

**BridgeTex Pipeline Company, LLC (“Carrier”)  
CRUDE PIPELINE SYSTEM  
Origin: Midland, Texas, or Colorado City, Texas  
Destination: Houston, Texas  
Pipeline Proration Procedures (Item 150 of Rules and Regulations Tariff of F.E.R.C No.  
6.0.0 and R.C.T. No. 4.1.0, supplements thereto and reissues thereof)**

**Dated: January 1, 2018**

During any month when the aggregate volume of Crude Petroleum (as defined below) properly nominated to be transported exceeds the available capacity in either Segment (as defined below) of the BridgeTex II Facilities (as defined below), the capacity for each Segment will be allocated among all shippers under the following pipeline proration procedures (the “**BridgeTex II Procedures**”).

**A. Definitions**

“**Additional Capacity**” means (a) any portion of the initial capacity of the BridgeTex II Facilities that remains uncommitted, and (b) the capacity created by any expansion of the BridgeTex II Facilities, which in the case of both (a) and (b), Carrier may market and make available for commitment such Additional Capacity at its discretion.

“**Affiliate**” means, for purposes of these BridgeTex II Procedures, with respect to any individual, company, entity, organization, joint venture, partnership, or other similar arrangement (any of the foregoing, a “**Person**”), another Person that directly or indirectly controls, is controlled by, or is under common control with such Person. The term “**control**” (including the terms “**controlled by**” or “**under common control with**”) means the possession of the power to direct or cause the direction of the management and policies of a Person, whether through ownership, by contract, or otherwise (including acting as a general partner of a limited partnership).

“**Base Period**” means the eighteen (18)-month period, beginning nineteen (19) months prior to the month being allocated (which excludes the month preceding the month of allocation).

“**Bpd**” means barrels per day.

“**BridgeTex II Committed Shipper**” means a BridgeTex II Firm Shipper or a BridgeTex II Non-Firm Shipper.

“**BridgeTex II Facilities**” means, collectively, the pipeline and the associated facilities and improvements, whether owned or leased by Carrier, to transport Crude Petroleum from the BridgeTex II Origin to the Destination as effected through an expansion of the throughput capacity of the Existing Carrier Facilities from the BridgeTex II Origin. The BridgeTex II Facilities’ initial capacity and any Additional Capacity is in addition to and separate and apart from, the Original Carrier Facilities and the Bryan Facilities; further, the pipeline proration procedures governing the allocation of the Original Carrier Facilities’ operating capacity of 300,000 Bpd, and the pipeline proration procedures governing the allocation of

the Bryan Facilities' operating capacity do not apply in any way to the BridgeTex II Facilities.

**“BridgeTex II Firm Shipper”** means a shipper that elects to enter into a TSA with Carrier for firm transportation service (i.e., transportation service that is only subject to proration in the event of force majeure or other operational disruption) on Additional Capacity. A shipper that elects the Colorado City Origin in the TSA will not be a BridgeTex II Firm Shipper with respect to the Midland Segment, and accordingly will initially be a New Shipper with respect to the Midland Segment.

**“BridgeTex II New Shipper”** means any shipper that does not qualify as a BridgeTex II Firm Shipper or a BridgeTex II Regular Shipper.

**“BridgeTex II Non-Firm Shipper”** means an Initial BridgeTex II Non-Firm Shipper or a Subsequent BridgeTex II Non-Firm Shipper.

**“BridgeTex II Origin”** means the origins set forth in the Local Tariff.

**“BridgeTex II Regular Shipper”** means, subject to the provisions of these BridgeTex II Procedures, a shipper that (a) has made a Shipment of Crude Petroleum during at least twelve (12) months of a Base Period (excluding any Initial Base Period plus the first month after any Initial Base Period), or (b) is a BridgeTex II Non-Firm Shipper. Any Crude Petroleum shipped by Carrier prior to the Initial BridgeTex II Service Commencement Date will not be considered a “Shipment” under these BridgeTex II Procedures, and months prior to the Initial BridgeTex II Service Commencement Date during which a shipper has made a shipment of Crude Petroleum will not count toward BridgeTex II Regular Shipper status and will not have any impact on the proration of capacity pursuant to these BridgeTex II Procedures either before or after the Initial BridgeTex II Service Commencement Date or be taken into account in determining a shipper's Historical Shipment Status as of or following the Initial BridgeTex II Service Commencement Date.

