

ExxonMobil Pipeline Company

LOCAL AND PROPORTIONAL TARIFF

APPLYING ON CRUDE PETROLEUM

**FROM
POINTS OFFSHORE LOUISIANA**

**TO
POINT IN LOUISIANA**

The rates named in this tariff are for the transportation of crude petroleum by pipeline and are applicable only on shipments to destination named herein, for subsequent transportation beyond by pipeline, subject to the rules and regulations published herein.

This tariff is filed in compliance with 18 CFR 342.3

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

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RULES AND REGULATIONS

1. DEFINITIONS:

"Crude Petroleum" as used herein, means the direct product of oil wells, indirect petroleum products resulting either from distillate recovery equipment in gas and distillate fields, or a mixture of the direct product and indirect petroleum products.

"Barrel," as used herein, means 42 United States gallons of Crude Petroleum at a temperature of 60 degrees Fahrenheit.

"Carrier," as used herein, means ExxonMobil Pipeline Company (EMPCo).

"Connecting Pipeline," as used herein, means a pipeline constructed and operated by a party or parties other than Carrier from which Crude Petroleum is received into Carrier's pipeline on the basis of measurements made at the point where it enters said Connecting Pipeline rather than at the point where it enters Carrier's pipeline.

"Monthly Accounting Period," as used herein, means calendar month beginning at 7:00 a.m. on the first day of a month and ending at 7:00 a.m. on the first day of the succeeding month.

"A.P.I.," as used herein, means the American Petroleum Institute.

2. SPECIFICATIONS AS TO QUALITY AND LEGALITY OF SHIPMENT: Carrier reserves the right to reject any and all of the following shipments:

- A. Crude Petroleum whose gravity, viscosity, and/or other characteristics are such that it is not readily susceptible to transportation through the Carrier's existing facilities and it will damage the quality of other shipments or cause disadvantage to other shippers and/or the Carrier.
- B. Crude Petroleum containing water, sediment and other impurities totaling in excess of one per cent as determined by centrifugal test, or by such other tests as may be agreed upon by the Shipper and Carrier.
- C. Crude Petroleum where the Shipper or Consignee has failed to comply with all applicable laws, rules, and regulations made by any governmental authorities regarding shipment of Crude Petroleum.
- D. If Carrier determines that a Shipper has delivered to Carrier's facilities Crude Petroleum that has been contaminated by the existence of and or excess amounts of impure substances, including but not limited to chlorinated and/or oxygenated hydrocarbons, arsenic, lead and/or other metals which results in harm to other shippers, carriers, users of the contaminated Crude Petroleum or Carrier, such Shipper will be excluded from further entry into applicable segments of the pipeline system until such time as the quality of the Crude Petroleum is to the satisfaction of the Carrier. Carrier is not responsible for monitoring receipts or deliveries for contaminants. Further, Carrier reserves the right to dispose of any contaminated Crude Petroleum blocking its pipeline system. Disposal thereof may be made in any reasonable manner including but not limited to commercial sales, 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. Shipper liability includes, but is not limited to, claims from other shippers, carriers, or users of the contaminated Crude Petroleum and the costs of any regulatory or judicial proceeding.

3. RECEIPT, DELIVERY, AND IDENTITY OF SHIPMENTS: Crude Petroleum offered for transportation will be received into the pipelines of Carrier only on the condition that:

- A. It shall be subject to such changes in gravity or quality as may result from the mixture of said Crude Petroleum with Crude Petroleum in the tanks or lines of Carrier or Connecting Pipeline, and
- B. Carrier shall be under no obligation to deliver the identical Crude Petroleum received, and reserves the right to make delivery out of its common stock.

