

Chaparral NGL Proration Policy

Dated – ~~[W]July 1, 2010~~ November 1, 2019

Proration of Capacity

- A. This Proration Policy will be used by Carrier to allocate Capacity among all Shippers for any month for which Carrier determines that the aggregate volume of NGLs Nominated by all Shippers for receipt into or delivery from the Pipeline exceeds the Capacity.
- B. Nothing in this Proration Policy shall prevent Carrier from allocating Capacity on an equitable basis in a manner that differs from the specific provisions of this Proration Policy during any period in which there is an imminent threat to public health, safety or the environment.
- C. To the extent permitted by applicable law, the provisions of this Proration Policy will be administered to maximize the transportation of NGLs through the Pipeline and its segments.

1. Affiliated Shippers

Upon joint written request from a Shipper and an Affiliate of such Shipper, Carrier will consolidate the Shipment History and Nominations of such Shipper and such Affiliate into a single entity (which will be either such Shipper or the Affiliate of such Shipper, as designated in the joint written request). A Committed Shipper or an Affiliate of Committed Shipper is subject to any restrictions on assignment and transfer set forth in its TSA. [N] During periods when Carrier is allocating capacity, a New Shipper will not be allocated capacity if it is an Affiliate of another Shipper who received an allocation. Each Shipper or prospective Shipper requesting New Shipper status shall provide to Carrier an affidavit and such information as will enable Carrier to determine whether such Shipper is an Affiliate of any other Shipper that has a Shipment History that will entitle such Shipper to an allocation of capacity in accordance with the Proration Policy or is an Affiliate of another New Shipper. In no event will an allocation to a Shipper be used in such a manner as to enhance the allocation of another Shipper beyond the allocation to which such Shipper would be entitled under this Proration Policy.

2. Definition of Terms

2.1 ~~[W]The defined terms “Carrier”, “Liquid Hydrocarbon Products,” and “NGLs” Capitalized terms used herein and not otherwise defined~~, shall have the meanings ascribed to them in Item No. 1 of Chaparral Pipeline Company, LLC Rules, Regulations, and Rates Tariff FERC No. ~~42-2-012.18.0~~, as amended, supplemented or replaced.

2.2 The following defined terms when used in this Proration Policy shall have the meanings ascribed to them in this Item No. 2.2:

~~[C]2.2.1 “Affiliate” means any natural person or any business entity where the power to direct the management or policies of both of such natural person or business entity and Shipper is owned or controlled by the same party.~~

2.2.2 “Allocation Month” means any month in which Carrier determines that the aggregate volume of NGLs Nominated by all Shippers for receipt into or delivery from the Pipeline exceeds the Capacity for such month.

2.2.3 “Base Period” means the twelve (12) month period beginning thirteen (13) months prior to an Allocation Month, excluding the month immediately preceding the Allocation Month.

2.2.4 “Capacity” means the maximum throughput volume of the Pipeline for an Allocation Month under then current operating conditions as determined by Carrier.

~~[C]2.2.5 “Committed Shipper” means an entity that has committed to pay for the shipment of a specified volume of NGLs pursuant to the TSA between such entity and Carrier. If in any month a Committed Shipper Nominates for shipment a volume of NGLs larger than the amount of its~~

~~Volume Commitment, it shall be treated as a New Shipper or an Existing Shipper, as applicable, with respect to those barrels Nominated in excess of its Volume Commitment~~

