



January 17, 2017

Notice of Binding Open Season
Santa Rita and Howard Lateral Crude Oil Pipeline Expansions

Introduction

Medallion Pipeline Company, LLC (“Medallion Pipeline”), a subsidiary of Medallion Midstream LLC, plans to construct two new crude oil pipeline projects to expand and extend the geographic reach of the Medallion Pipeline system. The Santa Rita Expansion will increase the capacity of the existing Santa Rita Lateral and provide for bi-directional transportation services by connecting the Santa Rita Lateral to Medallion’s Midkiff Lateral. The Howard Expansion will extend and expand the existing Howard Lateral to attach additional crude oil production to the Medallion Pipeline system.

The Medallion Pipeline system, initially placed in service in October 2014, is a network of approximately 500 miles of 6-inch diameter and larger crude oil pipeline facilities, designed, constructed, and expanded to aggregate new sources of crude oil production in the Midland Basin.¹ Medallion Pipeline’s existing crude oil pipeline facilities consist of the following pipeline segments:

¹ The Medallion Pipeline system also includes pipeline facilities that are smaller than 6-inches in diameter, typically constructed to connect the system to individual producer or operator tank batteries in the field.

- 1) The Wolfcamp Connector mainline, which extends northward from the Garden City Station in Glasscock County, Texas to downstream interconnections with third-party carriers at the Colorado City Hub in Scurry County, Texas;
- 2) The bi-directional Reagan Gathering Extension, which extends from various origin points in Reagan County and Glasscock County, Texas northward to the Garden City Station and southward to an interconnection with Laredo Midstream's facilities;
- 3) The bi-directional Midkiff Lateral, which extends from various origin points in Midland and Upton Counties, Texas eastward to the Garden City Station or westward to the Crane Lateral;
- 4) The Santa Rita Lateral, which extends northward from oil aggregation points in Reagan County to the Reagan Station, where it interconnects with the Reagan Gathering Extension;
- 5) The bi-directional Howard Lateral, which extends from multiple points of origin in Howard County southeastward to Glasscock County, Texas, where it interconnects with the Wolfcamp Connector mainline, and eastward to the Alon Interconnect;
- 6) The bi-directional Crane Extension, which extends southwestward from a point of interconnection with the Midkiff Lateral in northwest Upton County to the Crane Station in east Crane County, Texas;
- 7) The Martin Lateral, which extends southeastward from multiple points of origin in Martin County to the Midland Hub in Midland County, Texas; and
- 8) The bi-directional Midland Lateral, which extends southeastward from the Midland Hub to the Garden City Station.