- 4. APPORTIONMENT WHEN CURRENT OFFERING ARE IN EXCESS OF FACILITIES:** When pursuant to nominations hereunder, there shall be offered to Carrier more Crude Petroleum than can be immediately gathered and/or transported, the gathering and/or transportation shall be apportioned among all Shippers by Carrier on a just and reasonable basis. When such apportionment becomes necessary, it shall be done in accordance with ExxonMobil Pipeline Company's "Lower 48 States Systems Proration Procedures," dated August 4, 1999 supplements thereto or reissues thereof, which is available upon request.
- 5. APPLICATION OF RATES:** Crude Petroleum accepted for transportation shall be subject to the rates and other charges in effect on the date of receipt by Carrier.
- 6. LIABILITY OF CARRIER:** Carrier while in possession of Crude Petroleum described herein, shall not be liable for any loss thereof; damage thereto; or delay caused by fire, storm, flood, epidemics, Act of God, riots, strikes, insurrection, rebellion, war, act of the public enemy, quarantine, the authority of law, requisition
- or necessity of the Government of the United States in time of war, default of Shipper, or from any other cause not due to the sole negligence of Carrier. In case of loss of any Crude Petroleum from any such causes, after it has been received for transportation and before the same has been delivered, Carrier shall assign and allocate such losses to Shippers on a just and reasonable basis.
- 7. CRUDE PETROLEUM INVOLVED IN LITIGATION:** Crude Petroleum which is in any way involved in litigation, or which is encumbered by a lien or charge of any kind, will not be accepted for shipment, unless and until the Shipper or Consignee shall furnish a bond or other form of indemnity satisfactory to Carrier, protecting it against any liability or loss arising as a result of such litigation, lien, or charge.
- 8. PAYMENT OF TRANSPORTATION AND OTHER CHARGES:** The Shipper or Consignee shall pay, as provided below, all applicable gathering, transportation, and all other charges accruing on Crude Petroleum handled by Carrier.

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.

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.

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.

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 Crude Petroleum in Carrier's possession or prior to Carrier's acceptance of Shipper's Crude Petroleum: (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.

Carrier shall have a lien on all Crude Petroleum delivered to Carrier to secure the payment of any and all gathering, transportation, or any other charges that are owed Carrier. Such lien shall survive delivery of Crude Petroleum to Shipper. Such lien shall extend to all Crude Petroleum 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 Crude Petroleum 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.

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 Crude Petroleum 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.

- 9. CLAIMS, SUITS, AND TIME FOR FILING:** As a condition precedent to recovery, claims must be filed in writing with Carrier within nine months after delivery of shipment, or, in case of failure to make delivery, then within nine months after a reasonable time for delivery has elapsed; and suits shall be instituted against Carrier only within two years and one 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, Carrier shall not be liable and such claims will not be paid.
- 10. MEASUREMENT AND TESTING:** Crude petroleum offered to Carrier for gathering and/or transportation shall be measured and tested by a representative of Carrier prior to its receipt from Shipper. Shipper shall have the privilege of being present or represented at the measurement and testing. Quantities shall be measured by meters and calculated in accordance with applicable A.P.I. Manual of Petroleum Measurement Standards. All shipments of required specifications will be received and delivered as net standard volume, as the total volume excluding water, sediment and other impurities, corrected by the appropriate volume correction factor for the observed temperature and A.P.I. gravity, relative density, or density to a standard temperature of 60 degrees Fahrenheit and also corrected by the applicable pressure correction factor and meter factor. The centrifuge method, Karl Fischer method, or other methods agreed upon, shall be used for ascertaining the percentage of water, sediment and other impurities. Where measurement and testing of shipments to determine water, sediment, and other impurities content is not performed, the Carrier shall determine the water, sediment, and other impurities content of shipments based on the best available data.

11. EVIDENCE OF RECEIPTS AND DELIVERIES: Carrier shall account to each Shipper for Crude Petroleum received. Crude Petroleum received from the Shipper and Crude Petroleum delivered to the Consignee shall, in each instance, be evidenced by tickets, showing opening and closing tank gauges or meter readings, as applicable, temperature, basic sediment and water, and any other data essential to the determination of quantity. Such tickets shall be jointly signed by representatives of Carrier and the Shipper or Consignee, as appropriate, and shall constitute full receipt for (a) the Crude Petroleum received and (b) the crude petroleum delivered. Where meter tickets are not available or in Carrier's opinion are unreliable, Carrier shall use the best available data to determine the quantity of Crude Petroleum received and delivered.

