



Effective: July 1, 2020

**Policy and Procedures Applicable to Shipper Over/Short Balancing and Pipeline Loss Allowance Settlement – Texas Intrastate**

1. This document (the “Policy”) governs the resolution by Carrier of Over/Short Positions and PLA on the Pipeline. This Policy is subject to Carrier’s rates, rules, and regulations tariff on file and in effect with the applicable regulatory authority, as such tariff may be modified by Carrier from time to time (the “Tariff”). In the event of any inconsistency, the Tariff controls.
2. By submitting a Nomination to Carrier for Services on the Pipeline, each Shipper agrees to the provisions of this Policy.
3. Definitions
  - a) “Arab Medium GC” means the arithmetic average of the midpoints of the Arab Medium delivered USGC formula diff, as published by Argus for each trading day for the month of delivery when traded prompt.
  - b) “ASCI” means the arithmetic average of the midpoints of the Argus South Crude Index (ASCI) Diff, as published by Argus for each trading day for the month of delivery when traded prompt.
  - c) “Bakken / Cushing Diff” means the arithmetic average of the daily weighted averages of the Bakken Cushing Diff, as published by Argus for each trading day for the month of delivery when traded prompt.
  - d) “Carrier Imbalance Price” means the price, by Crude Type, outlined in Schedule A. Carrier may utilize a weighted average price when more than one Crude Type is intermixed or commingled.
  - e) “CMA” means the arithmetic average of the NYMEX Light Sweet Crude Oil futures (CL) first nearby contract settlement price for each business day that is determined during the month of delivery.
  - f) “Crude Type” means a type of Crude Petroleum set forth on Schedule A, which is incorporated into this Policy.
  - g) “Maya USGC / Cushing Diff” means the arithmetic average of the midpoints of the Maya USGC Diff, as published by Argus for each trading day for the month of delivery when traded prompt.
  - h) “NYMEX HCL / NYMEX CL Diff” means the arithmetic average of the settlement prices of the NYMEX Light Sweet Crude Oil futures (CL) contract associated with the month of delivery when trading as the first nearby contract, subtracted from the arithmetic average of the settlement prices of the NYMEX WTI Houston Crude Oil futures (HCL) contract associated with the month of delivery when trading as the first nearby contract.
  - i) “Over/Short Position” means the absolute value of the Shipper’s imbalance position on the Pipeline for a Crude Type calculated by Carrier and reported to the Shipper on its month-end statement
  - j) “PLA” means Pipeline Loss Allowance.
  - k) “Schedule A” means the schedule of Crude Types and Quality Pools that is published on Carrier’s Website and updated from time to time.
  - l) “Southern Green Canyon / Cushing Diff” means the arithmetic average of the daily weighted averages of the Southern Green Canyon Diff, as published by Argus for each trading day for the month of delivery when traded prompt.
  - m) “WCS Houston Diff” means the arithmetic average of the daily weighted averages of the WCS Houston Diff, as published by Argus for each trading day for the month of delivery when traded prompt.
  - n) “White Cliffs / Bakken Diff” means Bakken / Cushing Diff subtracted from the White Cliffs / Cushing Diff.
  - o) “White Cliffs / Cushing Diff” means the arithmetic average of the daily weighted averages of the White Cliffs Cushing Diff, as published by Argus for each trading day for the month of delivery when traded prompt.
  - p) “WTI Diff to CMA NYMEX” means the arithmetic average of the daily weighted averages of the WTI Diff to CMA NYMEX, as published by Argus for each trading day for the month of delivery when traded prompt.
  - q) “WTI Midland / Cushing Diff” means the arithmetic average of the daily weighted averages of the WTI Midland Diff, as published by Argus for each trading day for the month of delivery when traded prompt.
  - r) “WTS Midland / Cushing Diff” means the arithmetic average of the daily weighted averages of the WTS Midland Diff, as published by Argus for each trading day for the month of delivery when traded prompt.
  - s) “WTS Midland / WTI Midland Diff” means WTI Midland / Cushing Diff subtracted from the WTS Midland / Cushing Diff.Other capitalized words used in this Policy are defined in the Tariff, unless otherwise specified.
4. Settlement
  - a) At the end of each month, Carrier will settle with each Shipper with an Over/Short Position by Crude Type at the destination point for such Crude Type. If the Carrier Imbalance Price for such Crude Type is greater than \$0.00 per Barrel, then the settlement price will be set by multiplying the Shipper’s Over/Short Position by the Carrier Imbalance Price for such Crude Type. If the Carrier Imbalance Price for such Crude Type is less than or equal to \$0.00 per Barrel, then the settlement price will be set by multiplying the Shipper Over/Short Position by \$0.00 per Barrel.
  - b) At the end of each month, Carrier will settle PLA with all shippers by Crude Type at the Destination Point for such Crude Type. If the Carrier Imbalance Price for such Crude Type is greater than \$0.00 per Barrel, then the PLA settlement price will be set by multiplying the volume of PLA by the Carrier Imbalance Price for such Crude Type. If the Carrier Imbalance Price for such Crude Type is less than or equal to \$0.00, then the corresponding volume of PLA will be retained by the Carrier as in-kind settlement as specified in the Tariff with no payment owed to the Shipper.