- 2.2.6 "Committed Shipper Nomination" means the Nomination by a Committed Shipper for shipment of NGLs in the Pipeline in an amount equal to all or less than its Volume Commitment. If a Committed Shipper Nominates for shipment a volume of NGLs larger than the amount of its Volume Commitment, it shall be treated as a New Shipper or an Existing Shipper, as applicable, with respect to those barrels Nominated in excess of its Volume Commitment.
- 2.2.7 "Committed Volume Capacity" means for any Allocation Month a portion of the Capacity equal to the Committed Volume Percentage times the Capacity.
- 2.2.8 "Committed Volume Percentage" means the percentage that is determined by dividing the Volume Commitments of all Committed Shippers by the maximum throughput volume of the Pipeline prevailing under ordinary operating conditions.
- 2.2.9 "Eligible Committed Shipper" means a Committed Shipper that is not in breach or default of any of its obligations under its TSA and whose right to priority service has not been terminated pursuant to the terms of its TSA.
- 2.2.10 "Existing Shipper" means an entity that has shipped NGLs in the Pipeline during the Base Period, excluding any Committed Shipper to the extent of its Volume Commitment.
- 2.2.11 "Historic Shipment Ratio" means the value determined by dividing the Shipment History for an Existing Shipper by the sum of:
- (i) the total volume of NGLs shipped in the Pipeline by all Existing Shippers during the Base Period
 - plus
 - (ii) the capacity allocation to New Shippers pursuant to Item No. 3.2.1.
- 2.2.12 "New Shipper" means an entity that has not shipped NGLs in the Pipeline during the Base Period, excluding any Committed Shipper to the extent of its Volume Commitment.
- 2.2.13 "Nominated or "Nomination" means the nomination for shipment of NGLs in the Pipeline in accordance with Carrier's Rules and Regulations.
- 2.2.14 "Pipeline" means the pipeline system owned and operated by Carrier through which Carrier transports NGLs from a origin to a destination.
- 2.2.15 "Shipment History" means the volume of NGLs shipped in the Pipeline by an Existing Shipper during the Base Period.
- 2.2.16 "Shipper" means any Existing Shipper, New Shipper or Committed Shipper.
- 2.2.17 ~~[C]"TSA" means a Transportation Service Agreement executed by a Committed Shipper and Carrier for intrastate shipments within the State of Texas.~~
- 2.2.18 ~~"Volume Commitment" means the volume of NGLs that a Committed Shipper has guaranteed to ship on the Pipeline pursuant to its TSA.~~

3. Allocation of Capacity

In any Allocation Month, Capacity shall be allocated as follows:

- 3.1 Each Eligible Committed Shipper will be allocated its Committed Shipper Nomination; provided that if the sum of all volumes allocated to Eligible Committed Shippers under this Item 3.1 exceeds the Committed

Volume Capacity, the allocated volumes of such Eligible Committed Shippers will be reduced pro rata to a volume that equals the Committed Volume Capacity.

3.2 The Capacity remaining after the step set forth in Item 3.1 hereinabove will be allocated among Existing Shippers and New Shippers in accordance with the following procedure (subject to Item Nos. 4 and 8, if applicable):

3.2.1 Since a New Shipper will have a Historic Shipment Ratio of zero for the Allocation Month, a New Shipper will receive the minimum Capacity allocation of three thousand (3,000) barrels during the Allocation Month unless the Capacity allocated to all New Shippers during such Allocation Month exceeds five (5) percent (or any higher percentage required by applicable law) of the remaining Capacity described in Item 3.2. If the initial Capacity allocated for all New Shippers would exceed five (5) percent (or any higher percentage required by applicable law) of the remaining Capacity described in Item 3.2, New Shippers will only be allocated five (5) percent (or any higher percentage required by applicable law) of the remaining Capacity described in Item 3.2, and this five (5) percent (or any higher percentage required by applicable law) will be allocated to each New Shipper in equal portions.

3.2.2 The Capacity allocated to an Existing Shipper for an Allocation Month will be determined by multiplying such Existing Shipper's Historic Shipment Ratio times the remaining Capacity described in Item 3.2 during such Allocation Month after subtracting from such remaining Capacity any Capacity allocated in Item No. 3.2.1.

3.2.3 If the result of the calculation in Item No. 3.2.2 herein for an Existing Shipper is less than three thousand (3,000) barrels, the Capacity allocated to such Existing Shipper will be increased to three thousand (3,000) barrels during such Allocation Month and the Capacity allocated under Item No. 3.2.2 herein above to other Existing Shippers will be proportionately reduced (but not below three thousand (3,000) barrels) to offset such increase, if necessary after taking into consideration the other adjustments provided for in this Proration Policy.