12. DEDUCTIONS AND QUANTITIES DELIVERABLE:

A. All shipments of Crude Petroleum of 50 degrees API gravity or above shall be subject to a deduction to cover the shrinkage resulting from the mixture thereof, in the facilities of Carrier, with Crude Petroleum of API gravity of 49.9 degrees or less according to the following table:

<u>A.P.I. Gravity</u>	<u>% Deduction</u>
50 ^o through 59.9 ^o	1%
60 ^o through 74.9 ^o	2%
75 ^o through 84.9 ^o	3%
85 ^o through 94.9 ^o	4%
95 ^o through 104.9 ^o	5%
105 ^o through 120.9 ^o	6%

B. The quantity of Crude Petroleum deliverable at Grand Isle shall be the net standard volume (as set out in Item No. 10) less shrinkage, evaporation, or any other losses in transit or due to leaks or pipeline breaks. All such shrinkage, evaporation, and gains or losses shall be assigned by Carrier to Shippers on a just and reasonable basis.

13. ARRANGEMENTS REQUIRED FOR FURTHER TRANSPORTATION: The Carrier will accept Crude Petroleum for transportation only when the Shipper or Consignee has made the necessary arrangements for further shipment beyond.

14. LINE FILL AND TANK BOTTOM INVENTORY: Either prior to or after the acceptance of Crude Petroleum for transportation, Carrier will, upon reasonable notice, require each Shipper to provide a pro rata part of the volume of Crude Petroleum necessary for pipeline fill, unavailable stocks below tank connections, and reasonable additional minimum quantities required for efficient operation or to safeguard Carrier's tankage during passage of a tropical storm or hurricane. Crude Petroleum provided by a Shipper for this purpose may be withdrawn after reasonable written notice of Shipper's intention to discontinue shipment in the system pursuant to Carrier's applicable tariff or tariffs. Carrier may require advance payment of final transportation charges and settlement of any unpaid accounts receivable, before final delivery will be made.

In the event a Shipper's inventory balance drops below its pro rata part of the volume of Crude Petroleum necessary for pipeline fill, unavailable stocks below tank connections, and reasonable additional minimum quantities required for the efficient operation of the system, then Carrier will require such Shipper to provide the necessary volume to meet its pro rata part of such volume of Crude Petroleum.

In the event that Shipper maintains an inventory balance after Shipper ceases movements on the system or Shipper gives written notice of its intent to cease movements over the system and such Shipper is unable to schedule appropriate shipments to clear the inactive inventory balance, Shipper will be required to settle the inactive inventory balance through Carrier. In the event no such Shipper notice is given, then Carrier may require either an adjustment in Shipper's inventory balance in accordance with the preceding Line Fill and Tank Bottom Inventory provision or settlement of the Shipper's inventory balance at any time after Shipper has ceased making movements over the system for a period of six months. Such settlement will be based upon the fair market value of the Crude Petroleum, as published by Platts, at the time Shipper informs Carrier in writing of its intention to discontinue shipments on the system pursuant to Carrier's applicable tariff or tariffs or if no such written notice is given, then at such time as Carrier calls for the settlement of the Shipper's inventory balance.

15. NOMINATIONS:

- A. Applications for the transportation of Crude Petroleum shall be submitted in writing on Carrier's prescribed nomination of shipment form.
- B. Any Shipper desiring to nominate Crude Petroleum for transportation shall make such nomination to Carrier in writing on or before the twenty-fifth day of the month preceding the month during which the transportation under the nomination is to begin; except that, if space is available for current movement, a Shipper may nominate Crude Petroleum for transportation after the twenty-fifth day of the month preceding the month during which the transportation under the nomination is to begin.

16. OFFSHORE PLATFORM FACILITIES AND OPERATING PROCEDURES.

- A. Carrier or its authorized representative shall have access to the platform from which shipments are received for the purpose of examining and checking meters and other installations utilized in connection with the handling of Crude Petroleum injected into the pipeline.
- B. Shippers, upon reasonable request of Carrier, shall install, maintain and operate, or make arrangements with platform owners to install, maintain, and operate equipment to inject corrosion inhibitor into the pipeline. Carrier will supply inhibitor or reimburse party supplying the required inhibitor. The injection of such corrosion inhibitor and the type of inhibitor used shall be subject to the control of the Carrier.
- C. Shippers shall provide or arrange with platform operator to furnish, operate, and maintain such pumping equipment as is necessary to inject the Crude Petroleum nominated by them for shipment or will cause same to be done. Pumping equipment shall be controlled and operated so that the hourly rate at which Crude Petroleum is injected during each month shall not exceed 120% of the average hourly volume nominated and accepted for shipment during the current calendar month. If piston pumps are used, surge absorbers shall be installed, upon reasonable request of Carrier, to minimize pulsation. Carrier reserves the right, upon written notification to all Shippers to further limit the variation of Shipper's injection rates, if in Carrier's judgment proration is imminent. Just and reasonable exceptions to variations of injection rates for Shippers with newly discovered, expended production, and unusual production difficulties will be allowed by Carrier.
- D. Physical and legal transfer of custody of Crude Petroleum to Carrier shall be at points where producer's or other delivering parties' lines are connected to Carrier's existing facilities, however, measurement of quantities received for the account of Shippers at such points shall be determined by measurement facilities installed on the production platforms where the Crude Petroleum is produced or to which it is moved for delivery into Carrier's existing facility.
- E. The Carrier shall have the right to require uniform measurement and sampling equipment/procedures at all installations so that custody transfer measurements are made on a uniform basis. Carrier reserves the right to require Shippers to install or cause platform owners to install in accordance with applicable API and ASTM (American Society for Testing Materials) standards metering and meter proving equipment capable of continuous custody measurement, and devices for continuous proportional-to-flow sampling of the Crude Petroleum.

