

**Cactus II Pipeline LLC (“Carrier”)
Pipeline Proration Procedures**

Dated: April 22, 2023

When there shall be nominated to Carrier, for transportation, more Crude Petroleum than can be immediately transported on a line segment, the transportation furnished by Carrier shall be apportioned among Shippers as set forth these Pipeline Proration Procedures. Line segments will be prorated separately if necessary.

- (a)** Any capitalized term not defined in these Pipeline Proration Procedures shall have the meaning set forth in the applicable Cactus II Pipeline LLC tariff.
- (b)** When it is determined that insufficient capacity is available to accommodate all valid timely and properly submitted Nominations, 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.
- (c)** Space in each segment will be allocated among “Regular Shippers” and any “New Shippers” as follows:
 - 1. New Shippers shall be allocated up to a total of ten percent (10%) of the available line segment capacity (“New Shipper Capacity”). Each New Shipper will be allocated its Revised Nomination. If the total allocation among all New Shippers would exceed the New Shipper Capacity, 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 the New Shipper Capacity, provided however, that if such pro rata allocation in a given month does not result in each New Shipper being allocated the minimum quantity set forth in any tariff making reference hereto (the “Minimum Nomination Allocation”), then Carrier will administer the lottery process set forth below. For purposes of these Proration Procedures, the minimum quantity requirement will apply to each delivery point to which shipper has submitted a Nomination; however, the minimum quantity will not apply to individual origin points, as each shipper will be allowed to aggregate its nominations from various origin points in order to meet the minimum quantity.

Lottery Process

- a. Carrier will use a software-generated random number process to randomly assign each New Shipper a number. New Shippers will be ordered sequentially starting with the random number closest to zero.
- b. The New Shipper with the lowest number will receive the first Minimum Nomination Allocation for the applicable proration month. Thereafter, Minimum Nomination Allocations will be allocated to New Shippers sequentially, from the lowest assigned number to the highest assigned number, until the New Shipper Capacity is fully allocated (other than any final portion that is less than a Minimum Nomination Allocation).
- c. Any New Shipper Capacity that remains after completion of the lottery process steps a-b contained herein shall be allocated equally among each New Shipper that

received a lottery allocation in that month until the nominations of those New Shippers are fully satisfied.

- d. Following the completion of the lottery process, Carrier will notify New Shippers as to whether or not they were allocated capacity in that month.
 - e. A New Shipper receiving a Minimum Nomination Allocation hereunder may divide its allocated capacity between the origin points for which it submitted a Nomination, but it must elect a single destination point from its Nomination for delivery of the allocated capacity.
2. Any capacity that remains after completion of the allocation of the New Shipper Capacity shall be allocated among Regular Shippers in proportion to their Base Period Shipments.
- (d)** 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. 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 deemed equal to the greater of the following: (1) the monthly average of all shipments by such Committed Shipper during the applicable Base Period; and (2) such Committed Shipper’s monthly maximum volume commitment, as set forth in its Commitment Agreement. 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. A “New Shipper” is a Shipper who is not a Regular Shipper. 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 these Pipeline Proration Procedures. 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 a New Shipper will be reduced to the extent of the excess capacity made available and the allocated capacity of a Shipper will be reduced to the extent of excess capacity used.
- (e)** No Nominations shall be considered beyond the amount that the nominating party has readily accessible for shipment.
- (f)** Any applicable exception set forth in the applicable Cactus II Pipeline LLC tariff shall govern over these Pipeline Proration Procedures.