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**Policy and Procedures Applicable to Shipper Over/Short Balancing and Pipeline Loss Allowance Settlement – Texas City**

**Schedule A<sup>1</sup>  
Crude Types and Quality Pools**

<p><b><u>Pool #1 - High TAN (Total Acid Number) Heavy</u></b></p> <p>AWB – Access Western Blend          BHB – Borealis Heavy Blend          CDB – Christina Lake Blend          CNX – Canadian Natural High Tan          FRB – Fort Hills Reduced Carbon Dilbit Blend          KDB – Kearl Lake Dilbit          PDH – Long Lake Heavy Dilbit Blend          SHD – Surmont Heavy Dilbit          WDB – Western Canada Dilbit</p> <p><b><u>Pool #2 – Low TAN Heavy</u></b></p> <p>COLD – Cold Lake          CHV – Conventional Heavy          SMA – Surmont Mix A          WCS – Western Canadian Select</p> <p><b><u>Pool #3 – Medium Sour</u></b></p> <p>WTSR – West Texas Sour</p>	<p><b><u>Pool #4 – Light</u></b></p> <p>CASH – Cashion Crude Oil          DJB – DJ Basin (White Cliffs Crude)          NIO – Niobrara          UHC – U.S. Sweet Clearbrook          WTL – West Texas Light</p> <p><b><u>Pool #5 – Domestic Sweet</u></b></p> <p>DSW – Domestic Sweet</p> <p><b><u>Pool #6 – Intermediate</u></b></p> <p>WTI – West Texas Intermediate          BKN – Bakken Crude</p> <p><b><u>Pool #7 – Offshore</u></b></p> <p>HOOPS – Hoover Offshore Pipeline System Blend          SGC – Southern Green Canyon</p>	<p><b><u>Pool #8 – Foreign Heavy</u></b></p> <p>AZUL – Tubarao Azul          CAST – Castilla          HAM – Hamaca          JUBA – Jubarte          MAG – Magdalena          MAY – Maya          MRL – Marlim          NAPO – NAPO          TMA – Tubarao Martelo          ZUAT – Zuata</p> <p><b><u>Pool #9 – Foreign Light</u></b></p> <p>ABH – Arab Heavy          ABL – Arab Light          ABM – Arab Medium</p> <p>BASR – Basrah          CLV – Clov          HIBN – Hibernia          IST – Isthmus          KLT – Kuwaiti Light          SAPI – Sapinhoa          VAS – Vasconia</p>
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Quality Pool	Carrier Imbalance Price
High TAN Heavy	CMA plus WCS Houston Diff
Low TAN Heavy	CMA plus WCS Houston Diff
Medium Sour	CMA plus WTI Diff to CMA NYMEX plus NYMEX HCL / NYMEX CL Diff plus WTS Midland / WTI Midland Diff
Light	CMA plus WTI Diff to CMA NYMEX plus NYMEX HCL / NYMEX CL Diff plus White Cliffs / Bakken Diff
Domestic Sweet	CMA plus WTI Diff to CMA NYMEX plus NYMEX HCL / NYMEX CL Diff
Intermediate	CMA plus WTI Diff to CMA NYMEX plus NYMEX HCL / NYMEX CL Diff
Offshore	CMA plus WTI Diff to CMA NYMEX plus Southern Green Canyon / Cushing Diff
Foreign Heavy	CMA plus WTI Diff to CMA NYMEX plus Maya USGC / Cushing Diff
Foreign Light	CMA plus WTI Diff to CMA NYMEX plus ASCI plus Arab Medium GC

<sup>1</sup> Carrier may consider shipment of Crude Types that are not listed above, and may include such Crude Types in one of the listed pools. Carrier shall make shipment and pool determinations.