**“Bryan Facilities”** means the pipeline and the associated facilities and improvements, whether owned or leased by Carrier, to transport Crude Petroleum from Bryan, Texas to destinations in the Houston Gulf Coast area as effected through an expansion above the throughput capacity of the Original Carrier Facilities between Bryan, Texas and the Houston gulf coast area. These BridgeTex II Procedures do not apply in any way to the allocation of the Bryan Facilities' operating capacity.

**“Colorado City Segment”** means the segment of the BridgeTex II Facilities from the Colorado City, Texas Origin to the Destination.

**“Confirmed Capacity”** has the meaning set forth in Section D.4. below.

**“Cooperating Shipper”** means any shipper that (a) is an Affiliate of another shipper, or (b) acts in concert with, pursuant to the direction of, or in coordination with, another shipper, whether written or verbal, or (c) shares with another shipper officers, managers, employees, street addresses, email addresses, telephone numbers, fax numbers, internet protocol addresses, or user information in Carrier's scheduling system.

“**Crude Petroleum**” has the meaning set forth in the Local Tariff.

“**Daily Contract Volume Commitment**” means the daily volume commitment for a shipper set forth in its TSA.

“**Destination**” has the meaning set forth in the Local Tariff.

“**Existing Carrier Facilities**” means, collectively, the Original Carrier Facilities and the Bryan Facilities.

“**Historical Shipment Status**” means (a) with respect to an individual shipper, the average of all Shipments (on a Bpd basis) by such shipper during the applicable Base Period, (b) with respect to a Subsequent BridgeTex II Non-Firm Shipper during its Initial Base Period, as determined pursuant to Section B.1. or B.2. below, as applicable, or (c) with respect to an Initial BridgeTex II Non-Firm Shipper, as determined pursuant to Section B.2. below.

“**Initial Base Period**” means, with respect to Subsequent BridgeTex II Non-Firm Shippers, the first eighteen (18)-month period beginning the first full month of operations after Carrier has declared that the BridgeTex II Facilities are ready to commence commercial service on the Additional Capacity applicable to such Subsequent BridgeTex II Non-Firm Shippers with respect to the receipt, transportation and delivery of Crude Petroleum under all tariffs and any applicable TSAs (each, an “**Additional BridgeTex II Capacity Service Commencement Date**”), and ending after the eighteenth (18<sup>th</sup>) consecutive month of operations following any applicable Additional BridgeTex II Capacity Service Commencement Date. For the avoidance of doubt, any Crude Petroleum shipped by Carrier prior to the Initial BridgeTex II Service Commencement Date shall not be considered a “Shipment” under these BridgeTex II Procedures and no such shipments prior to the Initial BridgeTex II Service Commencement Date shall have any impact on the proration of capacity pursuant to these BridgeTex II Procedures either before or after the Initial BridgeTex II Service Commencement Date.

“**Initial BridgeTex II Non-Firm Shipper**” means a shipper that elects to enter into a TSA with Carrier for non-firm transportation service (i.e. transportation service that is subject to proration) on the initial capacity of the BridgeTex II Facilities. A shipper that elects the Colorado City Origin in the TSA will not be an Initial BridgeTex II Non-Firm Shipper with respect to the Midland Segment, and accordingly will initially be a New Shipper with respect to the Midland Segment.

“**Initial BridgeTex II Service Commencement Date**” means the date that Carrier has declared that the BridgeTex II Facilities will be ready to commence commercial service on the initial capacity of the BridgeTex II Facilities with respect to the receipt, transportation and delivery of Crude Petroleum under all tariffs and any applicable TSAs.

