

DOUBLE EAGLE SYSTEM PRORATION PROCEDURE

During any month when the aggregate volume of Crude Petroleum that is nominated to be transported exceeds the available capacity of Carrier's system the Carrier shall prorate the nominations received among Shippers as follows:

1) Definitions

- a) **"Base Period"** – the twelve (12) month period, beginning thirteen (13) months prior to the month being allocated (which excludes the month preceding the month of allocation).
- b) **"Committed Shipper"** – any Shipper that has committed to transporting or paying for the transportation of, certain specified volumes of Crude Petroleum pursuant to the terms of a Throughput and Deficiency Agreement ("**T&D**").
- c) **"Committed Volume"** – the volume of Crude Petroleum the applicable Committed Shipper has agreed to either ship or pay for under the T&D.
- d) **"New Shipper"** – any Shipper that does not qualify under the definition of a Regular Shipper or Committed Shipper. By definition, a New Shipper will become a Regular Shipper twelve months after the month of their first shipment.
- e) **"Regular Shipper"** – any Shipper who (a) shipped volumes during the first month of the Base Period, or (b) shipped any volume in the twelve months preceding the Base Period. A Regular Shipper ceases to be a Regular Shipper if it has no actual shipments for two or more months out of the Base Period. Thereafter, that shipper will be treated as a New Shipper unless and until it meets Regular Shipper criteria. A Committed Shipper will not be a Regular Shipper to the extent of its Committed Volume, but may become a Regular Shipper with respect to its average monthly volume of actual shipments that exceed its Committed Volume in the twelve (12) month Base Period.

2) Allocation Method

- a) A Committed Shipper that does not exceed its defined Committed Volumes pursuant to its T&D shall not be subject to prorationing, except in the event of an event of force majeure or other operational disruption, in which case the Committed Shippers will be prorated as a separate class of shippers.
- b) If a Committed Shipper nominates Crude Petroleum in excess of its Committed Volumes referenced in its T&D, the excess incremental volume shall be subject to prorationing as a Regular Shipper.
- c) Up to 10% of the capacity to be allocated will be reserved for New Shippers. Each New Shipper will be allocated a maximum of 2% of the capacity. If the total allocation for

individual New Shippers exceeds the 10% of capacity reserved for New Shippers, each New Shipper's allocation will be reduced on a proportional basis.

- d) All capacity not allocated to Committed Shippers or New Shippers will be allocated to Regular Shippers. The capacity will be allocated based on each Regular Shipper's respective proportions of total shipments during the Base Period.
- e) Any remaining capacity not allocated through the application of steps (a), (b) and (c) will be allocated equally among all Shippers having remaining tenders, until the Available Capacity is fully allocated.
- f) Allocated space of one Shipper may not be assigned, conveyed, or used by another Shipper during such time as these Proration Procedures are in effect.

3) Procedural Schedule

- a) Shipper nominations must be emailed to the Carrier's scheduler prior to 5:00 PM central time on the 15th of the month preceding the month for which the nominations apply.
- b) The Carrier's scheduler will, within two working days, reply by email to the Shippers with their allocated volume based on the Allocation Method described above.
- c) Shippers will, within two working days, reply by email to the Carrier's scheduler of their acceptance of the allocated volumes. If a Shipper does not notify Carrier of its acceptance, its allocated volumes will be re-allocated to the other Regular Shippers based on the Allocation Method above.
- d) At the time of acceptance, a Shipper may notify Carrier's scheduler of its intent to reduce its nominated volumes below the initially allocated amount. Any allocated capacity that is "released" by a Shipper in this manner will be re-allocated to the other Regular Shippers based on the Allocation Method above. If any portion of the "released" capacity is not accepted by other Shippers, the releasing Shipper shall be responsible to pay the then current tariff rate times any unaccepted "released" volumes.
- e) After steps a)-d) have been completed, the Carrier's scheduler will notify all Shippers of their "confirmed" allocated volumes by the seventh work day following the 15th of the month prior to the month for which the nominations apply.

4) Shipper Obligation

If a Shipper does not tender for shipment its confirmed allocated volume during any month in which the pipeline is prorated, including any volume that the Shipper has released but which has not been accepted by one or more other Shippers per 3(d) above, then, in addition to charges for

actual shipments, the Shipper will be invoiced and will be responsible for payment of an amount equal to the total allocated volume, less any volumes actually shipped during the month, times the current tariff rate.