

Seahawk Pipeline, LLC (“Carrier”)

Pipeline Proration Procedures

Dated March 1, 2021

When there shall be nominated to Carrier, for transportation, more Crude Petroleum than can be immediately transported on a line segment, Carrier shall allocate the available capacity of the line segment among Shippers on an equitable basis. Line segments will be prorated separately if necessary 10%

I. Prorationing as to Committed Shipper Nominations.

- a. Without regard to the other provisions of this Proration Policy, except as provided below in Section I.b., Carrier shall allocate each Committed Shipper an amount of capacity equal to the Committed Shipper’s Monthly Minimum Volume Commitment, provided that the Committed Shipper’s Nomination for the Proration Month corresponds to the Committed Shipper’s Monthly Minimum Volume Commitment in all respects. Nominations by Committed Shippers in excess of their Monthly Minimum Commitment will be allocated in accordance with the provisions of Section II, below.
- b. If Carrier’s available capacity is reduced by an event of Force Majeure such that Carrier cannot meet its obligations under Sections I.a. and I.c., each Committed Shipper’s allocation pursuant to Section I.a. will be reduced proportionately to the reduction in available capacity.
- c. Carrier will make at least 10% of available capacity available to uncommitted shipper nominations.

II. Prorationing as to other than Nominations of Committed Shippers.

(A) When System capacity will be prorated as to Nominations other than the Nominations of Committed Shippers as provided for in the preceding Section I, the following provisions will apply to nominations by uncommitted Shippers (and to nominations by Committed Shippers in excess of their Monthly Minimum Volumes):

1. When it is determined that insufficient capacity is available to accommodate all valid timely and properly submitted Nominations (other than Nominations of Committed Shippers), Carrier will notify via electronic mail, telephone, facsimile, electronic bulletin posting, or other appropriate method as selected by the Carrier, each Shipper that has tendered a Nomination (“Initial Nomination”) for the allocated line segment or facility. Each allocated Shipper will have an opportunity to submit a revised Nomination for the month, which revised Nomination must be equal to or less than the Shipper’s Initial Nomination (“Revised Nomination”). A Shipper must submit a Revised Nomination to Carrier within 24 hours of Carrier notifying the Shipper of the opportunity to submit a Revised Nomination. If a Shipper does not submit a Revised Nomination within such 24-hour time period, the Shipper’s Initial Nomination shall be deemed to be its Revised Nomination.

2. If the total Revised Nominations still exceed the available capacity for the month, Carrier shall allocate the available capacity for such month (the “Proration Month”) to all Shippers based on Revised Nominations for the Proration Month and the provisions set forth in these Pipeline Proration Procedures.
3. No individual Shipper Nomination shall be considered beyond the physical capacity of the Pipeline available to uncommitted shippers or the amount that the nominating party has readily accessible for shipment. Furthermore, Carrier will not consider any Nomination submitted by a New Shipper that exceeds the New Shipper Capacity of the Pipeline. Nominations in excess of these limits will be reduced accordingly.
4. Following the allocation process set forth in these Pipeline Proration Procedures applicable to uncommitted Shippers (and to nominations by Committed Shippers in excess of their Monthly Minimum Volumes), Carrier will notify each Shipper of (i) Shipper’s maximum allocated capacity on an aggregate, segment-by-segment basis (“Allocated Capacity”) and (ii) Shipper’s default allocated capacity on an individual, nomination-by-nomination basis (the “Default Nomination”). Each Shipper must then submit a new nomination confirming to Carrier, within 24-hours of receiving these amounts, the amount of Crude Petroleum that the Shipper intends to ship during the Proration Month (“Final Nomination”), which amount must be equal to or less than its Allocated Capacity, on a segment-by-segment basis, and which may include movements for additional origin points and destination points within the segments covered by the Allocated Capacity. If a Shipper does not submit a Final Nomination within such 24-hour time period, the Shipper’s Default Nomination shall be deemed to be its Final Nomination. If the total Final Nominations are less than the available capacity for the month, Carrier shall first notify Regular Shippers of the remaining available capacity. The remaining available capacity will then be allocated to Regular Shippers in the order of receipt of revised Final Nominations, until the remaining available capacity is fully allocated. If there remains available capacity after such allocation to Regular Shippers, Carrier shall next notify New Shippers of the remaining available capacity and shall allocate such remaining capacity to New Shippers in the order of receipt of revised Final Nominations, until the remaining available capacity is fully allocated.