“**Local Tariff**” means Carrier’s Local Rules and Regulations Tariff F.E.R.C. No. 6.0.0 and R.C.T. No. 4.1.0 and Carrier’s Local Rates Tariff F.E.R.C No. 7.0.0 and R.C.T. No. 5.1.0, including any supplements thereto and reissues thereof.

“**Midland Segment**” means the segment of the BridgeTex II Facilities from the Midland, Texas Origin to Colorado City, Texas.

“**Minimum Nomination Allocation**” has the meaning set forth in Section C.4. below.

“**Original Carrier Facilities**” means, collectively, the pipeline and the associated facilities and improvements, whether owned or leased by Carrier, to transport Crude Petroleum from Colorado City, TX to destinations in the Houston gulf coast area, with an operating capacity of 300,000 Bpd. These BridgeTex II Procedures do not apply in any way to the allocation of the Original Carrier Facilities’ operating capacity of 300,000 Bpd.

“**Proration Factor**” has the meaning set forth in Section C.5. below.

“**Segment**” means the Midland Segment or the Colorado City Segment, as applicable.

“**Shipment**” means the transportation of actual volumes of Crude Petroleum through either Segment of the BridgeTex II Facilities, as measured on an average Bpd basis (averaged over a calendar month).

“**Subsequent BridgeTex II Non-Firm Shipper**” means a shipper that elects to enter into a TSA with Carrier for non-firm transportation service (i.e., transportation service that is subject to proration) on Additional Capacity. A shipper that elects the Colorado City Origin in the TSA will not be a Subsequent BridgeTex II Non-Firm Shipper with respect to the Midland Segment, and accordingly will initially be a New Shipper with respect to the Midland Segment.

“**TSA**” means a transportation services agreement fully executed by both Carrier and an individual shipper with respect to the BridgeTex II Facilities.

**B. Determination of Historical Shipment Status for BridgeTex II Non-Firm Shippers**

The following procedures shall govern the determination of a BridgeTex II Non-Firm Shipper’s Historical Shipment Status.

1. The Historical Shipment Status for Subsequent BridgeTex II Non-Firm Shippers shall, during any Initial Base Period, be determined with reference to both the Subsequent BridgeTex II Non-Firm Shipper’s Daily Contract Volume Commitment as set forth in such Subsequent BridgeTex II Non-Firm Shipper’s TSA, and actual Shipments on an average Bpd basis, as more fully described below.
  - a. For the first and second months of its Initial Base Period, each Subsequent BridgeTex II Non-Firm Shipper’s Historical Shipment Status will be deemed to equal such Subsequent BridgeTex II Non-Firm Shipper’s Daily Contract Volume Commitment.
  - b. For the third month of its Initial Base Period, each Subsequent BridgeTex II Non-Firm Shipper’s Historical Shipment Status will be deemed to equal the average of one (1) month of the Subsequent BridgeTex II Non-Firm

Shipper's actual Shipments (i.e., the Subsequent BridgeTex II Non-Firm Shipper's actual Shipments during the first month of its Initial Base Period), and 17 months of such Subsequent BridgeTex II Non-Firm Shipper's Daily Contract Volume Commitment.

- c. For each month after the third month during its Initial Base Period and through and including the nineteenth (19th) month after its Additional BridgeTex II Capacity Service Commencement Date, each Subsequent BridgeTex II Non-Firm Shipper's Historical Shipment Status will equal the average of the actual Shipments for all months after its Additional BridgeTex II Capacity Service Commencement Date for which Carrier has actual Shipment data, and the Subsequent BridgeTex II Non-Firm Shipper's Daily Contract Volume Commitment for the additional number of months as needed to equal eighteen (18) months of historical Shipments.

For example, if a Subsequent BridgeTex II Non-Firm Shipper's ("**Shipper A**") TSA provides for a Daily Contract Volume Commitment of 50,000 Bpd, then for the first and second months of its Initial Base Period, Shipper A's Historical Shipment Status would be deemed to equal 50,000 Bpd (the average of Shipper A's Daily Contract Volume Commitment of 50,000 Bpd over its 18-month Initial Base Period).