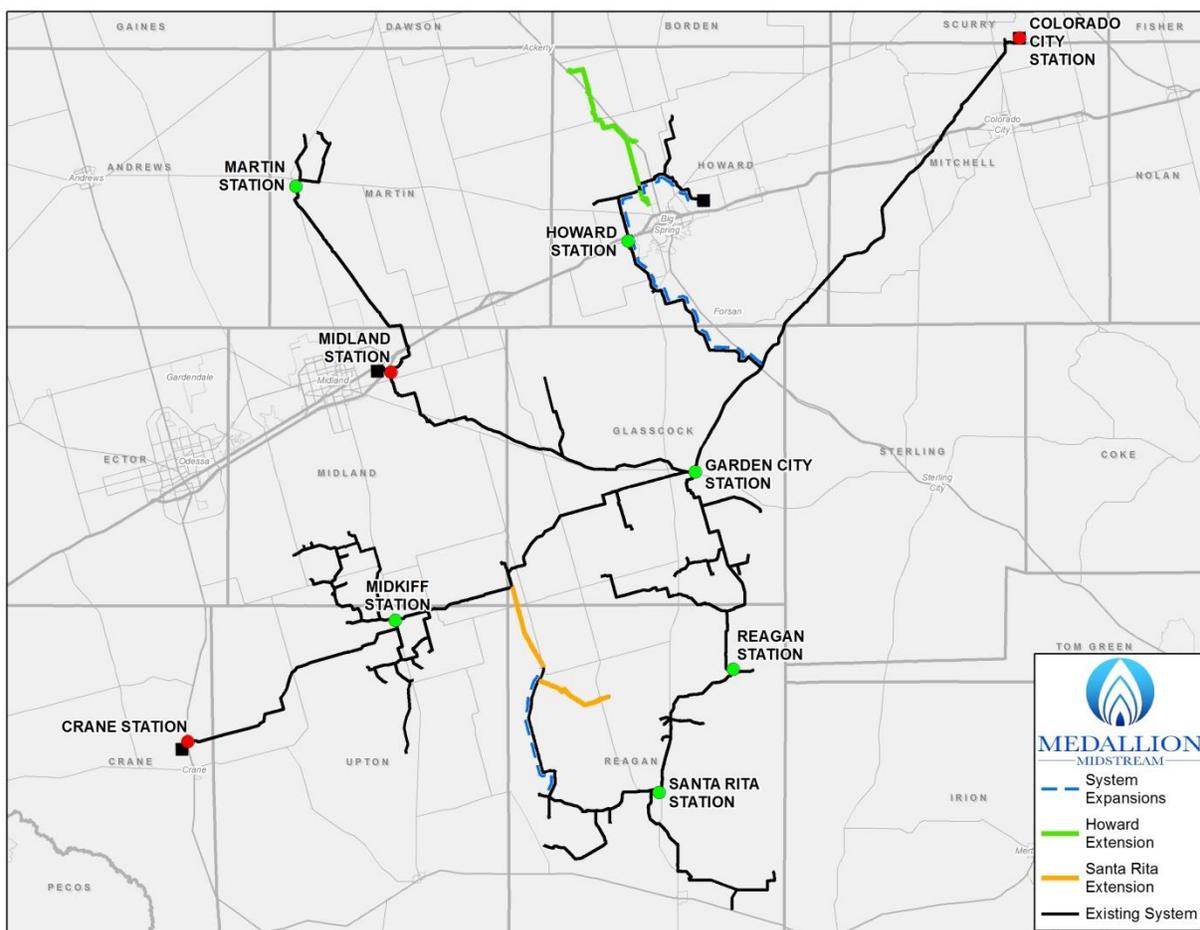
The Proposed Projects

Based on ongoing discussions with potential shippers and subject to the outcome of this open season, Medallion Pipeline proposes to expand its existing crude oil pipeline system by constructing the Santa Rita Expansion and the Howard Expansion (the "Expansion Project"). The Expansion Project will provide shippers with access to new crude oil production and enhanced flexibility to move crude oil production in the region to multiple markets via multiple transportation routes. The Expansion Project is expected to commence full commercial operations in the second quarter of 2017.

The Santa Rita Expansion will consist of a new 18.4-mile pipeline, with a capacity of approximately 20,000 barrels per day, which will extend in a northward direction from a point of interconnection on the existing Santa Rita Lateral in Reagan County, Texas to a point of

interconnection on Medallion's existing Midkiff Lateral in Glasscock County (the "Santa Rita-Midkiff Interconnect"). Medallion Pipeline will reconfigure the Santa Rita Lateral so that, as expanded, the Santa Rita Lateral will be capable of bi-directional operations, allowing for deliveries to either the Reagan Station Interconnect with the Reagan Gathering Extension or to the Santa Rita-Midkiff Interconnect. The Howard Lateral will be expanded and extended to include approximately 15 miles of new 6, 8 and 10-inch pipeline extending from the existing Howard Lateral to the northwest quarter of Howard County near the Martin, Dawson, and Borden County lines. The design of the Howard Lateral provides the flexibility to further increase the Howard Lateral's capacity by increasing the lateral's installed pumping horsepower. Depending upon the results of this Open Season, Medallion Pipeline proposes a 15,000 barrel per day expansion of the Howard Lateral's current 45,000 barrel per day capacity.

Medallion Pipeline is conducting this binding Open Season to provide an opportunity for interested shippers to commit to long-term capacity on the Expansion Project, as Committed Firm Shippers, under several different transportation options. Existing Committed Firm Shippers ("Existing Committed Shippers") on the Santa Rita Lateral and Howard Lateral may participate in the Open Season as set forth below. Medallion Pipeline will also consider bona fide shipper requests for additional firm capacity on the Crane Extension, Midkiff Lateral, and the Wolfcamp Connector mainline system, to the extent supported by long-term Transportation Service Agreements ("TSAs") sufficient to warrant the expansion, in Medallion Pipeline's sole judgment. Medallion Pipeline reserves the right to increase or decrease the capacity of the Expansion Project or any segment thereof, to the extent binding commitments received during the Open Season warrant that increase or decrease, in Medallion Pipeline's sole judgment.



