

December 6, 2011

TLLP-NYSE--Outperform (1) / V

Small Cap Pipeline MLPs

TLLP: Highlights from the Wells Fargo Energy Conference

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Tesoro Logistics L.P.

Price as of 12/6/2011: \$29.53

Sector Rating: Small Cap Pipeline MLPs, Overweight

TLLP announced preliminary financial expectations for 2013. Net-net, the guidance is positive and above our prior expectations. In total, the partnership expects to generate \$100MM of EBITDA in 2013, which is above our previous estimate of \$83MM (excluding our assumed 2013 drop-down of \$100MM). Growth will be supported by a combination of organic growth expenditures and an expected 2012 drop-down of the Martinez Crude Oil Marine terminal from the GP sponsor Tesoro Corp. (TSO). While the size of the potential 2012 drop down appears to be smaller than our previous estimate (i.e. \$80MM assuming a 10x multiple versus our previous estimate of \$100MM), TLLP's growth capex budget for 2012-13 of \$100MM is well above our previous forecast of \$56MM. We maintain our positive outlook on TLLP and our Outperform rating.

First Drop-Down Identified. TLLP expects to acquire the Martinez Crude Oil Marine Terminal in 2012 as its first 2012 drop-down from sponsor TSO. Management anticipates additional drop-downs throughout 2012 and 2013. The acquisition will be funded through available capacity on the partnership's revolving credit facility. The Martinez Marine Terminal has a projected volume of 70,000 Bbl/d, a wharf capacity of 145,000 Bbl/d, storage capacity of 425,000 Bbl/d, and transportation pipelines connected to Tesoro's Martinez, CA Refinery. The partnership has contracted a ten-year commitment (i.e. two five-year renewals) with committed capacity equal to 90% of projected volumes. TLLP projects the asset will generate \$8MM in annual EBITDA with \$0.5MM of annual maintenance capital expenditures. Assuming the asset is sold to TLLP at a 10x EBITDA multiple, the drop down could total approximately \$80MM.

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- 1) All views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers discussed; and
- 2) No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this research report.

FY 11 DCF/unit: \$1.81

FY 12 DCF/unit: \$1.98

Shares Out.: 30.5 MM

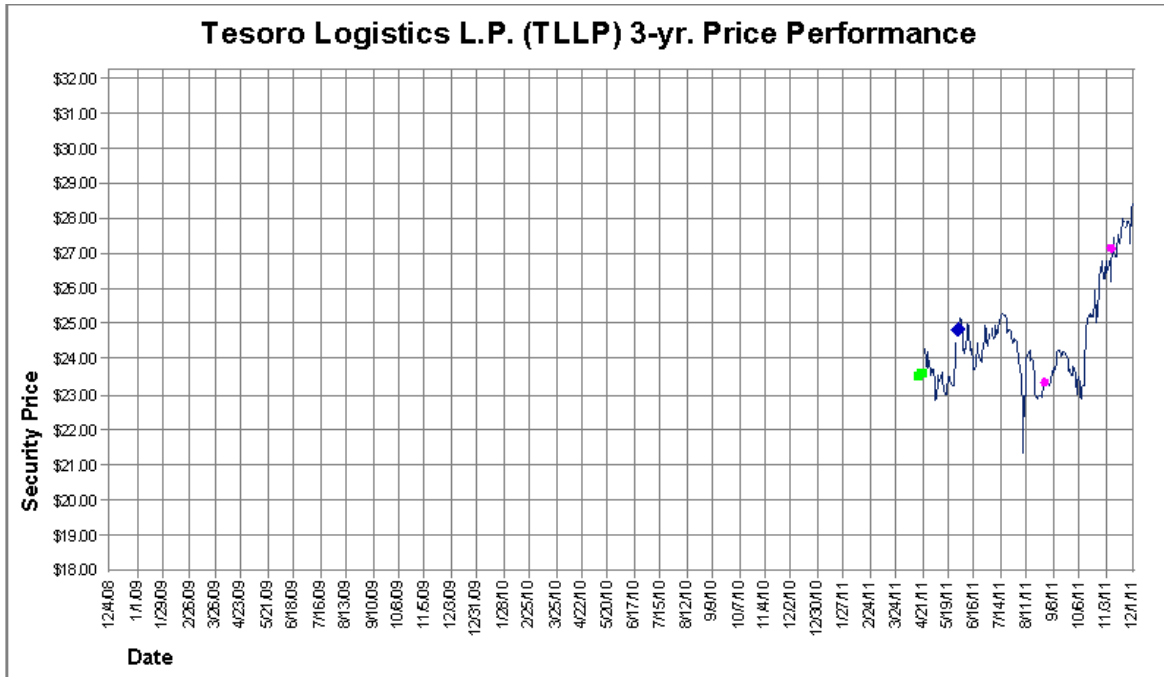
Market Cap.: \$900.67 MM

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DISCLOSURE APPENDIX

Required Disclosures



	Date	Publication Price (\$)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price (\$)
□	4/20/2011		IPO at \$21.00			
	5/31/2011		Lui			
◆	5/31/2011	24.49	1	26.00	28.00	24.84
●	9/1/2011	23.44	1	25.00	27.00	23.30
●	11/10/2011	25.89	1	26.00	28.00	27.13

Source: Wells Fargo Securities, LLC estimates and Reuters data

Symbol Key

▼	Rating Downgrade	◆	Initiation, Resumption, Drop or Suspend
▲	Rating Upgrade	■	Analyst Change
●	Valuation Range Change	□	Split Adjustment

Rating Code Key

1	Outperform/Buy	SR	Suspended
2	Market Perform/Hold	NR	Not Rated
3	Underperform/Sell	NE	No Estimate

Additional Information Available Upon Request

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TLLP: Risks to the units trading below our valuation range include a slower-than-forecasted rate of acquisitions, dependence on TSO, and geographic concentration.

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1 = Outperform: The stock appears attractively valued, and we believe the stock's total return will exceed that of the market over the next 12 months. BUY

2 = Market Perform: The stock appears appropriately valued, and we believe the stock's total return will be in line with the market over the next 12 months. HOLD

3 = Underperform: The stock appears overvalued, and we believe the stock's total return will be below the market over the next 12 months. SELL

SECTOR RATING

O = Overweight: Industry expected to outperform the relevant broad market benchmark over the next 12 months.

M = Market Weight: Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.

U = Underweight: Industry expected to underperform the relevant broad market benchmark over the next 12 months.

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V = A stock is defined as volatile if the stock price has fluctuated by +/-20% or greater in at least 8 of the past 24 months or if the analyst expects significant volatility. All IPO stocks are automatically rated volatile within the first 24 months of trading.

As of: December 6, 2011

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