Assuming Shipper A ships 55,000 Bpd during the first month of its Initial Base Period, then for the third month of its Initial Base Period, Shipper A's Historical Shipment Status would be deemed to equal the average of (i) 55,000 Bpd of actual Shipments during the first month of its Initial Base Period, and (ii) 50,000 Bpd of the Daily Contract Volume Commitment for each of the remaining 17 months. As such, Shipper A's Historical Shipment Status would be the average of (55,000 Bpd for month 1) + (50,000 Bpd for months 2 through 18 of the Initial Base Period), equaling an average of 50,278 Bpd.

- d. The foregoing procedure would continue for each of the 18 months of its Initial Base Period until the Subsequent BridgeTex II Non-Firm Shipper has established 18 months of actual Shipment history, and also for the first month following the expiration of its Initial Base Period.
  - e. If a Subsequent BridgeTex II Non-Firm Shipper experiences an event of force majeure during any month of its Initial Base Period that prevents it from delivering any Crude Petroleum for Shipment, the Subsequent BridgeTex II Non-Firm Shipper's historical Shipments for such month will be deemed to equal such shipper's Daily Contract Volume Commitment for such month.
2. The Historical Shipment Status for an Initial BridgeTex II Non-Firm Shipper shall, for any and every proration month, be equal to the greater of (a) the average of all Shipments (on a Bpd basis and including all Shipments under its non-firm capacity and uncommitted capacity) by such Initial BridgeTex II Non-Firm Shipper during

the applicable Base Period, and (b) such Initial BridgeTex II Non-Firm Shipper's Daily Contract Volume Commitment in effect for such proration month. Notwithstanding anything in these BridgeTex II Procedures to the contrary, Carrier reserves the right to amend these BridgeTex II Procedures to grant Subsequent BridgeTex II Non-Firm Shippers and/or BridgeTex II Firm Shippers the rights set forth in this Section B.2. in lieu of those set forth in Section B.1.

**C. Allocation Method**

1. Capacity will be allocated on a monthly basis.
2. BridgeTex II Firm Shipper Capacity:
  - a. Each BridgeTex II Firm Shipper will be allocated a volume (on a Bpd basis averaged over the month of allocation) equal to the Daily Contract Volume Commitment as set forth in such BridgeTex II Firm Shipper's TSA.
  - b. If a BridgeTex II Firm Shipper nominates Crude Petroleum in excess of the above amount, then the excess incremental volume shall be subject to proration under Section C.6. below.
  - c. If a BridgeTex II Firm Shipper nominates Crude Petroleum less than its Daily Contract Volume Commitment as set forth in such BridgeTex II Firm Shipper's TSA, such nomination will not be subject to prorationing; provided, however, that if a BridgeTex II Firm Shipper is unable to arrange for the delivery of its Crude Petroleum at any nominated individual delivery point within the Destination, then such BridgeTex II Firm Shipper's nomination shall be deemed to be reduced by the volume that such BridgeTex II Firm Shipper is unable to arrange for at the delivery point.
3. BridgeTex II New Shipper Capacity:

Each BridgeTex II New Shipper will be allocated the volume of its monthly nomination (on a Bpd basis), but in no event more than a maximum of two percent (2%) of the total capacity of the BridgeTex II Facilities (measured on a Bpd basis). If the total allocation among all BridgeTex II New Shippers would exceed ten percent (10%) of the total capacity of the BridgeTex II Facilities (measured on a Bpd basis), then each BridgeTex II New Shipper's allocation will be reduced on a pro rata basis (using nominated volumes) so that the allocations to all BridgeTex II New Shippers in the aggregate do not exceed 10% of the total capacity of the BridgeTex II Facilities; provided, however, if a BridgeTex II New Shipper is unable to arrange for the delivery of its Crude Petroleum at any nominated individual delivery point within the Destination, then such BridgeTex II New Shipper's nomination shall be deemed to be reduced by the volume that such BridgeTex II New Shipper is unable to arrange for at the delivery point; and provided further, that if such pro rata allocation in a given month results in no BridgeTex II New Shipper being allocated the monthly minimum volume set forth in Item 40 of Carrier's applicable F.E.R.C. Rules and Regulations Tariff or R.C.T. Rules and

Regulations Tariff (the “**Minimum Nomination Allocation**”), then Carrier will administer a lottery using a software-generated random number process for the total number of Minimum Nomination Allocations available to BridgeTex II New Shippers. Detailed procedures regarding Carrier’s lottery process are outlined in Section G below.

