 S. Main
McPherson, KS 67460

Compiled by:
KATRISHA HENRY
JAYHAWK PIPELINE, L.L.C.
2000 S. Main
McPherson, KS 67460
Phone: 620-241-9265
katrisha.henry@chsinc.com

ITEM NO. 1 - DEFINITIONS

"Carrier" means Jayhawk Pipeline, L.L.C.

"Crude Petroleum" means the grade or grades of the Direct Liquid Products of Oil or Gas Wells which Carrier has undertaken to transport.

"Indirect Liquid Products of Oil or Gas Wells," sometimes referred to as indirect products means the liquid products resulting from the operation of gasoline recovery plants, gas recycling plants, or condensate or distillate recovery equipment in gas or oil fields, or a mixture of such products, which Carrier has undertaken to transport.

"Barrel" means forty-two (42) United States gallons.

"API" means American Petroleum Institute.

ITEM NO. 2 - MERCHANTABLE OIL

No petroleum will be accepted for transportation except good merchantable petroleum of the gravity of not less than nineteen degrees (19°) API or not more than forty-five degrees (45°) which is properly settled and contains not more than one per cent (1%) of basic sediment, water, and other impurities. Reid Vapor Pressure of not more than 9.5 pounds per square inch at 100 degrees F. Pour point not over fifty degrees (50°) F. Viscosity of up to and including 350 Centistokes at 60 degrees (60°) F. Three separate common streams will meet one of the following specifications:

- A) .50 per cent (%) sulphur content by weight and below;
- B) .50 per cent (%) sulphur content by weight and below, consisting of West Texas Intermediate Crude, Scurry Grade Crude and East Texas Field Crude (as an additional common stream) from Longview, TX;
- C) .51 to 1.3 per cent (%) sulphur by weight; or
- D) 1.31 to 2.0 per cent (%) sulphur by weight.

No petroleum will be accepted unless its gravity, viscosity and other characteristics are such that it will be readily susceptible of transportation through the Carrier's existing facilities, and it will not materially affect the quality of other shipments or cause disadvantage to other Shippers and/or the Carrier.

ITEM NO. 3 - STORAGE

Storage necessarily incident to transportation and only such storage will be provided by the Carrier.

ITEM NO. 4 - MINIMUM SHIPMENTS

Quantities of crude petroleum will be accepted for transportation as a single shipment to destinations shown herein in amounts of not less than 20,000 barrels. Quantities of less than 20,000 barrels may be accepted for transportation if operating conditions permit and if such crude petroleum can be commingled with crude petroleum of like quality and characteristics of that currently being transported.

ITEM NO. 5 - QUALITY AND QUANTITY OF RECEIPT AND DELIVERIES

Carrier will accept for transportation crude petroleum which can be commingled or intermixed with a grade of crude petroleum which Carrier regularly transports between the origination and destination points of the shipment without substantially reducing the value or altering the quality of any grade of crude petroleum which Carrier regularly transports over the route of the shipment.

Carrier will accept crude petroleum for transportation only on condition that Carrier shall not be liable to Shipper or Consignee for changes in gravity or quality which may occur from commingling or intermixing such crude petroleum with other crude petroleum in transit; and that Carrier shall not be obligated to deliver to Consignee the identical crude petroleum received from Shipper. However, Carrier will deliver to Consignee a grade of crude petroleum as nearly like the grade of crude petroleum received from Shipper as Carrier is regularly transporting as a common stream to destination points of the shipment.

Carrier will not make delivery of less than 10,000 barrels of crude petroleum at any destination point on its trunk line except when necessitated by dispatching contingencies.

ITEM NO. 6 - MEASUREMENT AND TENDER DEDUCTIONS

The volume of crude petroleum received and delivered by Carrier will be measured in barrel units by meter or by gauge. Measured volumes at recorded or observed temperatures will be converted to volumes at 60 degrees F.

The volume of impurities in crude petroleum received and delivered by Carrier will be measured by an electrical or mechanical device or by physical test, and such volume will be deducted from the volume of such receipts and deliveries.

All measurements shall be determined by Carrier, but Shipper and Consignee or their representatives may be present to witness them.

A deduction of one fourth (1/4) of one tenth (1/10) of one percent (1%) by volume will be assessed on each shipment of Crude Petroleum tendered to Carrier.

ITEM NO. 7 - TENDERS REQUIRED

Crude petroleum for shipment through lines of this Carrier will be received only on proper notice by letter showing the point at which the crude petroleum is to be received, point or points of delivery, Consignee, and amount of crude petroleum to be transported. The notice shall be received by the Carrier on or before the 19th of the month preceding the month of delivery. The Carrier may refuse to accept crude petroleum for transportation unless satisfactory evidence be furnished that the Shipper or Consignee has made provision for receipt thereof at destination.

ITEM NO. 8 - TITLE UNENCUMBERED

The act of delivering crude petroleum to the Carrier for transporting shall constitute a warranty that the Shipper or Consignee has unencumbered title thereto, and that such crude petroleum was produced in accordance with concerned laws and regulations. When any crude petroleum tendered for transportation is involved in litigation, or the ownership of which may be in dispute, or which may be encumbered by lien or charge of any kind, the Carrier will require of Shippers an indemnity bond to protect it against all loss.