The Expansion Project Facilities and Participation of Existing Committed Shippers

The Santa Rita Expansion

Medallion Pipeline proposes a 20,000 barrel per day expansion and extension of the Santa Rita Lateral's current 65,000 barrel per day capacity, including a new 6 and 8-inch diameter pipeline connecting the Santa Rita Lateral to the Midkiff Lateral. As indicated above, the capacity of the Santa Rita Lateral, as expanded and reconfigured, will be available on a bi-directional basis, providing shippers with the flexibility to move crude oil from any and all origin points on the Santa Rita Lateral to the Santa Rita-Midkiff Interconnect destination point (up to 20,000 barrels per day), the existing Reagan Station (up to 65,000 barrels per day), or both. From the Santa Rita-Midkiff Interconnect, Committed Firm Shippers will have the flexibility to move crude oil to either the Crane Station, where the Medallion Pipeline system interconnects with the Longhorn pipeline system, or to the Garden City Station, for further downstream transportation.

Existing Committed Shippers on the Santa Rita Lateral may participate in the Open Season for the purpose of adding the new points of origin and/or new points of destination to their presently-effective TSAs within their current Committed Volumes. Existing Committed Shippers will, therefore, have the ability to use their capacity on a bi-directional basis, such that the Santa Rita-Midkiff Interconnect and/or the Reagan Station can be used as points of destination. To the extent an Existing Committed Shipper wishes to increase its Committed Volume (an “Incremental Volume Shipper”) on the Santa Rita Lateral, such shipper will be required to execute a separate TSA for the Santa Rita Expansion. In addition, Medallion Pipeline will also consider bona fide shipper requests for additional firm capacity on the Crane Extension, Midkiff Lateral and the Wolfcamp Connector mainline system.

The Howard Expansion

Medallion Pipeline proposes a 15,000 barrel per day expansion of the Howard Lateral’s current 45,000 barrel per day capacity. As part of the expansion of the Howard Lateral, Medallion Pipeline will construct a new extension, consisting of approximately 15 miles of 6, 8 and 10-inch pipeline, to aggregate crude oil production from multiple points of origin in northwest Howard County, Texas. As shown on the open season map, the new extension will interconnect with the bi-directional Howard Lateral north of Big Spring, Texas.

Committed Firm Shippers on the Howard Expansion and the existing Howard Lateral will have the flexibility to move crude oil from various origin points on the Howard Lateral to either the Howard-Wolfcamp Interconnect or to the Alon Interconnect near the Howard Lateral’s northern terminus at Alon USA’s Big Spring Refinery. Shippers on the Wolfcamp Connector system have the flexibility to move crude oil from the Howard-Wolfcamp Interconnect to the Colorado City Hub. Existing Committed Shippers on the Howard Lateral may participate in the Open Season for the purpose of adding the new points of origin on the new extension to their presently-effective TSA within their current Committed Volumes. To the extent an Existing Committed Shipper on the Howard Lateral wishes to become an Incremental Volume Shipper, a separately executed TSA for the increased Committed Volume will be required.

Crude Oil Specifications

The Expansion Project will be subject to the crude oil specifications set forth in Medallion Pipeline’s current FERC and Texas RRC Tariffs. Those specifications include the following:

- (a) API Gravity between 36 and 44 degrees
- (b) True vapor pressure not exceeding 11 psia
- (c) Reid vapor pressure less than 9.0 psia at 100 degrees Fahrenheit
- (d) Basic sediment, water, and other impurities of 1% or less

- (e) Temperature of 120 degrees Fahrenheit or less
- (f) Sulfur content not exceeding 0.45% by weight

Transportation Services

Medallion Pipeline, through this binding Open Season, is offering long-term, firm transportation service on the Santa Rita Expansion and the Howard Expansion pursuant to long-term TSAs providing for Committed Firm Service. The minimum eligibility requirements for Committed Firm Service include a primary TSA term of at least 10 years and minimum Committed Volume of at least 5,000 barrels per day. Upon request, and the execution of a confidentiality agreement, prospective shippers will be provided access to detailed information regarding the terms and conditions for Committed Firm Service, including the form of TSA.