4. BridgeTex II Regular Shipper Capacity:

- a. All capacity not allocated to BridgeTex II Firm Shippers and BridgeTex II New Shippers will be allocated to BridgeTex II Regular Shippers based on each BridgeTex II Regular Shipper’s Historical Shipment Status; provided that with respect to allocations of capacity prior to the Initial BridgeTex II Service Commencement Date, all capacity not allocated to BridgeTex II New Shippers will be allocated to BridgeTex II Regular Shippers on a pro rata basis each month and any Crude Petroleum shipped by Carrier prior to the Initial BridgeTex II Service Commencement Date will not have an impact on the proration of capacity pursuant to these BridgeTex II Procedures either before or after the Initial BridgeTex II Service Commencement Date.
- b. For purposes of these BridgeTex II Procedures, the “**Proration Factor**” for each BridgeTex II Regular Shipper will be equal to the quotient of (i) the BridgeTex II Regular Shipper’s Historical Shipment Status at the time of allocation; divided by (ii) the aggregate total of all BridgeTex II Regular Shippers’ Historical Shipment Statuses at the time of allocation.
- c. The capacity allocated to each BridgeTex II Regular Shipper each month will be equal to the lesser of: (i) its monthly nomination; or (ii) its Proration Factor share of all capacity available to BridgeTex II Regular Shippers of the BridgeTex II Facilities for such month; provided, however, that if a BridgeTex II Regular Shipper is unable to arrange for the delivery of its Crude Petroleum at any nominated individual delivery point within the Destination, then such BridgeTex II Regular Shipper’s nomination shall be deemed to be reduced by the volume that such BridgeTex II Regular Shipper is unable to arrange for at such delivery point.

5. Remaining Capacity:

Any remaining capacity not allocated through the application of subsections 3 through 5 of this Section C will be allocated among all shippers having remaining unmet nominations, in proportion to each such shipper’s initial capacity allocation resulting from the application of such subsections 3 through 5 (notwithstanding the percentage caps set forth in subsection 4 above). If allocation to any shipper pursuant to these BridgeTex II Procedures exceeds its remaining nomination, then the excess volume will be allocated among all other remaining nominations (notwithstanding the percentage caps set forth in subsection 4 above) until the

remaining capacity is fully allocated or all of the remaining nominations have been fulfilled.

6. Neither the pipeline prorationing procedures for the Existing Carrier Facilities nor any prorationing, allocation or similar practices, policies or procedures of any pipeline or facility operator interconnecting with the BridgeTex II Facilities shall be construed to form a part of or be integrated herein.

#### **D. Procedural Schedule**

1. Shipper nominations must be submitted via Carrier's COBALT (or successor) system prior to 5:00 p.m. Central Time, on the 15<sup>th</sup> day of the month preceding the month for which the nominations apply; provided, however, to accommodate the administration of the lottery process, BridgeTex II New Shipper nominations must be submitted to Carrier prior to 5:00 p.m. Central Time the 13<sup>th</sup> day of the month preceding the month for which the nominations apply. If the 13<sup>th</sup> or 15<sup>th</sup> day of the month falls on a weekend or holiday, then nominations are due on the last day that is not a weekend or holiday before the 13<sup>th</sup> or 15<sup>th</sup> day.
2. Carrier (directly or through a designated scheduler) will, within two working days after the 15<sup>th</sup> day of the month preceding the month for which the nominations apply (or such earlier day pursuant to the last sentence of Section D.1. above), reply by email to the shipper with its allocated capacity based on these BridgeTex II Procedures.
3. Each shipper must, within one working day of the email sent by Carrier pursuant to Section D.2., reply by email of its acceptance of the allocated capacity. If a shipper does not notify the Carrier of its acceptance of the allocated capacity within such timeframe, its allocated capacity will be allocated to the other shippers based on these BridgeTex II Procedures.
4. After Carrier completes the steps in Sections D.1. through D.3. above, Carrier (directly or through a designated scheduler) will notify each shipper of its confirmed allocated capacity (the "**Confirmed Capacity**").