- F. If Crude Petroleum to be delivered to Carrier is produced at some distance from the Carrier's facilities and Carrier does not elect to provide a connection directly to the production platform where it is produced, the Shipper desiring to deliver such Crude Petroleum to Carrier shall furnish, or cause to be furnished, free of cost to Carrier, the Connecting Pipeline required to deliver such Shipper's Crude Petroleum to the location designated by Carrier. If such location is on another producer's platform, all arrangement for installing the Connecting Pipeline or other required equipment or facilities on such platform shall be the sole responsibility of the Shipper.
- G. At Carrier's request, Shipper will allow, or cause the platform owner(s) to allow, Carrier to place, operate, repair and maintain riser piping, scraper traps, valves, surveillance equipment, and any other equipment deemed by Carrier to be needed for the safe and efficient operation of the pipeline. In the event Carrier should decide to transmit meter readings or other data from the platform from which Shipper's Crude Petroleum is run, Shippers will allow, or cause the platform owner(s) to allow, reasonable access to and use of communication facilities which may be available at the platform.
- H. Where meter readings are available Carrier will prepare, as near as practicable to 7:00 a.m. on the first day of each month, a monthly pipeline run ticket for each Shipper showing opening and closing meter readings and water, sediment, other impurities percentage on the basis of which Crude Petroleum and water, sediment, and other impurities volumes will be determined. If for any reason Carrier's representative fails to reach any receipt point on the first day of the month, Shipper's own representative, with prior authorization from Carrier, will obtain and make a record for Carrier's representative of the closing meter reading and will withdraw the sample material from the sampling equipment. The sample material thus withdrawn will be sealed in a special container and retained by Shipper's representative for Carrier's representative who will, during his next trip to that receipt point, determine the water, sediment, and other impurities percentage of the sample material in the special container and prepare the monthly pipeline run ticket. Where no meter readings are available, Crude Petroleum including water, sediment and other impurities will be determined by Carrier from the best available data.
- I. It is recognized that from time to time producers inject acid into well formations containing Crude Petroleum in an attempt to stimulate production and fluids subsequently produced from such wells may contain unspent acid which must be neutralized to a pH of 4.5 or greater before the fluids (with which acid is produced) are delivered to Carrier. If such total fluids (Crude Petroleum plus unspent acid) is not so neutralized, the pipeline may have to be shut down which in turn will require all connected producers to shut in their wells. To assist Carrier to anticipate the need and to prepare for possible corrective actions which may be required to void or minimize operating difficulties caused by any unneutralized acid, Shippers shall furnish, or cause the producer from which Crude Petroleum is purchased to furnish to Carrier, the following information at least 24 hours in advance of start of production from any well which has been acidized:
- (1) Estimated time of first production from acidized well.
 - (2) Estimated time that first production from acidized well, which has been neutralized to a pH equal to or greater than 4.5, will be injected into the System.
 - (3) Estimated time that produced fluids from previously acidized wells, which has been neutralized to a pH equal to or greater than 4.5, will be free of neutralized acids.