The opportunity to bid for Committed Firm Service on the Santa Rita Expansion and the Howard Expansion ends upon the closing of the Open Season. Any shipper on the Expansion Project that does not have Committed Firm Service through the Open Season process will be an Uncommitted Shipper subject to the prorationing provisions of Medallion Pipeline's tariff. Up to 90% of the Expansion Project's capacity will be available for Committed Firm Service, with at least 10% of the capacity reserved for Uncommitted Shippers.

Open Season Process

The binding Open Season begins on January 17, 2017 and ends on February 8, 2017. All bids must be submitted to the Medallion Pipeline representative listed below by 5:00 pm, Central Standard Time, on or before February 8, 2017.

Open Season Documents

Bona fide prospective shippers may obtain copies of the TSA, Rules and Regulations Tariff, and the Rates Tariff for the Expansion Project by contacting the Medallion Pipeline representative listed below. Medallion Pipeline requires a prospective shipper to execute a Confidentiality Agreement prior to the delivery of these documents. A Confidentiality Agreement that has been altered or amended by the prospective shipper (other than the insertion of required shipper information) may not be accepted by Medallion Pipeline.

Medallion Pipeline Company, LLC
222 West Las Colinas Blvd., Suite 1140E
Irving, Texas 75039
Attention: Paige Snider
Phone: 972-746-4401
Email: info@medallionmidstream.com

To constitute a valid bid in this binding Open Season, a prospective shipper submitting a bid must include a duly executed TSA including a completed Schedule A reflecting the Committed Volume on the Expansion Project and the primary term, both of which must equal or exceed the aforementioned minimum criteria established by this Open Season.

The form of the TSA provided in the Open Season materials includes places for each interested shipper to insert its company name, address, and contact information. Any other modification to the provisions of the TSA may not be accepted by Medallion Pipeline, in its sole discretion, and may therefore render any such bid invalid. A bid will also be subject to Medallion Pipeline's review and verification of the bidding party's creditworthiness, pursuant to the standards of creditworthiness set forth in the TSA.

Post-Open Season Process

After the Open Season process has ended, Medallion Pipeline will make a decision on whether or not to proceed with the Expansion Project. If it elects to proceed with the Expansion Project, Medallion Pipeline will execute each acceptable TSA and return an executed copy to each shipper along with a notification letter confirming that Medallion Pipeline intends to proceed with the project, subject to the conditions precedent set forth in the TSA.

In the event that valid bids for Committed Firm Service oversubscribe 90% of the Expansion Project's capacity, Medallion Pipeline may, in its sole discretion, 1) elect to increase the capacity of the Expansion Project, or (ii) allocate capacity among the valid bids by using a net present value ("NPV") methodology to rank the bids. Under the NPV methodology, Medallion Pipeline will allocate capacity among valid bids for Committed Firm Service giving weight to rate, contract term, and Committed Volume.

Medallion Midstream Media Contact:

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Disclaimer:

This notification along with the related Open Season materials is provided for informational purposes only. Notwithstanding anything contained herein to the contrary, this notification, the Transportation Service Agreement, and Open Season are not intending to constitute, nor shall they be construed to constitute, an offer or any binding obligation whatsoever on Medallion

Pipeline to proceed with the potential Expansion Project facilities and services contemplated by the Open Season until Medallion Pipeline has countersigned and delivered a fully executed Transportation Service Agreement to an interested shipper. Medallion Pipeline reserves the right, in its sole discretion, to modify, terminate, or extend the Open Season, in whole or in part, including, without restriction, any ensuing discussions among the parties at any time without advance notice.

Under no circumstances shall Medallion Pipeline or any of its affiliates, or any of their respective directors, officers, employees, agents, attorneys, advisers, or representatives be responsible for any costs or expenses incurred by any recipient or for any other liability, howsoever arising, incurred by any recipient, in each case, in connection with any investigation or evaluation of the potential Expansion Project facilities and services.