#### **E. Shipper Obligation**

In addition to a shipper's obligation to pay the applicable transportation charges under the Local Tariff, if a shipper does not tender for shipment its Confirmed Capacity during any month in which Carrier's facilities are prorated, the shipper will be invoiced and will be responsible for payment of an amount equal to the product of (a) the difference of shipper's Confirmed Capacity for such month, less any volumes actually shipped by such shipper during such month; multiplied by (b) the then-current tariff rate applicable to the Confirmed Capacity; provided, however, in the event such shipper is a party to a TSA with Carrier at that time, charges under this paragraph shall be without duplication of amounts due under the TSA and shall only apply to the extent they would exceed charges due for such month under the TSA.



**F. Cooperating Shippers**

Notwithstanding anything in these BridgeTex II Procedures to the contrary:

1. BridgeTex II Firm Shipper, BridgeTex II New Shipper, and BridgeTex II Regular Shipper allocations may not be assigned, conveyed, loaned, or transferred to any shipper other than the shipper assigned such allocation by Carrier. However, such allocations may be transferred as an incident of the bona fide sale of all or substantially all of the shipper's business or to a successor to the shipper's business, or by the operation of law (such as by an executor or trustee in bankruptcy).
2. No shipper may become a BridgeTex II Firm Shipper, BridgeTex II New Shipper, or BridgeTex II Regular Shipper as a result any sale, transfer, assignment, loan, or other conveyance of Shipment history from another shipper, including without limitation from any Cooperating Shipper. However, Shipment history may be transferred as an incident of the bona fide sale of all or substantially all of the shipper's business or to a successor to the shipper's business, or by the operation of law (such as by an executor or trustee in bankruptcy).
3. With respect to nominations by Cooperating Shippers, Carrier shall consider and accept only the nomination of the Cooperating Shipper with the largest volume, and all other nominations of all other Cooperating Shippers shall be deemed to be void and of no force or effect. If one or more Cooperating Shippers' nominations are of equal volume, then Carrier shall consider and accept only the nomination of the Cooperating Shipper with the longest Shipment history.
4. Any nominations, Shipments or attempted Shipments made in contravention of the provisions of this Section F shall be disregarded by Carrier for purposes of determining Historical Shipment Status or allocation of capacity under these BridgeTex II Procedures (including, but not limited to, through the lottery process described in Section G below).
5. A shipper may not create, use or otherwise work with a Cooperating Shipper in order to circumvent these BridgeTex II Procedures for the purposes of improperly obtaining additional capacity on the BridgeTex II Facilities, becoming a BridgeTex II Regular Shipper, establishing Historical Shipment Status, obtaining a Minimum Nomination Allocation through the lottery process described in Section G below, or any other improper purposes. Shippers shall have the burden of demonstrating that they are not in violation of this Section F.

**G. Lottery Process**

1. Carrier will administer a lottery process in order to allocate capacity to BridgeTex II New Shippers pursuant to Section C.4. above as follows:
  - a. Carrier will use a software-generated random number process to randomly assign each BridgeTex II New Shipper a number from one to the number representing the total number of BridgeTex II New Shippers participating

in the lottery (i.e. if there are thirty BridgeTex II New Shippers, numbers one through thirty will be assigned).

- b. The BridgeTex II New Shipper assigned number one will receive the first Minimum Nomination Allocation. Thereafter, Minimum Nomination Allocations will be assigned to BridgeTex II New Shippers sequentially, from the lowest assigned number to the highest assigned number, until the 10% of available capacity referenced in Section C.4. above is fully allocated.
- c. Following the lottery, Carrier will notify BridgeTex II New Shippers as to whether or not they were allocated capacity in that month.