(B) Capacity will be allocated among “Regular Shippers” and “New Shippers” based on Shippers’ Revised Nominations as follows:

1. Available capacity shall be divided between New Shippers as a class and Regular Shippers as a class.
2. Up to 10 percent (10%) of the available capacity for uncommitted shippers shall be allocated to New Shippers, if any. Each New Shipper shall be allocated an amount of capacity during a Proration Month that is equal to its Revised Nomination; provided, however, that if the total Revised Nominations by New Shippers exceed 10 percent of the available capacity, then each New Shipper’s allocation will be reduced on a pro rata basis so that allocation to all New Shippers in the aggregate does not exceed 10 percent of the available capacity.

3. The remaining capacity shall be allocated among Regular Shippers in proportion to their Base Period Shipments.
 - a. The “Base Period” is a period of 12 months beginning 13 months prior to the month of allocation and excluding the month preceding the month of allocation, except that a New Shipper must ship on a particular line segment for twelve (12) consecutive calendar months before it will become eligible to be classified as a Regular Shipper on such line segment.
 - b. A “Regular Shipper” is (i) any Committed Shipper or (ii) any other Shipper having a record of movements in the line segment being prorated, during the applicable Base Period. A Committed Shipper’s Base Period Shipments for any proration month shall be rated among all Committed Shippers using a Net Present Value with the Committed Shipper having the highest NPV being allocated its volume capacity first, followed by the next highest and repeated until all Committed Shippers’ capacity has been allocated.
 - c. In determining the NPV, Carrier will use a discount rate of 8% and will apply the formula presented in Appendix A. If two or more Committed Shippers have the exact same NPV, but there is insufficient capacity to accept both Committed Shipper’s volumes in full, then the capacity of these two Committed Shippers will be split evenly in pro rata form.
 - d. Any other Regular Shipper’s Base Period shipments for any proration month shall be equal to the monthly average of all shipments by such Shipper during the applicable Base Period.
 - e. A “New Shipper” is a Shipper who is not a Regular Shipper.

(C) No Nominations shall be considered beyond the amount that the nominating party has readily accessible for shipment.

(D) In no event will any portion of allocated capacity to a New Shipper be used in such a manner that it will increase the allocated capacity of another Shipper beyond the allocated capacity that Shipper is entitled to under the provisions stated in this Policy. Carrier may require written assurances from responsible officials of Shippers regarding use of allocated capacity stating that this requirement has not been violated. In the event any New Shipper shall, by any device, scheme, or arrangement whatsoever, make its allocated capacity available to another Shipper, or in the event any Shipper shall receive and use any allocated capacity from a New Shipper, then, in the month following discovery of such violation, the allocated capacity of any such New Shipper will be reduced to the extent of the excess capacity made available, and the allocated capacity of any such Shipper will be reduced to the extent of excess capacity used.

(E) No nominations shall be considered beyond the amount that the Shipper has readily accessible for shipment. If a Shipper is unable to tender Crude Petroleum equal to the space allocated to it, Carrier will reduce that Shipper’s volumes for the succeeding month to be scheduled by the amount of allocated throughput not utilized during the preceding month (“Over-Nomination Penalty”), if apportionment is necessary in the succeeding month. Carrier shall reallocate any volumes made available by imposition of the Over-Nomination Penalty to all Shippers in accordance with the provisions of this proration policy, provided that no volumes shall be allocated to Shippers on which the Over-

Nomination Penalty was imposed. Carrier shall not apply the Over-Nomination Penalty if a Shipper's over nomination was the result a force majeure event or operational constraints on Carrier's Pipeline System, as determined by Carrier.

Section III: Interim Startup Period Prorationing

- a. Carrier may commence providing service prior to the time that it has installed sufficient facilities to provide for the full, cumulative Monthly Minimum Volumes of its Committed Shippers, in addition to the 10% of capacity for uncommitted Shippers as describe in Section I.c.; such a period of limited service will be considered an "Interim Startup Period."
- b. During an Interim Startup Period, the nominations of all Shippers will be allocated based on the procedures set out in Section II, whether made by Committed Shippers or Uncommitted Shippers.
- c. At the conclusion of the Interim Startup Period, following written notification by the Carrier: (i) Section I will apply to nominations by Committed Shippers; and (2) no shipper history will carry forward into the period following the Initial Startup Period, and Shippers will need to re-qualify as Regular Shippers.

APENDIX A

The net present value methodology simply sums the cash value of the revenues (rate x volume) to be received and discounts them over the total term commitment at an assumed discount rate.

Mathematically the formula is as follows:

$$NPV = \sum_{t=1}^T \frac{C_t}{(1+r)^t}$$

Where: NPV is the summation of the cash value of the contract commitment (volume times rate) ("C") in each given time period ("t") discounted over the total time period by the discount rate ("r"). Non-firm shippers will be allocated on a pro-rata basis. The order of the proration for the Committed Shippers will be done starting with the Committed Shipper having the highest NPV. Carrier will assume a discount rate of 8% for the purpose of calculating the NPV.