

Saddlehorn Pipeline Company, LLC (“Carrier”)
CRUDE PIPELINE SYSTEM
Origin: Cheyenne Junction, Laramie County, Wyoming
Destination: Platteville, Colorado
Pipeline Proration Procedures (Item 150 of Rules and Regulations Tariff)

Dated: March 10, 2017

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

A. Definitions

“**Additional Capacity**” means (a) any portion of the initial capacity of the Carrier Facilities that remains uncommitted after the open season that commenced in September, 2016, and (b) up to ninety percent (90%) of the capacity created by any expansion of the Carrier Facilities, which in the case of both (a) and (b), Carrier may market and make available for commitment such Additional Capacity in subsequent open season(s), provided that the Historical Shipment Status of Anchor Shippers and Firm Shippers in effect at the time of any such subsequent open season would not be affected by any commitments Carrier receives during such subsequent open season.

“**Affiliate**” means, for purposes of these 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).

“**Anchor Shipper**” means a shipper that elected to enter into a Commitment Agreement with Carrier for non-firm capacity (i.e., pipeline capacity that is subject to proration) in connection with the open season that commenced in September, 2016.

“**Base Period**” means the twelve (12)-month period, beginning thirteen (13) months prior to the month being allocated (which excludes the month preceding the month of allocation).

“**Bpd**” means barrels per day.

“**Carrier Facilities**” means, collectively, the pipeline and the associated facilities and improvements, whether owned or leased by Carrier, to transport Crude Petroleum from the Origin to the Destination.

“Commitment Agreement” means an agreement fully executed by both Carrier and an individual shipper, and entered into as a result of the open season Carrier held beginning in September, 2016 or any subsequent open season.

“Committed Shipper” means an Anchor Shipper, or Non-Firm Shipper.

“Confirmed Capacity” has the meaning set forth in Section E(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 Volume Commitment” means the daily volume commitment for a shipper set forth in its Commitment Agreement.

“Destination” Platteville, Colorado.

“Firm Shipper” means a shipper that elects to enter into a Commitment Agreement with Carrier for firm capacity (i.e. pipeline capacity that is only subject to proration in the event of force majeure or any operational disruption) in connection with an open season for Additional Capacity.

“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 an Anchor Shipper or a Non-Firm Shipper during its Initial Base Period, as determined pursuant to Section B.1. below; or (c) with respect to a Firm Shipper, as determined pursuant to Section B.2. below.

“Initial Base Period” means (a) with respect to Anchor Shippers, the first twelve (12)-month period beginning the first full month of operations after the Initial Service Commencement Date, and ending after the twelfth (12th) consecutive month of operations following the Initial Service Commencement Date; and (b) with respect to Non-Firm Shippers, the first twelve (12)-month period beginning the first full month of operations after Carrier has notified all shippers that the Carrier Facilities are ready to commence commercial service on the Additional Capacity applicable to such Non-Firm Shippers with respect to the receipt, transportation and delivery of Crude Petroleum under all tariffs and any applicable Commitment Agreements (each, an **“Additional Capacity Service Commencement Date”**), and ending after the twelfth (12th) consecutive month of operations following any applicable Additional Capacity Service Commencement Date.

“Initial Service Commencement Date” means the date that Carrier has notified all shippers that the Carrier Facilities will be ready to commence commercial service on the initial capacity of the Carrier Facilities (attributable to the initial open season that commenced in September, 2016) with respect to the receipt, transportation and delivery of Crude Petroleum under all tariffs and any applicable Commitment Agreements.

“Local Tariff” means Carrier’s Local Tariff F.E.R.C. No. 4.0.0, including any supplements thereto and reissues thereof.

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

“Monthly Volume Commitment” means, for each proration month, the product of (a) a shipper’s Daily Volume Commitment applicable to such proration month multiplied by (b) the number of days in such proration month.

“New Shipper” means any shipper that does not qualify as a Committed Shipper or a Regular Shipper.

“Non-Firm Shipper” means a shipper that elects to enter into a Commitment Agreement with Carrier for non-firm capacity (i.e., pipeline capacity that is subject to proration) in connection with an open season for Additional Capacity.