Shippers shall assume full responsibility for and reimburse Carrier for all extra costs and expenses incurred by Carrier as the result of any unspent and/or unneutralized acids being present in the Crude Petroleum delivered to Carrier by Shipper. Shipper responsible will be billed for all such extra costs and expenses for shutting down, purging of such unspent acids, and subsequent resuming operation of the Carrier's pipeline and Grand Isle Terminal. Carrier shall not be liable to any Shipper for any damage sustained by Shipper(s) as the result of unspent and/or unneutralized acids being received from other Shipper(s).

- J. The present maximum operating pressure at all reception points is 1440 psig.

Shipper's injection pressure shall be maintained within this stated maximum limit and shall conform, as near as possible, to the hydraulic gradient. Carrier reserves the right to reduce the maximum operating pressure by written notice to all Shippers. Shippers shall furnish, or cause the producer from which Crude Petroleum is purchased to furnish, install, calibrate, and maintain continuous pressure recording devices at or near injection points to monitor pipeline operating pressures. Copies of the recording charts taken from these recording devices shall be furnished to Carrier on a weekly basis by Shipper. Shipper(s) shall also furnish Carrier copies of annual calibration certificates for recording devices. Carrier reserves the right to witness calibration of these devices and Shipper shall notify Carrier at least 48 hours prior to the initiation of such calibration procedures.

Circumstances may arise which in Carrier's judgment require the pipeline be shut down. Following such shutdown periods, Shippers shall obtain authorization from Carrier prior to the resumption of injections.

- K. Shippers who do not operate the wells from which the Crude Petroleum nominated for shipment by them is produced or who do not operate the treating, measurement, or pumping equipment through which it is handled prior to its delivery to Carrier shall designate the party or parties responsible for the operation of such facilities and shall authorize and direct such party or parties to (1) comply with all provisions of this Tariff related to their operations and (2) furnish to Carrier such reasonably requested operational, technical, administrative, and analytical data as Carrier deems necessary to account for volumes being delivered to Carrier and assure safe, lawful, and efficient operations. If two or more Shippers have an undivided ownership interest in Crude Petroleum nominated for shipment, such Shippers must designate the same operating representative who shall be authorized and directed to perform such functions.

17. APPLICATION OF RATES FROM AND TO INTERMEDIATE POINTS: For shipments accepted for transportation from any point not named which is intermediate to a point from which rates are published, through such unnamed point, the rate published herein from the next more distant point specified will apply from each unnamed point. For shipments accepted for transportation to any point not named which is intermediate to a point to which rates are published, through such unnamed point, the rate published to the next more distant point specified will apply.

18. EXCESS WATER, SEDIMENT AND OTHER IMPURITIES: If during any monthly accounting period, one or more individual meter tickets covering Crude Petroleum delivered to Carrier by Shippers reflects a water, sediment and other impurities content which exceeds 1%, Shipper shall pay to Carrier a handling charge as specified in the Table below on such excess water, sediment, and other impurities to cover the treating, separation and other aspects of handling such excess water, sediment and other impurities delivered to Carrier. This explicitly excludes disposal. Carrier shall accept excess water for handling only when the Shipper has made the necessary arrangements for disposal of such excess water. Shipper may dispose of its excess water by method acceptable to Carrier such as barging or trucking subject to a mutually agreed upon schedule for excess water removal by Shipper from Carrier's Grand Isle tankage. As an alternative, Shipper may request Carrier to dispose of Shipper's excess water by a mutually agreed upon method. The terms and fees for disposal will be provided by Carrier. In any event, shipper must contact Carrier in advance at 713-656-2044 to schedule means by which BS&W will be disposed. Where no meter tickets are available or meter tickets are in Carrier's opinion unreliable, water, sediment and other impurities in the system in excess of that reported on acceptable meter tickets will be allocated in a fair and equitable manner by Carrier. Notwithstanding the fact that Carrier levies a handling charge covering excess water, sediment and other impurities content in a Crude Petroleum stream, Carrier reserves the right to reject any nomination of products other than Crude Petroleum which satisfies all quality standards, requirements and conditions set forth herein.

19. CHARGE FOR FUND COMPENSATION: In addition to all other charges accruing on Crude Petroleum accepted for gathering and/or transportation, a per barrel charge will be assessed and collected in the amount of any tax, fee, or other charge levied against Carrier by any Federal, State or local act, regulation

or

agency for the purpose of providing a fund for the reimbursement of parties who sustain costs or losses resulting from oil pipeline industry operations. Such charge will be included in the appropriate tariff filed with the Commission.

