

VALERO MKS LOGISTICS, L.L.C.

LOCAL & PROPORTIONAL PIPELINE TARIFF

CONTAINING

RULES AND REGULATIONS

Governing Transportation of
Petroleum by Pipeline

GENERAL APPLICATION

~~[C] The Rules and Regulations have been brought forward unchanged from The Premcor Pipeline Co.'s F.E.R.C. No. 6, in accordance with Valero MKS Logistics, L.L.C.'s Adoption Notice F.E.R.C. No. 1, effective April 1, 2008.~~

~~[C] Issued under authority of 18 CFR § 341.6(d).~~

~~[N] Filed in compliance with Order No. 714 – Electronic Tariff Filings, issued on September 19, 2008 for the establishment of Baseline Tariff.~~

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

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<p style="text-align: center;">Issued By</p> <p>[W] Rodney Reese, Vice President Valero MKS Logistics, L.L.C. One Valero Way San Antonio, TX 78249 [W] (210) 345-4057</p>	<p style="text-align: center;">Compiled By</p> <p>Andrew Dalton Valero MKS Logistics, L.L.C. One Valero Way San Antonio, TX 78249 (210) 345-5954</p>

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RULES AND REGULATIONS

GENERAL APPLICATION OF TARIFF

Carrier will undertake the interstate transportation of Petroleum, only as defined herein, receiving and delivering such Petroleum through its own pipelines and pipelines of connecting companies and not otherwise, subject to the Rules and Regulations contained herein.

ITEM 5 - DEFINITIONS

"Barrel" shall mean forty-two (42) United States gallons at sixty degrees (60°) Fahrenheit and equilibrium pressure if the vapor pressure of the Petroleum is above atmospheric pressure.

"Carrier" shall mean The Valero MKS Logistics, L.L.C. ~~[C] Pipeline Co.~~

"Common Stream" shall mean Petroleum moved through any common carrier facility, which is commingled or intermixed with other Petroleum of like quality and characteristics. Petroleum shall not be commingled or intermixed within a Common Stream without the approval of Carrier. Petroleum received into a Common Stream batch shall be the type and quality of Petroleum regularly received into that Common Stream. Shippers shall be prohibited from delivering, and Carrier shall not knowingly accept, into a Crude Oil Common Stream any mixtures, including Petroleum containing Indirect Liquid Products as hereinafter defined.

"Condensate" shall mean liquid hydrocarbons recovered from natural gas (either associated or not associated with Crude Oil production) by lease or field facilities without the use of refrigeration or expansion processes. "Consignee" shall mean the party to whom a Shipper has ordered the delivery of Petroleum.

"Consignee" shall mean the party to whom a Shipper has ordered the delivery of Petroleum.

"Crude Oil" shall mean a mixture of hydrocarbons, generally referred to as virgin crude oil, that exists in liquid phase in underground reservoirs and remains liquid at atmospheric pressure after passing through surface separating facilities. Crude Oil does not include Condensate, Natural Gas Liquids, Natural Gasoline, Reclaimed Petroleum, Synthetic Crude Oil, Tank Bottoms, or Indirect Liquid Products as herein defined.

"Equivalent Barrel" shall mean the pumpability conversion of a Barrel of Petroleum to a Standard Barrel, defined as Petroleum with SUS @ one hundred degrees (100°) Fahrenheit viscosity of fifty-five (55).

"Heavy Barrel" shall mean Petroleum with SUS @ one hundred degrees (100°) Fahrenheit viscosity of-greater than fifty-five (55).

"Indirect Liquid Products" shall mean liquid hydrocarbons resulting from the operation in oil or gas fields of gasoline recovery plants, gas recycling plants, Condensate or distillate recovery equipment and includes, but is not limited to, Condensate, Natural Gas Liquids, Natural Gasoline and mixtures of such liquid hydrocarbons.

"Natural Gas Liquids" shall mean liquid hydrocarbons recovered in natural gas processing or gas recycling plants or refineries, consisting of ethane, propane, isobutane, normal butane and Natural Gasoline, which may be partially or fully fractionated products.

"Natural Gasoline" shall mean liquid hydrocarbons separated from natural gas in a processing or gas recycling plant and expected to consist primarily of pentane and heavier hydrocarbons which have been stabilized to not exceed Carrier RVP requirements. The gravity is generally not to exceed seventy-five degrees (75°) API. A mixture of Natural Gasoline and butane that exceeds the RVP specifications is sometimes called "B/G mix" and is not included in the definition of Natural Gasoline.