“Origin” Cheyenne Junction, Laramie County, Wyoming.

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

“Regular Shipper” means, subject to the provisions of these Procedures, a shipper that (a) has made a Shipment of Crude Petroleum during each of the 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 Committed Shipper. For the avoidance of doubt, any Crude Petroleum shipped by Carrier prior to the Initial Service Commencement Date shall not be considered a “Shipment” under these Procedures, and months prior to the Initial Service Commencement Date during which a shipper has made a shipment of Crude Petroleum shall not count toward Regular Shipper status and shall not have any impact on the proration of capacity pursuant to these Procedures either before or after the Initial Service Commencement Date or be taken into account in determining a shipper’s Historical Shipment Status as of or following the Initial Service Commencement Date.

“Shipment” means the transportation of actual volumes of Crude Petroleum through the Carrier Facilities from the Origin to the Destination, as measured on an average Bpd basis (averaged over a calendar month).

B. Determination of Historical Shipment Status for Regular Shippers

The following procedures shall govern the determination of a Regular Shipper's Historical Shipment Status.

1. The Historical Shipment Status for Regular Shippers (excluding Firm Shippers, which are addressed in Section B.2. below) shall, during any Initial Base Period, be determined with reference to both the Regular Shipper's Daily Volume Commitment as set forth in such Regular Shipper's Commitment Agreement, 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 Regular Shipper's Historical Shipment Status will be deemed to equal such Regular Shipper's Daily Volume Commitment.
 - b. For the third month of its Initial Base Period, each Regular Shipper's Historical Shipment Status will be deemed to equal the average of one (1) month of the Regular Shipper's actual Shipments (i.e., the Regular Shipper's actual Shipments during the first month of its Initial Base Period), and eleven (11) months of such Regular Shipper's Daily Volume Commitment.
 - c. For each month after the third month during its Initial Base Period and through and including the thirteenth (13th) month after the Initial Service Commencement Date (in the case of Anchor Shippers) or its Additional Capacity Service Commencement Date (in the case of Non-Firm Shippers), each Regular Shipper's Historical Shipment Status will equal the average of the actual Shipments for all months after the Initial Service Commencement Date (in the case of Anchor Shippers) or its Additional Capacity Service Commencement Date (in the case of Non-Firm Shippers) for which Carrier has actual Shipment data, and the Regular Shipper's Daily Volume Commitment for the additional number of months as needed to equal twelve (12) months of historical Shipments.
 - d. The foregoing procedure would continue for each of the twelve (12) months of its Initial Base Period until the Regular Shipper has established twelve (12) months of actual Shipment history, and also for the first month following the expiration of its Initial Base Period.
 - e. If a Regular 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 Regular Shipper's historical Shipments for such month will be deemed to equal such shipper's Daily Volume Commitment for such month.
2. The Historical Shipment Status for a 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 firm capacity, non-firm capacity and

uncommitted capacity) by such Firm Shipper during the applicable Base Period, and (b) the average of such Firm Shipper's Monthly Volume Commitment for each month during the applicable Base Period.

C. Allocation Method

1. Capacity will be allocated on a monthly basis.
2. These Procedures will be applied to the Carrier Facilities as a single pipeline segment from the Origin to the Destination.
3. Firm Shipper Capacity:
 - a. Each Firm Shipper will be allocated a volume (on a Bpd basis averaged over the month of allocation) equal to the Daily Volume Commitment as set forth in such Firm Shipper's Commitment Agreement.
 - b. If a Firm Shipper nominates Crude Petroleum in excess of the above amount, then the excess incremental volume shall be subject to proration under Section C(5) and Section C(6) below.
 - c. If a Firm Shipper nominates Crude Petroleum less than or equal to its Daily Volume Commitment as set forth in such Firm Shipper's Commitment Agreement, such nomination will not be subject to prorationing; provided, however, that if a Firm Shipper is unable to arrange for the delivery of its Crude Petroleum at the Destination, then such Firm Shipper's nomination shall be deemed to be reduced by the volume that such Firm Shipper is unable to arrange for at the Destination.
4. New Shipper Capacity:

Each 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 Carrier Facilities (measured on a Bpd basis). If the total allocation among all New Shippers would exceed ten percent (10%) of the total capacity of the Carrier Facilities (measured on a Bpd basis), then each New Shipper's allocation will be reduced on a pro rata basis (using nominated volumes) so that the allocations to all New Shippers in the aggregate do not exceed 10% of the total capacity of the Carrier Facilities; provided, however, if a New Shipper is unable to arrange for the delivery of its Crude Petroleum at the Destination, then such New Shipper's nomination shall be deemed to be reduced by the volume that such New Shipper is unable to arrange for at the Destination; and provided further, that if such pro rata allocation in a given month results in no New Shipper being allocated the monthly minimum volume set forth in Item 40 of Carrier's applicable FERC Rules and Regulations Tariff (the "**Minimum Nomination Allocation**"), then Carrier will administer a lottery in order to allocate capacity to New Shippers as follows:

- a. Carrier will use a software-generated random number process to randomly assign each New Shipper a number from one to the number representing the total number of New Shippers participating in the lottery (i.e. if there are thirty New Shippers, numbers one through thirty will be assigned).
- b. The New Shipper assigned number one will receive the first Minimum Nomination Allocation. Thereafter, Minimum Nomination Allocations will be assigned to New Shippers sequentially, from the lowest assigned number to the highest assigned number, until the 10% of capacity provided for New Shippers is fully allocated.

Following the lottery, Carrier will notify New Shippers as to whether they were allocated capacity in that month.

5. Regular Shipper Capacity:

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

6. 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 (for the avoidance of doubt notwithstanding the percentage caps set forth in subsection 4 above). If allocation to any shipper pursuant to these Procedures exceeds its remaining

nomination, then the excess volume will be allocated among all other remaining nominations (for the avoidance of doubt 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.

7. For the avoidance of doubt, no prorationing, allocation or similar practices, policies or procedures of any pipeline or facility operator interconnecting with the Carrier Facilities at the Destination 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 15th day of the month preceding the month for which the nominations apply; provided, however, to accommodate the administration of the lottery process, New Shipper nominations must be submitted to Carrier prior to 5:00 p.m. Central Time the 13th day of the month preceding the month for which the nominations apply. If the 13th or 15th 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 13th or 15th day.
2. Carrier (directly or through a designated scheduler) will, within two working days after the 15th day of the month preceding the month for which the nominations apply (or such earlier day pursuant to the last sentence of Section E(1) above), reply by email to the shipper with its allocated capacity based on these procedures.
3. Each shipper must, within one working day of the email sent by Carrier pursuant to Section E(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 procedures.
4. After Carrier completes the steps in Sections E(1) through E(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 Commitment Agreement with Carrier at that time, charges under this paragraph shall be without duplication of amounts due under the Commitment Agreement and shall only

apply to the extent they would exceed charges due for such month under the Commitment Agreement.

F. Cooperating Shippers

Notwithstanding anything in these Procedures to the contrary:

1. Anchor Shipper, Firm Shipper, New Shipper, and 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 (a) 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); or (b) by an Anchor Non-Shipper's permitted assignment of its Commitment Agreement pursuant to the terms and conditions therein.
2. No shipper may become an Anchor Shipper, Non-Firm Shipper, New Shipper, or 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 (a) 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); or (b) by an Anchor Shipper's permitted assignment of its Commitment Agreement pursuant to the terms and conditions therein.
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 G shall be disregarded by Carrier for purposes of determining Historical Shipment Status or allocation of capacity under these Procedures (including, but not limited to, through the lottery process described in Section C(4) above).

A shipper may not create, use or otherwise work with a Cooperating Shipper in order to circumvent these Procedures for the purposes of improperly obtaining additional capacity on the Carrier Facilities, becoming a Regular Shipper, establishing Historical Shipment Status, obtaining a Minimum Nomination Allocation through the lottery process described in Section C(4) above, or any other improper purposes. Shippers shall have the burden of demonstrating that they are not in violation of this Section G.