ITEM NO. 9 - LIABILITY OF CARRIER

The Carrier shall not be liable for any loss or damage or delay caused by act of God, public enemy, quarantine, authority of law, strike, riots, fire or the act or default of the Shipper or Owner, or for any other cause not due to the negligence of the Carrier whether similar or dissimilar to the causes herein enumerated; and in case of loss from any such causes after crude petroleum has been received for transportation and before the same has been delivered to the Consignee, the Shipper shall bear a loss in such proportion as the amount of his shipment is to all of the crude petroleum in the custody of the Carrier at the time of such loss, and the Shipper shall be entitled to have delivered only such portion of his shipment as may remain after a deduction of his due proportion of such loss, but in such event the Shipper shall be required to pay charges only on the quantity of crude petroleum delivered.

ITEM NO. 10 - DUTY OF CARRIER

The Carrier shall not be required to transport crude petroleum except with reasonable diligence, considering the quality of the crude petroleum, the distance of transportation and other material elements; but in the event Shipper fails to provide adequate facilities for receipt at destination or has not ascertained from the Carrier that it has facilities available for receipt at destination, Carrier shall have the right, on 24 hours' notice, to divert or reconsign, subject to the rates, rules and regulation applicable from point of origin to actual final destination, or make whatever arrangements for disposition as are deemed appropriate to clear the Carrier's facilities, including the right of private sale for the best price reasonably obtainable. The Carrier may be a purchaser at such sale. Out of the proceeds of said sale, the Carrier shall pay itself all transportation and all other applicable lawful charges and necessary expenses of the sale and the expense of caring for and maintaining the Crude Petroleum until disposed of and the balance shall be held for whosoever may be lawfully entitled thereto.

ITEM NO. 11 - PAYMENT OF TRANSPORTATION AND OTHER CHARGES

Shipper shall be responsible for payment of transportation and all other charges applicable to the shipment, and at the discretion of Carrier, may be required to prepay such charges or furnish guaranty of payment to Carrier. Crude petroleum accepted for transportation shall be subject to the rates in effect on the date of receipt by Carrier. Payments not received by Carrier in accordance with invoice terms shall be subject to a late charge equivalent to 125% of prime rate as quoted by a major New York bank. Carrier will have a lien on all crude petroleum accepted for transportation to secure the payment of all charges including demurrage charges and will refuse to make delivery of the crude petroleum until all charges have been paid. If said charges, or any part thereof, shall remain unpaid for five days, as computed from the first seven o'clock a.m. after written notice is mailed to Shipper of Carrier's intention to enforce its lien as herein provided, Carrier shall have the right through an agent to sell said crude petroleum at public auction for cash, between the hours of ten o'clock a.m. and four o'clock p.m. on any day not a weekend or legal holiday, and not less than twenty-four hours after notice of the time and place of such sale and the quantity, general description, and location of the crude petroleum to be sold has been published in a daily newspaper of general circulation published in the town or city where the sale is to be held, and sent by telegraph (or other comparable means) to Shipper. 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 expenses, and expenses of caring for and maintaining the crude petroleum, and the balance shall be held for whomsoever may be lawfully entitled thereto; if the proceeds of said sale do not cover all expenses incurred by Carrier, the Shipper and/or Consignee are liable to Carrier for any deficiency.

ITEM NO. 12 - CLAIMS TIME FOR FILING

Except where property is lost or damaged in transit by carelessness or negligence of the Carrier, claims for loss or damage must be made in writing to the Carrier within nine (9) months after delivery of the property, or in case of a failure to make delivery, then within nine (9) months after a reasonable time for delivery has elapsed. Suits for loss or damage shall be instituted only within two (2) years and one (1) day after delivery of the property, or in the case of failure to make delivery, then within two (2) years and one (1) day after a reasonable time for delivery has elapsed; provided, however, that where claims have been duly filed with the Carrier, suit must be brought within two (2) years and one (1) day after notice in writing is given by the Carrier to the claimant that the Carrier has disallowed the claim 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 the Carrier will not be liable.

ITEM NO. 13 - PIPEAGE CONTRACTS REQUIRED

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

ITEM NO. 14 - DIVERSION OR RECONSIGNMENT

Provided no back haul is required, diversion or reconsignment will be made on written request from the Consignor or Consignee. No additional charge will be made for the diversion or reconsignment service. The rate to be applied under this rule is the rate from point of origin to final destination.

ITEM NO. 15 - 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 transported, the transportation furnished by the Carrier shall be apportioned among all Shippers on an equitable basis by the Carrier. Carrier's Pipeline Proration Procedure will be provided upon request.

ITEM NO. 16 - USE OF TELEGRAPH AND TELEPHONE FACILITIES

Without additional charge, patrons may use the private telegraph and/or telephone lines of the Carrier for the transmission of messages incident to the business, but the Carrier shall not be obligated to deliver messages, nor shall it be liable for failure of delivery of messages, and it shall not be liable for errors or delay in transmission or for interruption of the service.

ITEM NO. 17 - APPLICATION OF RATES FROM INTERMEDIATE POINTS

Crude Petroleum received from a point on Carrier's lines which is not named in this tariff, but which is intermediate to a point from which rates are published, will be assessed the rate in effect from the next more distant point published in this tariff.

ITEM NO. 18 - APPLICATION OF RATES TO INTERMEDIATE POINTS

Crude Petroleum destined to a point on Carrier's lines which is not named in this tariff, but which is intermediate to a point to which rates are published, will be assessed the rate in effect to the next more distant point published in this tariff.

ITEM NO. 19 - RATES APPLICABLE TO TRANSPORTATION OF CRUDE PETROLEUM

(Rates in cents per barrel of 42 United States gallons.)

| FROM | TO | RATE |
|---------------------------------------|---|-------------|
| Cushing Lincoln County Oklahoma | Jayhawk Pipeline tankage at El Dorado Butler County Kansas | [I] 42.86 |

Explanation of Reference Marks:

[I] Increase