"Petroleum" shall mean the direct liquid hydrocarbon products of oil or gas wells commonly known as Crude Petroleum, including Crude Oil, Synthetic Crude Oil, and Indirect Liquid Products as herein defined.

"Reclaimed Petroleum" shall mean liquid hydrocarbons or non-liquids recovered from Tank Bottoms, scraper traps, production wells, or similar circumstances, by mechanical, thermal or chemical processes. Reclaimed

RULES AND REGULATIONS (CONTINUED)

ITEM 5 - DEFINITIONS (CONTINUED)

Petroleum will not knowingly be accepted for transportation by Carrier, except as a Segregated Batch, and then only to the extent that such Segregated Batch is not harmful to the pipeline or other Shippers.

“Segregated Batch” shall mean a Tender of Petroleum or Reclaimed Petroleum having specific identifiable characteristics, which is transported through the pipeline, and pipeline facilities so as to maintain its identity.

“Shipper” shall mean the party who contracts with Carrier for transportation of Petroleum under the terms and conditions of this tariff.

“Standard Barrel” shall mean Petroleum with SUS @ one hundred degrees (100°) Fahrenheit viscosity of fifty-five (55) or less.

“Synthetic Crude Oil” shall mean a hydrocarbon liquid generally possessing the properties of naturally produced Crude Oil which is derived or produced by chemical or physical transformation of oil shale, coal, or oil sands.

“Tank Bottoms” shall mean Petroleum, water in emulsion, suspended solids, and precipitated solids, some or all of which are mixed with water and accumulate at the bottom of a tank.

“Tender” shall mean a good faith written offer by a Shipper to Carrier of a stated quantity of Petroleum for transportation from a specified origin or origins to a specified destination or destinations in accordance with these Rules and Regulations. Tendered volumes are recalculated in terms of an Equivalent Barrel. Heavy Barrels will be equated to an Equivalent Barrel by application of the factors provided by the pipeline system operator.

ITEM 10 - COMMON STREAM QUALITY

Shipper shall certify to Carrier that all Petroleum tendered for, and subsequently delivered into, Common Stream transportation is consistent in all aspects with the refining characteristics of the Common Stream that Shipper tenders to. Carrier shall have the right, either at its own initiative or at the request of any other Shipper, to sample and test such tendered Petroleum for adherence to the refining characteristics of the Common Stream it has been tendered to move in, including but not limited to tests for API gravity, sulfur, RVP, distillation, light ends content, Conradson carbon, metals, organic chlorides, pour point, hydrogen sulfide, salt content, nitrogen, viscosity, sediment and water, and any other characteristics that Carrier believes necessary to reasonably ascertain the refining characteristics of the Petroleum tendered to the Common Stream.

Shipper shall not tender, and Carrier shall not knowingly accept, blended Petroleum into a Crude Oil Common Stream. Blending is the process of combining Petroleum of different refining characteristics together, without the knowledge and consent of all recipients in the custody and title transfer chain, for the purpose of upgrading low value Petroleum to higher value Petroleum where “value” refers to the refining characteristics that a refinery can reasonably expect to result from the atmospheric distillation of the Petroleum into commercially sellable petroleum products.

If Carrier initiates the sampling and testing, Carrier shall be responsible for the cost associated thereof subject to Item 15, except that if the testing determines that the Petroleum does not meet the refining characteristics of the Common Stream for which the Petroleum was tendered, such cost shall be for the account of Shipper tendering the Petroleum. If a Shipper, other than Shipper tendering the Petroleum, requests the sampling and testing, that Shipper shall be responsible for the cost associated thereof, except that if the testing determines that the Petroleum does not meet the refining characteristics of the Common Stream for which the Petroleum was tendered, such cost shall be for the account of Shipper tendering the Petroleum.

