

ONEOK NORTH SYSTEM, L.L.C  
Allocation Policy  
Effective October 1, 2014

Carrier will allocate the capacity of its system or a portion of its system during any month when it determines, based upon the nominations properly submitted (as defined in the ONEOK North System, L.L.C. tariffs) by Shippers, that the total volume nominated by all Shippers for shipment on Carrier's system or portion thereof during the month exceeds the capacity of the system or portion thereof. When allocation is necessary, Carrier's pipeline or portion thereof shall be allocated among all Shippers under the following allocation policy:

1. Definitions

- a. **"Binding Allocated Volume"** means a Shipper's final allocated volume after being advised that Carrier's system or a portion of its system is subject to allocation.
- b. **"Carrier"** means ONEOK North System, L.L.C.
- c. **"Delivery Factor"** means a percentage of the Binding Allocated Volume, as described in 2g(ii).
- d. **"Final Nomination"** means the nomination tendered by a Shipper after being advised that Carrier's system or a portion of its system is subject to allocation.
- e. **"Initial Allocation"** means a Shipper's Initial Allocation as described in paragraph 2b(i) of this allocation policy for Regular Shippers or a Shipper's Initial Allocation as described in paragraph 2d of this allocation policy for New Shippers.
- f. **"New Shipper(s)"** means any Shipper other than a Regular Shipper.
- g. **"Original Nomination"** means the nomination tendered by a Shipper prior to being advised that the Carrier's system or a portion of its system is subject to allocation.
- h. **"Regular Shipper(s)"** means any Shipper that has shipped Product at any time during the twelve (12) calendar months preceding the first day of the month in which the pipeline or a portion of the pipeline is allocated.
- i. **"Shipper(s)"** means a party, including Regular Shipper(s) and New Shipper(s), for whom transportation services are nominated.

2. Allocation Procedures

- a. **Availability of capacity to Regular Shippers.** After the adjustment for New Shippers, as provided in paragraphs 2c and 2d, all remaining unnominated capacity (as determined in accordance with paragraph 2e(i)) plus any unused allocated capacity (as determined in accordance with paragraph 2f) shall be available to Regular Shippers who have nominated volumes for the month.
- b. **Allocation to each Regular Shipper.** When it is determined that the total volume nominated by all Shippers for shipment on Carrier's system or portion thereof during the month exceeds the capacity of the system or portion thereof, the following steps will be taken.
  - i. Each Regular Shipper will be notified, via Carrier's electronic commerce and communication system or other appropriate method as selected by the Carrier, of its Initial Allocation. The Initial Allocation is equal to a fraction, the numerator of which is the Regular Shipper's average barrels shipped on Carrier's system during the latest twelve (12) month period, for which the month-end processes are completed, and the

denominator of which is the total shipments during such twelve (12) month period by all Regular Shippers, for which the month-end processes are completed preceding the month for which the Regular Shipper's allocation is being calculated, multiplied by the total capacity available to all Regular Shippers for the month in which the allocation policy procedures are being applied.