3.2.4 If the Capacity allocated to an Existing Shipper pursuant to Item No. 3.2.2 herein is greater than such Existing Shipper's Nomination during such Allocation Month, the Capacity allocated to such Existing Shipper will be reduced to equal its Nomination during such Allocation Month and the Capacity of the Existing Shippers whose allocations under Item No. 3.2.2 herein were less than their respective Nominations during such Allocation Month will be proportionately increased, and rounded to the nearest one hundred barrels per day (100 bpd), to offset such reduction.

4. Failure to Use Allocated Capacity

If a Shipper (other than a Committed Shipper with respect to its Volume Commitment) fails to deliver at the origin(s) or fails to remove at the destination(s), specified by it in its Nomination, a volume of NGLs sufficient to fill its Allocated Capacity and such failure has not been caused by force majeure, Carrier will reduce such Shipper's Allocated Capacity by an amount equal to such unused Allocated Capacity in the next month in which an allocation is required and in which such Shipper Nominates NGLs.

5. Good Faith Tenders

Carrier will accept only good faith Nominations from Shippers, and Carrier shall use whatever reasonable means necessary to determine whether Nominations are made in good faith. Good faith means the non-contingent ability of a Shipper to deliver to Carrier at the origin(s) or to receive from Carrier, at the destination(s) specified in the Nomination, all of the volume Nominated during the time period for which the Nomination is made. Carrier may request any additional documentation from a Shipper to document such Shipper's ability to deliver or receive the NGLs Nominated.

6. Restrictions on Transfer of Allocation

The Allocated Capacity of any Shipper may not be sold, assigned, conveyed, loaned, transferred or used in any manner except as expressly permitted in this Proration Policy. Except as expressly provided in Item No. 8, in the event any Shipper shall, by any device, scheme or arrangement whatsoever, attempt to sell or transfer all or

any part of its Allocated Capacity to any other Shipper in violation of this Proration Policy, or in the event any Shipper shall attempt to buy or receive and use any portion of the Allocated Capacity of another Shipper in violation of this Proration Policy, the Allocation Capacity of each such Shipper will be reduced in the next Allocation Month after the date that the violation is discovered by a volume equal to twice such attempted transfer. Any Allocation Capacity that becomes available under this Item No. 6 will be allocated among the other Shippers that Nominate in the next Allocation Month in an equitable manner. The assignment or transfer of the Allocated Capacity of a Committed Shipper is also subject to any restrictions on assignment and transfer set forth in its TSA.

7. Notification

Carrier shall notify, by email, fax or other written means, each Shipper of its Allocated Capacity within ten (10) business days after the date that Nominations are due. If necessary, each Shipper will have two (2) business days after receiving such notification to resubmit its Nominations to reduce its Nominated volume to be equal to or less than its Allocated Capacity. If a Shipper fails to resubmit its Nominations, Carrier may refuse to accept or deliver any Allocated Capacity of NGLs for such Shipper during such Allocation Month.

8. Transfer of Shipment History

A Shipper's Shipment History may not be sold under any circumstances. A Shipper's Shipment History may not be assigned, conveyed, loaned, transferred to or used in any manner by another Shipper, except a Shipper may transfer its Shipment History (a) as provided in Item No. 1 and (b) to a purchaser of the NGL production that established the Shipment History. To transfer its Shipment History, a Shipper must provide Carrier with documentation agreeing to the transfer signed by an authorized individual in the Shipper's organization and by an authorized individual in the proposed transferee's organization. Such documentation must contain, at a minimum, the following information:

- i. the percent of the Shipper's Shipment History from a specific origin to a specific destination to be transferred to the transferee's account; and
- ii. the effective date of the transfer of such Shipment History, which date must be as of the beginning of a calendar month and must be not less than ten (10) business days after Carrier receives notice of the proposed transfer.

Carrier, after receipt of such documentation, will promptly confirm in writing such transfer with the Shipper and the transferee. Carrier shall be entitled to fully rely on and conform its records to the requested transfer.

[C] Cancel. [N] New. [W] Change in wording only.