Carrier, in consultation with Shippers, shall establish a baseline for each Petroleum Common Stream, for characteristics including API gravity, sulfur, RVP, distillation, light ends contents, Conradson carbon, metals,

RULES AND REGULATIONS (CONTINUED)

organic chlorides, pour point, hydrogen sulfide, salt content, nitrogen, viscosity, sediment and water, and any other characteristics that Carrier believes necessary to reasonably ascertain the refining characteristics of the Petroleum tendered to the Common Stream. Upon the establishment of the baseline, or revisions to the baseline, for each Common Stream, Petroleum tendered to such Common Stream that is not consistent with the baseline in all aspects shall not be accepted into the Common Stream by Carrier, and Carrier shall have the right to refuse further Common Stream tenders from Shipper until Shipper demonstrates that the Petroleum tendered is consistent with the baseline in all aspects.

ITEM 15 - MINIMUM SHIPMENT

The single-tender minimum amount of Petroleum which will be received by Carrier under this tariff is ten thousand (10,000) Barrels.

Carrier will not be obligated to forward Petroleum so tendered until it has received from one or more Shippers tenders to be delivered to a single destination in a common batch aggregating not less than seventy-five thousand (75,000) Barrels of the same-quality, or of different qualities to be commingled provided that Shippers agree to said commingling and it is consistent with these Rules and Regulations.

ITEM 20 - ACCEPTANCE OF PETROLEUM

Unless specific rules and regulations published in tariffs making reference to this tariff provide otherwise, Petroleum will be accepted and transported by Carrier only under the following conditions:

- (a) No Petroleum will be accepted except good merchantable Petroleum for which Carrier has facilities for segregating and batching. No Petroleum will be accepted that is not adapted for refining or fuel purposes, properly settled and weathered, and containing not more than one percent (1%) of basic sediment, water and other impurities above a point four (4) inches below the pipeline connection with the tank.
- (b) No Petroleum will be accepted unless it is of acceptable character to Carrier, readily susceptible for transportation through Carrier's existing facilities, and will not materially affect the quality of the Petroleum being transported. If the Petroleum tendered for transportation differs materially in character from that being transported by the pipeline, then it will only be transported in accordance with these Rules and Regulations and under such terms and conditions acceptable to Carrier.
- (c) No Petroleum will be accepted which has a pour point greater than forty degrees (40°) Fahrenheit or viscosity greater than sixty (60) SUS at one hundred degrees (100°) Fahrenheit unless under terms and conditions acceptable to the Carrier.
- (d) Shipments shall be subject to the other applicable rules and regulations provided for in this tariff and any specific tariff covering such shipment.

ITEM 25 - ACCEPTANCE OF INDIRECT LIQUID PRODUCTS

Unless specific rules and regulations published in tariffs making reference to this tariff provide otherwise, Indirect Liquid Products will be accepted and transported only under the following conditions:

- (a) No Indirect Liquid Products will be accepted unless Carrier has adequate working tanks with which to mix such Indirect Liquid Products with Petroleum into a Segregated Batch, or into a Petroleum Common Stream, provided that the resultant blend is consistent with the refining characteristics of that Common Stream; and
- (b) No Indirect Liquid Products will be accepted unless Carrier has Petroleum in its custody of the same quality in such facility, consigned to the same Shipper, Consignee and destination as the Indirect Liquid Products to be mixed.

RULES AND REGULATIONS (CONTINUED)

(c) When Petroleum is tendered to a Common Stream, the vapor pressure of any separately tendered component shall not exceed that permitted by Carrier's facilities and operating conditions. Nothing in this rule is to be construed to affect the provisions of Item No. 10 of this tariff nor to require Carrier to receive, transport, and deliver unmixed Indirect Liquid Products. However, unmixed Indirect Liquid Products may be transported for subsequent mixing with Petroleum in accordance with this Item 25 where facilities exist and operations permit transporting such Indirect Liquid Products.

(d) Shipments shall be subject to the other applicable rules and regulations provided for in this tariff and any specific tariff covering such shipment and under terms and conditions acceptable to Carrier.

ITEM 30 - DESTINATION FACILITIES REQUIRED

Carrier may refuse to accept Petroleum for transportation unless satisfactory evidence is furnished that Shipper or Consignee has provided the necessary facilities for the prompt receiving and accurate measurement, of said Petroleum at its destination.

