Effective: July 1, 2020

Policy and Procedures Applicable to Shipper Over/Short Balancing and Pipeline Loss Allowance Settlement for the Basin Pipeline

1. This document (the "Policy") governs the resolution by Carrier of Over/Short Positions and PLA on the Basin Pipeline. This Policy is subject to Carrier's rates, rules, and regulations tariff on file and in effect with the applicable regulatory authority, as such tariff may be modified by Carrier from time to time (the "Tariff"). In the event of any inconsistency, the Tariff controls.
2. By submitting a Nomination to Carrier for services on the Basin Pipeline, each Shipper agrees to the provisions of this Policy.
3. Definitions
   a) "Bakken / Cushing Diff" means the arithmetic average of the daily weighted averages of the Bakken Cushing Diff, as published by Argus for each trading day for the month of delivery when traded prompt.
   b) "Carrier Imbalance Price" means the price, by Crude Type, outlined herein.
   c) "CMA" means the arithmetic average of the NYMEX Light Sweet Crude Oil futures (CL) first nearby contract settlement price for each business day that is determined during the month of delivery.
   d) "Crude Type" means a type of Crude Petroleum set forth herein
   e) "Over/Short Position" means the absolute value of the Shipper's imbalance position on the Basin Pipeline for a Crude Type calculated by Carrier and reported to the Shipper on its month-end statement.
   f) "PLA" means Pipeline Loss Allowance.
   g) "WTI Diff to CMA NYMEX" means the arithmetic average of the daily weighted averages of the WTI Diff to CMA NYMEX, as published by Argus for each trading day for the month of delivery when traded prompt.
   h) "WTI Midland / Cushing Diff" means the arithmetic average of the daily weighted averages of the WTI Midland Diff, as published by Argus for each trading day for the month of delivery when traded prompt.
   i) "WTS Midland / Cushing Diff" means the arithmetic average of the daily weighted averages of the WTS Midland Diff, as published by Argus for each trading day for the month of delivery when traded prompt.
   j) "WTS Midland / WTI Midland Diff" means WTI Midland / Cushing Diff subtracted from the WTS Midland / Cushing Diff.

   Other capitalized words used in this Policy are defined in the Tariff, unless otherwise specified.
4. Settlement
   a) At the end of each month, Carrier will settle with each Shipper with an Over/Short Position by Crude Type at the Destination Point for such Crude Type. If the Carrier Imbalance Price for such Crude Type is greater than $0.00 per Barrel, then the settlement price will be set by multiplying the Shipper's Over/Short Position by the Carrier Imbalance Price for such Crude Type. If the Carrier Imbalance Price for such Crude Type is less than or equal to $0.00 per Barrel, then the settlement price will be set by multiplying the Shipper Over/Short Position by $0.00 per Barrel.
   b) At the end of each month, Carrier will settle PLA with all shippers by Crude Type at the Destination Point for such Crude Type. If the Carrier Imbalance Price for such Crude Type is greater than $0.00 per Barrel, then the PLA settlement price will be set by multiplying the volume of PLA by the Carrier Imbalance Price for such Crude Type. If the Carrier Imbalance Price for such Crude Type is less than or equal to $0.00, then the corresponding volume of PLA will be retained by the Carrier as in-kind settlement as specified in the Tariff with no payment owed to the Shipper.

Crude Type	Destination	Carrier Imbalance Price
WTI – West Texas Intermediate	Midland (Midland County), Texas	CMA (+) plus WTI Diff to CMA NYMEX (+) plus WTI Midland / Cushing Diff
WTS – West Texas Sour	Colorado City (Scurry County), Texas	CMA (+) plus WTI Diff to CMA NYMEX (+) plus WTS Midland / Cushing Diff
WTI – West Texas Intermediate	Wichita Falls (Wichita County), Texas	CMA (+) plus WTI Diff to CMA NYMEX (+) plus Bakken / Cushing Diff
WTS – West Texas Sour	Cushing (Lincoln County), Oklahoma	CMA (+) plus WTI Diff to CMA NYMEX (+) plus Bakken / Cushing Diff (+) plus WTS Midland / WTI Midland Diff