- ii. Each Regular Shipper will be given an opportunity to properly submit an adjusted nomination by 11:59 pm on the second (2<sup>nd</sup>) business day following the day notification was made to the Regular Shipper, which is not to exceed the Regular Shipper's Original Nomination, using Carrier's electronic commerce and communication system or other appropriate method as selected by the Carrier. The adjusted nomination will become the Regular Shipper's Final Nomination.
  - iii. If a Regular Shipper does not properly submit an adjusted nomination by 11:59 pm on the second (2<sup>nd</sup>) business day following the day notification was made to the Regular Shipper, then the Original Nomination shall be considered the Regular Shipper's Final Nomination.
  - iv. If the Regular Shipper's Final Nomination is less than or equal to the Regular Shipper's Initial Allocation, the Regular Shipper's Final Nomination will become the Regular Shipper's Binding Allocated Volume.
  - v. If the Regular Shipper's Final Nomination is greater than the Regular Shipper's Initial Allocation, the Regular Shipper's Binding Allocated Volume will be equal to the Regular Shipper's Initial Allocation plus a portion of any unnominated capacity remaining (which will be allocated in the same manner as described in item 2b(i) to any Regular Shipper's that have a Final Nomination greater than the Regular Shipper's Initial Allocation). The Regular Shipper's Binding Allocated Volume will not exceed the Regular Shipper's Final Nomination.
- c. Availability of capacity to New Shippers.** Not more than five (5) percent of the total available allocated capacity of Carrier's system or portion thereof shall be made available to all New Shippers.
- d. Allocation to each New Shipper.** Each New Shipper will be notified, via Carrier's electronic commerce and communication system or other appropriate method as selected by the Carrier, of its Initial Allocation which is equal to the lesser of 2d(i), 2d(ii) or New Shipper's Original Nomination:
- i. Five (5) percent of the total available allocated capacity of Carrier's system or portion thereof divided by the number of New Shippers who nominated volumes for shipment on the system or portion thereof.; or
  - ii. One and one quarter (1.25) percent (one-fourth of 5%) of the total available capacity of Carrier's system or portion thereof.
  - iii. Each New Shipper will be given an opportunity to properly submit an adjusted nomination by 11:59 pm on the second (2<sup>nd</sup>) business day following the day notification was made to the New Shipper, which is not to exceed the New Shipper's Initial Allocation , using Carrier's electronic commerce and communication system or other appropriate method as selected by the Carrier. The adjusted nomination will become the New Shipper's Final Nomination, which will also be the New Shipper's Binding Allocated Volume.

- iv. If a New Shipper does not properly submit an adjusted nomination by 11:59 pm on the second (2<sup>nd</sup>) business day following the day notification was made to the New Shipper, then the Initial Allocation shall be considered the New Shipper's Final Nomination, which will also be the New Shipper's Binding Allocated Volume.
- e. Unnominated capacity.**
  - i. Any amount of allocated capacity which is available to New Shippers under the rules in paragraphs 2c and 2d, but is not nominated by an eligible New Shipper shall be made available to Regular Shippers in accordance with the rules in paragraphs 2a and 2b.
- f. Reallocation of unused allocated capacity.** In the event that additional capacity becomes available, the Carrier reserves the right to allocate unused capacity on a non-discriminatory basis.
- g. Penalties for Failure to Utilize Allocated Capacity.**
  - i. If, during a month when Carrier determines allocation on the system or a portion thereof is necessary, a Shipper delivers a volume greater or equal to the Shipper's Binding Allocated Volume multiplied by the Shipper's Delivery Factor, then such Shipper will be invoiced for transportation charges based on its delivered volumes during such month. If a Shipper delivers less than the Shipper's Binding Allocated Volume multiplied times the Shipper's Delivery Factor, the Shipper shall be invoiced for transportation charges based on the Shipper's volumes delivered for such month, plus a penalty charge equal to:

The Shipper's Binding Allocated Volume multiplied by the Shipper's Delivery Factor

Less: The actual volumes delivered

Equals: The Deficient Volumes

Shipper shall be billed by Carrier an amount equal to the Deficient Volumes multiplied by the then applicable tariff rate(s) as provided for by Carrier's tariff.

- ii. The Shipper's Delivery Factors are:

Shipper's Binding Allocated Volume	Shipper's Delivery Factor
Up to 29,999 barrels per month	93%
30,000 – 149,999 barrels per month	95%
150,000 – 299,999 barrels per month	97%
Over 299,999 barrels per month	98%

- iii. Penalties for a Shipper's failure to deliver its Binding Allocated Volume multiplied by the Shipper Delivery Factor as described in 2g(ii) may be waived, in whole or in part if Carrier determines, in its sole discretion,

that the Shipper's failure to use all or some of its Binding Allocated Volume was due to factors beyond the Shipper's reasonable control.

- h. *Transfer of allocated capacity; Use of affiliates.*** Allocated volumes allocated to a Shipper may not be assigned, conveyed, loaned, transferred to, or used in any manner by another Shipper. However, a Shipper's allocation may be transferred as an incident of the bona fide sale of the Shipper's business or to a successor to the Shipper's business by the operation of law, such as an executor or trustee in bankruptcy. A Shipper may not use an affiliated or cooperating entity to obtain an increased allocation of allocated capacity or, in the case of a Regular Shipper, seek New Shipper status in order to pool two or more allocations to the benefit of the Shipper.
- i. *Allocation during an emergency.*** Carrier may allocate capacity on a different equitable basis during an emergency period.