ITEM 40 - GAUGING, TESTING AND VOLUME CORRECTIONS

Petroleum shipped hereunder must be measured and tested by representatives of Carrier or by automatic equipment approved by Carrier. Quantities will be determined from correctly compiled tank tables or by Carrier approved automatic equipment and adjusted to the temperature of sixty degrees (60°) Fahrenheit. Where meters make measurement, Pipeline Displacement Meters will make a further correction for pressure in accordance with API Standard 1101-Measurement of Petroleum Liquid Hydrocarbons. Deductions will be made for the actual amount of suspended basic sediment, water, and other impurities as ascertained by centrifuge or other acceptable tests to Carrier.

When Indirect Liquid Products are received from pressure vessels and measurements are made by tank gauges, a further adjustment will be made to cover evacuation losses if a gas blanket at or in excess of the vapor pressure of the liquid is not used.

Petroleum quantities transported may be adjusted to allow for inherent losses, including, but not limited to shrinkage, evaporation, interface losses and normal "over and short" losses. Adjustments will be made on the basis of total quantities transported, and additional adjustments will be made upon Petroleum with an API gravity of greater than forty-five degrees (45°).

ITEM 45 - MIXING IN TRANSIT

Petroleum will be accepted for transportation only on condition that it shall be subject to such changes in gravity, quality, or refining characteristics while in transit as may result from the mixture with other Petroleum in the same Common Stream and Carrier shall be under no obligation to make delivery of the identical Petroleum received, but may make delivery out of its Common Stream.

ITEM 50 - DIVERSION OR RECONSIGNMENT

Subject to [W] these rules and regulations, diversion or reconsignment may be made without charge if requested in writing by Shipper prior to delivery at original destination, subject to the rates, rules and regulations applicable from point of origin to point of final destination, upon the condition that no out-of-line or back haul movement will be made.

ITEM 55 - DEMURRAGE

Carrier may at any time after receipt of a consignment of Petroleum upon 24 hours' notice to Shipper or Consignee tender Petroleum for delivery from its common stock at the point of destination at a designated daily delivery rate consistent with the system capacity and at the expiration of such notice a demurrage charge shall accrue on Petroleum of such consignment so tendered but remaining undelivered at the rate of [U] five-tenths of one cent (\$0.005) per Barrel for each day of 24 hours or fractional part thereof.

RULES AND REGULATIONS (CONTINUED)

ITEM 60 - PAYMENT OF TRANSPORTATION AND OTHER CHARGES

Shipper shall pay the transportation and all other charges applicable to the shipment and, if required, shall prepay or guarantee the same before acceptance by Carrier, or pay the same before delivery. All charges shall be paid by Shipper within ten (10) days of the date of invoice from Carrier. All payments by Shipper to Carrier shall be made by Automated Clearing House (ACH) debit initiated by Carrier on the due date of invoice. All charges that remain unpaid for more than ten (10) days from the date of Carrier's invoice shall accrue an interest charge of the lesser of (i) eighteen percent (18%) per annum, or (ii) the maximum non-usurious interest rate which may then be charged under Illinois law.

Carrier shall have a lien on all Petroleum in its possession belonging to Shipper to secure the payment of all unpaid transportation charges as well as demurrage, quality assurance and other charges due by such Shipper, and may withhold such Petroleum from delivery until all of such unpaid charges shall have been paid. If said charges remain unpaid ten (10) days after the time which may be fixed for delivery as provided for in Item 65, or, in the absence of unpaid charges, when there shall be failure to take the Petroleum at the point of destination as provided in these Rules and Regulations, Carrier may, by an agent sell said Petroleum at public auction for cash, making said sale at its public office in Hartford, Illinois, on any day not a legal holiday, and not less than forty-eight (48) hours after publication of notice in a daily newspaper in said city, of the time and place of such sale and the quantity of Petroleum to be sold. Carrier may be a bidder and publisher at such sale. Out of the proceeds of said sale Carrier may pay itself all transportation, including demurrage, and any other lawful charges, expense of notice, advertisement, sale, and other necessary expenses, a reasonable attorney's fee, and expenses of caring for and maintaining the Petroleum, and the balance shall be held for whomsoever may be lawfully entitled thereto.

ITEM 65 - ACCEPTANCE FREE FROM LIENS AND CHARGES

Carrier shall have the right to reject any Petroleum, 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 Shipper satisfactory evidence of perfect and unencumbered title or satisfactory indemnity bond to protect Carrier. By tendering Petroleum, Shipper warrants and guarantees that Shipper has good title thereto and agrees to hold Carrier harmless from 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 Carrier as to title.

