

Information Memorandum

&

Non-Binding Solicitation of Interest

For

**New Pipeline from Houma to St.
James, Louisiana**

By

Zydeco Pipeline Company LLC

October 19, 2015

DISCLAIMER

This Information Memorandum (the "Information Memorandum"), and the associated non-binding Solicitation of Interest ("SOI") have been prepared by Zydeco Pipeline Company LLC ("Zydeco"). The information in this Information Memorandum is provided to prospective shippers solely for informational purposes in connection with assessing their interest in firm pipeline capacity from Houma to St. James, Louisiana. The shipper responses will be used by Zydeco to assist it in determining whether it should proceed with replacing the existing 18" pipeline segment with a larger diameter pipeline to handle increased shipper demand from Houma to St. James. Neither a prospective shipper, on the one hand, nor Zydeco, on the other hand, shall have any obligation to continue discussions or pursue or enter into any transaction of any kind with the other.

This Information Memorandum is not intended to form the basis of any investment decision and should not be considered as a recommendation by Zydeco or any other person in relation to Zydeco. The issuance of this Information Memorandum and its proposed terms shall not be taken as any form of commitment on the part of Zydeco to proceed with any transaction or to provide any future service.

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Recipients of this Information Memorandum should be aware of the following:

- Zydeco may at any time conduct discussions and negotiations with any number of prospective shippers and on any basis with any prospective shippers as it or they consider appropriate, including different bases for different classes of prospective shippers.
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In no circumstance shall Zydeco or any of its 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 connection with any investigation or evaluation of the proposed new pipeline from Houma to St. James.

EXECUTIVE SUMMARY

THE PROPOSED PROJECT

Zydeco is exploring shipper interest in a proposed new crude pipeline from Houma to St. James (the "Project"). Zydeco anticipates that the new pipeline would replace its existing Houma-St. James 18" line to accommodate the demand in excess of the current capacity, which is approximately 270,000 barrels per day. Zydeco's Project would provide shippers with the option of firm capacity from Houma to St. James. All firm capacity commitments on the new line would incur a small premium to the equivalent spot rate.

Zydeco estimates that the new pipeline could be completed and commissioned in the 1st quarter of 2018.

SCOPE AND FORM OF SOLICITATIONS OF INTEREST

Zydeco is interested in discussing the proposed terms of the new pipeline Project with interested parties and is requesting non-binding, indicative commitments.

Interested parties should first execute a Confidentiality Agreement with Zydeco. This will allow Zydeco and the potential shippers the opportunity to discuss their interest in the Project. Prior to December 11, 2015 at 5:00PM CDT, interested shippers will be requested to confirm their interest by submitting a written indication of interest after initial conversations have taken place.

If Zydeco decides to proceed with the proposed Project, it will pursue a binding open season following this indicative period.

THE CURRENT ZYDECO PIPELINE CONFIGURATION

The Zydeco Pipeline, which is operated by Shell Pipeline Company LP (“SPLC”), is comprised of over 350 miles of pipelines with several main flow patterns originating at Houston, TX, Nederland/Pt. Neches, TX, Erath, LA and Houma, LA:

- East 20” From Houston, TX to Nederland, TX and Pt. Neches, TX
- South 12” From Nederland, TX to Pt. Neches, TX
- East 22” From Pt. Neches, TX and Erath, LA to Houma, LA
- East 24” From Houma, LA to Clovelly, LA
- North 18” From Houma, LA to St. James, LA. Access to delivery points serving major Gulf Coast refineries and access to storage facilities in Nederland, TX, Clovelly, LA and St. James, LA