20. **Hurricane Surcharge** - ExxonMobil Pipeline Company has assessed a "hurricane surcharge" on each barrel received at the offshore reception points for delivery to Grand Isle, effective July 1, 2006. The rate will be applied during the period July 1, 2006 through June 30, 2009. The surcharge is necessary to recover prudently incurred costs necessary to repair damage caused by Hurricane Katrina and to resume and continue operations and ensure the reliability and safety of the pipeline. The surcharge represents costs that were incurred, paid and booked as of May 19, 2006. In the below example, the hurricane surcharge rate would be a 2.10 cents per barrel received at the offshore reception points for delivery to Grand Isle. Any additional costs that are incurred, paid and booked after May 19, 2006 and those cost incurred and not paid prior to May 19, 2006 that are directly related to hurricane damage will be recovered through an extension of the recovery period and using the same cents per barrel surcharge rate respectively identified in this provision until all costs are fully recovered. At the end of the recovery period, EMPCo will apply a true-up of the actual costs recovered. If the true-up amount is within 1% of the costs incurred, no additional collection or refund of the amount will be made and EMPCo will not accrue any carrying costs.

Below example describes the method by which the tariff surcharge rates were developed:

1. EMPCo's total 2005 revenue applicable to the storm damaged area is first determined. Then, calculate the percent of the above total revenue that represent interstate revenue. Next, applied the percentage identified as interstate revenue to the totaled recovery cost in determining what amount is to be allocated to jurisdictional facilities
2. The total recovery cost allocated to jurisdictional facilities is then divided by the applicable interstate volume associated with the storm damaged area, in determining the total tariff surcharge rate required to recover the total cost of recovery for jurisdictional facilities.
3. Finally, the above total tariff surcharge rate is then apportioned, based on the percent of recovery cost applicable to offshore (29.80%) and onshore (70.20%) respectively, to arrive at the applicable onshore and offshore tariff surcharge rate.

Below Illustration:

	Total	Percent
	<u>Amount</u>	<u>Share</u>
No. 1:		
Onshore recovery cost	\$3,917,493	70.20%
Offshore recovery cost	<u>\$1,662,671</u>	<u>29.80%</u>
Total recovery cost onshore & offshore	\$5,580,164	100.00%
Total Revenue applicable to storm damaged area	\$26,232,660	100.00%
Revenue from interstate movement applicable to storm damage area	\$12,230,000	46.62%
Recovery cost applicable to jurisdictional facilities:		
	(\$5,580,164 x 46.62%)	\$ 2,601,543 46.62%

Illustration cont'd.

No. 2:

Interstate volume applicable to storm damaged area 36,903,796 n/a

Total surcharge rate in cents per bbl:
 (\$2,601,543 / 36,903,796) = 7.05 100%

No. 3:

Total surcharge rate apportioned:

Onshore surcharge rate in cents per bbl. (7.05 x 70.20%) 4.95 70.20%
 Offshore surcharge rate in cents per bbl. (7.05 x 29.80%) 2.10 29.80%

**TABLE OF RATES FROM ESTABLISHED RECEPTION POINTS TO
 GRAND ISLE (JEFFERSON PARISH), LOUISIANA**

FROM	Rate in Cents per Barrel of 42 United States Gallons	
Reception Points	Crude Petroleum Transportation	Excess Water, Sediment, ① and Other Impurities Handling
Offshore Louisiana Stations ^(A)		
Block 16, Grand Isle Area	[I] 30.99	[I] 23.60
Block 18, Grand Isle Area	[I] 30.99	[I] 23.60
Block 30, Grand Isle Area	[I] 46.51	[I] 23.60
Block 30, West Delta Area	[I] 42.27	[I] 23.60
Block 73, West Delta Area	[I] 98.63	[I] 23.60
Block, 54, South Timbalier Area	[I] 133.88	[I] 48.27
Block 93, South Pass Area	[I] 142.28	[I] 48.27
Block 268, Mississippi Canyon Area	[I] 194.41	[I] 48.27
Block 280, Mississippi Canyon Area	[I] 233.85	[I] 48.27

Note: ^(A) **The Hurricane Surcharge:** a surcharge rate of 2.10 cents per barrel will be added at the above offshore reception points.

EXPLANATION OF REFERENCE MARKS

[I] Increase rate

① Excess water, sediment and other impurities handling charge referenced in Item No 18