ITEM 70 - LIABILITY OF CARRIER

Carrier will not be liable for any loss of Petroleum, or damage thereto, or delay, because of an act of God, the public enemy, quarantine, the authority of law, strikes, riots, or the acts or default of Shipper or Consignee, or from any other cause not due to the negligence of Carrier. In the case of losses from such causes, other than the 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, received and undelivered at the time the loss or damage occurs and then in the custody of Carrier for shipment via the facilities in which the loss or damage occurs. The Consignee shall be entitled to receive only that portion of Consignee's shipment remaining after deducting Consignee's proportion of such loss or damage, determined as aforesaid, and shall be required to pay transportation charges only on the quantity delivered.

ITEM 75 - CLAIMS: TIME FOR FILING

(a) 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 and, unless so made and filed, Carrier shall be wholly released and discharged therefrom and shall not be liable therefore in any court of justice. No suit at law or in equity shall be maintained upon any claim unless instituted within two (2) years and one (1) day after the cause of action accrued.

RULES AND REGULATIONS (CONTINUED)

(b) Where claims are not filed or suits are not instituted thereon in accordance with the foregoing provisions, Carrier will not be liable and such claims will not be paid.

ITEM 85 - PIPEAGE CONTRACTS

Separate pipeage and other contracts in accord with applicable tariffs and these Rules and Regulations covering further details may be required by Carrier before any duty for transportation shall arise.

ITEM 90 - APPLICATION OF RATES FROM AND TO INTERMEDIATE POINTS

(a) For Petroleum accepted for transportation from any point on Carrier's lines not named in a particular tariff which is intermediate to a point from which rates are published therein, through such unnamed point, this Carrier will apply from such unnamed point the rate published therein from the next distant point specified in such tariff. For Petroleum accepted for transportation to any point not named in tariffs 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.

(b) Petroleum accepted for transaction shall be subject to the rates in effect on the date of receipt by Carrier, irrespective of the date of the Tender.

ITEM 100 - TENDERS AND APPORTIONMENT

Shippers desiring to Tender Petroleum for transportation shall make such Tender in writing to Carrier prior to the Nomination Time, which shall be defined herein as on or before 5:00 pm Central Time Zone, on the fifth day of the month preceding the month during which the transportation under the Tender is to begin. If the fifth day of the month falls on a Saturday, Sunday or holiday, the preceding business work day shall become the Nomination Time for that month.

(a) Tenders shall be deemed delivered to Carrier when received by facsimile, U.S. mail, or courier service.

(b) Carrier shall notify Shipper of the volume of Petroleum accepted (Accepted Petroleum) for shipment on or prior to the Acceptance Time, which shall be defined herein as noon Central Time Zone on the second business work day following the Nomination Time.

(c) When there shall be tendered to Carrier, for transportation, more Petroleum than can be immediately transported, transportation furnished by Carrier shall be apportioned among all Shippers making Tenders in an equitable manner determined by Carrier according to the Apportionment Rules and Regulations established by Carrier and in effect at the time of the apportionment.

(d) Shipper must satisfy Carrier that nominations are in good faith and that shipments can be transported in conformance with Carrier's Rules and Regulations. In administering the Tenders and proration, Carrier will use every reasonable means available to ensure that the nominations are true and realistic and will challenge any nominations which appear to be inflated or duplicated, or which substitute Equivalent Barrels for nominated Heavy Barrels.

(e) Carrier may require that Shipper provide written assurance from a responsible officer that its Tender is in good faith and no requirements or intent of Carrier's procedures or Rules and Regulations have been violated.

ITEM 105 - INTRA-SYSTEM TRANSFERS

Intra-system transfers are not allowed.

ITEM 115 - DUTY OF CARRIER

Carrier shall not be required to transport Petroleum except with reasonable diligence, considering the quality of the Petroleum, the distance of transportation and other material elements.

RULES AND REGULATIONS (CONTINUED)

ITEM 900 - ABBREVIATIONS AND REFERENCE MARKS

[C]	Cancel
[N]	New
[U]	Unchanged Rate
API	American Petroleum Institute
@	At
F.E.R.C.	Federal Energy Regulatory Commission
No.	Number
RT.	Route
RVP	Reid Vapor Pressure
ST.	U.S. Postal two-letter state abbreviations
SUS	Saybolt Universal Seconds