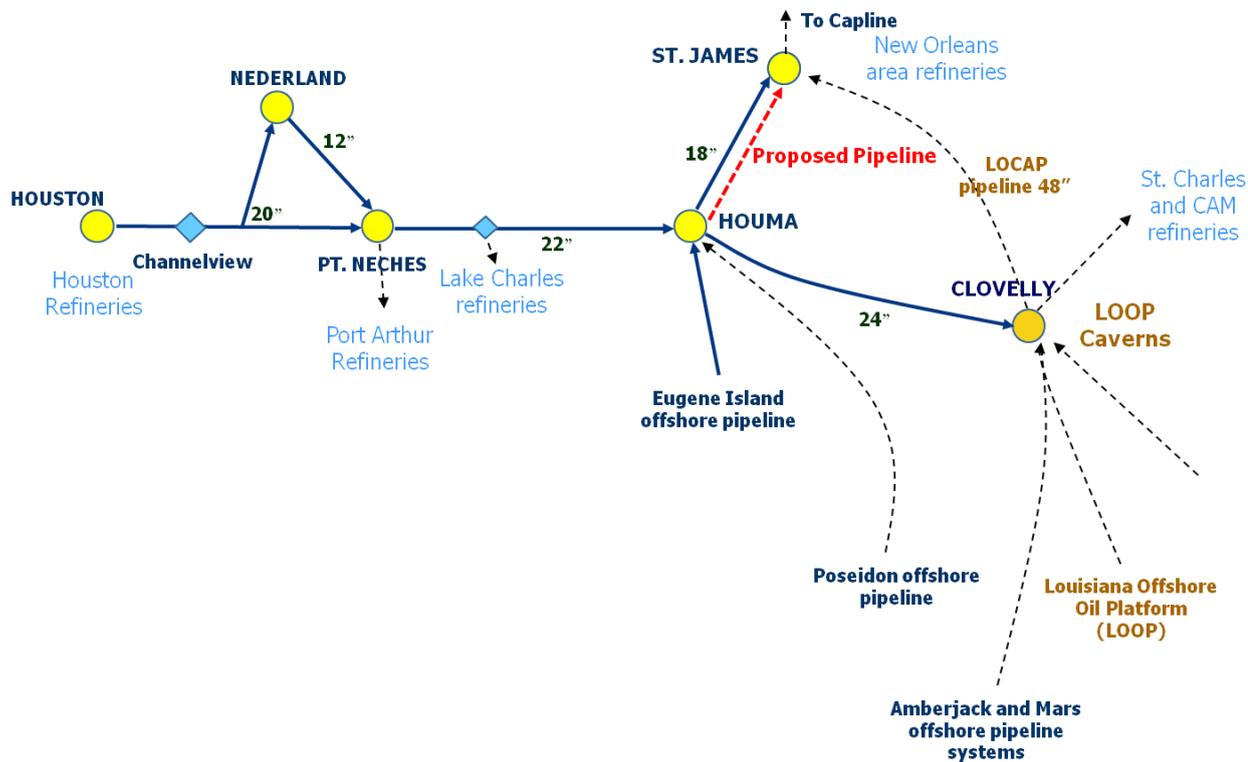
Zydeco’s current operating status:

- Zydeco’s 20” is operating at or near capacity in its current service
- Zydeco’s 18” is operating at capacity and prorated monthly
- Zydeco is a Federal Energy Regulatory Commission (“FERC”) regulated system
- Pro-rationing policy: shippers must build volume history (rolling 12-month average) to secure pipeline space during times of pro-rationing unless the shipper is a committed shipper with priority capacity between Houston, TX and Clovelly, LA or between Nederland TX or Pt. Neches, TX and Clovelly, LA
- Zydeco is operated as a batched system

THE ZYDECO PIPELINE PROJECT

Shipper demand has exceeded capacity from Houma to St. James resulting in proration of the line over the past one and a half years. Consistent shipper demand to access the Saint James market from Texas and from offshore, together with forecasted increases in offshore production and domestic supply into Texas origins, indicate that the market will need additional capacity between Houma and Saint James.

ZYDECO PIPELINE



TERMS FOR PROPOSED TRANSPORTATION SERVICES AGREEMENT

Some of the principal terms that Zydeco expects to be contained in the definitive Transportation Services Agreement (“TSA”) are set forth below. A draft of the definitive TSA would be provided in a future binding open season. Zydeco asks interested parties to take the following principal terms into account in the non-binding indication of interest they prepare to submit.

1. **Priority Service:** Subject to regulatory approvals, during the term of the TSA, the volume commitment of the committed shippers would receive priority service allocation of capacity (i.e., under ordinary operating conditions, would not be subject to proration to accommodate uncommitted shipper volumes).
2. **Pipeline Loss Allowance (“PLA”):** The PLA for committed shippers would be 0.15%.
3. **Viscosity Surcharge:** Crude petroleum which fits certain criteria regarding viscosity may incur an additional surcharge or be subject to other conditions.
4. **Shrinkage Deduction:** Crude petroleum having an API gravity of 45° or above would incur the Zydeco standard deduction to cover shrinkage and incremental evaporation.
5. **Indexing of Rates:** The FERC indexation factor for oil pipelines rates would apply, but would not be reduced if the index were to be negative.

Indication of Interest:

Zydeco is soliciting various parties' interest in participating in the above described Project. If Zydeco determines that sufficient interest exists it may proceed to a binding open season TSA offering.

Interested parties should first execute a Confidentiality Agreement with Zydeco. This will allow Zydeco the opportunity to discuss with them their interest in the Project. Prior to December 11, 2015 at 5:00PM CDT, interested shippers will be requested to confirm their interest by submitting a written indication of interest after initial conversations have taken place.

For additional information and a copy of the Confidentiality Agreement, please contact:

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